REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2018

coface

FOR TRADE

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

This registration document was filed with the French Financial Markets Authority on April 3rd, 2019, in accordance with Article 212-13 of the general regulations of the French Financial Markets Authority. This document may only be used in support of a financial transaction if it is supplemented by a transaction note approved by the French Financial Markets Authority. This document has been prepared by the issuer and its signatories assume responsibility for it.

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

REGISTRATION DOCUMENT **2018**

OVERVIEW OF COFACE

LEARN KEY FACTS ABOUT COFACE IN JUST A FEW MINUTES

IMPORTANT INFORMATION – The information contained in this document is a free translation of the French Registration Document registered with the French Market Regulator (AMF) under the visa D.19-0261 and while efforts are made to provide an accurate translation, there may be material errors, omissions or inaccuracies in the reporting. In no way does Coface assume any responsibility for any investment or other decisions made based upon the information provided on this translation. The original language version of the document in French prevails over the translation.

coface FOR TRADE

COFACE is a **leading player** in **credit insurance** and risk management. With over **70 years** of experience and the most finely meshed international network, we **facilitate inter-company trade** by helping our clients to develop commercial transactions both in their own market and for export. Our experts work to the beat of the global economy.

Highlights **2018**

4,131
employees[(1)]

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

169%
solvency ratio[(2)]

€122m
net income

Rating agencies

Moody's
A2 Stable outlook

FitchRatings
AA- Stable outlook

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

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

Our tag line reflects our ambition and deep commitment to trade.
We make trade / business / simpler.

Coface's purpose and culture are based on **three pillars:**

A CONVICTION
that trade is a driver for creating value and stability.

/

A VISION
to become the most agile credit insurance partner in the sector.

/

A COMMITMENT
to support our clients, protect and assist them in their growth, and contribute to the smooth running of the economy.

It is based on four values which guide our employees in their professional activity each and every day:

OUR VALUES

1 CLIENT FOCUS

Customer satisfaction as a priority
Offers, service levels and flexibility.

Market connections
Monitoring of macroeconomic trends and competition.

Strong long-term relationships
With brokers and partners.

2 EXPERTISE

Operational
Underwriting, risk, sales, systems, processes.

Markets
Geographic and sector-based.

Leadership
Employee management.

3 COLLABORATION

Between functions

Between countries

Transparency

4 COURAGE AND ACCOUNTABILITY

Accountability for results
Finding a balance between growth and risk.

Transparency of authorisations
And of reporting.

Involvement of local teams
Participatory strategic and budget processes.

GLOBAL **SCALE,** LOCAL **PROXIMITY**

BREAKDOWN OF REVENUE BY REGION IN 2018

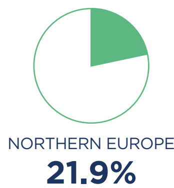
LATIN AMERICA
5.2%

ASIA-PACIFIC
6.9%

NORTH AMERICA
9.1%

CENTRAL EUROPE
9.7%

WESTERN EUROPE
20.5%


NORTHERN EUROPE
21.9%

MEDITERRANEAN AND AFRICA
26.7%

Directly:

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

Indirectly, the Group uses:

- **freedom of services** within Europe, to issue contracts from another European country where it has a licence;
- the occasional issue of contracts from abroad, depending on the terms of the country concerned – **offshore;**
- an insurer that has the licence in the country concerned, which issues the contract and retrocedes all or part of the Group's risks, according to the principle of fronting – **Coface Partner.**

COFACE is present **directly,** or through its **partners,** in **100 countries.** This geographic network allows COFACE to be in close proximity to its clients, to underwrite risks in line with what is actually happening locally, right where those risks are located, and to rapidly launch collection procedures in over 200 countries.

A LEADING INTERNATIONAL NETWORK

NORTH AMERICA

- Canada
- United States

LATIN AMERICA

- Argentina
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

WESTERN EUROPE

- Belgium
- France
- Irland
- Luxembourg
- United Kingdom
- Switzerland

NORTHERN EUROPE

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

CENTRAL EUROPE

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

MEDITERRANEAN AND AFRICA

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

ASIA-PACIFIC

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

FIT TO WIN : THE RIGHT STRATEGY IN A MORE VOLATILE ENVIRONMENT

XAVIER DURAND,
Chief Executive Officer

// In 2019, we will continue to intensify our efforts on improving our operational efficiency and the quality of service **delivered to our clients,** throughout the world, and in all segments. //

2018 demonstrated the relevance of our strategy in a less buoyant economic environment. Claims were contained due to the efficiency of our risk management. In particular, we implemented a number of targeted initiatives to prevent the consequences of new risk factors that appeared during the year (slowdown in China, Brexit, confidence in Europe). Our results bear witness to this: our combined ratio improved by 7 percentage points over the year at 79.6% and our net income reached €122 million, a 47% increase.

COFACE has relentlessly continued to push ahead with its transformation, and we have made significant investments aimed at improving our organisation and the quality of service to our clients. We set up the Business Technology entity to bring IT and our businesses closer together, the Transformation Office to step up the pace of our transformation, and the innovation team to optimise our digital agility and support innovation at the core of our processes. For the first time in several years, we made an acquisition (PKZ* - Slovenia), and signed an innovative partnership with the trading platform Tradeshift*.

In 2019, the global economic environment will be less favourable and even more volatile than 2018. The initiatives carried out as part of Fit to Win have already produced proven results and we will continue with our rigorous risk management. We will continue our internal model project and will work on defining a new strategic plan which will take over from Fit to Win, to ensure COFACE is successful over the medium and long terms.

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

In September 2016, Coface launched a three-year strategic plan, called Fit to Win. The aim is to become the most agile global credit insurer with one watchword: THE CLIENT

To achieve that, the Group continues to:

STRENGTHEN
risk management and the quality of its information databases on companies.

IMPROVE
its operational efficiency while strengthening the service provided to its clients.

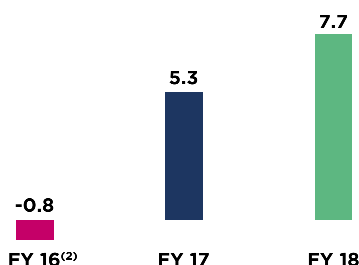
IMPLEMENT
a selective, profitable growth strategy.

The Group intends, at the same time, to develop its capital management model with the aim of strengthening its financial performance by maintaining first-class financial strength and financing its profitable growth.

UPDATE
AS OF DECEMBER 31, 2018

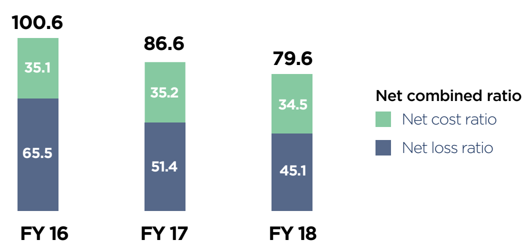
ROATE[1] (as a %)

> 9% (after optimising the capital* model)



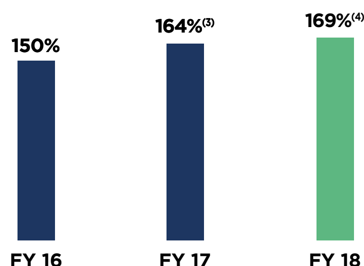
COMBINED RATIO (as a %)

83% through the cycle

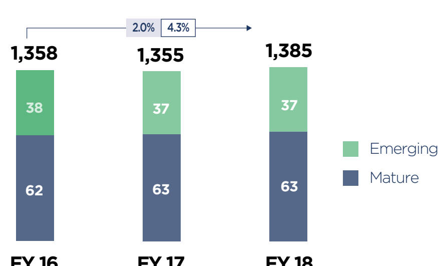


SOLVENCY (as a %)

in the upper range of the target of 140% - 160%



REVENUE GROWTH (in € million)



** Throughout the cycle and once the plan is implemented.*

(1) Return on equity net of average intangible assets

(2) Net income (Group share) restated for extraordinary items and the contribution of the State guarantees business line to net income.

(3) At the end of 2017, the solvency ratio was 164% (based on Coface's interpretation of Solvency 2, including a strict estimate of the factoring business line in order to anticipate the changes in solvency regulations). Not audited.

(4) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency 2 Regulations. The result of the final calculation could differ from this preliminary calculation. The estimated solvency ratio has not been audited. It includes a stricter estimate of the factoring business line.

RESPONSIVE **AND** AGILE **GOVERNANCE**

COFACE's governance enables it to define and implement Group strategy in accordance with the highest **principles of ethics and compliance.** In April 2018, the Board of Directors created a risk committee to ensure **the efficiency of the risk management and monitoring system,** and the existence and efficiency of the internal operational control system.

SHAREHOLDERS' MEETING
appoints and dismisses

BOARD OF DIRECTORS
proposes appointments and dismissals

CHIEF EXECUTIVE OFFICER (CEO)
chairs the three specialised committees of the General Management

BOARD OF DIRECTORS

COMPRISING 11 MEMBERS INCLUDING

- **45%** women
- **45%** independent[1]
- **9%** non-French
- **8 out of 11** are under the age of 60

Chairman of the Board ≠ Chief Executive Officer

- **6** meetings
- **94%** average participation rate

MAIN TOPICS EXAMINED IN 2018

- Company financial position, cash and commitment
- 2018 audit plan
- Risk mapping, mechanism to reinforce Level One controls
- Creation of a risk committee
- Co-option of Chairman of the Board of Directors
- Progress on the *Fit to Win* strategic plan

BOARD OF DIRECTORS' COMMITTEES[2]

ACCOUNTS AND AUDIT COMMITTEE

- **2 out of 3 members** including the Chairman, are independent
- **5** meetings
- **100%** participation rate

RISK COMMITTEE

- **1 out of 3 members** including the Chairman, is independent
- **3** meetings
- **100%** participation rate

NOMINATIONS AND COMPENSATION COMMITTEE

- **2 out of 3 members** including the Chairman, are independent
- **3** meetings
- **100%** participation rate

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

(1) The Company is controlled by Natixis within the meaning of Article L.233-3 of the French Commercial Code; the recommendation of Article 8.3 of the AFEP-MEDEF Code which requires this committee to include independent members comprising at least one third has therefore been met (see Section 7.3.3 "Declaration relating to the Company's control by the majority shareholder").

(2) Information relating to the three committees of the Board of Directors (as at December 31, 2018).

From left to right:
1 Xavier DURAND, Katarzyna KOMPOWSKA, Declan DALY and Thibault SURER
2 Pierre BEVIERRE, Antonio MARCHITELLI, Bhupesh GUPTA and Carine PICHON
3 Nicolas GARCIA, Cécile PAILLARD, Carole LYTTON and Nicolas de BUTTET
4 Armina ABAD SANCHEZ, Cyrille CHARBONNEL, Keyvan SHAMSA and Oscar VILLALONGA

THE THREE SPECIALISED COMMITTEES OF GENERAL MANAGEMENT

GENERAL EXECUTIVE COMMITTEE (GEC)

Xavier DURAND
CEO[1]

Pierre BEVIERRE
Human Resources Director

Nicolas de BUTTET
Transformation Office Director

Cyrille CHARBONNEL
Underwriting and Claims Director

Nicolas GARCIA
Commercial Director

Carole LYTTON
General Secretary

Carine PICHON
Chief Financial and Risk Officer

Keyvan SHAMSA
Business Technology Director

Thibault SURER
Strategy and Business Development Director

EXECUTIVE COMMITTEE

Carmina ABAD SANCHEZ
CEO Latin America region

Declan DALY
CEO Central and Eastern Europe region

Bhupesh GUPTA
CEO Asia-Pacific region

Katarzyna KOMPOWSKA
CEO Northern Europe region

Antonio MARCHITELLI
CEO Western Europe region

Cécile PAILLARD
CEO Mediterranean & Africa region

Oscar VILLALONGA
CEO North America region

HQ LEADERS COMMITTEE

Principal managers of the different head office functions

MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN

François RIAHI
CEO[1] Natixis

NON-INDEPENDENT DIRECTORS

Jean ARONDEL
Caisse d'Épargne Loire - Centre

Jean-Paul DUMORTIER
Banque Populaire Rives de Paris

Daniel KARYOTIS
Banque Populaire AURA

Isabelle RODNEY
Caisse d'Épargne Côte d'Azur

Anne SALLE MONGAUZE
CEGC

INDEPENDENT DIRECTORS

Éric HÉMAR
ID Logistics

Isabelle LAFORGUE

Nathalie LOMON

Sharon MACBEATH
Tarkett

Olivier ZARROUATI
Thélème SASU

(1) *CEO = Chief Executive Officer.*

OUR **BUSINESS,** IS **MANAGING RISK**

THE GROUP operates in a rapidly evolving environment that leads to numerous external risks, in addition to the risks inherent in the conduct of its businesses. In order to ensure risk management and prevention, COFACE has introduced an efficient governance system which ensures sound and prudent management of the business line. This governance system is built on a clear separation of responsibilities and is proportional to the nature, magnitude and complexity of the Group's operations. Our risk management system seeks to ensure the proper functioning of all the Group's business lines and processes, by controlling and monitoring identified risks.

5 MAIN TYPES OF RISKS

- Strategic
- Financial
- Credit
- Reinsurance
- Operational and non-compliance

4 KEY FUNCTIONS

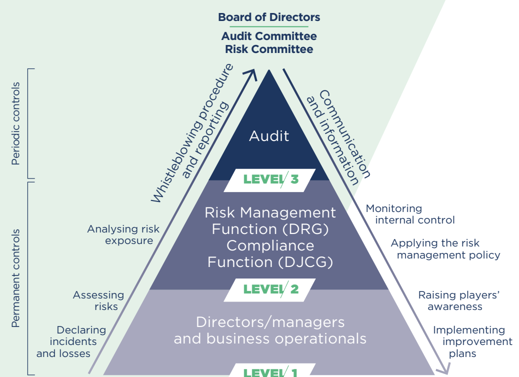
- Risk Management
- Compliance
- Internal Audit
- Actuarial

RISK MANAGEMENT MECHANISM

The risk management and internal control mechanism consists of three lines of defence with well-identified players for each level:

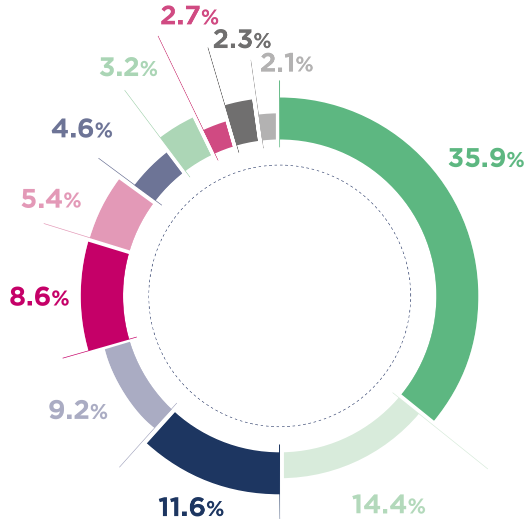
- Level one operational controls managed by businesses;
- permanent level two controls managed by the Group Risk and Compliance Departments; and
- periodic level three controls managed by the Group Audit Department.

In 2018, in line with its action plan, COFACE established a new centralised Levels One and Two control management system. The system provides an instantaneous view, for the entire scope, of the achievement rates for the controls, results and corresponding remediation plans.



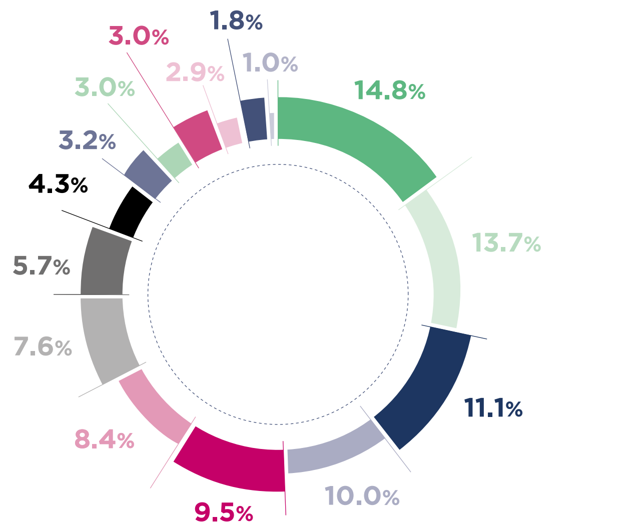
Risk management is described in Chapter 5 "Main risk factors and their management within the Group".

2018 TOTAL EXPOSURE(1)
THE TEN MOST SIGNIFICANT COUNTRIES



- Germany
- France
- Italy
- United States
- Spain
- United Kingdom
- Netherlands
- China
- Poland
- Japan
- Other

2018 TOTAL EXPOSURE(1)
BY DEBTOR'S BUSINESS SECTOR



- Agriculture. meat. agrifood and wine
- Minerals. chemicals. oil. plastics. pharmaceuticals and glass
- Construction
- Electrical. electronic. IT and telecom equipment
- Non-specialised retail
- Cars & bikes. other vehicles and transport
- Metals
- Mechanics and measurement
- Services to businesses and individuals
- Textiles. leather and clothing
- Other
- Paper, packaging and printing
- Collective services
- Financial services
- Wood & furniture

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

A RESPONSIBLE AND COMMITTED **LONG-TERM CREDIT INSURER**

COFACE has been involved for years in social, environmental and societal issues, as evidenced by its **signing on as early as 2003 to the UN Global Compact.**

In accordance with the new regulation, this year the Group is integrating its non-financial performance statement (NFPS), including the presentation of its principal non-financial risks and issues related to both its business line and business model.
To strengthen and integrate its responsibility strategy, which is at the heart of its business lines, in 2018 Coface conducted its first mapping of non-financial risks (in addition to the risk mapping already performed by the Group, see Section 5.1.3. "Defining and measuring risks").
This exercise, which has identified the main non-financial risks to which Coface is subject throughout its value chain, was performed in three phases.

2018 Indicators[1]

53% women

72 nationalities

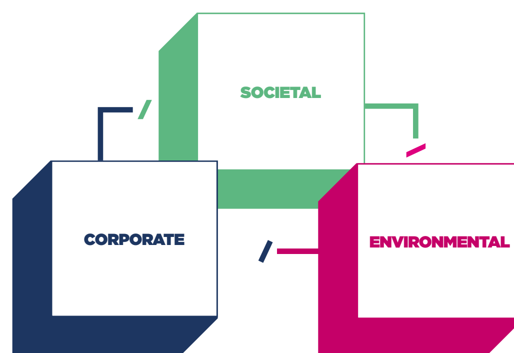
17 hrs per employee training

Women to Win Initiative

HQE French and German head offices certified

INTEGRATION OF ESG ISSUES(1)

Since 2015, the Coface Group has also drawn up a medium-term company-wide CSR plan under which it specifies the Group's corporate, environmental and societal values and makes a number of corresponding commitments to be implemented in the coming years.
This integration is an opportunity to improve our risk management and create additional value.



ENVIRONMENTAL	SOCIETAL	CORPORATE
▶ General environmental policy ▶ Sustainable use of resources ▶ Climate change	▶ Regional, economic and social impact ▶ Partnerships and corporate philanthropy ▶ Subcontracting and suppliers ▶ Socially Responsible Investment ▶ Fair practices and respect for human rights	▶ Human Resources and performance development policy ▶ Promoting diversity: fostering talent ▶ New management culture ▶ Talent management and compensation policy

RESPONSIBLE INVESTMENTS(1)

Coface pursues its CSR commitments by implementing its SRI policy. Measures for monitoring and analysis are designed to make our choices contingent on compliance with social and environmental objectives and the quality of governance of the companies in which we invest. Our SRI portfolio is therefore based on three cornerstones.

ESG FACTORS

Target #1 : risk management

- Preservation of the asset value in the long term
- Exclusion of controversial companies: lists of international economic and financial sanctions (FATF, EU/US embargo, etc.), APM or CB(2)

Target #2 : support our reputation

- Nine out of ten managers have signed the PRIs(3)
- Dialogue between Coface and its managers

80% of the monitored portfolio is rated

An ESG rating is given by Amundi every quarter

VOTING RIGHTS AND COMMITMENTS

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

- Dialogue with Amundi, beforehand, and, if necessary, dialogue with shareholders
- Participation in Shareholders' Meetings
- Annual reporting on votes

Monitoring of the voting rights policies of all equity UCITS

CARBON FOOTPRINT

Monitor the carbon risk

Contribute actively to sustainable development

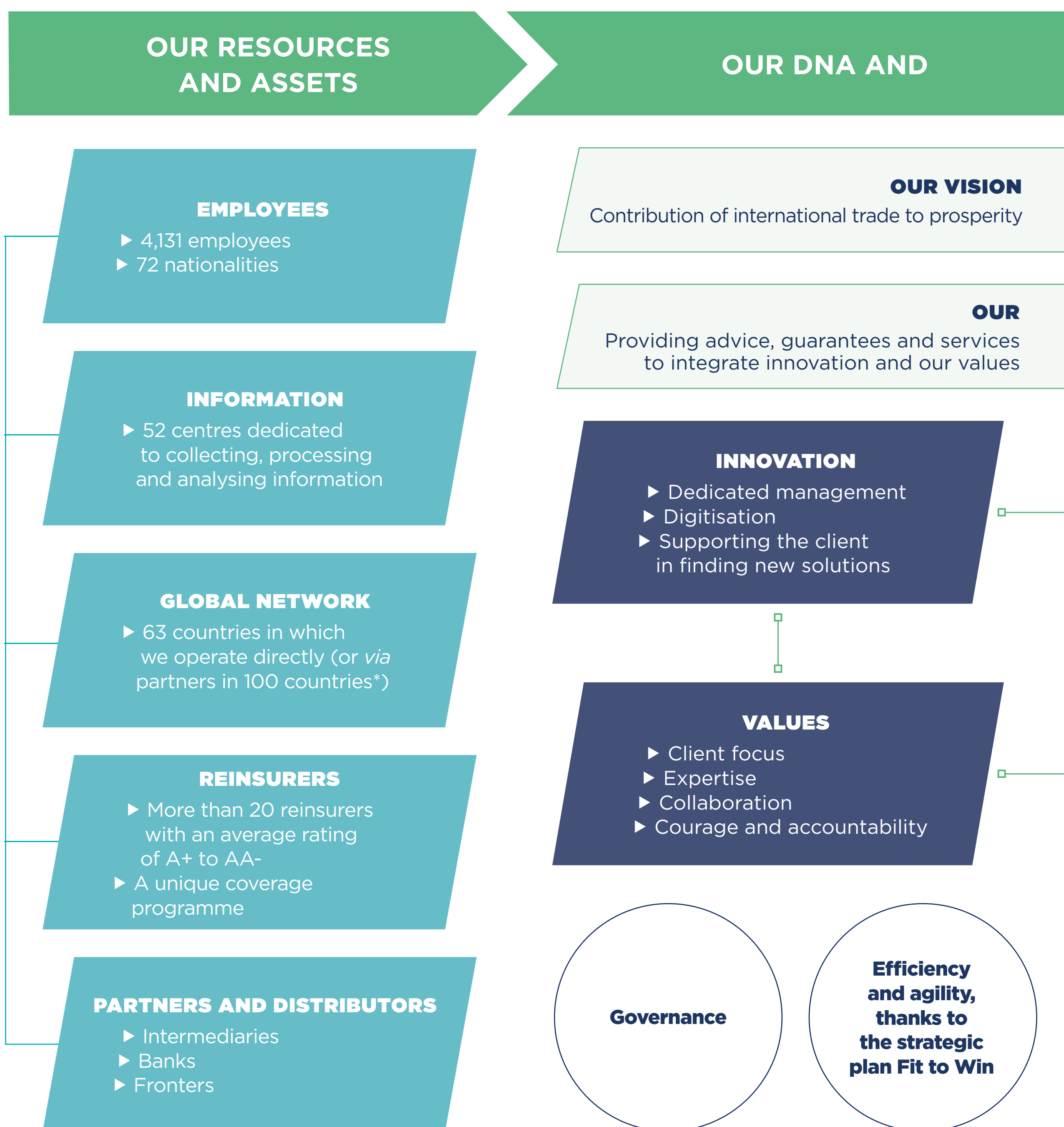
Quarterly reporting (*via* Amundi)

- Presentation of carbon emissions and reserves
- Sector and geographical contributions
- Analysis by millions of euros invested
- Analysis by millions of euros of revenue
- Three scope levels

(1) Comments on CSR as well as the reporting methodology are presented in Chapter 6 "Declaration of non-financial performance".
(2) APM = Anti-personnel mines; CB = cluster bombs.
(3) PRI = Principles for Responsible Investment.

BUSINESS MODEL

In line with the requirements related to the non-financial performance declaration, this year COFACE presents its business model, reflecting its **vision** and its **commitment** to support its clients wherever they operate.



*See page 4 "Availability of credit-insurance offer".

PERFORMANCE DRIVERS

AND AMBITION
and peace – Coface is FOR TRADE

TASKS
to our clients based on our ability
in the core of our business

BUSINESSES
- Credit insurance
- Factoring
- Surety bonds
- Services

Risk management

Compliance

OUR CREATION OF SHARED VALUE

FINANCIAL
- €1,385 million of revenue
- €204 million of operating income

SHAREHOLDERS AND FINANCIAL PARTNERS
- €39 million of savings generated
- Distribution of at least 60% of net income, increased to 100% in 2018

HUMAN
- Lead Together: More than €1 million in 2018 and 2019

EMPLOYEES
- 53% women / 47% men
- 92% participation rate in the My Voice survey

ENVIRONMENT & SOCIETY
- SRI (97% asset coverage in SRI)
- Coface Trade Aid

CUSTOMERS
- 50,000 companies(1)
- Total exposure: €540 billion
- Claims amount: €476 million

COMMERCIAL PARTNERS
- Enhancement of the offering

(1) With at least one active contract in our various business lines.

COFACE **SHARES**

STOCK MARKET PROFILE	2018
TRADING	Euronext Paris (compartment A), eligible for deferred settlement service (SRD)
ISIN CODE	FR0010667147
REUTERS CODE	COFA.PA
BLOOMBERG CODE	COFA FP
STOCK MARKET INDEXES	CAC All Shares, CAC All-Tradable, CAC Financials, CAC Mid & Small, CAC Small, Next 150
SHARE CAPITAL	€307,798,522
NUMBER OF SHARES	153,899,261
MARKET CAPITALISATION (PRICE USED ON DECEMBER 31, 2018: €7.93)	€1,220,421,139.73
EARNINGS PER SHARE	€0.79
DIVIDEND PER SHARE(1)	€0.79
HIGHEST PRICE (2018)	€10.56 (Apr. 26, 2018)
LOWEST PRICE (2018)	€7.21 (Dec. 19, 2018)

(1) The proposal to distribute €0.79 per share is subject to the approval of the Annual Shareholders' Meeting of May 16, 2019 (see Section 7.7).

SHARE PRICE IN 2018

SIMPLIFIED **ORGANISATIONAL STRUCTURE**[1]

NATIXIS 42.14%

Free float 57.86%

COFACE GROUP

COFACE SA — 100% — COFACE Re

COFACE SA — 100% — Compagnie française d'assurance pour le commerce extérieur

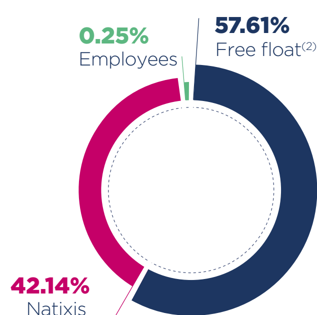
Compagnie française d'assurance pour le commerce extérieur:

- 100% — **Coface** Poland Factoring (Poland)
- 100% — **Coface** Finanz (Germany)
- 100% — **Credit insurance branches:**
  - Germany
  - Austria
  - Italy
  - United Kingdom
  - Spain
  - Hong Kong
  - Singapore
  - Australia
  - Argentina
  - Canada
  - etc.
- 100% — **CNAIC** (United States) — 100% — **Coface** Seguro Credito
- 100% — **Coface** Chile — 75,8% — **Seguradora** Brasileira C.E.
- 100% — **Coface** Sigorta Turkey — 100% — **Coface** Do Brasil
- 100% — **Coface** South Africa — 100% — **Coface** Rus Insurance
- And other subsidiaries and investments

Factoring   *Credit insurance*

STRUCTURE OF **SHARE OWNERSHIP**

AT DECEMBER 31, 2018



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

The chief operating subsidiary of the Coface Group is Compagnie française d'assurance pour le commerce extérieur, with a net income of €62.8 million for the financial year ended December 31, 2018. This subsidiary, which is wholly owned by the Company, is a French société anonyme, with share capital of €137,052,417.05, and registered with the Nanterre Trade and Companies Register under company number 552 069 791.

Compagnie française d'assurance pour le commerce extérieur is therefore the principal operating company and the principal insurance company of the Coface Group. It also owns the two Group companies authorised to engage in the factoring business line: Coface Finanz in Germany and Coface Factoring Poland in Poland (see the list of entities in the "Scope of consolidation" of the Group's consolidated financial statements – Chapter 4. The relationship between the parent company and subsidiaries is presented in detail in Note 38).

(2) Including 2,600,240 treasury shares, or 1.69% of the capital including 0.08% from the liquidity agreement, 0.50% from transactions on treasury shares – LTIP and 1.11% from share buyback) – see section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".

FINANCIAL PRESS RELEASES PUBLISHED IN 2018

DATE OF PUBLICATION	PURPOSE
Feb. 12, 2018	Full-year results 2017: Coface doubles net income to €83.2m, and activates the capital optimisation lever provided for in its Fit to Win plan
Feb. 12, 2018	COFACE SA announces a share buyback operation targeting a total amount of 30 million euros
Apr. 5, 2018	Coface announces the publication of its 2017 Registration Document
Apr. 13, 2018	Combined Shareholders' Meeting on May 16, 2018 at 9am (CET)
Apr. 24, 2018	Coface results for 1st quarter 2018: net income of €35.5m and RoATE at 8.8%. Fit to Win execution drives profitability in a supportive economic environment
May 4, 2018	Publication of SFCR Group and Standalone as of December 31, 2017
May 14, 2018	Disclosure of total number of voting rights and number of shares in the capital as at May 11, 2018
May 17, 2018	Combined Shareholders' Meeting of May 16 2018 adopted all the proposed resolutions
Jun. 14, 2018	COFACE SA announces €300m syndicated loan agreement for its Polish subsidiary Coface Poland Factoring
Jun. 27, 2018	Coface sells its stake in Cofacrédit
Jul. 5, 2018	Half-year statement of the liquidity agreement of COFACE SA and transfer of the initial contract with Natixis to ODDO BHF
Jul. 16, 2018	Coface appoints Carmina Abad Sanchez to lead its Latin America region
Jul. 25, 2018	Coface results as at June 30, 2018: in the first half of 2018, Coface continues to record a solid performance in a gradually normalising risk environment
Aug. 29, 2018	Fitch affirms Coface AA- rating, with an outlook 'stable'
Sep. 6, 2018	Coface announces the signature of an agreement to acquire PKZ, the credit insurance subsidiary of SID Bank
Oct. 19, 2018	AM Best assigns A (Excellent) rating to Coface North America Insurance Company, with stable outlook
Oct. 24, 2018	Coface results at September 30 2018: Coface reports a solid performance confirming the relevance of its strategy and launches additional €15m share buyback programme
Oct. 25, 2018	COFACE SA launches an additional share buyback programme targeting a total amount of 15 million euros
Oct. 13, 2018	Keyvan Shamsa appointed Business Technology Director
Dec. 19, 2018	Capital reduction by cancellation of treasury shares

Full regulated financial information can be found on the Group website at https://www.coface.com/Investor

2019 FINANCIAL CALENDAR (SUBJECT TO CHANGE)

- 2018 results: February 11, 2019, after market close
- Q1-2019 results: April 24, 2019, after market close
- Publication of 2018 SFCR (Group and Standalone): April 19, 2019
- 2018 Shareholders' Meeting: May 16, 2019
- Ex-dividend date: May 22, 2019
- Payment of dividend: May 24, 2019
- H1-2019 results: July 25, 2019, after market close
- 9M-2019 results: October 23, 2019, after market close

1. PRESENTATION OF THE COFACE GROUP

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

A relevant strategic plan

In 2018, the Coface Group intensified the initiatives that it rolled out in the context of Fit to Win, the strategic plan we launched in late 2016, to get even closer to our major goal - to become the most agile credit insurance partner in the sector.

We are operating in an increasingly volatile environment and, as we anticipated, the risk of payment default is gradually becoming a standard part of business. Against this background, Coface has delivered solid performance. Our growth is accelerating (up 4.6%) as a result of the strong business generated by policyholders and a record retention level of 91.1% for the Group. Our net cost ratio fell by 0.7% to 34.5%, a result of our ongoing efficiency improvements. We generated €39 million in savings, exceeding our target of €30 million for the year. We have continued to actively manage our risks in close collaboration with our clients, and have reduced our loss ratio by 6.2%. By proactively adapting to the cycle, we have taken targeted underwriting actions in high-risk countries such as Argentina, Turkey and the United Kingdom, and in key sectors such as commodities, metals, retail and automotive. Confident in the strength of our balance sheet, we launched two share buyback plans totalling €45 million to enable us to continue optimising our capital efficiency, thus achieving a pay-out ratio of 100%. The progress we are making has been recognised, as evidenced by the recent award to Coface North America by rating agency AM Best of an IFS rating of “A Excellent”.

At the same time, we are continuing our transformation towards a long-term value creation model. In 2018, we affirmed this goal by changing our tag line: For Trade. Simpler, clearer and with more of a punch, this new tag line (re)affirmed Coface’s commitment to trade and to the players involved in it. We remain dynamic and ambitious, as illustrated by the purchase of PKZ, a leading credit insurance provider in Slovenia, thus strengthening our presence in Central and Eastern Europe. Our new innovation team is accelerating our digitisation so that we can provide a better service to our clients. By signing a partnership with Tradeshift, a supply chain marketplace leader, our goal is to develop an innovative digital solution to provide 1.5 million companies across 190 countries with access to our risk management and information services.

Our company’s transformation will also be measured by our ability to improve our tools and internal processes to guarantee our clients the very best service quality. This transformation relies on a new culture and on the commitment shown by our teams. We are continuing to work on the CSR component, and ISS-Oekom, a rating agency specialising in ESG, has awarded us “Prime” status for our performance on environmental, social and governance issues (ESG), placing Coface among the world’s top 10% of insurance companies (out of 141 companies).

The coming year is crucial, as it is the last year of our Fit to Win strategic plan. This is why we will be preparing for the future and resolutely redoubling our strategic actions, while adapting to changes in the economic environment and risks. The Group’s cultural transformation is on the right track and the pace will continue to pick up around our major objectives - stronger client focus, expertise, collaboration, courage and accountability. Let’s Win!

Xavier Durand
Chief Executive Officer (CEO)

1.2 HISTORY OF THE GROUP

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

The key dates of its history are described below.

1.2.1 Creation and changes to shareholding structure

1946

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

1994

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

2000

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

2002

Natexis Banques Populaires, established through the acquisition by the Caisse centrale des banques populaires of Natexis, the latter resulting from the merger of the Group’s two original shareholders (Banque française du commerce extérieur and Crédit national), acquired 35.26% of Compagnie francaise d’assurance pour le commerce exterieur’s share capital from SCOR and became its majority shareholder, owning 54.4% of the share capital.

2006

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

2009 and 2010

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

2014

On June 27, the Company launched an IPO on Compartment A of the Euronext Paris regulated market. The offering concerned a total of 91,987,426 shares, *i.e.*, 58.65% of its capital and voting rights.

2018

As of December 31, Natixis’ shareholding in the Company’s capital is 42.14% The Company proceeded with two share buyback programmes, of €30 million and €15 million respectively, under the second pillar of Fit to Win, with the aim of improving the capital efficiency of its business model.

Average market capitalisation for 2018 was €1,360,608,278.34.

1.2.2 Internationalisation

1992

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

1993

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

1996

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

1997

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

2002

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

2014

As part of its sales development, Coface reorganised its international network of partners, CreditAlliance, and renamed it Coface Partner, to draw on the strength of networks of larger scale than the Group’s own commercial network.

1.2.3 Strategy and internationalisation

2002

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

2011-2013

In 2011, to back the refocusing of its activities on its core business, credit insurance, the Group launched the Strong Commitment plan and set up some 80 structuring measures to clarify and optimise its business model around credit insurance. Implementation of this plan addressed three essential concerns: (i) focusing on the fundamental elements of credit insurance, its core business, (ii) laying the groundwork for a sustainable and profitable growth model, and (iii) implementing a structured, flexible and innovation-oriented form of governance.

2015

- On July 29, 2015, the French State announced its decision to transfer the State guarantees management activity, carried out by Coface, to the Bpifrance group, and agreed with Compagnie française d'assurance pour le commerce extérieur on the financial terms of such transfer. Management of State export guarantees was a services business that Coface carried out on behalf of the French State.
- The amended French Finance Act of December 29, 2015 (No. 2015-1786) specified the transfer of this management no later than December 31, 2016. The December 29, 2016 Finance Act (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017.

2016

In the first half of 2016, the Group was faced with declining profitability. To address this volatile environment, it produced a three-year strategic plan called Fit to Win, with a two-fold ambition: becoming the most agile global credit insurer, and steering its management model towards a more efficient capital model (see Section 1.6 "Strategy of the Group")

2017

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

2018

The Group's operating results have proven the relevance of the Fit to Win plan. In 2018, the loss ratio was 45.1%, an improvement of 6.2 percentage points, and we generated €39 million in savings, surpassing the targets associated with our strategic plan. The Group initiated the purchase of PKZ, a leading credit insurance provider in Slovenia, in an effort to expand its presence in Central and Eastern Europe.

In terms of innovation and digitisation, Coface signed a major partnership with Tradeshift, a world leader in supply chain marketplaces, to develop new digital solutions for its clients worldwide.

1.3 DESCRIPTION OF PRINCIPAL ACTIVITIES

The Group's activities are mainly focused on credit insurance, which represented 88.9% of its revenue in 2018. This entails providing businesses with solutions to protect them against the risk of client debtor insolvency in both their domestic and export markets.

The Group is also present in the factoring market, in Germany and in Poland, and in the surety bond market. In some countries, mainly in Central Europe and Israel, the Group sells information and debt collection products.

The following table presents the changes in the contribution of these activities to the Group's consolidated revenue at December 31 for the 2016-2018 period:

Consolidated revenue by business line

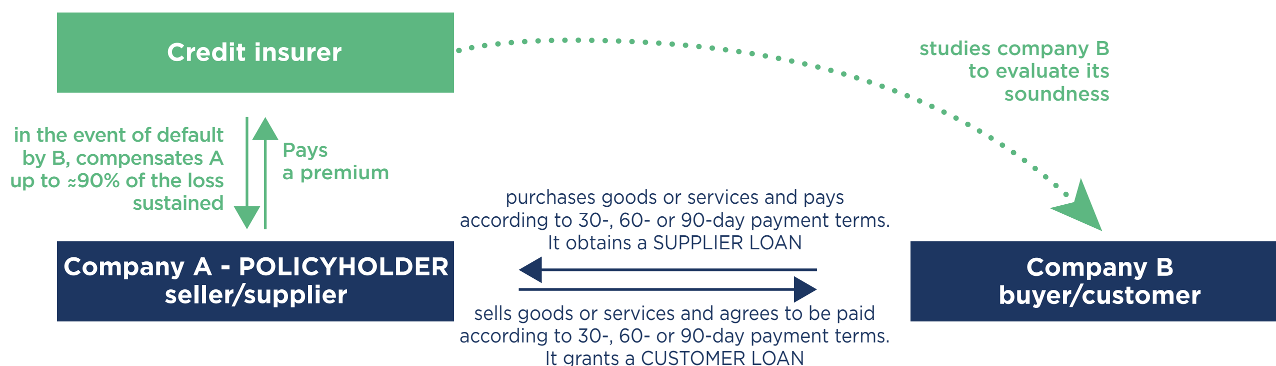
(in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2016	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Gross earned premiums – Credit		*1,068,404*	*77.2%*	*1,029,499*	*76.0%*	*1,039,916*	*73.7%*
Gross earned premiums – Single Risk		*26,779*	*1.9%*	*27,190*	*2.0%*	*24,451*	*1.7%*
Gross earned premiums - credit insurance		**1,095,183**	**79.1%**	**1,056,689**	**78.0%**	**1,064,367**	**75.4%**
Fee and commission income (1)		**132,418**	**9.6%**	**128,914**	**9.5%**	**128,795**	**9.1%**
Other insurance-related services (2)		**3,637**	**0.3%**	**4,382**	**0.3%**	**5,882**	**0.4%**
Remuneration of public procedures management services		**0**	**0.0%**	**574**	**0.0%**	**53,361**	**3.8%**
Revenue from credit insurance business	**1.3.1/1.5.1**	**1,231,238**	**88.9%**	**1,190,559**	**87.9%**	**1,252,405**	**88.7%**
Gross earned premiums – Guarantees	**1.3.3/1.5.3**	**47,425**	**3.4%**	**53,008**	**3.9%**	**50,773**	**3.6%**
Financing fees		35,295	2.5%	39,472	2.9%	35,545	2.5%
Factoring fees		32,416	2.3%	33,884	2.5%	35,557	2.5%
Other		(998)	(0.1%)	(1,314)	(0.1%)	(483)	(0.0%)
Net income from banking business (factoring)	**1.3.2/1.5.2**	**66,713**	**4.8%**	**72,043**	**5.3%**	**70,619**	**5.0%**
Business information and other services		28,550	2.1%	27,436	2.0%	25,170	1.8%
Receivables management		10,809	0.8%	11,886	0.9%	12,330	0.9%
Revenue from information and other services	**1.5.4**	**39,359**	**2.8%**	**39,322**	**2.9%**	**37,500**	**2.7%**
CONSOLIDATED REVENUE	**NOTE 21**	**1,384,735**	**100.0%**	**1,354,933**	**100.0%**	**1,411,297**	**100.0%**

(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

1.3.1 Description of the credit insurance business line

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

The following diagram illustrates the credit insurance mechanism.



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

Preventing the risk of non-payment through credit insurance solutions requires collecting relevant, reliable and up-to-date information about debtors and their economic environment. Information held by the Group on the solvency of debtors is the basis for its credit insurance offerings. It is factored into decisions taken regarding the coverage granted daily by its risk underwriters (see Section 1.5.1 below "Credit insurance and related services").

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

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

In the event that a receivable is not paid by the debtor, the Group handles the recovery of unpaid receivables, to limit the loss and release the policyholder from managing this dispute phase. As such, the policyholder preserves its commercial relations with its debtor as much as possible. The Group leads negotiations and, if necessary, litigation proceedings, to recover the amounts owed (see Section 1.5.1 "Credit insurance and related services").

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

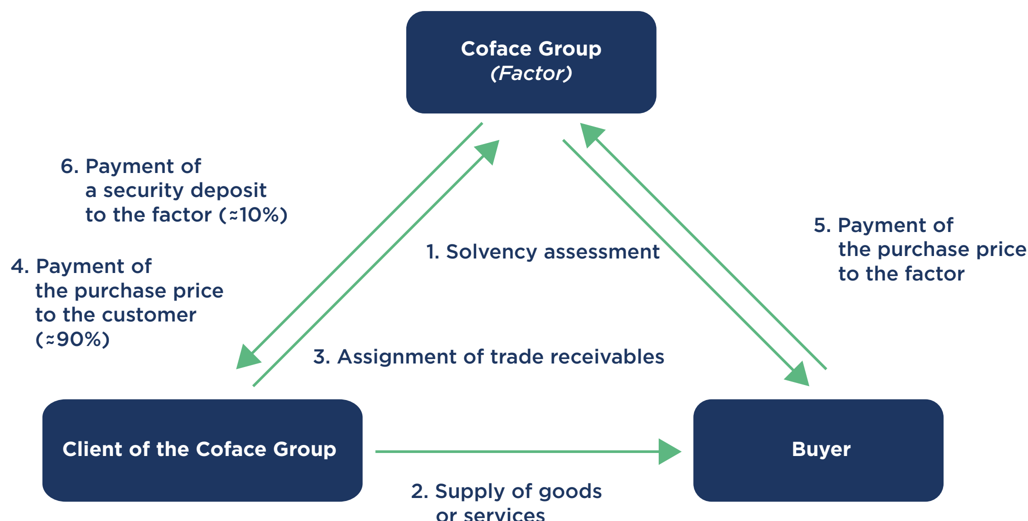
1.3.2 Description of the factoring business line

Factoring is a financial technique whereby a factoring company (the factor) finances and, if necessary, manages the trade accounts of a company by acquiring its trade receivables. Depending on the type of factoring, in the event of an unpaid receivable, the loss may either remain at the expense of the factor, or it may be recovered from the Company.

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

- by having immediate access to cash upon sale of their receivables (subject to the deposit of a security retention);
- by reducing their client risk, in the absence of recourse (*via* the transfer of risks of non-payment and recovery);
- by financing their growth without being held up by their working capital requirement.

The following diagram illustrates the factoring mechanism:



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

The Group combines its factoring business with its credit insurance expertise to offer the following products:

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

1.3.3 Description of the surety bond business line

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

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

The surety bonds issued by the Group have a fixed term (from a few weeks to a maximum of five years) and can be shared among several market players (generally banks and insurers).

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

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

1.4 PRESENTATION OF THE CREDIT INSURANCE MARKET AND THE COMPETITIVE ENVIRONMENT

1.4.1 Credit insurance market

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

The Group's principal activity concerns short-term credit insurance (defined by risks of no more than 12 months), which is a market representing around €8 billion of premiums. The Group is also active in the medium-term credit insurance market through its Single Risk offer. This is a global market which is often syndicated, with a value of some €1.8 billion of premiums. In 2018, the Single Risk business represented approximately 2% of the Group's consolidated revenue.

The Group believes that the credit insurance sector has significant growth potential. The credit insurance penetration rate in the total volume of trade receivables worldwide remains very low, estimated at some 5%, which means that there is a genuine opportunity for conquering new markets. However, although the sector grew by approximately 5% per annum between 2005 and 2009, this rate has then shrunk to about 3% and then to nearly zero growth in 2016, under the effect of pressure on prices, rebounding in 2017 (+3%) due to the global economy [1].

Sector growth depends on several factors, which are sometimes contradictory:

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

1.4.2 Competitive environment of the Coface Group

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

There are three global insurers: Coface, Euler-Hermes (a Belgian subsidiary of the Allianz group, which is itself listed on the Frankfurt stock exchange) and Atradius (a Dutch company belonging to Grupo Catalana Occidente, which is itself listed on the Madrid Stock Exchange). In 2017, the three insurers shared some 59% of the global market [2].

2017 credit insurance market share

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

Lastly, a growing number of participants tackle credit insurance with a niche strategy. This strategy allows them to partly bypass the high cost of establishing and maintaining a global debtor information database. These offers generally consist in delegating more broadly the selection of risks to policyholders that can demonstrate effective risk management; the insurer provides its financial strength to absorb shocks beyond a significant deductible. Among the players in this segment, AIG (United States) is the largest in terms of credit insurance earned premiums.

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

(2) Global market shares are calculated on the basis of gross short-term credit insurance premiums, including markets under State monopoly in 2017. Sources: i) Official market sources, often at the behest of regulators, and sometimes published by a consolidating organisation (for example, Latino Insurance in Latin America. ii) Published consolidated financial statements, when they show the share of gross credit insurance premiums. iii) ICISA data (www.icisa.org), consolidated and published by the association upon declaration by its members. iv) Group estimates, as a last resort.

1.5 GROUP ACTIVITIES AND POSITIONING

The Group generates its consolidated revenue of €1,385 million from approximately 50,000 [1] clients. Average annual income per client is less than €30,000 and is generated in very diversified business sectors and geographic regions.

The Group does not consider itself to be dependent on particular policyholders; thus, for the financial year ended December 31, 2018, the largest policyholder represented less than 1% of the Group's consolidated revenue.

1.5.1 Credit insurance and related services

For the financial year ended December 31, 2018, credit insurance products and related services generated revenue of €1,231.2 million, or 88.9% of the Group's consolidated revenue. The following table presents the changes in the contribution of this business line to the Group's consolidated revenue during the 2016-2018 period (in thousands of euros and as a percentage of the Group's total).

Share of consolidated revenue Credit insurance *(in thousands of euros and as a % of the Group total)*	**See also Section**	**Dec. 31, 2018**		**Dec. 31, 2017**		**Dec. 31, 2016**	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Gross earned premiums – Credit		*1,068,404*	*77.2%*	*1,029,499*	*76.0%*	*1,039,916*	*73.7%*
Gross earned premiums – Single Risk		*26,779*	*1.9%*	*27,190*	*2.0%*	*24,451*	*1.7%*
Gross earned premiums – credit insurance		**1,095,183**	**79.1%**	**1,056,689**	**78.0%**	**1,064,367**	**75.4%**
Fee and commission income [1]		**132,418**	**9.5%**	**128,914**	**9.5%**	**128,795**	**9.1%**
Other insurance-related services [2]		**3,637**	**0.3%**	**4,382**	**0.3%**	**5,882**	**0.4%**
Remuneration of public procedures		**0**	**0.0%**	**574**	**0.0%**	**53,361**	**3.8%**
REVENUE OF CREDIT INSURANCE BUSINESS	**NOTE 21**	**1,231,238**	**88.9%**	**1,190,559**	**87.9%**	**1,252,405**	**88.7%**

(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

Credit insurance

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

State guarantees management

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

In 2016, this business represented nearly 4% of its consolidated revenue.

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

The Group's primary credit insurance products

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

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

Product	Description
TradeLiner	This is a flexible offering aimed at addressing the specific requirements and needs of each policyholder thanks to a set of options and adaptable general terms and conditions. Today, it is the central solution in the Group's product platform. TradeLiner is gradually phasing out local offerings as it is rolled out in the various markets.
EasyLiner	EasyLiner, launched in 2014, is a range of contracts intended for small and medium enterprises (SMEs), which are often unfamiliar with the mechanisms and benefits of credit insurance solutions. This offering can be distributed online, under a custom brand if necessary, in the context of commercial partnership agreements.
Coface Global Solutions	Coface Global Solutions is an offering dedicated to the management of large international policyholders (the "CGS Offering"). This offering relies on a global organisational structure which offers to multi-national companies services as well as management and control tools tailored to their issues (geographic fragmentation, multi-currency risks, consolidation of buyers' credits, aggregates, etc.).
CofaNet and other online services	CofaNet is the central Internet portal used by Coface for the day-to-day management of the contracts of its policyholders. This multi-lingual portal is supplemented by a range of added-value services: ◆ Coface Dashboard: a tool which develops client risk analyses and reporting statements; ◆ CofaNet Policy Master: a tool used to streamline the bulk of routine contract management by directly mining data from the policyholder's accounting system; ◆ the Group also provides its clients with access to specialised portals for medium-term or surety bond activities (see below). The main features of CofaNet are also available on smartphones (CofaMove app) and by a system-to-system automatic link (CofaServe web services offering). .
Medium-term insurance (Single Risk)	The Single Risk offering provides coverage for commercial and political risks in connection with operations that are time-specific, complex, for a high amount (generally greater than €5 million) and for which the credit term is between 12 months and seven years. It covers policyholders against a risk linked to a particular investment or market, as opposed to credit insurance products, which cover policyholders against payment default risks for the entirety of their revenue (whole turnover policies).

Pricing of credit insurance offers

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

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

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

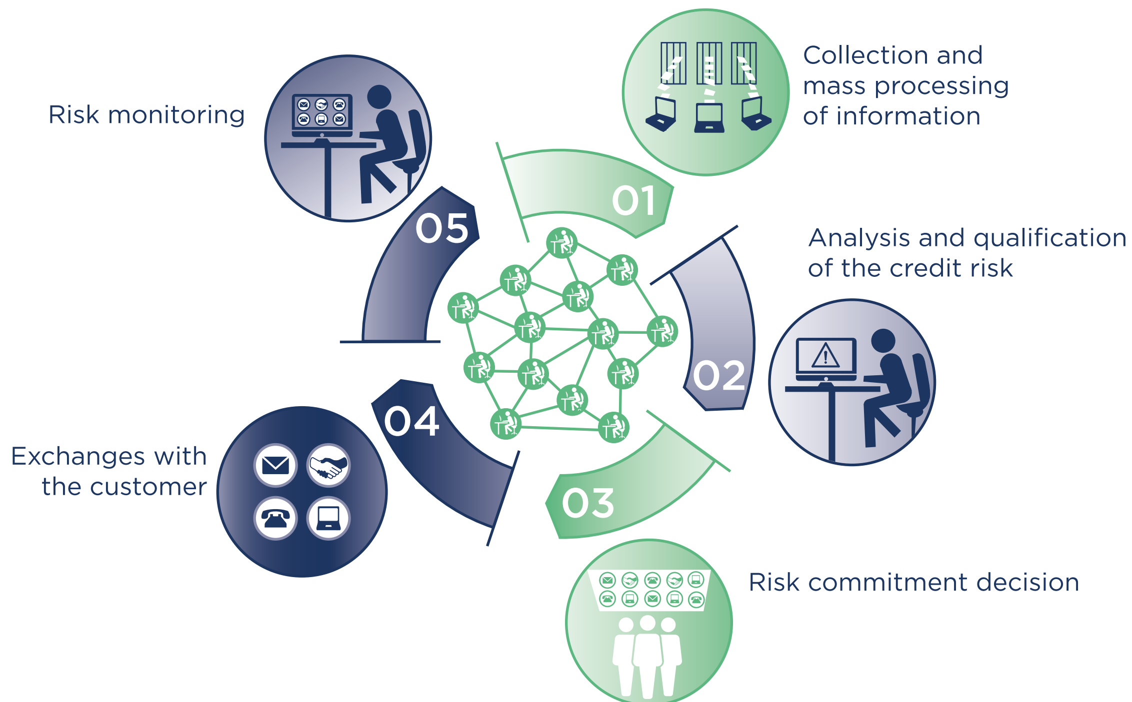
Information regarding debtor solvency at the core of the Group's business

The Group's business essentially consists of the sale of guarantees or services relying on the acquisition and management of relevant, reliable and up-to-date information on debtors and their environment. The Group runs a network of 52 centres dedicated to collecting, processing and analysing financial and solvency information on all of the Group's debtor risks worldwide.

Information is key to every stage of the Group's risk monitoring process, and is compiled within its ATLAS database (see Section 1.8.2 "Group applications and tools"). It is first collected, specifically from some 100 information suppliers, for initial administrative processing. It is then analysed by the team of 340 credit analysts for the purpose of evaluating debtors according to the "debtor risk assessment" (or DRA) scale which is common to the Group as a whole. The risk underwriters rely on the DRA to decide on the amount of risk to be underwritten for each policyholder.

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

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

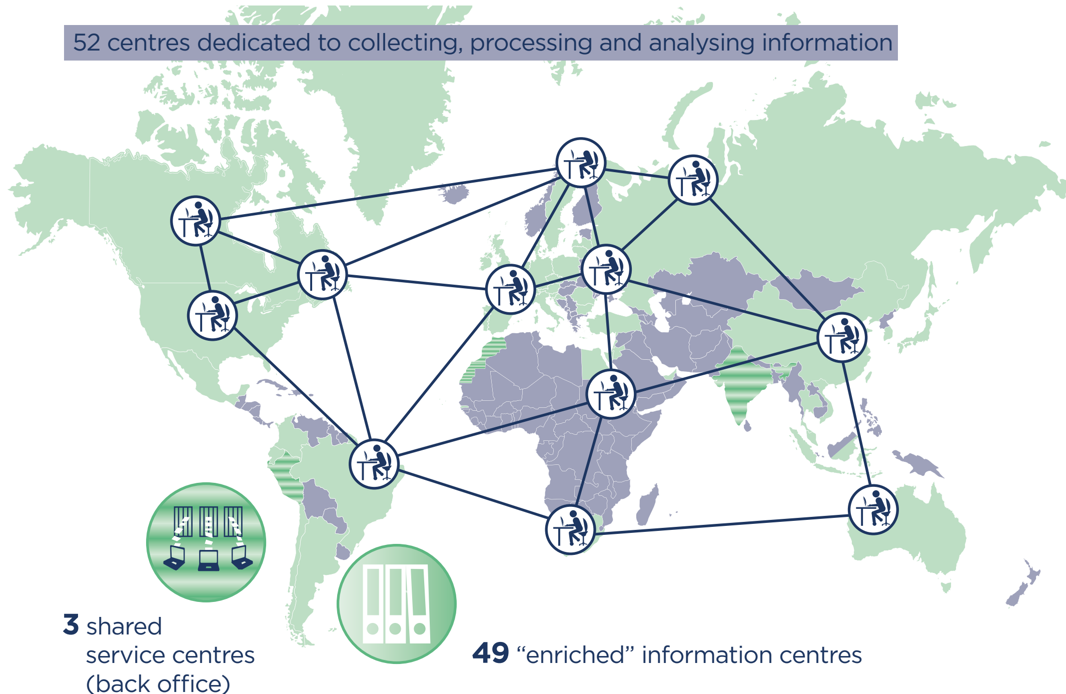


The collection, use and preservation of reliable, updated and secure information constitutes a major issue for the Group, in order to:

- guide its pricing policy and enhance the quality of its credit insurance offerings;
- obtain, specifically at the local level due to its close proximity to the risk, micro-economic information on debtors and their economic environment, to support the underwriting decisions of its underwriters in the context of its risk management policy, while offering its policyholders a debtor risk-tracking solution;
- facilitate its management activity and the recovery of receivables.

Incidentally, this policy allows the Group to obtain macroeconomic information, which is analysed by the teams of the Economic Research Department. These teams consist of 12 economists, seven of whom are based in the Western Europe region (Paris) and five in other regions where the Group is present, to ensure local coverage. These economists conduct studies internally for the Group's businesses, and externally for policyholders and the public (journalists, academics, prospective clients, banks, brokers, partners and so on). External production essentially takes the form of "panoramas" (country and sector risks, corporate defaults), which are published on its website (www.coface.com), the purpose of which is to help businesses assess and prevent risks, and to make their decisions using the most relevant and recent information.

The following diagram illustrates the network of information on the Group's businesses:



Under the new strategic plan Fit to Win, the Group has allocated substantial investments to information in order to improve risk management. Additional financial information and payment records have been purchased in 18 countries, and 25 additional senior risk analysts have been hired to improve credit analyses and increase the number of contacts with debtors.

Harmonised risk underwriting process

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

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

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

Risk underwriters:

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

Enhanced commercial underwriting

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

Commercial underwriting is conducted at all levels of the Group (countries, regions and head office) in close collaboration with the risk underwriting teams.

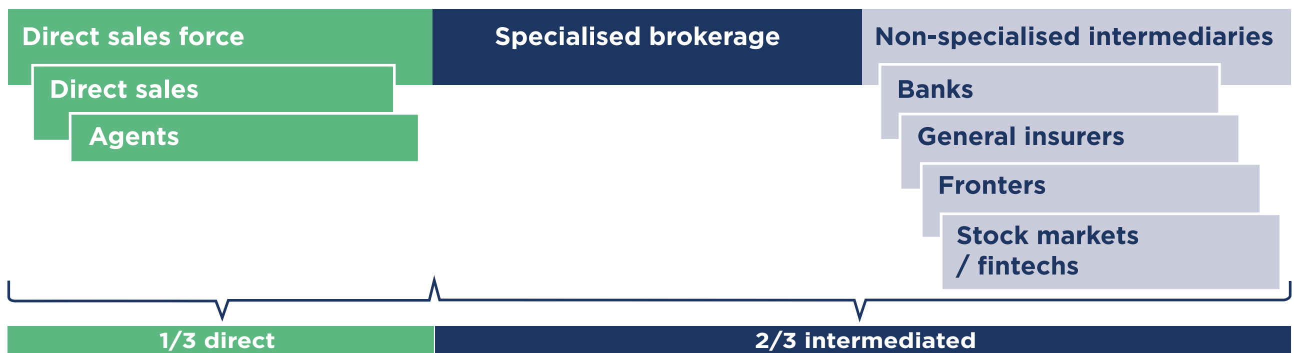
Thanks to this organisational change, we have been able to strengthen the quality of our risk management, optimise the support we provide our clients by becoming more selective in the quality of debtors used as collateral, verify the profitability of the underwritten businesses and ensure that technical expertise is better shared among the Group's underwriting centres.

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

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

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

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



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

In the category of non-specialised business, banks represent a key distribution channel, providing access to new segments and increasing support for the existing portfolio, by completing the Group's service offering.

1.5.2 Factoring [(1)]

The Group is active in the German and Polish markets.

In Germany, the factoring market continued to grow by 7.2% in 2017 to reach €232 billion in factored receivables.

The German factoring market is dominated by six players, which according to the Coface Group's estimates, account for approximately 74% of the market: Targo Commercial Finance AG, PB Factoring GmbH, Eurofactor GmbH, Deutsche Factoring Bank AG, BNP Paribas Factor GmbH and Coface Finanz GmbH, which holds a market share of approximately 13.6%.

In Poland, the factoring market is still growing: 20% in 2016 and 17% in 2017, much higher than the 4.6% of GDP growth.

The Polish factoring market is led by the following five players, which share (according to the estimates of the Coface Group and the association of Polish factors) approximately 65% of the market: ING CF, BZ WBK Faktor, BGZ BNP Paribas Factoring, and Bank Millennium, as well as Coface Poland Factoring, which holds a market share of some 8%.

(1) *Sources: i) Deutsche Factoring Verband. Website: https://www.factoring.de/german-factoring-market-2017; and ii) Polish Factors Association. Website: http://www.faktoring.pl/eng/.*

For the financial year ended December 31, 2018, factoring represented €67 million, or 4.8% of the Group's consolidated revenue.

Share of consolidated revenue Factoring *(in thousands of euros and as a % of the Group total)*	**See also Section**	**Dec. 31, 2018**		**Dec. 31, 2017**		**Dec. 31, 2016**	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Financing fees		35,295	2.5%	39,472	2.9%	35,545	2.5%
Factoring fees		32,416	2.4%	33,884	2.5%	35,557	2.5%
Other		(998)	(0.1%)	(1,314)	(0.1%)	(483)	0.0%
REVENUE FROM THE FACTORING BUSINESS	**NOTE 21**	**66,713**	**4.8%**	**72,043**	**5.3%**	**70,619**	**5.0%**

1.5.3 Surety bond

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

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

For the financial year ended December 31, 2018, surety bonds represented €47 million, or 3.4% of the Group's consolidated revenue, primarily in the Italian market.

Share of consolidated revenue Surety bonds *(in thousands of euros and as a % of the Group total)*	**See also Section**	**Dec. 31, 2018**		**Dec. 31, 2017**		**Dec. 31, 2016**	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
GROSS EARNED PREMIUMS – GUARANTEES	**NOTE 21**	**47,425**	**3.4%**	**53,008**	**3.9%**	**50,773**	**3.6%**

1.5.4 Information and other services

In some countries, essentially in Central Europe, the Group sells information and recovery products to businesses that have no credit insurance. As of December 31, 2018, this business line represented consolidated revenue of €39 million.

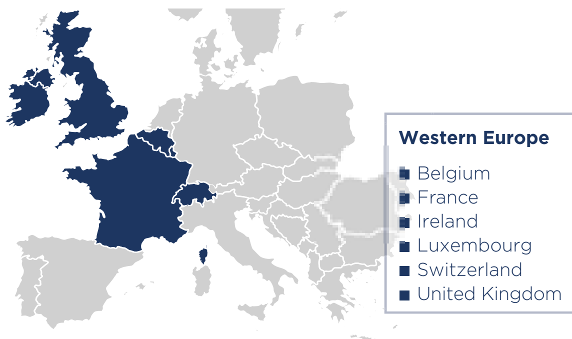
Share of consolidated revenue Information and other services *(in thousands of euros and as a % of the Group total)*	**See also Section**	**Dec. 31, 2018**		**Dec. 31, 2017**		**Dec. 31, 2016**	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Business information and other services		28,550	2.0%	27,436	2.0%	25,170	1.8%
Receivables management		10,809	0.8%	11,886	0.9%	12,330	0.9%
REVENUE FROM INFORMATION AND OTHER SERVICES	**NOTE 21**	**39,359**	**2.8%**	**39,322**	**2.9%**	**37,500**	**2.7%**

1.5.5 Positioning of the Coface Group region by region[1]

Thanks to its leading international presence, the Group organises its business lines around seven geographic regions in which it sells its products: Western Europe, Northern Europe, Central Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific (commentary on regional results can be found in Section 3.3 "Comments on income at December 31, 2018")

Group activities in the Western Europe region

Availability of the Group's offering



Key figures

The Group, which currently employs approximately 494 people (987 including head office) for the Western Europe region, earned revenue of €283.8 million in the region, or 20.5% of its total revenue for the financial year ended December 31, 2018.

Classification of countries and offering

The countries in the region represent mature credit insurance markets; there is strong pressure on pricing due to competitive pressure and the relatively low company insolvency rate. There has been a downturn in the economic environment in the United Kingdom, however, as the deadline for exiting the European Union approaches. This downturn has related, in particular, to the agri-food, retail and construction sectors, which have been hurt by the fall in sterling and the decline in investor confidence. Claims recorded in these sectors increased starting in the second half of 2017 and remained high throughout 2018. Group activities in these markets are quite heavily oriented towards the sale of credit insurance policies. Nevertheless, locally they present certain peculiarities, as in Switzerland, where the offering of Single Risk policies represents a significant portion of revenue earned in that country, or in France where the Group also sells surety bonds.

The product line was enhanced in 2018 with the launch of an offering in France for the collection of debts which are not guaranteed. This option allows Group clients to benefit from the expertise of a trusted third party to mitigate the risk of non-payment of their receivables, step up the pace of recovery and protect their image and relationship with their clients.

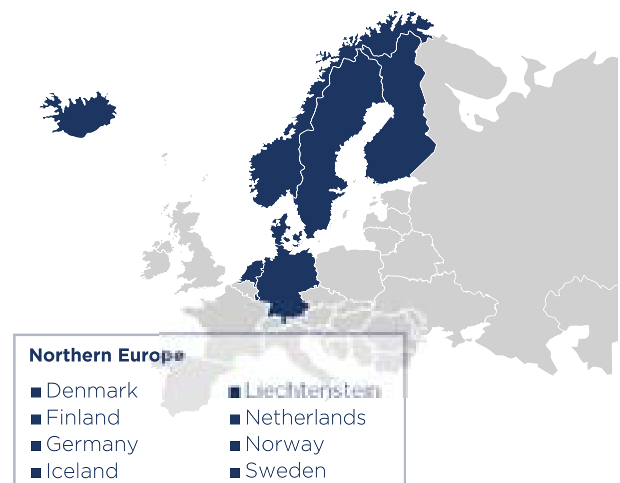
Marketing and strategy

In 2018, the region was very active in setting up and implementing numerous projects to promote client loyalty and improve service quality. This strategy is bearing fruit since the satisfaction and retention rates on the region have increased significantly.

In France, following the commercial restructuring, the sales cycle has now been optimised thanks to a new tool called Autonomy, drastically reducing the time taken to issue an offer and/or issue our contracts. Offerings are mostly distributed through brokerage firms, as well as a team of 25 direct sales representatives, which has significantly improved the sale of the Group's credit insurance products; this is the result of the increasing number of partnerships signed with banking networks.

Group activities in the Northern Europe region

Availability of the Group's offering



Key figures

The Group, which currently employs approximately 701 people in this region, earned revenue of €303.1 million in the region, or 21.9% of its revenue for the financial year ended December 31, 2018.

Classification of countries and offering

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

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

Marketing and strategy

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

In line with the goals of the strategic plan, the Group is continuing its investments in this region, making profitable growth a priority. The reorganisation of the sales and underwriting functions implemented in 2018, as well as other initiatives scheduled in 2019, aim to make the client the focus of the organisation. Lean management projects were also conducted in a number of areas with the aim of improving operational efficiency.

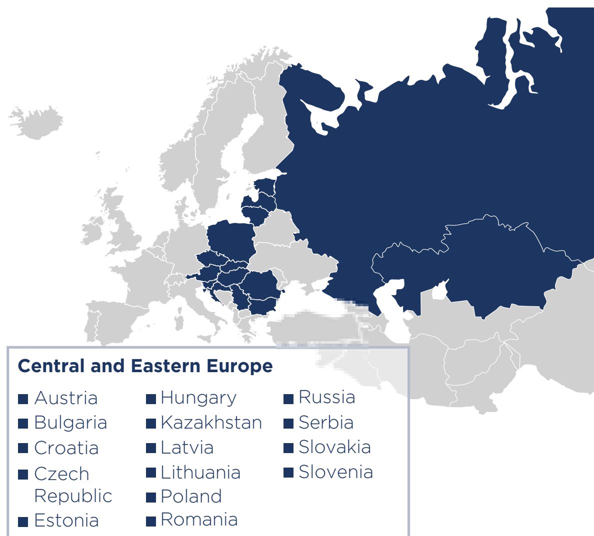
In Germany, Northern Europe's primary market, the central offerings were enhanced to best meet client needs. The launch of new service offerings is also a cornerstone for growth in this market. The slowdown of the factoring business is due to measures taken to optimise the existing portfolio.

Creating the "Nordics" platform has strengthened the Group's footprint in the region while promoting its growth in the Scandinavian market, the mainstays there being Denmark and Sweden.

Although historically characterised by a broker-centred distribution model, the Group is successfully continuing its multi-distribution model in the Dutch market, where the direct channel shows 10% growth. The new information offering which has been rolled out has also enhanced the range of services offered to clients.

Group activities in the Central Europe region

Availability of the Group's offering



Key figures

The Group, which currently employs approximately 687 people in the Central Europe region, earned revenue of €133.8 million in this region (with the largest contributions from Austria, Poland, Romania and Russia), *i.e.*, 9.7% of its total revenue for the financial year ended December 31, 2018.

Classification of countries and offering

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

Marketing and strategy

The Group has the most extensive network in Central Europe and the largest local footprint, offering services in 15 countries, directly or indirectly.

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

The Group's strategy for emerging markets with stable credit insurance activity, as defined in its Fit to Win strategic plan, is to achieve healthy growth in a context of controlled risk. It is also characterised by a more diversified offering, mainly implemented through a systematic strategy of cross-selling information services for policyholder clients.

Out of a concern to improve service to clients who are in this region and to bolster its presence there, the Group signed a contract to purchase PKZ, a subsidiary of SID Bank and a leader in the credit insurance market in Slovenia. Finalisation of the purchase, which is scheduled for some time in 2019, is subject to the usual regulatory authorisations being obtained.

Group activities in the Mediterranean & Africa region

Availability of the Group's offering

Mediterranean & Africa

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

Key figures

The Group, which currently employs approximately 768 people in the Mediterranean & Africa region, earned revenue of €370.4 million in this region, or 26.7% of its revenue for the financial year ended December 31, 2018.

Classification of countries and offering

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

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

Marketing and strategy

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

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

Group activities in the North America region

Availability of the Group's offering

Key figures

The Group, which currently employs approximately 192 people in the North America region, earned revenue of €126.5 million in this region, or 9.1% of its total revenue for the financial year ended December 31, 2018.

Classification of countries and offering

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

Marketing and strategy

The credit insurance products in this region are distributed using a multi-channel model consisting of a network of exclusive agents and Coface sales teams, as well as through brokers. In an effort to improve efficiency and optimise the targeting of mid-cap companies, the Group is gradually internalising its network of agents which are part of its direct sales force. The Group is also developing new distribution channels through other networks such as property insurance and life assurance brokers.

At the same time, the Group has created a new team covering the entire region, which is dedicated to managing relationships with brokers and major accounts.

Group activities in the Latin America region

Availability of the Group's offering

Key figures

The Group, which currently employs approximately 390 people in the Latin America region, earned revenue of €71.5 million in this region, or 5.2% of its total revenue for the financial year ended December 31, 2018.

Classification of countries and offering

In terms of credit insurance, the Group believes that the countries of the region represent high-risk markets, with volatile economies. Most of these countries are in the expansion phase, but are confronted with a high level of political uncertainty, given the numerous presidential elections which took place in 2018 (in Ecuador, Brazil and Mexico) and which are expected in 2019 (in Argentina).

The portfolio of products sold by the Group in the region essentially consists of credit insurance policies, but also includes debtor information and debt collection services. Credit insurance policies are sold in approximately ten countries, the main ones being Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru in direct credit insurance, and other countries in which contracts are signed through partners.

Business information services are also available in all countries of the region, and the Group has dedicated enhanced information management teams in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru (where, incidentally, one of the Group's three shared information administrative management centres is based – see Section 1.5.1 "Credit insurance and related services"). Debt collection services are managed in seven dedicated centres, located throughout the region.

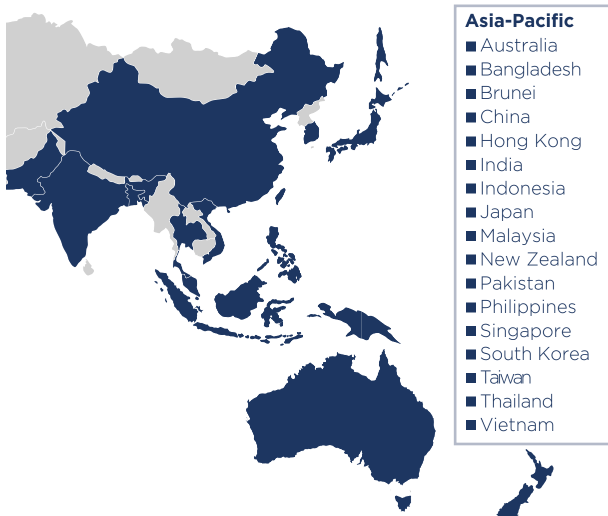
Marketing and strategy

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

As a leader on the market for more than 10 years now, the Group continues its selective geographic extension in Latin America, engaging in commercial activities based on targeted canvassing according to specific sectors in each of the markets of the region, to adapt them to the reality of sector-specific risks, with pricing adjusted to the realities of the risk profiles. In 2018, it continued to strengthen its relations with specialised brokers to supplement its direct sales force.

Group activities in the Asia-Pacific region

Availability of the Group's offering



Key figures

The Group, which currently employs approximately 406 people in the Asia-Pacific region, earned revenue of €95.6 million in this region, or 6.9% of its total revenue for the financial year ended December 31, 2018.

Classification of countries and offering

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

In terms of credit insurance, the countries of the region essentially represent markets with a high risk profile, apart from Japan and Australia, which are economically mature markets, with a particularly low penetration rate in Japan.

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

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

Marketing and strategy

In Asia-Pacific, the Group distributes its products directly and through partnerships with insurers (fronters). The Group has branches with direct insurance licences in Australia, Hong Kong, Japan, Singapore and Taiwan, and has the largest partner network in the region. The latter comprises 38 partners. Lastly, consistent with the Group's multi-channel strategy, the region also uses specialised brokers and banking partners to market its offering.

1.6 GROUP STRATEGY

After the strategic study launched in February 2016 by Xavier Durand, its new chief executive officer, in September 2016 Coface announced its three-year strategic plan Fit to Win to the market and to its employees. This plan was developed after in-depth consultations involving 31 countries, all regions and all of the Group's key functions.

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

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

In financial terms, the Group aims to generate return on average tangible equity (RoATE) of 9% through the cycle, after optimising the capital management model. This objective is based on a combined ratio on the order of 83% through the cycle, and cost savings of €30 million in 2018, to offset the loss of the State guarantees activity. It also aims to pursue an attractive dividend policy for Coface's shareholders of at least 60% of its net income. This policy will be supported by a robust financial position characterised by (i) a solvency ratio in the upper range of the 140%-160% target; and, (ii) a minimum A rating by both Fitch and Moody's.

1.6.1 Becoming the most agile international credit insurance partner in the sector

In a volatile economic environment, the Group considers agility an essential quality to guarantee its target profitability and create value for its clients. This requires galvanising its entire network and placing its underwriting teams at the service of its various client segments according to their needs and the changing macro- and micro-economic environments; managing its risks according to the specific nature of each country and sector; optimising its cost structure; and selectively rolling out its commercial resources.

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

To achieve this goal, the Group continues to:

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

Strengthen risk management and information quality

To manage claims through the cycle, the Group relies on expertise developed over the last 70 years, but has also decided to invest in its risk management platform to better address changes and specific developments in various markets. In concrete terms, multiple projects have been launched, focusing on information and tools, underwriting processes and skills building.

Investing in information databases

This goal entails acquiring more information in countries where it is incomplete, especially in emerging countries, but also through more substantial enhancement of existing information. To this end, the Group has hired 25 additional credit analysts tasked with enhancing information in certain sensitive countries (South Africa, Turkey, Brazil, Russia, etc.) and in countries where there is a scarcity of available financial information such as North America, China or the United Arab Emirates.

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

Because an efficient underwriting process should reflect the solvency of the buyer/debtor as well as the seller's risk management practices, the Group should ensure that risk underwriting strategies and commercial activity or even economic research are properly integrated. To this end, the Group has decided to create a single underwriting department to handle both credit risk underwriting and commercial underwriting. This single department has a comprehensive view of all underwriting operations.

The Group has also developed finer and more differentiated underwriting rules tailored to specific clients and sectors: underwriting and drafting of specific contracts, from risk appetite levels to variable risks, risk monitoring and exposures adjusted to the level of risk taken. With respect to the monitoring of exposures and portfolios, the Group has developed a more refined management of its risks through 38 sectors and five country risk levels (150 risk levels in total). Beyond the obvious impact on monitoring quality, this approach helps to better anticipate risk trends, focus on coverage reductions on terminations and improve client satisfaction.

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

In addition to strengthening its Risk Department, the Group has created a team of senior experts, capable of intervening in all countries to support local underwriters and collection teams during peak risk periods. This team has already made it possible to support the activity of local teams during peak activity periods or to take over in the event of a serious incident.

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

Improving Group operational efficiency and services rendered to its clients

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

This ambition is backed by a series of major transformation projects, an evolving organisation, the creation of shared services centres and measures taken to improve purchasing processes and better use of the Group's premises. Lastly, the lean management programme allows the Group to optimise its processes and free up resources for more added value tasks, better suited to the needs of its clients.

The investments required for implementing this ambition are financed by the exceptional gain recorded by Coface in 2016 following the transfer of the State exports guarantees business to Bpifrance and by the savings generated by the Fit to Win action plan.

The goal of €30 million in cost savings in 2018 was exceeded (€39 million generated). This achievement was supported by four main initiatives:

Simplifying and automating processes

The selected approach combines the implementation of a series of IT projects and the centralisation of functions in operational excellence centres, to pool and automate tasks whenever possible, with a lean management approach, for functions requiring more flexibility and for which the efficiency challenge consists in reducing wastage of resources, shortening performance deadlines and reallocating resources to tasks that generate more added value.

In respect of major IT projects, the Group continues to (i) streamline and integrate IT applications on which the main business processes are based, (ii) modernise and revamp its core tools, as well as (iii) use new technologies for the automation and enhancement of information sources.

Implementation of these major projects is continuing, with tremendous progress being made in the following areas:

- nearly 30 lean management projects have been launched throughout the Group since 2017 and have already freed up efficiency margins, sparing teams from having to perform numerous repetitive or low value-added tasks and allowing them to devote their time to service quality activities;
- major work was carried out in 2018 on harmonising and streamlining the clauses proposed in the TradeLiner offering and will begin in 2019 by setting up a central clause list and a single contract management tool. As with Autonomy, the interface which allows a paperless client acquisition process from credit insurance questionnaire through to issue of the offer, the new contract management tool will automate the processes for the issue, modification and renewal of contracts and thus meet client expectations in terms of efficiency and service quality;
- other major IT projects were launched or continued in 2018 to modernise or enhance the Group's tools, such as the debt collection tool which is expected to be rolled out in all countries in the early part of this year, the claims management tool, and the factoring tool, and the revamping of the accounting tools in various regions where the Group operates;
- data science work has also been performed, specifically the modelling of policyholder scoring for the purpose of predicting contract terminations, and prospect scoring to allow sales resources to be better directed.

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

The Group has set up an IT excellence centre in Romania, specialised in development functions. This centre was inaugurated in June 2017 and is now fully operational. At the end of 2018, it consisted of some 80 employees in charge of studies and developments on part of Coface's range of applications. The app development tasks in question will be entirely transferred in 2019.

The Group is also performing work to expand the activity of the four shared regional services centres located in India, Morocco, Peru and Romania. In this context, some of the activities from France and Italy have already been pooled and transferred to Morocco. The Group wishes to go even further by studying the possibility of combining more functions in these centres in order to benefit from economies of scale and to allow the sharing of expertise and best practices for the benefit of all Group countries, in particular small-sized ones.

Reviewing the purchasing and real estate portfolio management policy

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

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

A new travel policy has been implemented to:

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

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

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

Streamlining and simplifying the structure

Major work has been done to reduce the number of operating and legal entities in the Group. These structural simplifications have thus allowed the creation of three regional platforms, one in Lithuania for the Baltic countries, another in Croatia for the Adriatic, and another in Denmark for the Nordic countries. These platforms give the countries concerned a structure with pooled resources at contained cost.

Implement a selective, profitable growth strategy

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

Tailoring its commercial ambitions to specific markets

In so-called "mature" markets, characterised by a high credit insurance penetration rate, limited growth rates and strong competitive intensity, Coface faces the challenge of retaining as many clients as possible by offering quality service and improving the operational efficiency of its sales forces. In its Western Europe markets, the SME segment also represents untapped growth potential, subject to the availability of simple-to-use products that can be distributed through partnerships or digital channels at low cost.

In "under-penetrated" credit insurance markets, such as the US and Japan, the goal is to develop distribution in all its forms and increase opportunities for contacts with clients and prospects. A sector-specific approach with particular focus on major groups has been rolled out for this purpose.

In "stable emerging" markets, such as Central Europe, the Group has to assist the transition processes of these economies, the emergence of new players in distribution and, more generally, increasingly fierce competition. The Group's strategy therefore entails gradually "automating" its commercial practices, stabilising its sales teams and continuing to invest in information.

In "high risk" markets, priority is given to risk control and serving major international clients. The allocation of development resources will be contingent on the country's capacity to be profitable through better targeting of countries, sectors and clients. Lastly, the Group will continue to invest in information databases to develop the expertise required for profitable commercial underwriting.

Segmenting the offering and marketing by type of client

In addition to this geographic dimension, the Group is also segmented by type of client: large accounts (CGS), mid-market companies, SMEs and financial institutions.

Large accounts and mid-market companies represented an essential part of the Group's business in 2018. The Group continues to expand in both these segments, while stepping up the rollout and conversion of TradeLiner for mid-market companies, enabling it to provide a standard offering while also meeting the specific needs of its different markets. It is also continuing to invest in the IT applications underlying the business processes with the aim of achieving productivity gains and enhancing the quality of service provided to its clients.

With regard to the SME segment, the Group is developing its distribution through new partnerships, particularly with banks, by relying on its online SME offering EasyLiner, available to partners as a "custom brand" version. The partnerships signed with Unicredit in Italy and AXA Assurcrédit in France allow these players to offer credit insurance solutions tailored to the profile and needs of their own clients.

Growth in the financial institutions client segment in 2018 was notable, particularly in France, which saw a steady flow of new policies signed. Asia, Spain and Germany were also very active, and the North American market offers huge potential which thus far has not been tapped to a significant extent. Establishing a dedicated commercial and underwriting organisation at Group level and allocating local sales teams in the various regions resulted in increased visibility for the Group in the financial institutions market in 2018.

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

Strategic partnerships

The Group continues to look for and develop strategic partnerships which allow it to diversity its client portfolio and strengthen its presence in regions where it perceives growth potential.

The agreement to acquire PKZ, a subsidiary of SID Bank and a leader in the credit insurance market in Slovenia, will be a major milestone in strengthening Coface's presence in Central Europe and improving the service for clients operating in this region. In 2017, the Company recorded €15.1 million in gross premiums written for what is mainly an export portfolio. Finalisation of the purchase, which is scheduled for some time in 2019, is subject to the usual regulatory authorisations being obtained.

1.6.2 Evolving towards a more efficient capital management model

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

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

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

Recently, the Group demonstrated its capacity to issue instruments that could be used to improve the efficiency of its balance sheet (subordinated debt, contingent equity) and intends to continue this quest to optimise the cost of its solvency margin. Since this line of contingent equity ended on December 31, 2018 (inclusive), Coface has decided not to renew it.

The Group believes that the use of a partial internal model in the context of Solvency II is a significant strategic option. The plan is expected to be filed with the regulator in the summer of 2019. After it is filed, the authorities have six months to give their opinions. In the shorter term, increased use of reinsurance is an effective alternative. The cost/benefit ratio of such an option, although attractive on an average cycle, nevertheless depends on market conditions and this solution may prove to be less effective when there is a downturn in market conditions. In addition, the Group's reinsurance policy seeks to establish long-term relations with its reinsurers.

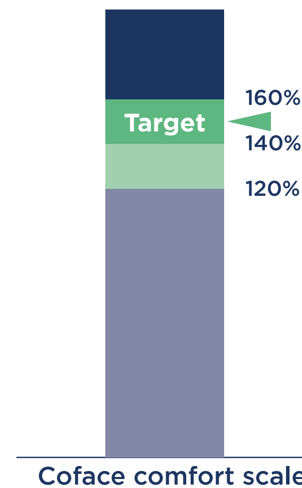
Furthermore, Coface reasserted its desire to pay a dividend equal to or higher than 60% of its normalised net income, provided that its solvency remains in the target zone.

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

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

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

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



1.7 GROUP ORGANISATION

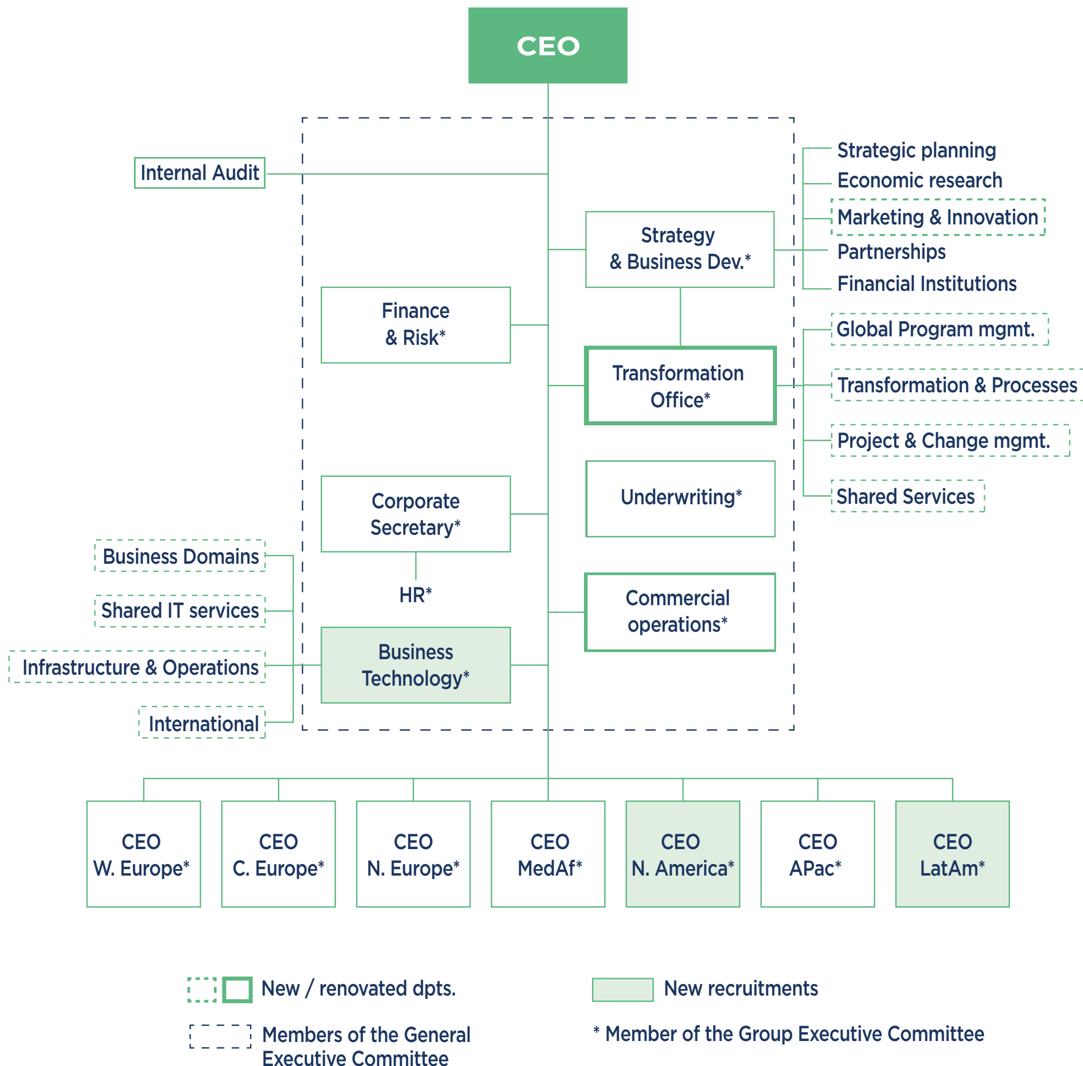
The Group's organisation relies on seven regions and functional departments. The Group's seven regions are autonomous profit centres, each headed by a CEO with direct authority over the country directors. Each region manages its own business and oversees its development according to its specific market conditions.

This organisation, built on precisely defined responsibilities and transparent governance, aims to facilitate implementation of the Group's strategic guidelines.

In the context of rolling out the Fit to Win strategic plan, the Group has strengthened its teams and continuously updated its organisation to improve efficiency, speed and customer service, while strengthening control. The Company's organisational structure has therefore been reorganised, allowing each of the head office functions to fully assume its role and responsibilities, with:

- a Strategy and Development Department, led by Thibault Surer, to which the Transformation Office teams now report since 2018; this department is responsible for accelerating the Company's transformation process (see Section 1.7.1);
- an Underwriting Department, led by Cyrille Charbonnel (since April 2017). This department comprises the Risk Underwriting, Information, Claims & Collections and Recovery, and Commercial Underwriting Departments (see Section 1.7.2);
- an enhanced Finance and Risk Department, led by Carine Pichon (see Section 1.7.5);
- the strengthening of the general secretariat, led by Carole Lytton with the arrival of a head of compliance and a human resources director, since January 2017 (see Section 1.7.6);
- the establishment in 2018 of the Business Technologies Department, led by Keyvan Shamsa, resulting from the merger between the organisation and IT departments, has brought the IT activities closer to the business aspects, with priority given to a more cross-functional, agile approach in project implementation and maintenance (see Section 1.7.7);
- stronger links between Group functions and the corresponding regional functions. A hierarchy has now been created between key functions (risks, actuarial, compliance and audit, see Section 5.1.2 "Organisation"). For other functions, the functional ties are organised according to the principle of a strong matrix organisation;
- as well as the appointment in July 2018 of Carmina Abad Sánchez as Chief Executive Officer of the Latin America region.

The organisational structure below shows the executive organisation of Coface at December 31, 2018:



1.7.1 Strategy and Business Development Department

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

- strategic planning, which is in charge of strategic planning, the execution of strategic studies and Group development through external growth;
- marketing & innovation, which analyses competition (market studies), determines client segmentation, defines the Group's product and service offering and pricing and conducts the innovation/digitisation strategy as well as the resulting projects;
- the partnership department, in charge of developing and setting up new distribution and fronting agreements;
- financial institutions, intended to strengthen our offering for this market segment;
- economic research, which performs analyses and publishes macro-economic studies;
- the Transformation Office, covering all businesses, is divided into four areas:
  - global programme management, responsible for analysing the value of projects and prioritising them by providing support to business teams as soon as the intent is formed for the project, and management of the project portfolio,
  - transformation & processes, aimed at identifying and implementing simplifications, optimisation and modernisation of operational processes and steering the lean management projects in process,
  - cross-functional project and change management,
  - shared services, producing economies of scale through the sharing of tasks as well as expertise and best practices across Group countries.

1.7.2 Underwriting Department

Led by Cyrille Charbonnel, this department combines under the same management commercial underwriting, claims & collections and recovery, risk underwriting and information:

- commercial underwriting, which examines commercial decisions requiring head office approval and sets underwriting standards in contractual matters;
- claims & collections and recovery, in charge of indemnification and debt collection procedures;
- risk underwriting defines and controls the policy on underwriting credit risks and monitors its application. Specifically, it oversees the largest outstanding amounts, as well as the most at risk, and analyses the monthly reports on credit risk activity for the Group as a whole. In addition, it underwrites major risks and coordinates risk underwriting centres. It oversees risk underwriting centres within the Group's seven regions, and specifically the factoring, surety bonds and Single Risk businesses;
- information, tasked primarily with selecting and coordinating information suppliers and enhanced information centres, which provide risk underwriting with the information needed for accurate risk underwriting;
- the Underwriting Department is supplemented by two offices attached to it, responsible for monitoring specific risks: single & political risk; and business conducted with financial institutions.

1.7.3 Commercial Department

Led by Nicolas Garcia, this department is tasked with structuring, organising and coordinating the Group's commercial activity. Its responsibilities extend to distribution networks, both brokerage-based and direct, and the large account portfolio. This department includes:

- commercial operations, which mainly handles promotion of mid-market segment sales and monitoring of sales activity;
- brokerage, in charge of organisation, strategy and promotion of brokered sales over all client segments;
- Global Solutions, devoted to the large account segment, which handles strategy, management and quality of service in this segment.

1.7.4 Audit Department

Led by Nicolas Stachowiak, this department is in charge of internal auditing. In particular, it performs three levels of periodic controls, according to the requirements of Solvency II, and reports directly to the CEO, according to an audit plan approved by the Board of Directors.

1.7.5 Financial and Risks Department

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

Its tasks, therefore, consist in (i) accounting and taxation, (ii) publication of regulatory statements, (iii) financial communications and relations with investors and rating agencies, (iv) the set-up of balance sheet protection resources (in particular in the reinsurance sector), and (v) the Group's asset management and financing.

In accordance with the new insurance sector and banking system rules, the actuarial function has been separated from the Risk Department and has reported directly to Carine Pichon since July 1, 2016:

- the Risks Department is in charge of supporting the actions of the general management teams to ensure the Group's long-term solvency and profitability, and monitor compliance with the requirements laid down by the Solvency II Directive. It covers the risk management and internal control functions as described in the Solvency II Directive;
- the Actuarial Department is responsible for such matters as analysing and processing the financial impacts of risk and setting rates. It works on modelling solvency and provisioning under Solvency II (internal model).

1.7.6 General Secretariat

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

- it is specifically in charge of the smooth operation of the Group's corporate bodies and committees, in addition to substantial litigation;
- compliance, which is in charge of overseeing the Group's compliance with all rules governing its activities;
- human resources, which is in charge of providing change management support to general management and all employees. The function manages human resource procedures and policies, and implements numerous initiatives in talent and skills development, remuneration and performance management;
- communications, which defines and implements the Group's internal and external communication strategy, both in France and abroad. It carries out this task in liaison with general management.

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

1.7.7 Business technologies

Led by Keyvan Shamsa, this department comprises:

- two cross-functional units responsible for the development, deployment and management of IT resources shared by the Group;
- a functional unit covering the Coface businesses, which conducts impact studies and supports the implementation of various IT projects of the Group and users;
- an international unit comprising the seven regions and providing coordination and consistency between the business, Business Technology areas and regions.

1.8 INFORMATION SYSTEMS AND PROCESSES

1.8.1 General presentation

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

In recent years, the Group has focused on aligning its information systems on its strategic objectives, unifying and securing business data. This approach has continued as part of the new strategic plan, which includes a strong component of streamlining processes and automation of information systems. In accordance with its business continuity plan (BCP), all servers worldwide are hosted in two external data processing centres (data centres) located in France in the Paris region. The data is backed up on a private cloud. These two sites combine the Group's information system equipment (servers, storage, backups, network and telecommunications equipment, etc.). In the event of a failure at one of these two sites, the other takes over in a completely transparent manner for all users. User backup sites are also planned in the event of a crisis for significant entities, in particular for head office staff. The "Information Systems" portion of the BCP is tested at least once a year (see Section 5.1.3 "Defining and measuring risks", subheading "Operational and non-compliance risks").

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

Furthermore, the Group's information systems follow a quality process based on the ITIL and CMMI standards, and an active certification process. As such, the Coface Group's information systems have been ISO 9001 certified since 2000 [(1)].

Overall, thanks to this new architecture, maintenance costs have fallen and security and assurance of business continuity has been improved. The Group is committed to investing in its information systems, particularly to support its commercial and innovation strategy, while also controlling related expenses and investments.

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

1.8.2 Group applications and tools

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

Applications	Description
ATLAS	ATLAS is the IT underwriting tool for the credit insurance business, and for the risk underwriting management of all the Group's businesses, for all of its entities and a number of partners of the Coface Partner network. ATLAS incorporates all functions necessary for commercial underwriting and monitoring (receipt of a request for credit limit cover, automatic or manual underwriting, management and follow-up of the risk covered, as well as outstanding amounts and portfolios). It offers comprehensive management of debtor risks: the various risks are integrated, and outstanding amounts are managed and viewed. The quality of Group-level reporting and control procedures is improved. This tool – accessible 24/7, excluding programmed maintenance periods – contains access to information on more than 80 million businesses worldwide, thereby allowing a quick answer to an initial request for a credit limit. In addition, this tool offers an integrated view of the information contained in the Group's main risk analysis tools (ATLAS, EASY, ATLAS-INFO, WORKLIST, CUBE) and a link to these applications in a single portal.
DCON (Debt Collection Online)	DCON is a tool used by the Group in the context of its debt management and collection activities, and for managing outstanding invoices linked to this business line. It combines all tasks and reminders relating to a file, and likewise facilitates the communication and sharing of information among the Group's entities. The modernisation of this tool in 2019 will simplify and harmonise the underlying processes and improve the reliability of the quality of the data shared with clients around the world.
EASY	EASY is a centralised Group database and software which allows companies to be identified, regardless of their location in the world. It is linked to all Group applications which require access to such data, notably enabling: ◆ search and identification of debtors; ◆ on-going management of the content and quality of information in this database (history of modifications made); ◆ file duplication and data standardisation; ◆ cross-checking with lists of debtors that appear on the anti-money laundering lists of international institutions.
CofaNet	CofaNet is a secure web platform for managing the flow of information dedicated to the Group's policyholders. Using this platform, each policyholder may, in a few seconds, identify its debtors, identify its receivables with covered risks, declare its claims, or even track indemnification of its unpaid receivables. The platform offers key services for the Group's various business lines. It went through a major upgrade at the end of 2017 and is now part of a client portal.
Other Group tools	The Group also provides other IT tools used for its various businesses, such as NAVIGA for surety bond management, SONATA for Single Risk management, and MAGELLAN for factoring. INVOICING, an invoicing tool, and iNCA, a litigation management tool, are deployed in the Northern Europe and Central Europe regions and will be extended to the other regions of the world under the strategic plan.

1.9 THE GROUP'S REGULATORY ENVIRONMENT

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

1.9.1 Credit insurance activities

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

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

As an insurance company, Compagnie française d'assurance pour le commerce extérieur is subject to the provisions of the French Insurance Code and European Union Regulation, in particular Solvency II. Compagnie française d'assurance pour le commerce extérieur and its branches in the European Union are placed under the control of the ACPR, the French Prudential Supervision and Resolution, an independent administrative authority tasked with ensuring, in particular, that insurance companies are always capable of meeting their commitments to their policyholders, by the application of appropriate internal policies and a sufficient level of equity capital. In this respect, Level Two controls have been put in place since 2008. They primarily concern regulatory licences and authorisations, compliance with the regulations relating to the protection of personal data, the establishment of specific procedures to guarantee data confidentiality, rules of governance, compliance with anti-money laundering legislation, and "Know Your Customer" obligations assumed by insurance companies, along with the effectiveness of the reporting procedures.

The Company, as a holding company for an insurance group, is likewise subject to the ACPR's additional oversight as concerns compliance with the solvency standards (see Section 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

In accordance with Articles L.322-4 and R.322-11-1 to R.322-11-3 of the French Insurance Code, any party (acting alone or in concert) that intends to increase or decrease its interest, directly or indirectly, in the share capital of the Company or Compagnie française d'assurance pour le commerce extérieur, such that the voting rights held by that party (or parties, in the case of a disposal or extension of interest made in concert) would go above or below the threshold of one tenth, one fifth, one third or one half of the voting rights in the Company or in Compagnie française d'assurance pour le commerce extérieur, is required to inform the ACPR of such plan and obtain its approval in advance. Pursuant to Article L.561-2 of the French Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to the legislative mechanism relating to anti-money laundering and the financing of terrorism. The current mechanism, codified within the Title Six, Book V of the French Monetary and Financial Code, includes oversight of any practices whereby third parties would use insurance operations to engage in corruption or to re-inject funds obtained by committing criminal offences into the legal economy. Transactions likely to be the result of an act of corruption, money laundering, or terrorism financing are analysed and, where applicable, result in a declaration of suspicion to Tracfin (*traitement du renseignement et action contre les circuits financiers clandestins* – Financial Intelligence Unit), which is the competent authority for this subject area in France.

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

Prudential regime for insurance companies

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

Financial aspect of the prudential regime for insurance companies

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

The aim of Solvency II is, in particular, to achieve better understanding of the risks of insurers, and create a common system for all European Union members (see Section 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

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

To that end, the Group's transformation of all of its insurance subsidiaries on the territory of the European Union into branch offices allowed it to centralise all of these entities' assets and to only leave the minimum cash necessary for operational needs at the local level. In other countries, regardless of the legal status of the entity concerned, it must comply with local regulations. To that end, the entities have locally maintained their asset portfolios as well as their cash in an effort, in particular, to respond to the asset-liability and solvency requirements set by local regulators.

Accounting aspect of the prudential regime for insurance companies

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

The Group's consolidated financial statements are prepared in application of IFRS rules including IFRS 4, phase 1. This standard requires that the references used for insurance contracts as defined by IFRS be a recognised set of accounting guidelines. The Group has thus adopted the French principles to show the accounting of the insurance contracts. The provision for equalisation is not accepted under IFRS, and was thus eliminated in the IFRS financial statements. Furthermore, the Group must apply IFRS 4, Paragraph 14, and specifically proceed to conduct liability adequacy tests.

It should be noted that IFRS 4, which specifically deals with insurance contracts, is being revised and will be replaced by IFRS 17, which was scheduled to come into force on January 1, 2021 and has been deferred to January 1, 2022. For this reason and in order to avoid a competitive imbalance between insurance companies that belong to a financial conglomerate and others, IFRS 9, concerning financial instruments negotiated on cash or derivative markets, which came into force in 2018, will not be applicable to insurance holdings until January 1, 2022.

Regulations applicable to credit insurance contracts signed by the Group

The contracts issued in each of the countries where it is present comply with the corresponding country's regulations. In France, credit insurance contracts issued by the Group are not subject to the provisions of the French Insurance Code, but rather to those of the general law on contracts – with the exception of the provisions of Article L.111-6 (major risks), L.112-2 (pre-contractual information), L.112-4 (content of insurance policies), L.112-7 (information to be provided when the contract is offered with freedom of services) and L.113-4-1 (reasons to be provided to the policyholder by the credit insurer when the guarantee is terminated) of the French Insurance Code.

1.9.2 Factoring activities in Germany and Poland

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

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

The law and regulations applicable to the Group's factoring activities in Germany and Poland do not impose any requirements in terms of regulatory capital or liquidity. At the Group level, regulatory capital requirements are calculated in accordance with the Basel regulations applicable to banking activities (see Section 3.4.2 "Group Solvency").

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2.1 STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS AND ITS SPECIALISED COMMITTEES

2.1.1 Mapping of the characteristics of the members of the Board of Directors for financial year 2018*

Name	Age	Start of term	End (1)	Shares	Gender	Nationality	Status	Attendance rate (6)
François RIAHI Appointed on Jun. 15, 2018	46	Jun. 15, 2018	2020	500	♂	French	Non-independent	100%
Laurent MIGNON Resignation on Jun. 15, 2018	55	Nov. 21, 2012	2020	500	♂	French	Non-independent	100%
Jean ARONDEL	68	Nov. 21, 2012	2020	1,000	♂	French	Non-independent	100%
Jean-Paul DUMORTIER	70	Jul. 26, 2013	2020	550	♂	French	Non-independent	100%
Éric HÉMAR	55	Jul. 1, 2014	2021	892	♂	French	Independent	83.3%
Daniel KARYOTIS	58	Feb. 8, 2017	2020	1,000	♂	French	Non-independent	83.3%
Isabelle LAFORGUE	38	Jul. 27, 2017	2020	500	♀	French	Independent	100%
Nathalie LOMON	47	Jul. 27, 2017	2020	900	♀	French	Independent	83.3%
Sharon MACBEATH	50	Jul. 1, 2014	2021	500	♀	British	Independent	83.3%
Isabelle RODNEY	53	Nov. 3, 2016	2020	500	♀	French	Non-independent	83.3%
Anne SALLÉ-MONGAUZE	53	Nov. 3, 2016	2020	500	♀	French	Non-independent	100%
Olivier ZARROUATI	60	Jul. 1, 2014	2021	500	♂	French	Independent	100%
Average	**54 (2)**	**5-year term**			**45.5% (3)**	**9% (4)**	**45.5% (5)**	**92% (6)**

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

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

(2) Average on December 31, 2018.

(3) Percentage of women on December 31, 2018.

(4) Percentage of foreign national directors on December 31, 2018.

(5) Percentage of independent directors on December 31, 2018. As the Company is controlled by Natixis within the meaning of Article L.233-3 of the French Commercial Code, the recommendation of Article 8.3 of the AFEP-MEDEF Code which requires this committee to include at least one-third independent members has therefore been met (see Section 7.3.3 "Declaration relating to the Company's control by the majority shareholder").

(6) Average attendance rate at Board meetings.

♀ *Female* ♂ *Male*

* *In the interests of transparency, directors whose terms of office expired during the financial year are also indicated.*

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

The Board of Directors is composed of 11 members. Information relating to the members of the Board of Directors and notably their principle terms of office outside the Coface Group are described in the section below*.

François RIAHI

Appointed on June 15, 2018

Chairman of the Board of Directors

since June 15, 2018

FRENCH NATIONALITY

Age: 46

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Chief Executive Officer (CEO) of Natixis (1)
- Member of the Board of BPCE
- Chairman of the Board of Directors of Natixis Payment Solutions
- Chairman of the Board of Directors of Natixis Assurances
- Chairman of the Board of Directors of Natixis Investment Managers
- Director of PJ Solomon, LP

During the past five years and which are no longer held

- Member of the Board and Chief Executive Officer (CEO) in charge of Finance, Strategy, Legal Affairs and Corporate Secretariat for the BPCE Supervisory Board
- Member of the General Management Committee and Co-Head of Natixis Corporate & Investment Banking (1)
- Member of the Executive Committee and Head of Corporate & Investment Banking's Asia Pacific Platform for Natixis (1)
- Permanent representative of BPCE: director of Crédit Foncier de France and director of CE Holding Promotion
- Permanent representative of Natixis (1): director of Natixis Coficiné
- Chairman of the Supervisory Board of Natixis Pfandbriefbank AG
- Director: Natixis Japan Securities Co Ltd, Natixis North America LLC, Natixis Assurances, Natixis Asia Ltd, Natixis Australia PTY Ltd

CURRICULUM VITAE

François Riahi is Chief Executive Officer (CEO) of Natixis and a member of the BPCE Board. He is a graduate of the École centrale de Paris school of engineering, the Paris Institute of Political Science (Sciences Po) and the Stanford Executive Program, and is a former student of the École nationale d'administration (ENA). He began his career as an Inspecteur des Finances (auditor) at the Inspection Générale des Finances. In March 2009, he joined the BPCE group first as Deputy CEO and Chief Strategy Officer and then Head of Corporate & Investment Banking's Asia Pacific Platform for Natixis. In 2016, he joined Natixis' General Management Committee as Co-Head of Corporate Banking. Between January 2018 and June 2018, he was Chief Executive Officer (CEO) of BPCE, in charge of Finance, Strategy and Corporate Secretariat.

(1) Listed company.

Laurent MIGNON (1)

Resignation on June 15, 2018

Chairman of the Board of Directors

since November 21, 2012

FRENCH NATIONALITY

Age: 55

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020 (1)

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Chairman of the Board of BPCE (since June 1, 2018)
- Chairman of the Board of Directors of Natixis (2) (since June 1, 2018)
- Chairman of the Board of Directors of Crédit Foncier (since May 17, 2018)
- Chairman of CE Holding Participations (since June 6, 2018)
- Director of: Sopassure (since June 18, 2018), CNP Assurances (2) (since June 1, 2018), Arkema (2), AROP (Association pour le Rayonnement de l'Opéra)
- Chief Executive Officer (CEO) of Natixis (2) (until May 31, 2018)
- Chairman of the Board of Directors of: Natixis Investment Managers (formerly Natixis Global Asset Management) (until May 28, 2018), Natixis Assurances (until June 7, 2018)
- Director of Peter J. Solomon Company LLC (until May 30, 2018)

During the past five years and which are no longer held

- Member of the Board of BPCE
- Director of Lazard Ltd (2)

CURRICULUM VITAE

Laurent Mignon has been Chairman of the Board of BPCE since June 1, 2018. A graduate of HEC and the Stanford Executive Program, Laurent Mignon worked for more than 10 years in various positions at Banque Indosuez, from the trading floor to corporate banking. In 1996, he joined Schroeders Bank in London, then AGF in 1997 as Chief Financial Officer and was appointed to the Executive Committee in 1998. In 2002, he assumed responsibility for investments at Banque AGF, AGF Asset Management and AGF Immobilier. In 2003, he took over the Life and Financial Services and Credit Insurance Departments, and in 2006 became CEO and Chairman of the Executive Committee. From September 2007 to May 2009, he was Managing Partner at Oddo et Cie. Laurent Mignon was Chief Executive Officer (CEO) of Natixis from 2009 to 2018 and a member of the BPCE Board since 2013.

(1) Laurent Mignon resigned on June 15, 2018. In this respect, at the meeting of June 15, 2018, Mr François Riahi, Chief Executive Officer (CEO) of Natixis and a member of the BPCE Board, was appointed by the Board of Directors to take Laurent Mignon's seat for the period remaining of the latter's term of office and was appointed Chairman of the Board of Directors.

(2) Listed company.

* *In accordance with legal requirements and the recommendations of the AFEP-MEDEF Code, Coface directors cannot hold more than four other terms of office in listed companies outside the Group, including abroad.*

Jean ARONDEL

Director

since November 21, 2012

FRENCH NATIONALITY

Age: 68

ATTENDANCE RATE AT BOARD MEETINGS

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

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

CURRICULUM VITAE

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

Jean-Paul DUMORTIER

Director

since July 26, 2013

FRENCH NATIONALITY

Age: 70

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS SINCE APRIL 24, 2018

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

- Director of SOVAFIM

CURRICULUM VITAE

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

Éric HÉMAR

Independent director

since July 1, 2014

FRENCH NATIONALITY

Age: 55

ATTENDANCE RATE AT BOARD MEETINGS

83.3%

ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Chairman & Chief Executive Officer (CEO) of ID Logistics group [1]
- Chief Executive Officer: IDL Supply Chain South Africa, IDL Fresh South Africa, ID Assets (Taiwan)
- Chairman: ID Logistics, ID Logistics France, ID Logistics France 3, ID Logistics Mayotte, ID Logistics Océan Indien, Ficopar, Timler, Les Parcs du Lubéron Holding, IDL Bucharest
- Chairman of the Board of Directors: France Paquets, ID Logistics (Nanjing) Business Consultation, ID Logistics Nanjing, ID Logistics Taiwan,
- Director: ID Logistics China Holding Hong Kong, ID Logistics Switzerland SA, ID Logistics Nanjing, ID Logistics Taiwan, ID Logistics (Nanjing) Business Consultation, France Paquets, ID Logistics group, ID Logistics Belgium, IDE Enterprise (Taiwan)
- Member of the Supervisory Board: Dislogic, ID Logistics Polska
- Permanent representative of Les Parcs du Lubéron Holding, Chairman of SAS Les Parcs du Lubéron 1
- Permanent representative of ID Logistics, Chairman of SAS ID Logistics France 9, SAS ID Logistics France 10, SAS ID Logistics Selective 6, SAS ID Logistics Selective 7, SAS ID Logistics France 13, SAS ID Logistics France 14, SAS ID Logistics France 15
- Permanent representative of ID Projets to the Board of Directors of Froid Combi
- Manager: FC Logistique R&D, ID Logistics Maroc, ID Logistics Training

During the past five years and which are no longer held

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

CURRICULUM VITAE

Éric Hémar, a former ENA student, began his career at the Cour des comptes before joining the Ministry of Equipment, Transportation and Tourism in 1993, where he served as Technical Adviser to Minister Bernard Bosson. In 1995, he joined the Sceta group, and then Geodis as General Secretary. He left Geodis Logistics in March 2001 to create the ID Logistics group [1]. Mr Hémar has been Chairman and Chief Executive Officer (CEO) of the ID Logistics group since 2010.

(1) Listed company.

Daniel KARYOTIS

Director

since February 8, 2017

FRENCH NATIONALITY

Age: 58

ATTENDANCE RATE AT BOARD MEETINGS

83.3%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

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

CURRICULUM VITAE

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

(1) Listed company.

Isabelle LAFORGUE

Independent director

since July 27, 2017

FRENCH NATIONALITY

Age: 38

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS SINCE APRIL 24, 2018

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Deputy CEO for France, Econocom (1) (until December 31, 2018)

During the past five years and which are no longer held

- Chief Transformation Officer, Econocom (1)

CURRICULUM VITAE

After graduating from École polytechnique and École des Mines de Paris, Isabelle Laforgue commenced her career at SFR in 2006, where she occupied various roles in the Strategy and Finance Departments. She was appointed Director of Central Finance in 2011, in charge of management control, accounting, financial communications and consolidation. In 2012, she was appointed Chief of Staff to the Chairman and Chief Executive Officer of SFR, advising, analysing and supporting the decision-making processes during a period of change and market consolidation. In 2015, she joined Econocom, a European company specialising in the digital transformation of businesses, as Chief Transformation Officer to develop and implement the Group's internal transformation. Until December 31, 2018 she was Deputy CEO for France in charge of Finance and Strategy.

(1) Listed company.

Nathalie LOMON

Independent director

since July 27, 2017

FRENCH NATIONALITY

Age: 47

ATTENDANCE RATE AT BOARD MEETINGS

83.3%

ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS UNTIL APRIL 24, 2018

100%

ATTENDANCE RATE AT RISK COMMITTEE MEETINGS SINCE APRIL 24, 2018

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

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

CURRICULUM VITAE

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

(1) Listed company.

Sharon MACBEATH

Independent director

since July 1, 2014

BRITISH NATIONALITY

Age: 50

ATTENDANCE RATE AT BOARD MEETINGS

83.3%

ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

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

CURRICULUM VITAE

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

(1) Listed company.

Isabelle RODNEY

Director

since November 3, 2016

FRENCH NATIONALITY

Age: 53

ATTENDANCE RATE AT BOARD MEETINGS

83.3%

ATTENDANCE RATE AT RISK COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

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

During the past five years and which are no longer held

- None

CURRICULUM VITAE

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

Anne SALLÉ-MONGAUZE

Director

since November 3, 2016

FRENCH NATIONALITY

Age: 53

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS UNTIL APRIL 24, 2018

100%

ATTENDANCE RATE AT RISK COMMITTEE MEETINGS SINCE APRIL 24, 2018

100%

EXPIRATION DATE OF THE TERM

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

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Chief Executive Officer of Compagnie Européenne de Garanties et Cautions (CEGC)
- Manager of: CEGC Conseil, SCI SACCEF Champs Élysées, SCI SACCEF La Boétie

During the past five years and which are no longer held

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

CURRICULUM VITAE

Anne Sallé-Mongauze graduated from the Paris Institut d'études politiques and holds a postgraduate degree in economics and finance. She started her career in 1987 at the AMF, in the inspection division. In 1995, she joined the Banque Populaire group as Deputy Manager of the Equity Capital Markets Department. She joined the Finance Department in 2003 and participated in the steering of various growth operations. In 2006, she was appointed M&A Manager at Natixis' Strategy Division, before becoming Director of Strategy in 2013. On August 25, 2014, she was appointed Chief Executive Officer of Compagnie Européenne de Garanties et Cautions, a subsidiary of Natixis.

Olivier ZARROUATI

Independent director

since July 1, 2014

FRENCH NATIONALITY

Age: 60

ATTENDANCE RATE AT BOARD MEETINGS

100%

ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2018

- Chairman of Thélème SASU

During the past five years and which are no longer held

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

CURRICULUM VITAE

Olivier Zarrouati, is a former student at the École polytechnique and an engineering graduate of the École nationale supérieure de l'aéronautique (SUPAERO) and of Harvard's Kennedy School in Cambridge, USA. After beginning his career as an engineer in the armaments sector, he held the positions of engineer and Head of Major Projects at the CNES (Centre national d'études spatiales) from 1982 to 1988, and then at Matra Marconi Space from 1989 to 1994. He joined Intertechnique, which was purchased by Zodiac in 1999, as Head of External Development and Subsidiary Control. He subsequently performed various functions within the Zodiac Aerospace group, in particular as Chief Executive Officer (CEO) of the Aerosafety Systems segment and as CEO of aeronautical businesses. From 2007 to 2017, he was Chairman of the Board and Director of the Executive Committee of the Zodiac Aerospace group. He has also been Chairman of the Fondation Institut Supérieur de l'Aéronautique et de l'Espace SUPAERO since 2011. In 2017, he founded his own company, Thélème.

(1) Listed company.

2.1.3 Operation of the Board of Directors

The Board of Directors has developed Internal Rules which can be consulted on the website http://www.coface.com/Group/Our-organisation in the Board of Directors tab.

Convening notice of the Board of Directors

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

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

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

In the event of an emergency as defined below ("Emergency"), the following accelerated procedure may be applied.

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

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

- first sent notice to the directors providing the basis for the Urgency per the definition above; and
- sent all directors, with the convening notice for said Board meeting, all items needed for their analysis.

Holding of the Board of Directors' meetings

Meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or, in his absence, by the oldest director or by one of the Vice-Chairmen, as the case may be..

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

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

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

Informing the Board of Directors

Pursuant to the terms of Article 21 of the Company's Articles of Association, and Article 3.4 of the Board of Directors' Internal Rules, the Board carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer must send to each director all the documents and information needed for the accomplishment of his duties.

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

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

The Company has set up a Group-level governance system based on a clear separation of responsibilities with an information transmission mechanism. This governance system includes the following key functions: risk management, verification of compliance, internal audit and actuarial functions (see Section 5.1.2 "Organisation"). Each key function operates under the ultimate responsibility of the Board of Directors, to which it reports.

- Information at the initiative of the Board of Directors.

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

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

2.1.4 Activities of the Board of Directors in 2018

The Board of Directors met six times in 2018.

The average participation rate was 92%.

The main subjects reviewed by the Board of Directors in 2018 included the following in particular:

Financial position, cash and commitment of the Company	◆ Approval of the 2017 annual financial statements (corporate and consolidated) ◆ Review of quarterly and half-yearly financial statements
Internal control/Risks	◆ 2018 audit plan ◆ Solvency II: approval of all written policies as drafted or revised in 2018 ◆ Regulatory reports: ORSA (Own Risk and Solvency Assessment), RSR (Regular Supervisory report) and SFCR (Solvency and Financial Condition report) ◆ Risk mapping, mechanism to reinforce Level 1 controls, compliance action plan ◆ Progress report on partial internal model
Corporate governance	◆ Creation of a Risk Committee ◆ Modification of the Internal Rules of the Board of Directors ◆ Self-assessment of the work of the Board of Directors ◆ Appointment of a director ◆ Assessing the independence of directors ◆ Update on the Sapin II Law
Compensation	◆ Increasing the variable amount of directors' fees ◆ Compensation of the Chief Executive Officer, Xavier Durand ◆ Approval of the 2018 Long-Term Incentive Plan
Financial operations	◆ Authorisation to issue guarantees as part of its factoring business ◆ Decision to proceed two share buyback programmes in February and October 2018 ◆ Approval of regulated agreements
Corporate strategy	◆ Progress on the Fit to Win strategic plan ◆ June 15, 2018 Strategy seminar
Businesses	◆ Meeting with the representatives of the various businesses within the Company

2.1.5 Diversity policy applied to members of the Board of Directors

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

- Number of directors

The number must reflect the size of the Company and the aforementioned diversity. In 2018, there were 11 directors.

- Seniority and age of directors

The Company complies with the regulations as concerns the term of corporate offices, and strives to have a wide range of ages represented on its Board. In 2018, the average age of directors was 54 years.

- Proportion of independent and non-independent members

The Company complies with the rules applicable to narrowly held and controlled companies. 45% of the members of the Board of Directors are independent directors. Two-thirds of the directors, including the Chairman, sitting on the Audit and Accounts Committee and the Nominations and Compensation Committees are independent directors. The Risk Committee is chaired by an independent director.

- International diversity

The Company takes into account international diversity, which stood at 9% in 2018.

- Gender equality

The Company strives to maintain a gender balance on its Board of Directors. In 2018, the proportion of women on the Board was 45.45%.

- Skills and expertise

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

2.1.6 Assessment of the Board's work

The Company carried out a self-assessment of the work of its Board of Directors and its specialised committees in accordance with the recommendations of the Corporate Governance Code for listed AFEP-MEDEF companies.

This exercise was conducted using a questionnaire.

The assessment mainly focused on:

- the organisation, functioning and composition of the Board;
- the relevance of the agendas and debates on topics of importance to the Company;
- the relationship between the directors and general management;
- assessing the work of the specialised committees;
- the Board's general level of performance.

Generally, the assessment was graded as «satisfactory» or «very satisfactory» for the organisation of the Board and its work, the involvement and authority of the directors, the responses obtained from the questions the Company was asked, the confidence in the Chairman and Chief Executive Officer (CEO) and compliance with the rules of governance.

The main areas to improve on in 2019 are as follows:

- time spent on the Company's business lines, strategy and human resources;
- improving the Board's collective responsibility.

Training

The Company has set up a training programme for new directors joining the Company. This training is provided over one day, with the main objectives of presenting the Group, its products strategy, its organisation and its commercial objectives, the main components of its balance sheet as well as key business indicators.

2.1.7 Analysis of the independence of members of the Board of Directors

Pursuant to the AFEP-MEDEF Code, the Board of Directors must review the status of independent directors every year. At its meeting of February 11, 2019, the COFACE SA Board of Directors reviewed the situation of each director with respect to the criteria recommended in the AFEP-MEDEF Code and the analysis of the Corporate Governance High Committee, (HCGE) in the AFEP-MEDEF Code application guide revised in December 2016.

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

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

Three directors do not meet any dependency criteria: Éric Hémar, Olivier Zarrouati and Nathalie Lomon.

Sharon MacBeath holds a senior management position at Tarkett, a company insured by Coface. An analysis of the relationship between Coface and Tarkett does not highlight any dependency between the two companies. The amount of premiums underwritten by Tarkett with other credit insurers should not face any issues in finding an alternative to Coface The existence of this policy does not therefore affect the independence of Sharon MacBeath.

Criteria to be assessed	Éric Hémar	Nathalie Lomon	Sharon MacBeath	Isabelle Laforgue	Olivier Zarrouati
Not to have held an employee position or a corporate mandate within the past five years in Natixis, Coface, or one of its subsidiaries.	✔	✔	✔	✔	✔
Not to be a corporate officer of a company in which Coface directly or indirectly holds a director's mandate or in which an employee or corporate officer of Coface holds or has held a director's mandate within the past five years.	✔	✔	✔	✔	✔
Not to be a client, supplier, corporate banker, significant investment banker of the Company or its group, or for which the Company or its group represents a significant portion of the business.	✔	✔	✔	✔	✔
Not to have a close family tie to a corporate officer.	✔	✔	✔	✔	✔
Not to have been an auditor of Coface over the past five years.	✔	✔	✔	✔	✔
Not to have been a director of Coface during the last 12 years.	✔	✔	✔	✔	✔
Not to be a director representing a significant shareholder of Coface or Natixis.	✔	✔	✔	✔	✔
Not to receive or have received significant supplementary compensation from Coface or from the Group outside of directors' fees, including for participation in any form of options on shares, or any other form of performance-linked compensation.	✔	✔	✔	✔	✔

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

2.1.8 Specialised committees, offshoots of the Board of Directors

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

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

Audit and accounts committee

On the date of this report, the Audit and Accounts Committee was composed of Mr Éric Hémar (Chairman), Ms Isabelle Laforgue and Mr Jean-Paul Dumortier since April 24, 2018.

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

Composition (Article 1 of the Audit and Accounts Committee Internal Rules)

- Members

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

  At least two-thirds of the members of the Audit and Accounts Committee are independent members of the Board of Directors.

- Chairman

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

  The Chairman of the Audit and Accounts Committee will exercise his/her functions in accordance with the Internal rules of the Audit and Accounts Committee.

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

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

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

Duties (Article 3 of the Audit and Accounts Committee Internal Rules)

The role of the Audit and Accounts Committee is to ensure the monitoring of matters concerning the development and verification of accounting and financial information, in order to facilitate the Board of Directors' duties of control and verification. In this regard, the committee issues opinions and/or recommendations to the Board of Directors.

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

- Monitoring of the preparation of financial information

  They must examine, prior to their presentation to the Board of Directors, the annual or half-year corporate and consolidated financial statements, to ensure the relevance and consistency of the accounting methods used to prepare these financial statements.

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

  It reviews the accounting treatment of all major transactions.

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

  It examines the scope of consolidated companies.

- Monitoring the control of the external audit of financial statements

  The Audit and Accounts Committee is responsible for monitoring the legal control of the corporate and consolidated financial statements by the Company's Statutory Auditors.

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

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

  It is responsible for monitoring the independence of the Statutory Auditors and compliance with the professional code of conduct.

  The Audit and Accounts Committee shall meet the Statutory Auditors at least once a year without the presence of the executives. In this respect, the Audit and Accounts Committee should also review, with the Statutory Auditors, the risks affecting their independence and the preventive measures taken to mitigate such risks. It must, in particular, ensure that the amount of the fees paid by the Company and the Group, or the share of such fees in the revenues of the firms and their networks, would not impair the independence of the Statutory Auditors.

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

To this end, the Audit and Accounts Committee must, in particular, ask to receive each year:

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

◆ Selection and renewal of the Statutory Auditors

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

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

◆ Approval of the provision by the Statutory Auditors of services other than account certification

Pursuant to the provisions of Article L.822-11-2 of the French Commercial Code, it approves the provision by the Company's Statutory Auditors of services other than account certification. In this case, it makes this decision after having reviewed the risks affecting the independence of the Statutory Auditors and preventive measures taken by the latter.

◆ Internal control duties

The Audit and Accounts Committee provides its opinion on the organisation of the Audit Department.

The Committee receives a copy of the Company's annual audit plan. It reviews this plan, in cooperation with the Risk Committee.

It is responsible for monitoring internal audit recommendations when these relate to its areas of expertise. It receives regular summary reports from management.

It receives a copy of the annual compliance plan.

◆ Annual budget

Before the beginning of each financial year, it reviews the Company's draft budget and monitors the budget process throughout the financial year.

Operation (Article 2 of the Audit and Accounts Committee Internal Rules)

◆ Frequency of meetings and procedures for convening meetings

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

- Ordinary convening of meetings:

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

- Extraordinary convening of meetings:

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

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

- Form and timing of the convening of meetings:

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

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

◆ Attendance at Audit and Accounts Committee meetings

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

Only the members and the Secretary of the Audit and Accounts Committee have the right to attend its meetings.

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

◆ Quorum and majority rule

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

No member of the Audit and Accounts Committee may represent another member.

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

◆ Secretariat and minutes of meetings

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

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

Activity of the Audit and Accounts Committee

The Audit and Accounts Committee met five times in 2018. The average participation rate was 100%.

The main work notably addressed:

- the creation of a Risk Committee;
- approval of the annual financial statements for the financial year 2017;
- examination of the quarterly and half-yearly financial statements for the financial year 2018;
- examination and approval of the 2018 audit plan;
- changes in international accounting standards: IFRS 9 and IFRS 17;
- examination of written Solvency II policies;
- regulatory reports: ORSA (Own Risk and Solvency Assessment), RSR (Regular Supervisory report) and SFCR (Solvency and Financial Condition report);
- the report on anti-money laundering;
- the compliance action plan;
- risk mapping;
- progress on the partial internal model; and
- authorisation to entrust the Statutory Auditors with duties other than account certification, when these do not raise potential conflicts of interest.

Risk Committee

The principle of a Risk Committee was decided by the Board of Directors during its meeting of April 24, 2018.

At the date of this report, the Risk Committee consists of Ms Nathalie Lomon (Chairman), Ms Isabelle Rodney and Ms Anne Sallé-Mongauze.

Composition (Article 1 of the Risk Committee Internal Rules)

- Members

  The Risk Committee is composed of three members having the appropriate and necessary qualifications to exercise their functions effectively, in particular with expertise in risk management, appointed from among the directors of the Company for the duration of their term as members of the Board of Directors.

  The Risk Committee has an independent member from the Board of Directors.

- Chairman

  The Chairman of the Risk Committee is the independent member of the Risk Committee nominated by the Board of Directors for the duration of his/her term as a director.

  The Chairman exercises his/her functions in accordance with the Internal Rules of the Risk Committee.

  The Chairman of the Risk Committee sets the dates, times and places of its meetings, establishes the agenda and presides at its meetings. The convening notices for the meetings will be sent by the Risk Committee Secretary.

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

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

Duties (Article 3 of the Risk Committee Internal Rules)

The duty of the Risk Committee is to ensure the effectiveness of the risk management and monitoring mechanisms, the existence and efficiency of operational internal control, review the compliance of reports sent to the regulator, monitor the Group's capital requirements management, and monitor the implementation of recommendations from internal audits of areas under its responsibility. The Risk Committee carries out all of these duties in order to facilitate the Board of Directors' duties of control and verification. In this regard, the committee issues opinions and/or recommendations to the Board of Directors.

Accordingly, the Risk Committee, in particular, exercises the following principal functions:

- Efficiency of risk management systems

  The Risk Committee reviews the major asset and liability risks (including subscription risks, market risk and funding risk), and ensures the existence and efficiency of monitoring and management mechanisms. In this regard, it examines the various risk management policies on an annual basis.

  Each year, it reviews the internal assessment carried out by the Company of its risks and solvency (ORSA).

  It is kept updated on the Company's risk appetite.

  It receives and reviews the results and updates of risk mapping carried out by the Company.

- Review of all regulatory reports relating to the Company

  The Risk Committee receives and reviews, before their approval by the Board, the regulatory reports required under regulations (in particular SFCR, RSR, anti-money laundering report, actuarial reports).

- Changes in prudential regulations

  The Risk Committee is informed of any regulatory changes that may have an impact on the Group's solvency or governance. It is also informed of solutions introduced to reduce any negative effects of these changes.

- The committee is responsible for monitoring the Group's capital requirements.

  It monitors, in particular, the drafting of the partial internal model, the compilation of the file for the regulator, the results of the model.

  It also examines the governance and major changes to the model.

- The committee ensures that all Level 1 and Level 2 operational controls are in place.

  It receives a summary of the results of these controls. It is informed of action plans implemented following these controls and is regularly updated on the progress of these action plans.

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

Operation (Article 2 of the Risk Committee Internal Rules)

- Frequency of meetings and procedures for convening meetings

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

  - Ordinary convening of meetings

    The Risk Committee meets upon a written convening notice issued by its Secretary under the conditions set out in paragraph 3, Section 1 b) of the Risk Committee Internal Rules and sent to each of its members. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Risk Committee and ask him to meet with said committee to discuss a specific agenda.

  - Extraordinary convening of meetings

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

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

  - Form and timing of the convening of meetings

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

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

- Attendance at Risk Committee meetings

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

  Only the members and the Secretary of the Risk Committee have the right to attend its meetings.

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

- Quorum and majority rule

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

  No member of the Risk Committee may represent another member.

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

- Secretariat and minutes of meetings

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

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

Activity of the Risk Committee

The Risk Committee met three times in 2018. The average participation rate was 100%.

It examined:

- the implementation of GDPR within the Company;
- the application of the Sapin II Law;
- the review of risk appetite indicators;
- the examination of risk policies;
- the examination of actuarial reports; and
- the partial internal model.

The Nominations and Compensation Committee

The principle of a Nominations and Compensation Committee was decided by the Board of Directors during its meeting of July 15, 2014. At the date of this report, the Nominations and Compensation Committee has consisted of Mr Olivier Zarrouati (Chairman), Ms Sharon MacBeath and Mr François Riahi since June 15, 2018.

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

Composition (Article 1 of the Nominations and Compensation Committee Internal Rules)

- Members

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

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

- Chairman

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

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

  The Chairman will report to the Board of Directors on the proposals and recommendations put forward by the Nominations and Compensation Committee in order for the Board of Directors to consider them, and will ensure the monitoring of the preparation and due process of the work of the Nominations and Compensation Committee between each of its meetings.

Duties (Article 3 of the Nominations and Compensation Committee Internal Rules)

- Duties of the Nominations and Compensation Committee

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

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

  - Compensation conditions

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

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

  - Appointment conditions

    The Nominations and Compensation Committee:

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

  In its specific function of appointing members of the Board of Directors, the Nominations and Compensation Committee shall take the following criteria into account: (i) the desired balance in the composition of the Board of Directors with regard to the composition and evolution of the Company's ownership; (ii) the desired number of independent Board members; (iii) the proportion of men and women required by current regulations; (iv) the opportunity to renew terms; and (v) the integrity, competence, experience and independence of each candidate. The Nominations and Compensation Committee must establish a procedure for selecting future independent members and undertake its own evaluation of potential candidates before the latter are approached in any way.

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

- Resources and prerogatives of the Nominations and Compensation Committee

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

Operation (Article 2 of the Nominations and Compensation Committee Internal Rules)

- Frequency of meetings and procedures for convening meetings

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

  - Ordinary convening of meetings:

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

  - Extraordinary convening of meetings:

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

  - Form and timing of the convening of meetings:

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

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

- Attendance at meetings of the Nominations and Compensation Committee

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

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

- Quorum and majority rule

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

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

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

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

  The opinions and proposals of the Nominations and Compensation Committee will be written in a report, one copy of which will be addressed to all the members of the Nominations and Compensation Committee and, if necessary, to the directors of the Company.

Activity of the Nominations and Compensation Committee

The committee met three times in 2018. The average participation rate was 100%.

It examined and/or set:

- the renewal of the term of office of a director;
- the compensation of the Chief Executive Officer;
- a *Long-Term Incentive* for 2018;
- the 2018 compensation policy;
- the implementation of indicators to monitor succession plans;
- the talent review; and
- the results of the *My Voice* commitment survey carried out in 2018.

2.1.9 Fitness and probity policy

Fitness

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

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

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

The Company ensures that directors collectively have the necessary knowledge and experience in the insurance and financial markets, Group strategy and its economic model, its governance, financial analysis and actuarial system, and the legal and regulatory requirements applicable to the Group, which are suitable to assume the responsibilities conferred on the Board of Directors.

Probity

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

The functions of director, effective manager, head of key functions, general manager of a branch, or the authority to sign on behalf of the Company cannot be performed by any person who has been the subject, within the past 10 years, of:

- a final sentence;
- a final measure of personal bankruptcy or any other final prohibition measure.

Persons serving as effective manager, head of key functions, general manager of a branch, or who have the authority to sign on behalf of the Company, are required to provide as proof, a declaration of absence of bankruptcy and a police record or, failing that, an equivalent document issued by a competent judicial or administrative authority of the original Member State of origin of these persons.

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

The Company's fitness and probity policy was reviewed on November 29, 2018 and approved by the Board of Directors on December 18, 2018 to extend to independent directors the obligation to provide the Company with a police record to prove their probity.

2.1.10 Prevention rules applicable to directors in respect of conflicts of interest

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

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

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

2.1.11 Statement of conflicts of interest

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

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

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

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

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

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

2.1.12 Corporate Governance Code

The Company voluntarily refers to all recommendations of the Corporate Governance Code for listed companies of the AFEP and MEDEF (the "AFEP-MEDEF Code" [1]). The Company makes copies of the AFEP-MEDEF Code available for the members of its corporate bodies at all times.

Within the context of the rule to "apply or explain" provided for by Article L.225-37-4 of the French Commercial Code, and by Article 27.1 of the AFEP-MEDEF Code, the Company believes that its practices comply with the recommendations of the AFEP-MEDEF Code. However, on the date of publication of the registration document, certain recommendations are not applied, for the reasons presented in the following table:

The Board of Directors' rules must specify that any significant operation not covered by the Company's announced strategy must receive the prior approval of the Board (Article 1.9).	The wording of the Board of Directors' Internal Rules, although slightly different, results in a comparable outcome. In fact, it provides that the following are subject to the prior authorisation of the Board of Directors, ruling by a simple majority of the members present or represented: ◆ extension of the Company's activities to significant businesses not performed by the Company; and ◆ any interest, investment, disposal or any establishment of a joint venture carried out by the Company or one of its significant subsidiaries, for a total amount that is greater than €100 million.
The Compensation Committee must not contain any corporate officer (Article 17.1).	The Chairman of the Board of Directors is a member of the Compensation Committee. The Chairman of the Board of Directors has no executive role. Furthermore, there is no risk of a conflict of interest, to the extent that the role of Chairman is not compensated, and that Mr Laurent Mignon and, currently, Mr François Riahi, do not collect directors' fees either as Chairman or as a member of the Compensation Committee.
The Board of Directors must periodically set a minimum quantity of shares that must be retained by the Chairman of the Board and the Chief Executive Officer in registered form, until the end of his duties (Article 22).	The Articles of Association set the number of shares that must be held by any director. The LTIP plans set the number of shares that must be held by the Chief Executive Officer until the end of his duties.

2.1.13 Limitations to the powers of the general management

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

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

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

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

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

(1) http://www.afep.com/wp-content/uploads/2018/06/Code-Afep_Medef-r%C3 %A9vision-du-20-juin_VF.pdf

2.2 CHIEF EXECUTIVE OFFICER AND GROUP GENERAL MANAGEMENT SPECIALISED COMMITTEES

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

2.2.1 Experience and terms of office of the Chief Executive Officer (CEO)

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

Xavier DURAND

Chief Executive Officer (CEO)

since February 9, 2016

55 years

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

36,000 bearer shares

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

PRINCIPAL TERMS OF OFFICE AND DUTIES

During financial year 2018

- Chairman of the Board of Directors and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur
- Chairman of the Board of Directors of Coface North America Holding Company
- Director of: ALD Automotive [(1)]

During the past five years and which are no longer held

- Chairman and Chief Executive Officer of GE Capital Asia Pacific
- Director of the Strategy and Growth Department of GE Capital International in London
- Director of Krungsri group, Thailand, Chairman of the Compliance Committee
- Director of: Hyundai Capital Cards, GE Japan Corporation, Axa France Vie, Axa France Iard, Wizink Bank (Madrid, formerly Banco Popular-e)

CURRICULUM VITAE

Xavier Durand is a graduate of the Ecole Polytechnique and the École Nationale des Ponts et Chaussées. *He started his career in 1987 in the consultancy firm, The Mac Group (Gemini Consulting) before joining the Sovac Real Estate Bank in 1994 as deputy CEO. In 1996, Xavier Durand joined GE Capital, where he led an international career, first in Chicago as Director of Strategy and Growth of the finance division of the Global Auto business, then in France, first as CEO Sales & Development of GE Money Bank France, then CEO France, and subsequently of GE Capital's European banking activities. In 2011, he was named CEO of GE Capital Asia-Pacific, based in Japan. He was appointed GE Capital's Director of Strategy and Growth, based in London, at the end of 2013. He has been Chief Executive Officer of COFACE SA since February 9, 2016..*

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

The Chief Executive Officer of the Company created a Group General Executive Committee (GEC). It is comprised of eight members: the Director of Human Resources; the Transformation Officer Director, the Underwriting Director; the Commercial Director; the General Secretary; the Chief Financial and Risk Officer; the Business Technology Director; and the Strategy and Business Development Director (see also Section 1.7 "Group organisation").

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

(1) Listed company

In addition to Xavier Durand, the Group General Executive Committee comprised the following persons on the date of publication of the registration document:

Pierre BEVIERRE

Director of Human Resources

The Human Resources Department is responsible for all of the Group's key human resources processes and policies.

CURRICULUM VITAE

Pierre Bevierre, 51 years old, holds a postgraduate degree in human resources from the Université Paris-Dauphine. He began his career as an expert in recruitment before joining Presstalis, a French media distribution corporation, in 1992 as Head of HR and industrial relations. In 1998, he was appointed Head of Compensation and Employee Benefits at GE Money Bank, then Head of HR at GE Insurance in 2001. In 2004, he was promoted to Director of Human Resources Europe for shared financial services at the GE group. In 2008, he joined MetLife as Director of Human Resources for Western Europe and was appointed Vice-Chairman of Human Resources for Central and Eastern Europe in 2012. He joined the Group on January 2, 2017 as Group Head of Human Resources and has been a member of the Executive Committee since January 1, 2019.

Nicolas de BUTTET

Transformation Office Director

The Transformation Office is responsible for project planning and the Lean.

CURRICULUM VITAE

Nicolas de Buttet, 45 years old, graduated from EDHEC. After having begun his career as a credit analyst within the Crédit Lyonnais group, he joined the Euler Hermes group as a risk underwriter. He joined the Coface Group in 2012 as Manager of Underwriting for Western Europe and France, and has held the position of Director of Risk Underwriting, Information and Litigation for the Group since 2013.

Cyrille CHARBONNEL

Underwriting and Claims Director

The combined control of debtor and client risk is critical to the Fit to Win plan. The Underwriting and Claims Department is in charge of both commercial underwriting and litigation as well as of the Risk Underwriting and Information Department.

CURRICULUM VITAE

Cyrille Charbonnel, 54 years old, is a graduate in finance from the Institut supérieur de commerce de Paris. After initially working at an organisational consulting firm, he joined the Euler Hermes France group as risk analyst in 1990. He then moved into sales in 2001 and was appointed Sales and Marketing Director in 2004. In 2007, he left for Portugal as Chief Executive Officer of the local subsidiary. He joined Coface in 2011 as Group Organisation Director, then as Chief Operating Officer. In 2013, he was appointed Director of the Western Europe and France region before becoming Group Chief Underwriting Director in 2017.

Nicolas GARCIA

Commercial Director

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

CURRICULUM VITAE

Nicolas Garcia, 46 years old, holds a degree from the University of Bordeaux in economics and international finance, as well as an MBA in international banking & finance from Birmingham Business School. He has held various positions within the Euler Hermes group, including Head of Commercial Underwriting since 2011. He has held the position of Group Commercial Director since July 2, 2014.

Carole LYTTON

General Secretary

The General Secretariat encompasses the Human Resources Department, the Communications Department, the Legal Department as well as the newly created Compliance Department.

CURRICULUM VITAE

Carole Lytton, 62 years old, graduated from the Institut d'études politiques de Paris and holds postgraduate degrees in public law and in international law. She joined the Group in 1983 and has been the Chief Legal and Compliance Officer since 2008. Since 2013, her duties have also included Facilities Management for France, which reports to her. She was appointed General Secretary on July 3, 2015. Since 2016, the Group Communications and Human Resources Departments have also been placed under her authority.

Carine PICHON

Chief Financial and Risk Officer

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

CURRICULUM VITAE

Carine Pichon, 46 years old, is a graduate in corporate finance of École supérieure de commerce de Rouen and of the University of Regensburg (Germany). After having worked at PricewaterhouseCoopers, where she held the title of Mission Director for Insurance, she joined the Group in 2001 as Consolidation Supervisor. After serving as Chief Financial Officer for Coface in France, she became Chief Financial Officer for the entire Group in 2013. The Group Risk Department has been reporting to her since November 30, 2015. On November 2, 2015, the Board of Directors decided to appoint her as the Company's effective manager under the Solvency II Regulation.

Keyvan SHAMSA

Business Technology Director

The newly created Business Technology Department brings together the former Information Systems and Organisation Departments.

CURRICULUM VITAE

Keyvan Shamsa, 56 years old, has a PhD in computer science from the Université Pierre et Marie Curie. He began his career in finance at Crédit Lyonnais Corporate and Investment Banking in 1991 as part of the information systems team before being appointed in 2000 as Head of IT at Crédit Lyonnais Asset Management (now Amundi). In 2005, he joined Société Générale Corporate and Investment Banking in New Year as Head of Corporate Information Systems for the American continent. In 2008, he joined BNP Paribas Asset Management in Paris as Head of Information Systems, where he also held various other management positions over a period of 10 years. He joined the Group on November 5, 2018 as Business Technology Director.

Thibault SURER

Strategy and Business Development Director

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

CURRICULUM VITAE

Thibault Surer, 56 years old, is a graduate of École des hautes études commerciales de Paris, the London Business School and the Stockholm School of Economics. He began his career in Eurosuez-Euroventures funds (1987-1994) and then spent 15 years with McKinsey & Company as Partner and Director of the Financial Institutions and Transport and Logistics Competence Centres. After serving as Partner in the Astorg Partners private equity fund (2010 to 2015), he became Strategy and Business Development Director of Coface Group on June 13, 2016.

2.2.3 Other committees chaired by General Management

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

Executive Committee

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

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

Like the GEC, the Executive Committee pays particular attention to monitoring the efficiency of internal control, internal audit and risk management systems that are considered essential to the Group's smooth internal governance.

They meet each month to review the progress of the Group's cross-disciplinary projects and the implementation of the Fit to Win strategic plan.

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

Moreover, once a month, the Chief Executive Officer (CEO) calls the main managers of the various head office functions for a "HQ Leaders Committee" meeting. This committee focuses on information and discussions relating to the main areas of reflection and action.

2.3 COMPENSATION AND BENEFITS PAID TO MANAGERS AND CORPORATE OFFICERS

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

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

The Company is a limited corporation (*société anonyme*) with a Board of Directors. The duties of Board Chairman, performed by Mr Laurent Mignon until June 15, 2018 and then by Mr François Riahi, and Chief Executive Officer (CEO), performed by Mr Xavier Durand, have been separated.

No form of compensation or benefit has been paid to the Chairman of the Board of Directors by the Company. The compensation paid by Natixis to Mr Laurent Mignon and to Mr François Riahi for their term as Chief Executive Officer (CEO) of Natixis is described below (Sections 2.3.2 and 2.3.3).

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

2.3.1 Compensation policy

Regulatory framework

The Company's compensation policy falls under the provisions of the Solvency II Directive and of the 2015/35 delegated regulation (Article 258 Section 1, Point 1 and Article 275).

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

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

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

General principles

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

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

- **fixed compensation**: this is the principal component of individual compensation and depends on the abilities and expertise expected for a given position. It is fixed at the time of hiring and reviewed annually with regard to market practices, individual contribution and internal equity in strict compliance with the constraints of the budgets allocated for the financial year;
- **annual individual variable compensation ("bonus")**: the Group's variable policy takes individual and collective performance into account over a given year and is assessed on the basis of financial and non-financial criteria. The eligibility rules and variable compensation level are set by function, responsibility level and market under consideration. For the Group's key managers, the target variable compensation is set as a percentage of base salary;
- **long-term individual variable compensation (Long-Term Incentive Plan)**: since 2014, the year of its stock market listing, the Group has set up an annual plan for the allocation of free performance shares to its Executive Committee and aimed at ensuring that the interests of beneficiaries are aligned with those of shareholders over the long term. In 2016, the Group extended the allocation of free performance shares to certain target populations in order to meet the regulation requirements of Solvency II, but also for purposes of retaining key employees;
- **collective variable compensation (employee savings)**: in France, the Group negotiated a three-year profit-sharing agreement in 2018. This agreement benefits all employees working under a fixed or open-ended employment contract, who provide proof of more than three months' seniority within the companies forming part of the economic and corporate unit Compagnie française d'assurance pour le commerce extérieur – Fimipar (a wholly-owned subsidiary of the Group). Participation is handled according to the legal formula. Similar collective schemes exist in other Group entities depending on their legal obligations and seek to associate employees with the Company's performance;
- **corporate benefits**: corporate benefits are determined by each of the Group's entities in an effort to closely address local concerns. The Group ensures practices are consistent, and guarantees a competitive level of social protection on the market, which is respectful of its employees worldwide.

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

Special provisions applicable to the regulated population

Scope of the regulated population

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

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

For 2018, 27 functions fell within the regulated population scope. The Nominations and Compensation Committee identifies these functions, then presents them to the Board of Directors for approval. This list is reviewed each year in order to guarantee a perfect match between the evolution of the Company's risk profile and that of its employees.

Specific provisions regarding compensation

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

- In addition to rules common to all managers, the Group sets specific compensation rules intended for the population identified as regulated:
  - the variable compensation package therefore includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of the Company's free shares;
  - free shares represent the deferred portion of the variable compensation and represent at least 30% of overall variable compensation. They are contingent upon presence and performance conditions and have a vesting period of three years.
- The following specific provisions have been defined for the Company's corporate executive officers:
  - the variable compensation package includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of the Company's free shares;
  - the deferred variable compensation comprises two components:
    - free shares which represent at least 30% of the variable compensation package. They are contingent on presence and performance conditions and have a vesting period of three years; the corporate executive officer is further required to hold 30% of the awarded shares until expiry of his term of office,
    - the payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 15% in N+2 and 15% in N+3. A penalty system is introduced in case of observed losses or dismissal for gross negligence or serious misconduct before the payment date.

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

Under the 2018 LTIP, free shares will be definitively vested on February 15, 2021, subject to presence and performance conditions measured over the term of the plan as follows:

- 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2020;
- 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.

Any individual coverage or insurance strategy is forbidden.

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

2.3.2 Rules for determining the compensation of corporate officers

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

Members of the Board of Directors

The amount allocated to the Board of Directors is €450,000 for 2018.

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

- for members of the Board of Directors:
  - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting until the Board meeting of April 24, 2018, then €3,000 per meeting, capped at six meetings.

Members of the Audit and Accounts Committee

- Chairman:
  - fixed portion: €17,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting until the Board meeting of April 23, 2018, then €3,000 per meeting, capped at six meetings.
- Members of the Audit and Accounts Committee:
  - fixed portion: €2,500 per year (*prorata temporis* of the term of mandate),
  - variable portion: €1,000 per meeting until the Board meeting of April 23, 2018, then €2,000 per meeting, capped at six meetings.

Members of the Risk Committee

- Chairman:
  - fixed portion: €8,500 per year (*prorata temporis* of the term of mandate),
  - variable portion: €3,000 per meeting, capped at five meetings.
- Members of the Risk Committee:
  - fixed portion: €2,500 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting, capped at five meetings.

Members of the Nominations and Compensation Committee

- Chairman:
  - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting until the Board meeting of February 6, 2018, then €3,000 per meeting, capped at five meetings.
- Members of the Nominations and Compensation Committee:
  - fixed portion: €3,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €1,000 per meeting until the Board meeting of February 6, 2018, then €2,000 per meeting, capped at five meetings.

On an annual basis of six Board meetings; five Audit and Accounts Committee meetings, three Risk Committee meetings, three Nominations and Compensation Committee meetings	Financial year 2018 – maximum gross amounts of directors' fees		
	Amount of directors' fees	Fixed portion (in %)	Variable portion (in %)
Member of the Board of Directors	€24,000	33	67
Member of the Board of Directors + Chairman of the Audit and Accounts Committee	€54,000	46	54
Member of the Board of Directors + member of the Audit and Accounts Committee	€34,500	31	69
Member of the Board of Directors + Chairman of the Risk Committee	€41,500	40	60
Member of the Board of Directors + member of the Risk Committee	€32,500	33	67
Member of the Board of Directors + Chairman of the Nominations and Compensation Committee	€40,000	40	60
Member of the Board of Directors + member of the Nominations and Compensation Committee	€32,000	34	66

Chief Executive Officer (CEO)

At the start of each financial year, the Board of Directors, at the proposal of the Nominations and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. This includes a fixed portion, an annual variable portion (bonus) and a long-term variable portion (free performance shares). The annual variable compensation includes a deferred compensation component, according to the terms set by the Board of Directors (see Section 2.3.3).

2.3.3 Summary of compensation of each executive corporate officer for financial years 2017 and 2018

In order to comply with regulations, the tables below present a summary of compensation and stock options and shares allocated during the financial years ended December 31, 2017 and 2018 to Mr Laurent Mignon, Chairman of the Board of Directors until June 15, 2018, and to Mr Xavier Durand, Chief Executive Officer; as well as during the financial year ended December 31, 2018 to Mr François Riahi, Chairman of the Board of Directors since June 15, 2018.

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

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

	Financial year 2018 (1)	Financial year 2017 (1)
Laurent Mignon, Chairman of the COFACE SA Board and Natixis CEO (2) until June 15, 2018		
Compensation due for the financial year (3)	1,028,552	2,623,242
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (4)	80,000	192,000
TOTAL	1,108,552	**2,815,242**
François Riahi, Chairman of the COFACE SA Board and Natixis CEO (2) since June 15, 2018		
Compensation due for the financial year (5)	996,245	-
Value of the multi-year variable compensation allocated during the financial year		-
Value of options allocated during the financial year		-
Value of performance shares allocated during the financial year (4)	93,333	-
TOTAL	1,089,577	**-**
Xavier Durand, Chief Executive Officer		
Compensation due for the financial year (6) (presented in detail in Section 2.3.4 below)	1,497,179	1,463,606
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (presented in detail in Section 2.3.8 below)	594,198	370,080
TOTAL	**2,091,377**	**1,833,686**

(1) In euros.
(2) This amount includes €175,000 in compensation awarded to Laurent Mignon with respect of his duties as Chairman of the Board of Directors of Natixis as of June 1, 2018. The details of the compensation for Laurent Mignon, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, are available in Section 2.4.3.3, of Chapter 2.4 of the 2018 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 15, 2019 and are available on the website: www.natixis.com.
(3) Including €2,379 of family supplement for 2017 and €818 of family supplement for 2018.
(4) Corresponding to their value on the date they were awarded, for a fair value of €47,460 for Laurent Mignon and of €55,372 for François Riahi in 2018.
(5) Including €1,388 of family supplement for 2018.
(6) Before social contributions and income tax.

2.3.4 Compensation of executive corporate officer for financial years 2017 and 2018

In order to comply with regulations, the tables below present a breakdown of the fixed and variable compensation along with other benefits awarded during the financial years ended December 31, 2017 and 2018 to Mr Laurent Mignon, Chairman of the Board of Directors, and to Mr Xavier Durand, Chief Executive Officer; as well as during the financial year ended December 31, 2018 to Mr François Riahi, Chairman of the Board of Directors since June 15, 2018.

No form of compensation or benefit was paid to Mr Laurent Mignon or has been paid to Mr François Riahi by the Company. The compensation paid by Natixis to Mr Laurent Mignon and then to Mr François Riahi for their term as Chief Executive Officer (CEO) of Natixis is described below.

Compensation due or allocated for the financial year ended December 31, 2018, to Mr Laurent Mignon, Chairman of the COFACE SA Board of Directors until June 15, 2018

▶ AMF nomenclature – Table 2 – Summary of compensation of each executive corporate officer

	2018 (1)		2017 (1)	
	Amounts due (2)	Amounts paid	Amounts due (2)	Amounts paid
Laurent Mignon, Chairman of the COFACE SA Board and Natixis CEO (3)				
Fixed compensation for corporate office (4)	575,000	575,000	960,000	960,000
Annual variable compensation	452,734	1,263,517 (5)	1,660,863	1,125,926 (5)
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	818	818	2,379	2,379
TOTAL	1,028,552	1,839,335	**2,623,242**	**2,088,305**

(1) In euros.
(2) Laurent Mignon also benefited at the Board meeting of May 23, 2018 from a free share allocation of 11,661 performance shares on a prorata temporis basis corresponding to an allocated amount of €80,000, and at the Board meeting of May 23, 2017 from a free share allocation of 29,911 performance shares valued at €192,000 at their allocation date.
(3) This amount includes the compensation of €175,000 received by Laurent Mignon in respect of his duties as Chairman of the Board of Directors of Natixis as of June 1, 2018. The details of the compensation for Laurent Mignon, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, are available in Section 2.4.3.3 of Chapter 2.4 of the 2018 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 15, 2019 and are available on the website: www.natixis.com.
(4) On a gross basis before social contributions and income tax.
(5) This amount includes payment and delivery of securities relating to the variable remuneration deferred from previous years. The delivery of securities relating to long-term compensation plans is presented in Section 2.4.3.3 in AMF table n°7.
(6) The deferred amount corresponds to the family supplement.

Compensation due or allocated for the financial year ended December 31, 2018, to Mr François Riahi, Chairman of the COFACE SA Board of Directors since June 15, 2018

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

	2018 (1)	
	Amounts due (2)	Amounts paid
François Riahi, Chairman of the COFACE SA Board and Natixis CEO (3)		
Fixed compensation for corporate office (4)	466,667	466,667
Annual variable compensation	528,190	827,706 (5)
Extraordinary compensation	-	-
Directors' fees	-	-
Benefits in kind	1,388	1,388
TOTAL	996,245	1,295,791

(1) In euros.
(2) François Riahi also benefited at the Board meeting of August 2, 2018 from a free share allocation of 13,605 performance shares on a prorata temporis basis valued at €93,333 at their allocation date.
(3) The details of the compensation for François Riahi, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, are available in Section 2.4.3.3 of Chapter 2.4 of the 2018 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 15, 2019 and are available on the website: www.natixis.com.
(4) On a gross basis before social contributions and income tax.
(5) This amount includes payment and delivery of securities relating to the variable remuneration deferred from previous years. Excluding collective variable compensation (employee profit-sharing) paid to François Riahi for the 2017 financial year for his role as Co-Head of Natixis Corporate & Investment banking. The delivery of securities relating to long-term compensation plans is presented in Section 2.4.3.3 in AMF table n°7.
(6) The deferred amount corresponds to the family supplement.

Compensation due or allocated for the financial year ended December 31, 2018, to Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA

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

	2018 (1)		2017 (1)	
	Amounts due (2)	Amounts paid (3)	Amounts due (2)	Amounts paid (3)
Xavier Durand, Chief Executive Officer				
Fixed compensation	575,000	575,000	575,000	575,000
Annual variable compensation	907,532 (5)	611,840 (4)	874,058 (5)	322,000 (4)
Multi-year variable compensation	-	-	-	-
Deferred variable compensation (6)		69,000		
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind (7)	14,647	14,647	14,548	14,548
TOTAL (8)	**1,497,179**	**1,270,487**	**1,463,606**	**911,548**

(1) Amount in euros, on a gross basis before social contributions and income tax.
(2) The amounts due correspond to the sums allocated for the financial year excluding long-term variable compensation and deferred variable compensation.
(3) The amounts paid correspond to the sums effectively paid during the financial year and include the amounts that were due for the previous financial year.
(4) Variable compensation paid in performance year N (portion due for N-1).
(5) Variable compensation for performance year N.
(6) Deferred variable compensation paid in year N for performance year N-2.
(7) Mr Xavier Durand benefits from the payment by the Company of 62.5% of contributions due for the business managers and corporate officers social guarantee scheme (GSC) and a company car.
(8) For the history of allocation of bonus shares, see Section 2.3.12.

Breakdown of the components of the compensation of Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA for the financial year ended December 31, 2018 (see also Section 7.6.3 on the principles and components of the Chief Executive Officer's compensation)

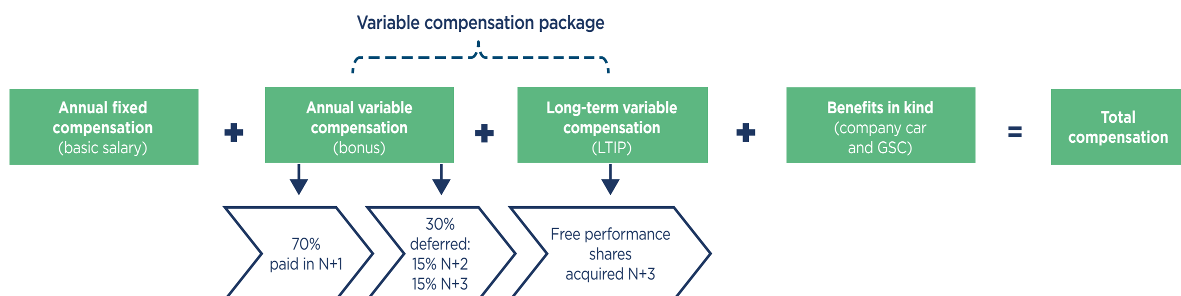
<table>
<tr><th>Compensation components</th><th>Amount</th><th>Comments</th></tr>
<tr><td>Fixed compensation</td><td>€575,000</td><td>Gross annual compensation set at €575,000 since the start of his term on February 9, 2016.</td></tr>
<tr><td>Annual variable compensation ("bonus")</td><td>€907,532</td><td>
Variable compensation is set at €575,000.
It comprises 60% financial objectives and 40% strategic and managerial objectives.
The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives).
The achievement rate of 2018 objectives proposed by the Nominations and Compensation Committee meeting of January 16, 2019, approved by the Board of Directors at the meeting of February 11, 2019 and submitted for the approval of the Shareholders' Meeting that closed the 2018 accounts was 157.83%, broken down as follows:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Turnover</td><td>20%</td><td>134%</td><td>153,852</td></tr>
<tr><td>Net income</td><td>20%</td><td>250%</td><td>287,500</td></tr>
<tr><td>Internal general overheads excluding exceptional items</td><td>10%</td><td>178%</td><td>102,206</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td><td>208%</td><td>119,600</td></tr>
<tr><td>TOTAL (A)</td><td></td><td>115.33%</td><td>663,157</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Fit to Win strategic plan</td><td>15%</td><td>125%</td><td>107,813</td></tr>
<tr><td>Reinforcement of employee commitment</td><td>5%</td><td>75%</td><td>21,563</td></tr>
<tr><td>Development of the internal model</td><td>5%</td><td>100%</td><td>28,750</td></tr>
<tr><td>Reinforcement of sales dynamic</td><td>15%</td><td>100%</td><td>86,250</td></tr>
<tr><td>TOTAL (B)</td><td></td><td>42.50%</td><td>244,375</td></tr>
<tr><td>TOTAL (A + B)</td><td></td><td>157.83%</td><td>907,532</td></tr>
</table>
The bonus due for financial year 2018 is therefore €907,532 and will be paid as follows:
◆ 70% of the total amount paid in 2019, i.e. €635,272
◆ 15% of the total amount deferred to 2020, i.e. €136,130
◆ 15% of the total amount deferred to 2021, i.e. €136,130
Note that the payment of the 2018 bonus is conditional on the approval of the Ordinary Shareholders' Meeting that follows the closing of financial year 2018.
A penalty scheme has also been introduced: therefore, in case of losses observed prior to the payment dates of the deferrals or dismissal for gross negligence or serious misconduct before the payment date, no payment will be made for these deferrals.
</td></tr>
</table>

Compensation components	Amount	Comments
Multi-year variable compensation	€0.00	N/A
Extraordinary compensation	€0.00	N/A
Long-term variable compensation (Allocation of stock options/ performance shares and any other component of long-term compensation)	(see Section 2.3.8)	65,000 shares are allocated under the Long-Term Incentive Plan 2018 (LTIP 2018), representing a value of €594,198 for the allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting. Bonus shares will be definitively vested on February 15, 2021, subject to presence and performance conditions measured over the term of the plan until December 31, 2020, as follows: ◆ 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2020; ◆ 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period. The share vesting period is set at three years starting from February 12, 2018. The plan does not include a retention period. The Board decided that 30% of the CEO's shares vested under the LTIP 2018 should be retained until the end of his corporate term or of any other function that he might hold within Coface.
No hedging	€0.00	To the Company's knowledge, no hedge instrument has been set up.
Supplementary retirement scheme	€0.00	Mr Xavier Durand does not benefit from any supplementary retirement scheme.
Directors' fees	€0.00	Mr Xavier Durand did not receive any directors' fee for financial year 2018 in connection with his duties within the Company.
Benefits in kind	€14,647	Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC).
TOTAL AMOUNTS DUE*	**€1,497,179**	

* *The amounts due correspond to the sums allocated for the financial year excluding long-term variable compensation.*

The compensation for the current CEO, Mr Xavier Durand, for 2018 can be summarised as follows:

▶ Variable compensation package



2.3.5 Directors' fees and other compensation collected by the members of the Board of Directors during financial years 2017 and 2018

The table below shows the directors' fees and other types of compensation collected by members of the Company's Board of Directors in 2017 and 2018.

Table 3 – Table regarding the directors' fees and other compensation collected by non-corporate officers (AMF nomenclature) (1)

Non-corporate officers	First appointment	Expiry of the term of office	Amounts paid in financial year 2018 (2)	Amounts paid in financial year 2017 (2)
Jean Arondel				
Directors' fees COFACE SA	Nov. 21, 2012	SM Dec. 31, 2020 (3)	24,000	20,000
Other compensation			-	-
Jean-Paul Dumortier				
Directors' fees COFACE SA	Jul. 26, 2013	SM Dec. 31, 2020 (3)	32,500	20,000
Other compensation			-	-
Éric Hémar				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2021 (3)	51,000	43,000
Other compensation			-	-
Daniel Karyotis				
Directors' fees COFACE SA	Feb. 8, 2017	SM Dec. 31, 2020 (3)	22,000	17,333
Other compensation			-	-
Isabelle Laforgue				
Directors' fees COFACE SA	Jul. 27, 2017	SM Dec. 31, 2020 (3)	32,500	11,667
Other compensation			-	-
Nathalie Lomon				
Directors' fees COFACE SA	Jul. 27, 2017	SM Dec. 31, 2020 (3)	43,000	15,958
Other compensation			-	-
Sharon MacBeath				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2021 (3)	29,000	24,000
Other compensation			-	-
Isabelle Rodney				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2020 (3)	30,500	16,000
Other compensation			-	-
Anne Sallé-Mongauze				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2020 (3)	- (4)	- (4)
Other compensation			-	-
Olivier Zarrouati				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2021 (3)	40,000	34,000
Other compensation			-	-

(1) The dates of appointments and end of terms for the Board of Directors are available in Section 2.1.1 "Mapping of the characteristics of the members of the Board of Directors for financial year 2018".
(2) In euros, on a gross basis (before social contributions and tax).
(3) Shareholders' Meeting held to approve the financial statements for the previous financial year.
(4) Ms Anne Sallé-Mongauze, Chief Executive Officer of a subsidiary wholly owned by Natixis, waives her attendance fees pursuant to the policy of Natixis.

2.3.6 Stock options or warrants allocated in financial year 2018 to each executive corporate officer or by the Company or any company in the Group

No stock options or warrants were allocated for corporate officers during the financial year ended December 31, 2018.

2.3.7 Stock options or warrants exercised in financial year 2018 by each executive corporate officer

No stock options or warrants were exercised by a corporate executive officer during the financial year ended December 31, 2018.

2.3.8 Free shares allocated during financial year 2018 to each executive corporate officer

The conditions for bonus share allocation are described in Section 2.3.4. The table below restates the description of the free shares allocated to Mr Xavier Durand under the 2018 Long-Term Incentive Plan.

Table 6 – Shares allocated to each corporate officer (AMF nomenclature)

	Plan date	Number of shares allocated during the financial year	Valuation of shares in euros according to the method used for the consolidated financial statements (1)	Vesting date	Availability date	Performance conditions
Xavier Durand Chief Executive Officer (CEO)	2018 Long-Term Incentive Plan Feb. 12, 2018	65,000	€463,300	Feb. 15, 2021	Feb. 15, 2021	See table in Section 2.3.4
TOTAL		**65,000**	**€463,300**			

(1) The value on the allocation date corresponds to €594,198.

2.3.9 Shares which have become available in financial year 2018 for each executive corporate officer

No share allocations became available in financial year 2018.

2.3.10 History of allocation of stock options or warrants

No stock options or warrants were allocated during the financial years ended December 31, 2018, 2017 and 2016.

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

2.3.11 Stock options or warrants granted to the top ten employees who are not corporate officers

No stock options or warrants were allocated during the financial years ended December 31, 2018, 2017 and 2016 to the top ten non-corporate officer employees.

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

2.3.12 History of bonus share allocation

298,997 performance shares were allocated under the LTIP 2016, out of the 399,932 available shares representing the total package allocated to this plan by the Board of Directors. 50,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €312,553 during the financial year ended December 31, 2016. The remainder of the 248,997 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (31,594 phantom shares). As the performance condition was fully met, all of the shares attributed under this plan will be delivered on the final vesting date, *i.e.* November 4, 2019.

366,146 performance shares were allocated under the LTIP 2017, out of the 405,318 available shares representing the total package allocated to this plan by the Board of Directors. 60,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €370,080 during the financial year ended December 31, 2017. The remainder of the 306,146 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (34,400 phantom shares).

298,132 performance shares were allocated under the LTIP 2018, out of the 382,869 available shares representing the total package allocated to this plan by the Board of Directors. 65,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €594,198 during the financial year ended December 31, 2018. The remainder of the 233,132 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus shares was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (29,000 phantom shares) – see Section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".

Table 10 – History of bonus share allocations

	Long-Term Incentive Plan (1)		Exceptional allocation of bonus shares	
	2018	**2017**	**2018**	**2017**
Meeting date	May 19, 2016	May 19, 2016	-	-
Date of the Board of Directors' meeting	Feb. 12, 2018	Feb. 8, 2017	-	-
Total number of bonus shares allocated	298,132	366,146	-	-
of which allocated to Xavier Durand	65,000	60,000	-	-
Share vesting date	Feb. 15, 2021	Feb. 9, 2020	-	-
End-date of the retention period	N/A	N/A	-	-
Number of subscribed shares	-	-	-	-
Cumulative number of cancelled or lapsed shares	-	-	-	-
Remaining bonus shares allocated at financial year-end	298,132	366,146	-	-

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

2.3.13 Employment contracts, retirement indemnities and indemnities in the event of termination of the duties of the executive corporate officers

Table 11 – Employment contracts, retirement indemnities and indemnities in the event of termination of the duties of the executive corporate officers (AMF nomenclature)

	Employment contract		Supplementary retirement scheme		Compensation or benefits due or which could be due as a result of a termination or change of duties		Indemnities related to a non-compete clause	
Executive corporate officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
François RIAHI Chairman of the Board of Directors From June 15, 2018 until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2020		X		X [1]	✓ [3]		✓ [3]	
Xavier DURAND Chief Executive Officer (CEO) From February 9, 2016 until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2019		X		X [2]	✓			X

(1) François Riahi benefits from mandatory pension schemes as all other Natixis employees do, and does not benefit from any complementary pension scheme under Articles 39 or 83 of the French General Tax Code. Moreover, the Chief Executive Officer (CEO) of Natixis makes contributions to the life insurance policy under Article 82 of the French General Tax Code set up by the BPCE group. Contributions under this scheme are funded by the Chief Executive Officer and not by Natixis. Pursuant to this scheme, in 2018, in his role as Chief Executive Officer of Natixis, François Riahi made a payment of €68,445.

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

(3) No compensation for severance or a change in position, or under a non-compete clause, was paid in 2018. No form of compensation or benefit has been paid to François Riahi by the Company.

Severance pay granted to Mr Xavier Durand

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

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

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

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

Xavier Durand does not have an employment contract and does not benefit from any indemnity relating to a non-compete clause.

2.3.14 Amounts placed in reserve or otherwise recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits

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

3. COMMENTS ON THE FINANCIAL YEAR

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3.1 ECONOMIC ENVIRONMENT [1]

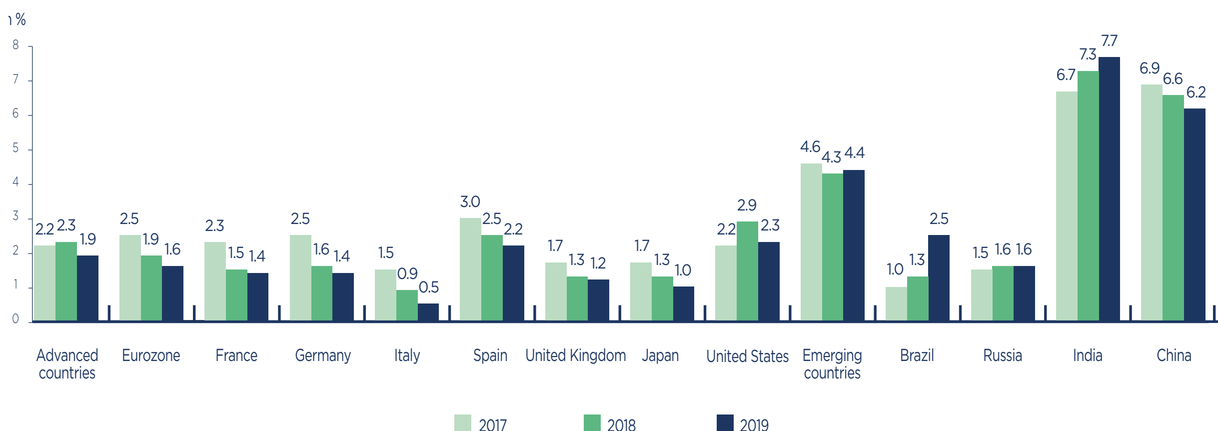
In 2018, the global economy achieved 3.2% growth, according to Coface, a performance slightly lower than that of 2017 (3.3%) and which confirmed that global growth has passed its peak. Advanced economies saw a slight acceleration in growth (2.3%, up 0.1% compared with 2017), in contrast with emerging economies (4.3%, down 0.3% compared with 2017).

Eurozone growth slowed in 2018 (1.9%) after an excellent 2017 (2.5%). Despite a continuing accommodating monetary policy, uncertainties surrounding Brexit, the trade war, heightened sovereign risk in Italy and emerging challenges in the automotive sector weighed on growth at the end of the year. Growth in Germany weakened (1.6%, down 0.9 points compared with 2017), notably due to the downturn in the automotive sector, and suffered from the state of the world economy, and exchange rates, which contributed negatively to growth. Activity in France also slowed (1.5%, down 0.8 point), in the wake of a weaker increase in consumer spending, triggering a rise in company defaults (2.3% in the third quarter of 2018) following a two-year upturn. Trends were similar in Southern Europe: good performances slowed slightly in Spain (2.5%, down 0.5% point) and Portugal (2.0%, down 0.7 point compared with 2017) but remained better than those seen in Italy (0.9%, down 0.6 points), where the economy suffered from the stand-off between its government and the European Commission over the 2019 budget and its consequences on sovereign yields (country downgraded to A4). At the same time, the situation in Greece continued to improve (2.0%, up 0.6% compared with 2017), following the agreement reached with international creditors in June 2017.

Activity faltered in the United Kingdom (1.3%, down 0.4% compared with 2017), due to the major uncertainty surrounding Brexit. US growth accelerated (2.9%, up 0.7% compared with 2017) despite the trade war against China. The latter does not seem to have had an impact on consumer confidence, which is high, thanks also to a historically low unemployment rate (3.8% in May 2018, its lowest point in 18 years). Finally, growth in Japan began to slow (1.3%, down 0.4% compared with 2017).

The increasingly protectionist rhetoric and the US monetary tightening policy, however, led to a deterioration in the economic situation of emerging markets. Initially driven at the beginning of the year by rising oil prices, favouring black gold-exporting economies, growth slowed during the year, suffering from a fall in oil prices, and capital outflows, collateral damage of US policy. The situation in Latin America was not as exuberant (0.8%, down 0.9% compared with 2017). A symbolic example of this was the Argentinean economy (-2.4%, down 5.3% compared with 2017), which paid a high price for the dollarisation of its economy and its twin deficits. The currency crisis plunged the country into recession (downgraded by Coface to C). Despite the risks of contagion from the flight of capital in Brazil, heightened by political uncertainty ahead of the October 2018 elections, macro-economic fundamentals allowed the country to maintain its growth momentum (1.3%, up 0.3% compared with 2017). Growth in the CIS (2.1%) remained stable, as was the case in Russia, supported by favourable commodity prices despite a fall in Russian consumer confidence at the end of 2018. Growth in Sub-Saharan Africa stabilised at 2.6%, unlike the North Africa-Middle East zone (2.4%, up 0.8% compared with 2017), which was more dynamic. Saudi Arabia, in particular, was clearly out of the recession seen in 2017 (2.6%), thanks to higher oil prices. Emerging Asia stood out again with the most vigorous growth (6.1%, down 0.1% compared with 2017). However, China saw its growth wane (6.6%, down 0.3% compared with 2017) against a backdrop of a trade war with the United States and a slowdown in consumer spending. Finally, Turkish growth stalled (3.4%, down 4.0 points compared with 2017), hit hard by new US taxes on metals and the subsequent depreciation of the lira, leading Coface to downgrade the country's risk assessment (C).

GDP growth (as a %): 2017, 2018 and 2019 (source Coface)



(1) Group estimates.

3.2 SIGNIFICANT EVENTS OF 2018

3.2.1 Changes in governance

Appointments to the Board of Directors of Coface

At the meeting of June 15, 2018, the COFACE SA Board of Directors co-opted **François Riahi**, Chief Executive Officer of Natixis, as director, then appointed him Chairman of the Board of Directors. He replaces Laurent Mignon, who left the COFACE SA Board of Directors to focus on his new responsibilities within the BPCE group.

Appointments to the Coface Executive Committee

Since July 16, 2018:

- **Carmina Abad Sanchez** joined Coface as CEO of the Latin America region. She joins the Executive Committee and reports to Xavier Durand, the Group's Chief Executive Officer (CEO).

Furthermore, since November 5, 2018:

- **Keyvan Shamsa** joined the Group as Business Technology Director (see Section 3.2.3). He joins the Executive Committee and reports to Xavier Durand, the Group's Chief Executive Officer (CEO).

3.2.2 Introduction of a new tag line – Coface For Trade

Coface introduced its new tag line during its January 23, 2018 Country Risk Conference: Coface For Trade. This new tag line aims to be clearer and more engaging. It underlines the Group's commitment to trade and commerce, drivers for the creation of wealth and stability. It reflects the Group's purpose, which is to help companies grow.

3.2.3 Reorganisation of the Group Operations Department and creation of a Transformation Office

This reorganisation, which has been in place since May 2018, was in response to recent credit insurance market changes and to meet one of Coface's main strategic challenges: improving operational efficiency to optimise the service provided to customers. Resolutely customer-orientated and focused on business needs, the new structure strengthens the role of the businesses and facilitates better project management.

It is based on three pillars:

- a new Business Technology (BT) Department created from the merging of the IT Services Department (IT) and the Group Operational Department (GO), managed by Keyvan Shamsa;
- the creation of a Transformation Office, which will be responsible for project planning and Lean Management, led by Nicolas de Buttet, who reports to Thibault Surer, Head of Strategy and Development; and
- the creation of the roles of sponsors (at the Management Committee level and for each operational area) and product owner, which will ensure the link between projects and strategic objectives.

With this new structure, Coface has enhanced its method of operating and helped improve the fluidity and accelerate its decision-making process, yielding an impact on corporate life; moreover, it encourages a collaborative approach between the Business Technology teams, the businesses and the Transformation Office.

3.2.4 Implementation of two share buyback programmes

Pursuant to the second pillar of Fit to Win, which aims to improve the capital efficiency of its business model, Coface launched two share buyback programmes in 2018 for a total amount of €45 million. These programmes were as follows:

- the first programme, worth €30 million, ran between February 15 and October 15, with the purchase of 3,348,971 shares. At its October 24, 2018 meeting, the Board of Directors decided to cancel these shares and, correlatively, reduce the Company's share capital;
- the second programme, worth €15 million, was launched on October 25 and ran until January 8, 2019 with the purchase of 1,867,312 additional shares. At December 31, 2018 Coface had bought back 1,708,735 shares at a value of €13,736,491.

3.2.5 Arrangement of a €300 million syndicated loan facility concluded by Coface Poland Factoring

As part of the refinancing of its factoring business, on June 8, 2018, Coface Poland Factoring and a group of partner banks (1) agreed to set up a €300 million multi-currency (EUR and PLN) syndicated loan. This loan partially replaces existing bilateral credit lines. The loan was set up for a period of two years with the option of a one-year extension, at the lenders' discretion. This transaction enables the Group to improve its financial flexibility and extend the maturity of its refinancing, while taking advantage of favourable market conditions and strengthening relations with its leading banks, thereby confirming their medium-term commitment to Coface.

3.2.6 Disposal of Cofacrédit

On June 27, 2018 Coface announced that it had sold to Factofrance (Groupe Crédit Mutuel – CM11) its 36% stake in Cofacrédit, a factoring company which until then had been jointly-owned by the two groups. This minority stake was not part of the factoring business' growth strategy. Moreover, this disposal was in line with the second pillar of the Fit to Win plan, which aims to improve capital management.

The deal had a negative impact of -€2.2 million on net income for the second quarter of 2018 and a positive impact of some 3 percentage points on the solvency ratio (2).

3.2.7 Agreement to acquire PKZ (Slovenia)

On September 6, 2018, Coface announced it had entered into an agreement with Slovenian public bank SID Bank, covering the acquisition of the entire share capital of PKZ, SID Bank's credit insurance subsidiary. Founded by SID Bank in 2005, PKZ is the market leader in credit insurance in Slovenia and enjoys a large market share. In 2017, the company recorded €15.1 million in gross written premiums on a mainly export portfolio. After obtaining approval from the Slovenian competition authority on October 19, 2018, finalisation of the acquisition is now subject to approval by the Slovenian insurance regulator.

3.2.8 Announcement of a strategic partnership with Tradeshift

On October 10, 2018, Coface announced a strategic partnership with Tradeshift, the leader in supply chain payments and marketplaces, to help businesses in its network make decisions with confidence and greater financial transparency between buyers and suppliers. Coface thus offers risk indicators to a network of 1.5 million businesses in 190 countries. By combining their business ecosystems and expertise, Coface and Tradeshift are co-developing innovative solutions to guide companies through the complexity of global trade and to protect them against the risk of non-payment.

3.2.9 Impact of Brexit on Coface's business in the United Kingdom

In 2018, the negative effects related to Brexit exacerbated the broader trends of the UK economy: fall in business and consumer confidence and pressure on evolving business models (non-food retail). Against this backdrop, Coface continued to apply its strict underwriting policy. Our overall exposure to the United Kingdom therefore fell by 12%, mainly in the agri-food, retail and construction sectors. Uncertainty surrounding withdrawal conditions remain high (no deal, second referendum) and additional measures may be undertaken in 2019. To ensure this monitoring, a steering committee, chaired by the Group's General Secretary, was formed and meets regularly to decide on priority actions: regulatory changes to the branch's Articles of Association, adjustments to underwriting policy, communication with our customers and brokers, etc.

(1) Seven relationship banks: Crédit Agricole CIB, HSBC, ING Bank Śląski and Natixis acting as Mandated Lead Arrangers and Bookrunners, Banco Santander, Commerzbank and Société Générale CIB acting as mandated arrangers. Natixis acts as documentation agent and Crédit Agricole CIB as an agent of the facility.

(2) Unaudited data.

3.2.10 Coface South Africa new partnership

Coface South Africa, the South African subsidiary of Compagnie française d'assurance pour le commerce extérieur, signed a strategic partnership on November 16, 2018 which should lead to the opening of its capital to a leading South African investment fund (B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd). This transaction will strengthen Coface South Africa's local footprint and brand as well as its desire to take greater account of B-BBEE law (Broad-Based Black Economic Empowerment). This deal remains subject to the approval of the South African regulatory authorities (which had not yet been obtained at the reporting date); it will lead to the opening of up to 25% of Coface South Africa's capital over ten years.

3.3 COMMENTS ON INCOME AS OF DECEMBER 31, 2018

3.3.1 Performance of the Group

Coface performed well in 2018, demonstrating the relevance of its Fit to Win strategic plan. Reported consolidated revenue, at €1,384.7 million, was up 4.6% at constant scope and exchange rate compared with 2017. The net loss ratio improved by 6.2 percentage points, to 45.1%, and the net cost ratio was down 0.7 percentage points to 34.5%. The Group ended 2018 with net income for the year (attributable to owners of the parent) up 47% at €122.3 million (*versus* €83.2 million in 2017) an estimated solvency of ~ 169% (1), above the target comfort zone (140% - 160%).

The Group is confident in the strength of its balance sheet and intends to continue to activate the capital management lever built into the Fit to Win plan and is committed to fully-distributing its 2018 net income in dividend form (2).

3.3.2 Revenue

The Group's consolidated revenue grew by 4.6% at constant scope (up 2.2% at current scope) and exchange rate to €1,384.7 million at December 31, 2018.

The negative exchange rate effect of 2.4 percentage points can be explained by a stronger euro against the US dollar (the portfolio's largest foreign currency), which was particularly sensitive during the first half of the year, as well as significant depreciation in the Argentinean peso and, to a lesser extent, the Brazilian real and the Turkish lira.

The table below shows the changes in the Group's consolidated revenue by business line as of December 31, 2017 and 2018:

Change in consolidated revenue by business line *(in millions of euros)*	As of Dec. 31		Change		
	2018	**2017**	*(in €m)*	*(as a %)*	*(as a %: at constant scope and exchange rate)*
Insurance	1,318.0	1,282.9	35.1	2.7%	5.3%
Gross earned premiums*	1,142.6	1,109.7	32.9	3.0%	5.7%
Services**	175.4	173.2	2.2	1.3%	2.5%
Factoring	66.7	72.0	(5.3)	(7.4)%	(7.1)%
CONSOLIDATED REVENUE	**1,384.7**	**1,354.9**	**29.8**	**2.2%**	**4.6%**

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

(1) *This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II Regulation. The result of the final calculation could be different from this preliminary calculation. The estimated Solvency ratio is not audited.*
(2) *The proposed dividend is subject to the approval of the Shareholders' Meeting of May 16, 2019.*

Insurance

Revenue from the insurance business (including surety bond and Single Risk) was up by 5.3% at constant scope and exchange rate (up 2.7% at current scope and exchange rate), rising from €1,282.9 million in 2017 to €1,318.0 million in 2018.

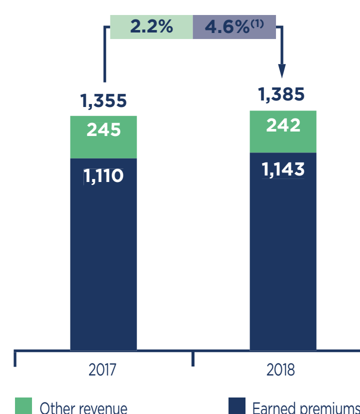
Gross earned premiums were up 5.7% at constant scope and exchange rate (up 3.0% at current scope and exchange rate), from €1,109.7 million in 2017 to €1,142.6 million in 2018. The return to growth in mature markets continued, including in Northern Europe, with the latter enjoying the growth of customer businesses and a decrease in cancellations. Sales momentum in the Mediterranean & Africa and Central Europe regions remains strong and emerging market portfolios are improving again. Premium refunds, nevertheless, continued to be given due to the low level of claims.

The annual production of new contracts, totalling €116.2 million in 2018, is down compared with 2017 (€128.9 million), following a modest first half year in an increasingly competitive environment. Emerging markets are, nonetheless, improving again following the stricter application of underwriting rules, with tangible improvement in Asia-Pacific in particular.

The contract retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) has improved in all regions, except for North America. The highest level reached: 91.1% at December 31, 2018 (*versus* 89.7% at December 31, 2017) was not achieved at the expense of prices. The latter were down by a controlled -1.4% in 2018, *versus* -1.5% in 2017 in a risk environment which remained favourable in 2018. Prices improved again in Latin America, thanks to the return of economic stability in Brazil.

Premium volumes continued to benefit from sustained growth of 6.1% in the policyholder business at December 31, 2018, compared with 4.9% at December 31, 2017.

Revenue from the services business was up by 2.5% at constant scope and exchange rate (up 1.3% at current scope and exchange rate), rising from €173.2 million in 2017 to €175.4 million in 2018.



(1) At constant exchange rate.

Factoring

Revenue from factoring (exclusively in Germany and Poland) was down 7.1% at constant scope and exchange rate (down 7.4% at current scope and exchange rate), from €72.0 million in 2017 to €66.7 million in 2018.

In line with the Fit to Win strategic plan, which favours selective, profitable growth, Germany has carried out a review of its portfolio. The 9.0% decrease in business at a constant scope was due to greater selectivity in the choice of receivables to be factored, coupled with terminations.

In Poland, growth in the factored receivables portfolio continued and generated a 5.0% increase in revenue at constant exchange rate (4.9% increase at current exchange rate). Factoring fees increased, whereas the interest margin was penalised by low rates.

Change in revenue by region

The table below shows the trends in consolidated revenue (net of intra-group flows) within the Coface Group's seven geographic regions for the financial years ended December 31, 2017 and 2018:

	As of Dec. 31		Change			
Change in consolidated revenue by region of invoicing *(in millions of euros)*	**2018**	**2017**	*(in €m)*	*(as a %)*	*(as a %: at constant exchange rate)*	*(as a %: at constant scope and exchange rate)*
Western Europe	284.0	280.8	3.2	1.1%	1.6%	1.8%
Northern Europe	303.1	303.9	(0.8)	(0.3%)	(0.3%)	(0.2%)
Mediterranean & Africa	370.4	348.0	22.4	6.4%	8.2%	8.2%
North America	126.5	121.9	4.6	3.8%	8.3%	8.3%
Central Europe	133.8	127.7	6.1	4.8%	6.1%	6.1%
Asia-Pacific	95.4	96.9	(1.5)	(1.5%)	2.7%	2.7%
Latin America	71.5	75.7	(4.2)	(5.5%)	12%	12%
CONSOLIDATED REVENUE	**1,384.7**	**1,354.9**	**29.8**	**2.2%**	**4.6%**	**4.6%**

All the regions reported an increase in revenue at constant scope and exchange rate, except for Northern Europe, which was almost flat (down 0.2%).

In Western Europe, revenue was up by 1.8% (up 1.1% at current scope and exchange rate). Policyholder revenue growth continued. New production was up in France, contrary to the United Kingdom where the economy slowed amid persisting uncertainty surrounding Brexit. Following a strong 2017, Switzerland suffered from a high basis of comparison for Single Risk.

In Northern Europe, revenue was almost flat (down 0.2% at constant scope and exchange rate), penalised by a decrease in factoring revenue in a context of margin control. The credit insurance business stabilised in Germany. Pricing pressure remained high but was offset by lower terminations and improved policyholder business. Revenue improved in other countries within the region (the Netherlands, Sweden and Denmark).

Revenue for the Mediterranean & Africa was up 8.2% (up 6.4% at current scope and exchange rate). Commercial performance across the region was good, due in particular to an improved retention rate. Turkey and South Africa saw a return to growth, thanks to the acquisition of new contracts.

In North America, revenue was up 8.3% (up 3.8% at current scope and exchange rate) driven by the signature of two new Single Risk policies. In credit insurance, improved policyholder business and a slight increase in new contract production helped balance the portfolio.

Central Europe reported an increase of 6.1% in its revenue (up 4.8% at current scope and exchange rate). High retention and continuing sustained customer business helped support credit insurance premium volumes, whereas the underwriting of new policies suffered. Poland and Russia's commercial performance were strong.

Asia-Pacific reported an increase of 2.7% in its revenue (down 1.5% at current scope and exchange rate). The negative exchange rate impact was due to currencies correlated to the US dollar. Without affecting a strict respect of underwriting rules, new production was up and terminations down. Premium refunds, nevertheless, continued to be given due to the low level of claims. Single Risk contract production was down.

Latin America saw a 12% increase in revenue (down 5.5% at current scope and exchange rate). The strong negative exchange rate impact was due to the material depreciation of the Argentine peso and, to a lesser extent, the Brazilian real. The portfolio grew thanks to the signature of international policies, in particular in Brazil. This country's economic outlook improved, which also boosted customer activity. The retention rate also improved markedly in most of the region's countries.

3.3.3 Underwriting income

Underwriting income before reinsurance

Underwriting income before reinsurance reached €219.9 million, a 75% increase compared with end-December 2017 (€125.7 million). The main contributor to this performance was the cost of claims, which was down €66.4 million, followed by the €29.8 million increase in revenue.

The 7.3 percentage-point improvement in the loss ratio lead to a combined ratio before reinsurance that was down 7.9 percentage points at 80.0% (87.9% at December 31, 2017). The cost ratio was also down (by 0.6 percentage points), driven by higher earned premiums. After restating the non-recurring tax expense borne by Italy in 2017, the gross cost ratio was stable.

Loss experience

The Group's loss ratio before reinsurance including claims handling expenses improved by 7.3 percentage points, dropping from 51.4% in 2017 to 44.2% in 2018. Latin America was the only region to see an increase in its loss ratio. The strict management of past claims contributed to a level of recoveries which was significantly above the historic average. Nevertheless, the slowdown in global growth has led to a gradual normalisation of the risk environment, with the third quarter of 2018 marking a turning point in the number of corporate defaults in France. The slightly higher loss ratio for the current underwriting period is due to several material claims during the fourth quarter.

▶ Loss experience

	As of Dec. 31		Change	
(in millions of euros and as a %)	**2018**	**2017**	*(in €m)*	*(as a %)*
Claims expenses incl. claims handling costs	504.5	570.9	(66.4)	(12%)
Loss ratio before reinsurance	44.2%	51.4%	-	(7.3) pts
Earned premiums	1,142.6	1,109.7	32.9	3.0%

In Western Europe, the loss ratio fell to 34.6% (-19.4 percentage points) following a 2017 financial year impacted by a few specific files which were subject to facultative reinsurance coverage (-14.9 percentage points adjusted for the ceded share of these specific files).

In Northern Europe, the loss ratio was down 8.4 percentage points at 48.9%, due to a lower claims severity this year than in 2017.

The ratio for the Mediterranean & Africa region stood at 48.8%, a satisfactory level which was almost flat compared with the previous year (up 0.5 percentage points). Agile risk management helped contain the loss experience in the majority of countries, notably Italy.

In North America, the loss ratio declined to 39.1% (down 9.9 percentage points, or down 5.0 percentage points adjusted), thanks to good risk management in previous financial years.

The loss ratio for Central Europe was stable at 49.7% (up 0.2%).

Asia-Pacific's loss ratio stood at 23.6%, a marked improvement compared with 2017 (53.8%) thanks mainly to major recoveries on claims recorded in previous years.

The loss ratio in Latin America climbed to 57.9% (up 22 percentage points) due to a worsening in Argentina's loss ratio, which was affected by an unfavourable economic environment. The loss ratio excluding the Argentine exchange rate effect stood at 51.8%. Other markets remained under control.

Change in loss experience by invoicing region *(as a %)*	**As of Dec. 31** 2018	2017	**Change in points**
Western Europe	34.6%	54.0%	(19.4) pts
Northern Europe	48.9%	57.2%	(8.4) pts
Mediterranean & Africa	48.8%	48.4%	0.5 pts
North America	39.1%	49.0%	(9.9) pts
Central Europe	49.7%	49.6%	0.2 pts
Asia-Pacific	23.6%	53.8%	(30.2) pts
Latin America	57.9%	35.9%	22 pts
LOSS RATIO BEFORE REINSURANCE	**44.2%**	**51.4%**	**(7.3) PTS**

Overheads

Overheads *(in millions of euros)*	**As of Dec. 31**		**Change**	
	2018	**2017**	*(as a %)*	*(as a %: at constant scope and exchange rate)*
Internal overheads	527.0	525.0	0.4%	2.6%
of which claims handling expenses	*28.0*	*26.6*	*5.3%*	*6.4%*
of which internal investment management expenses	*4.0*	*2.1*	*87%*	*87%*
Commissions	163.2	157.7	3.5%	6.3%
TOTAL OVERHEADS	**690.2**	**682.6**	**1.1%**	**3.5%**

Total overheads, which include claims handling expenses and investment management expenses, grew by 3.5% at constant scope and exchange rate (up 1.1% at current scope and exchange rate), from €682.6 million at December 31, 2017 to €690.2 million at December 31, 2018. Restated for the €6 million non-recurring tax expense borne by Italy in 2017, the increase was 4.4% at constant scope and exchange rate (up 2.0% at current scope and exchange rate).

Policy acquisition commissions were up 6.3% at constant scope and exchange rate (up 3.5% at current scope and exchange rate), from €157.7 million in 2017 to €163.2 million in 2018. This improvement was comparable to that of earned premiums (up 5.7% at constant scope and exchange rate) driven by brokerage-based markets in North America and the Mediterranean & Africa region or those becoming brokerage-based (Central Europe region). The in-sourcing of agents in North America, nonetheless, helped generate savings in terms of external fees.

Internal overheads, which include claims handling expenses and investment management expenses, grew by 2.6% at constant scope and exchange rate (up 0.4% at current scope and exchange rate), from €525.0 million in 2017 to €527.0 million in 2018. After restating the non-recurring tax expense borne by Italy in 2017, the increase was 3.8% at constant scope and exchange rate (up 1.6% at current scope and exchange rate).

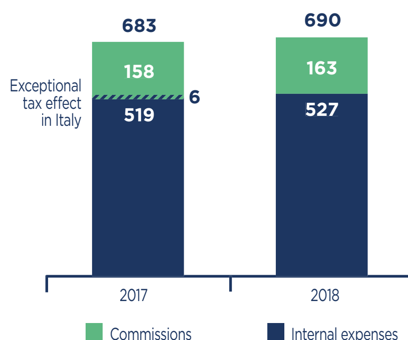
Payroll costs increased 5.1% at constant scope and exchange rate (up 3.2% at current scope and exchange rate), from €273.5 million in 2017 to €282.3 million in 2018. This increase was mainly due to the ramp-up of the Coface Technologies IT centre in Bucharest, which centralises certain development functions which were previously outsourced. Current inflation, notably in Argentina and Turkey, has imposed wage increases, whereas improved operational performance in France has led to greater contributions to company-sponsored savings plan (employee profit-sharing) in favour of the teams.

The 7.5% increase in IT costs at constant scope and exchange rate (up 3.5% at current scope and exchange rate), from €46.3 million in 2017 to €47.9 million in 2018, was mainly due to investments in the transformation of IT services and tools with a view to improve the Group's operational efficiency.

Other expenses (taxes, information costs, rent) were down 1.8% at constant scope and exchange rate (down 4.1% at current scope and exchange rate), from €205.2 million in 2017 to €196.8 million in 2018. After restating the non-recurring tax expense borne by Italy in 2017, these expenses were up 1.2% at constant scope and exchange rate (down 1.2% at current scope and exchange rate).

In line with previous announcements, the €30 million cost savings objective was exceeded, with €39 million in savings made at end-December 2018. These savings allow the Group to continue reinvesting (€18 million in 2018) in Coface's in-depth transformation, focused on risks (risk management and compliance), systems, processes and service quality.

The cost ratio before reinsurance improved by 0.6 percentage points from 36.5% for the financial year ended December 31, 2017 to 35.9% for the financial year ended December 31, 2018, thanks to a greater increase in earned premiums than in overheads. The growth in earned premiums thus has a favourable impact of 1.1 percentage points, which was partly offset by the increase in policy acquisition commissions (for 0.5 percentage points). After restating the non-recurring tax expense borne by Italy in 2017, the gross cost ratio was stable.



In Western Europe, overheads were up 16% at constant exchange rates, impacted by a change in the allocation of re-billed central expenses. Restated for this one-off impact, internal central expenses were down thanks to savings in rent and rental expenses following the renegotiation of the lease on the Bois-Colombes head office housing the French teams. IT costs and information costs expenses were also down.

In Northern Europe, overheads were down slightly (by 0.6%) at constant scope and exchange rate, thanks to a decrease in payroll costs relating to the roll-out of the Fit to Win plan.

Overheads for the Mediterranean & Africa region were up 0.6% at constant scope and exchange rate (up 4.7% without taking into account the non-recurring tax expense borne by Italy in 2017). Payroll costs increased in Israel and Turkey, while Italy was affected by IT costs related to the implementation of a new accounting tool.

In North America, overheads increased by just 1.5% at constant scope and exchange rate. The region benefited in particular from the first positive effects of the in-sourcing of agents.

In Central Europe, overheads increased by 6.9% at constant scope and exchange rate. The increase in external commissions in Russia, Romania, Poland and Austria was due to the strong growth in revenue and a greater weighting of business contributors in the portfolio.

In Asia-Pacific, overheads increased by just 2.9% at constant scope and exchange rate, due to inflation.

In Latin America, overheads increased by 10% at constant scope and exchange rate. Payroll costs increased due to high inflation. The significant depreciation of the Argentine peso and the Brazilian real also drove an increase in premium taxes.

Underwriting income after reinsurance

Underwriting income after reinsurance reached €157.8 million, a 58% increase compared with 2017 (€99.8 million).

The higher cost of reinsurance (-€62.1 million for the financial year ended December 31, 2018 compared with -€26 million for the financial year ended December 31, 2017) was due to the improvement in loss experience (fewer claims ceded to reinsurers) and the increase in earned premiums (more premiums ceded to reinsurers). A few claims during the fourth quarter of 2017 which benefited from optional reinsurance coverage at higher ceding rates also had a favourable impact on the cost of reinsurance in 2017.

	As of Dec. 31		Change	
(in thousands of euros and %)	**2018**	**2017**	*(in €k)*	*(as a %)*
Turnover	1,384,735	1,354,933	29,802	2.2%
Claims expenses	(504,509)	(570,863)	66,354	(12%)
Policy acquisition costs	(243,236)	(262,607)	19,372	(7.4%)
Administrative costs	(241,136)	(253,532)	12,396	(4.9%)
Other expenses from insurance activities	(82,556)	(70,816)	(11,740)	17%
Expenses from banking activities, excluding cost of risk	(13,552)	(13,779)	227	(1.6%)
Cost of risk	(2,122)	(4,483)	2,361	(53%)
Expenses from other activities	(77,739)	(53,130)	(24,609)	46%
Underwriting income before reinsurance	**219,885**	**125,723**	**94,163**	**75%**
Income and expenses after ceded reinsurance	(62,128)	(25,970)	(36,158)	NS
UNDERWRITING INCOME AFTER REINSURANCE	**157,757**	**99,753**	**58,004**	**58%**
Net combined ratio	79.6%	86.6%	-	-

3.3.4 Investment income, net of management expenses (excluding finance costs)

Financial markets

In 2018, economic growth remained markedly positive in the major regions of the word, although this did not prevent major differences. Supported by the budgetary measures of the Trump administration, the US economy performed well. The same could not be said of the eurozone, where growth was highly disappointing due to both internal and external factors. Finally, the situation slowly deteriorated in emerging markets, which were highly exposed to the Chinese slowdown and international trade tensions.

In the United States, 2018 saw strong economic performance: following a slow start at the beginning of the year, growth stepped up markedly in the second and third quarters, driven by the budgetary stimulus of tax reforms. Confidence remained well orientated across all sectors of the US economy. The Federal Reserve (Fed) continued to tighten its monetary policy with four rate hikes during the year, thanks to solid growth and stable inflation. The introduction of tariffs by Washington on a large number of Chinese imports and other key trading partners introduced an aggressive side to US trade policy, fuelling fears of a trade war between the United States and China, the negative impact of which would weigh on trade growth and confidence. Bond markets were affected by the decline in long-term sovereign bond rates. US 10-year yields ended the year at 2.60% after reaching a peak of 3.26% at the beginning of November.

Economic figures were highly disappointing in the eurozone in 2018. GDP growth was only 1% during the first three quarters of the year, compared with 2% during the last three quarters of 2017. Several negative factors contributed to this performance. Manufacturing and exports were penalised by a high euro at the beginning of the year and international trade tensions. Political uncertainty remained a major theme, to varying degrees, in the large countries: difficulties achieving a government majority in Germany at the beginning of the year, the budgetary stand-off between Italy and the European Commission since the summer, significant social tensions in France during the fourth quarter. Moreover, visibility over Brexit remained very low at the end of the year. The European Central Bank (ECB) terminated its asset purchase programme in December, despite knowing that its ability to raise key interest rates in 2019 remained very uncertain. Ten-year German yields fell below 0.20% at the end of December, *i.e.*, a level lower than that seen at the beginning of 2018. Moreover, the market significantly downgraded expectations of rate hikes by the Fed and the ECB.

In emerging economies, despite major variations between countries, emerging economy growth was strong during the first quarter of 2018 in a buoyant global context. However, this momentum slowed slightly during the second quarter. Firstly, the normalisation of US monetary policy, coupled with the strong appreciation of the dollar, led several emerging market banks to terminate their monetary easing policies and even increase interest rates. Secondly, emerging markets continued to suffer, weakened by the increase in geopolitical/international risks and idiosyncratic risks which developed into full-blown crises (Turkey, Argentina, etc.). Finally, the trade war between the United States and China weighed heavily on emerging economies.

Major uncertainties on the equity markets led to significant falls on all markets at the end of the year: in local currencies, the United States fell 6.3% (MSCI USA index), the eurozone was down 14.7% (MSCI Euro index), Europe declined 13.1% (MSCI Europe index), and emerging markets and Japan were down 12.3% and 16.8%, respectively, notably due to the increase in long-term rates in the United States.

Financial income

Against this economic backdrop, in the context of the defined strategic allocation, the Group decreased its exposure to investment-grade and high-yield corporate debt while increasing its exposure to sovereign debt. All these investments were made within a strictly defined risk framework. The quality of issuers, sensitivity of issues, dispersal of issuer positions and geographic regions are governed by strict rules defined in the various management mandates granted to the Group's dedicated managers.

The market value of the portfolio decreased in the 2018 financial year due to the fall of equity markets and the widening of credit spreads, reflecting an uncertain economic environment hindered by fears of trade wars and geopolitical tensions.

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

Market value

	As of Dec. 31	
(in millions of euros)	**2018**	**2017**
Listed shares	162	192
Unlisted shares	16	14
Bonds	1,775	1,785
Loans, deposits and money-market mutual funds	525	549
Real estate	227	219
Total investment portfolio	**2,705**	**2,761**
Associated and non-consolidated companies	129	116
TOTAL	**2,834**	**2,877**

The results of these investments amounted to €45.4 million, of which €4.7 million in realised gains and impairment (*i.e.*, 1.7% of the 2018 average outstanding and 1.5% excluding gains and impairment), to be compared to €49.8 million, of which €12.3 million of gains and impairment/reversals in 2017 (1.8% of the 2017 average gains and 1.4% excluding gains and impairment). Despite challenging market conditions over the year which saw a widening in credit spreads and a major fall in equity markets, the Group managed to maintain a similar rate of return as in 2017.

Investment portfolio income

	As of Dec. 31	
(in millions of euros)	**2018**	**2017**
Equities	5.5	6.7
Fixed-income instruments	30.9	36.8
Investment properties	9.0	6.3
Total investment portfolio	**45.4**	**49.8**
Of which realised gains and impairment	*4.7*	*12.3*
Associated and non-consolidated companies	3.1	4.5
Net foreign exchange gains and derivatives	7.8	4.5
Financial and investment charges	(5.2)	(3.6)
TOTAL	**51.1**	**55.3**

After income from equity securities, foreign exchange and derivatives income, financial expense and investment charges, the Group's financial income for 2018 was €51.1 million.

Due to the decrease in revaluation reserves on the investment portfolio, which was mainly affected by the fall in credit and equity markets, the economic rate of return of financial assets was down 0.2% in 2018 *versus* 2.3% for the same period in 2017. The investment portfolio achieved its capital preservation objective in a context in which nearly all asset classes posted negative performance.

3.3.5 Operating income

(in millions of euros)	As of Dec. 31 2018	2017	Change *(in €m)*	*(as a %)*	*(as a %: at constant scope and exchange rate)*
Consolidated operating income	**203.9**	**154.4**	**49.5**	**32%**	**35%**
Operating income including finance costs	**186.2**	**136.3**	**49.9**	**37%**	**40%**
Other operating income and expenses	(5.0)	(0.6)	(4.4)	NS	NS
OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES	**191.2**	**136.9**	**54.3**	**40%**	**43%**

Consolidated operating income increased 35% at constant scope and exchange rate, from €154.4 million for the financial year ended December 31, 2017 to €203.9 million for the financial year ended December 31, 2018.

Current operating income, including finance costs and excluding non-recurring items (other operating income and expenses), increased by €54.3 million (up 43% at constant scope and exchange rate) from €136.9 million in 2017 to €191.2 million in 2018.

The net combined ratio, including extraordinary items, fell by 7 percentage points, from 86.6% in 2017 to 79.6% in 2018, including a decline of 6.2 percentage points in net loss ratio and a decline of 0.7 percentage points of cost ratio.

Other operating income and expenses amounted to a negative €5.0 million and mainly included:

- for other operating income:
  - reversals of provisions after paid compensation as part of the lease negotiation for the Bois-Colombes head office for €5.2 million,
  - reversals of provisions no longer required in Brazil and Belgium for a total of €3.1 million;
- for other operating expenses:
  - restructuring costs totalling €5.7 million,
  - €5.0 million in compensation paid to sales agents in North America as part of their in-sourcing,
  - capital losses on the disposal of Cofacrédit securities totalling €2.2 million.

All regions contributed positively to operating income, including Asia-Pacific, where a return to better fortunes was confirmed.

Change in operating income consolidated by invoicing region *(in millions of euros)*	As of Dec. 31 2018	2017	Change	Share of annual total at Dec. 31, 2018
Western Europe	34.9	55.2	(20.3)	15%
Northern Europe	53.0	54.9	(1.9)	22%
Mediterranean & Africa	71.3	45.2	26.1	30%
North America	13.0	7.4	5.6	5%
Central Europe	28.7	30.7	(2.0)	12%
Asia-Pacific	26.1	(12.1)	38.1	11%
Latin America	9.7	12.1	(2.4)	4%
TOTAL (EXCLUDING INTER-REGIONAL FLOWS AND HOLDING COST NOT RE-INVOICED)	**236.6**	**193.4**	**43.2**	**100%**

3.3.6 Net income for the year (attributable to owners of the parent)

The effective tax rate of the Coface Group fell from 40.8% in 2017 to 34.4% in 2018, a normalisation of 6.4 percentage points thanks to the return to profitability of emerging markets.

Net income (attributable to owners of the parent) for the year stood at €122.3 million, a 47% increase compared with the financial year ended December 31, 2017 (€83.2 million).

3.3.7 Parent company net income

The net income of COFACE SA in 2018 amounted to €122.6 million, compared to €20.8 million in 2017. This figure can be primarily explained by the payment of the dividend by Compagnie française d'assurance pour le commerce extérieur, the Group's operating subsidiary, totalling €133.4 million in 2018, compared with €27.7 million in 2017.

3.4 GROUP CASH AND CAPITAL RESOURCES

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

	As of Dec. 31	
(in millions of euros)	**2018**	**2017**
Net cash flows generated from operating activities	124.8	210.7
Net cash flows generated from investment activities	31.3	(221.9)
Net cash flows generated from financing activities	(116.0)	(42.0)

	As of Dec. 31	
(in millions of euros)	**2018**	**2017**
Cash and cash equivalents at beginning of period	264.3	332.1
Cash and cash equivalents at end of period	302.4	264.3
Net change in cash	38.1	(67.7)

3.4.1 Group debt and sources of financing

The Group's debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of "Amounts due to banking sector companies" and "Debt securities").

	As of Dec. 31	
(in millions of euros)	**2018**	**2017**
Subordinated borrowings	388.7	388.2
Sub-total financial debt	**388.7**	**388.2**
Amounts due to banking sector companies	660.2	568.7
Debt securities	1,537.6	1,636.9
Sub-total operating debt	**2,197.8**	**2,205.6**

Financial debt

For the financial year ended December 31, 2018, the Group's financing liabilities, totalling €388.7 million, exclusively include the subordinated borrowing.

These fixed-rate (4.125%) subordinated notes (maturing on March 27, 2024) were issued on March 27, 2014 by COFACE SA for a nominal amount of €380 million.

The issue allowed the Group to optimise its capital structure, which had previously been characterised by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory equity.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Group's main operating entity.

Operating debt linked to the factoring business

The Group's operating debt is mainly linked to financing for its factoring activities.

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

Amounts due to banking sector companies, which correspond to drawdowns on the bilateral credit lines (see "Bilateral credit lines" below) set up with various banking partners of Coface Finanz and Coface Poland Factoring and the Group's leading local banks, amounted to €660.2 million for the financial year ended on December 31, 2018.

Borrowings represented by securities amounted to €1,537.6 million for the financial year ended on December 31, 2018, including:

- the Senior units issued by the Vega securitisation fund under the Coface Finanz factoring receivables securitisation programme (see paragraph below "Securitisation Programme"), in the amount of €1,089.2 million; and
- commercial paper issued by COFACE SA (see paragraph below "Commercial paper programme") to finance the activity of Coface Finanz in the amount of €448.4 million.

Coface Group's main sources of operational financing

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

- a securitisation programme to refinance its trade factoring receivables for a maximum amount of €1,195 million;
- a commercial paper programme for a maximum amount of €650 million; and
- bilateral credit lines for a maximum total amount of €971.5 million.

In February 2012, the Group took a first step towards achieving financial autonomy by implementing a factoring receivables securitisation programme dedicated to financing the business of Coface Finanz (Germany) and implemented a commercial paper programme dedicated to factoring financing.

In 2014, a structural addition was introduced into the securitisation programme which allowed the maximum amount of the programme to be increased to €1,195 million (recall that the initial amount was €1,100 million). At the end of 2015, the securitisation programme was renewed ahead of schedule, for an unchanged maximum amount.

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

On June 8, 2018, Coface Poland Factoring and a group of partner banks set up a €300 million multi-currency syndicated loan. This loan partially replaces existing bilateral credit lines. The loan has a two-year maturity with the option of a one-year extension, at the lenders' discretion. The maximum amount of the commercial paper programme was increased to €650 million with the option to issue commercial paper in euros, dollars and pound sterling.

At December 31, 2018, the amount of the Coface Group's debt linked to its factoring activities amounted to €2,197.8 million.

(a) Securitisation programme

In connection with the refinancing of its factoring activities, in February 2012 the Group implemented a securitisation programme for its factoring trade receivables for a maximum total amount of €1,100 million, guaranteed by Compagnie française d'assurance pour le commerce extérieur. The maximum amount of the programme increased by €95 million, thanks to a structural addition set up in July 2014. The ceding entity was Coface Finanz, the German wholly-owned subsidiary of Compagnie française d'assurance pour le commerce extérieur. The purchaser of the receivables is a French securitisation mutual fund, Vega, governed by the stipulations of the French Monetary and Financial Code. The Group gained initial funding from this ceded reinsurance, with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Group reached an agreement with the banks in charge of the funding, to renew the funding due in one year and extend the three-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the share of financing at three years reached 77%. The securitisation programme was completely renewed early in December 2017, *i.e.*, for a maximum amount of €1,195 million and financing units of 23% and 77%, respectively, on maturities of one and three years. The main monitoring indicators for the programme include the default ratio, the delinquency ratio and the dilution ratio. The priority units issued by the Vega securitisation mutual fund were subscribed and refinanced by four vehicles issued in consideration for the short-term securities. The subordinated units were underwritten by Coface Poland Factoring.

At December 31, 2018, €1,089.2 million had been used under this programme.

This Securitisation Programme includes a number of usual early-payment cases associated with such a programme, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the ceded receivables), and linked to the occurrence of various events, such as:

- payment default of Coface Finanz or of Compagnie française d'assurance pour le commerce extérieur for any sum due under the securitisation mutual fund;
- the cross default of any Group entity pertaining to debt above €100 million;

- closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- winding-up proceedings against Coface Finanz, Coface Poland Factoring, the Company or Compagnie française d'assurance pour le commerce extérieur;
- the discontinuance or substantial change to the activities practised by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur;
- a downgrading of the financial rating of Compagnie française d'assurance pour le commerce extérieur below BBB- for the main funding (maximum amount of €1,100 million) and to below A for additional funding (maximum amount of €95 million);
- as well as in case of non-compliance with one of the covenants linked to the quality of the portfolio of ceded factoring receivables.

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding the change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Group.

The three covenants set by the Securitisation Programme include:

Covenant	Definition	Trigger threshold
Default ratio	Three-month moving average of the rate of unpaid receivables beyond 60 days after their due date	> 2.24%
Delinquency ratio	Three-month moving average of the rate of unpaid receivables beyond 30 days after their due date	> 5.21%
Dilution ratio	Three-month moving average of the dilution ratio	> 9.71%

At December 31, 2018, the Group had complied with all of these covenants.

(b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Group also introduced, mainly through its subsidiaries, a certain number of bilateral credit lines and bank overdrafts for a total maximum amount of €971.5 million:

- bilateral credit lines and bank overdrafts concluded with six German banks (the "German credit lines") and two Polish banks (the "Polish bank overdrafts") for a maximum amount of €247.5 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one to two years. Some German credit lines contain the usual clauses, such as: borrower compliance with a specified net asset level; and borrower change of control clause and benefit for the lender of the strictest financial covenant granted by the borrower to other financial institutions. The Polish overdraft facilities contain the standard commitments. At December 31, 2018, €119.4 million had been drawn down under the German credit lines and €5.7 million had been used under the Polish bank overdrafts;
- bilateral credit lines concluded with the Group's eight relationship banks:
  - four lines for a maximum total amount of €215 million for Coface Finanz (with maturities ranging between one and three years), of which €116 million had been drawn down as of December 31, 2018,
  - three lines for a maximum total amount of €209 million for Coface Poland Factoring (with maturities ranging between one and two years), of which €153 million had been drawn down as of December 31, 2018,
  - a syndicated loan facility for a total amount of €300 million for Coface Poland Factoring, of which €231 million had been drawn down as of December 31, 2018.

(c) Commercial paper programme

The Group has a commercial paper issuance programme that was extended in October 2015 and increased in June 2018 to reach a maximum amount of €650 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2018, securities issued under the commercial paper programme totalled €448.4 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, since July 28, 2017 the Group has had a currently unused syndicated loan, granted for a period of three years with two one-year extension options and covering the maximum amount of the commercial paper issue programme (€650 million). This loan replaces the former bilateral credit lines in force in the event of market shut down. The agreement regulating this syndicated loan contains the usual restrictive clauses (such as a negative pledge clause, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group's business activities) and early repayment clauses (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and winding-up proceedings), in line with market practices.

3.4.2 Solvency of the Group [1]

In accordance with the regulations, the Group also measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II Regulation standard formula for its insurance business and according to bank regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded with the calculation of the solvency capital requirement (SCR) under the standard formula introduced by European Directive No. 2009/138/EC on December 31, 2018. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operating risks. It takes account of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon. As of December 31, 2018, the estimated amount of the Group's capital requirement (including the SCR calculated according to the standard formula) amounted to €1,238 million, compared with €1,262 million [2] at year-end 2017.

The Group also calculates the capital requirement for the factoring business. At December 31, 2018, the required capital for the factoring business was estimated at €251 million by applying a rate of 9.875% to the risk-weighted assets, or RWA. The Group is considering making a prudent estimate, given that the German and Polish local regulators (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital, which as of December 31, 2018 totalled €2,091 million.

As of December 31, 2018, the capital requirement solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring) amounted to 169%, compared to 164% at the end of 2017 estimated according to the model applicable under Solvency II.

The table below presents the items for calculating the capital requirement coverage ratio in the Group's standard formula [2]:

(in millions of euros)	As of Dec. 31, 2018	As of Dec. 31, 2017 [3]
Total equity	1,807	1,803
- Goodwill and other intangible assets (net of deferred taxes)	(198)	(196)
+ Revaluation of provisions using the best estimate method (net of deferred taxes)	325	257
- Consolidation under the equity method of non-consolidated subsidiaries (net of deferred taxes)	(87)	(76)
+/- Other adjustments*	(49)	(46)
- Dividend payments	(122)	(83)
+ Subordinated debt (valued at market value)	416	416
= Solvency II available own funds (A)	**2,091**	**2,074**
Capital requirement – Insurance (SCR in standard formula) (B)	987	1,015
Capital requirement – Factoring (C)	251	247
Standard capital requirement formula (D) = (B) + (C)	1,238	1,262
SOLVENCY RATIO (E) = (A)/(D)	**169%**	**164%**

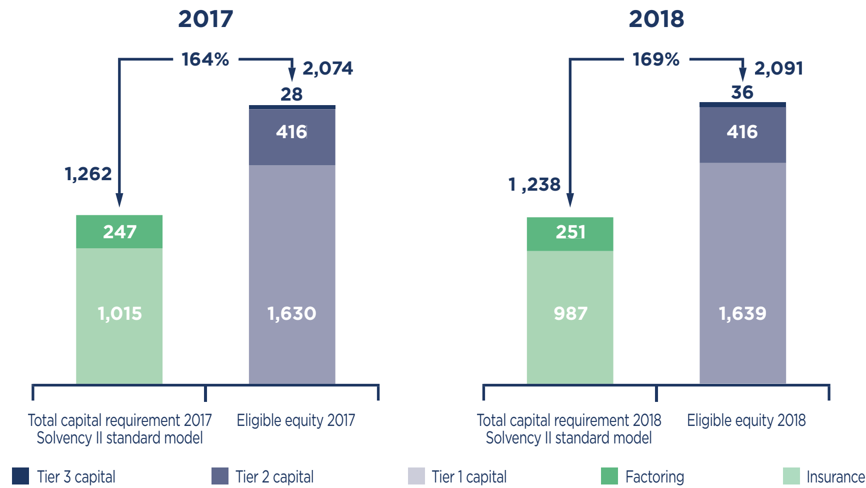
* *Mainly linked to the revaluation of certain balance sheet items, including the adjustment following the equity availability test.*

(1) Information relating to solvency is not audited.

(2) This estimated solvency ratio is a preliminary calculation carried out in line with Coface's interpretation of Solvency II; the final calculation may differ from the result of this preliminary calculation. The solvency ratio is not audited.

(3) Includes the estimated calculation of capital required for the factoring of €247 million taking into account the early adoption under the standard approach of credit risk under CRD 4 Regulations. The final solvency ratio at December 31, 2017 was 164%.

The Group is also currently working on a partial internal model as part of the implementation of Solvency II. Discussions have begun with the ACPR aimed at validating its partial internal model in order to calculate, based on the Coface Group's specific risk management, its capital requirements under Solvency II.



3.4.3 Return on equity

The return on equity ratio is used to measure the return on the Group's invested capital. Return on average tangible equity (or RoATE) is the ratio between net attributable income (attributable to owners of the parent) and the average of attributable accounting equity (attributable to owners of the parent) restated for intangible items (intangible asset values).

The table below presents the elements used to calculate the Group's RoATE over the 2017-2018 period:

	As of Dec. 31		
(in millions of euros)	2018	2018 (1)	2017
Accounting equity (attributable to owners of the parent) – A	1,806	1,810 (2)	1,803
Intangible assets – B	221	221	217
Equity, net of intangible assets – C (A - B)	1,586	1,589	1,585
Average equity, net of intangible assets - D ($[C_n + C_{n-1}]/2$)	1,585	1,587	1,562
Net income (attributable to owners of the parent) – E	122.3	126.2	83.2
RoATE – E/D	7.7%	8.0%	5.3%

(1) Calculation restated for non-recurring items.
(2) Recalculated on the basis of net income excluding non-recurring items.

3.4.4 Off-balance sheet commitments

Most of the Group's off-balance sheet commitments concern certain credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Group's off-balance sheet commitments for the 2017-2018 period:

(in thousands of euros)	Dec. 31, 2018	Related to financing	Related to operating activities
Commitments given	**1,098,565**	**1,075,637**	**22,928**
Surety and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
Commitments received	**1,443,393**	**1,026,777**	**416,616**
Endorsements and letters of credit	140,063		140,063
Guarantees	174,053		174,053
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**356,927**		**356,927**
Securities pledged as collateral by reinsurers	356,927		356,927
Financial market transactions	**250,081**		**250,081**

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

Guarantees and letters of credit totalling €1,075,637 thousand for the financial year ended December 31, 2018 correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of investors in COFACE SA subordinated notes' (10-year maturity);
- various joint guarantees totalling €695,637 thousand given by the Group, in particular to banks financing the factoring business.

Collateral concerns Coface Re for €309,712,000 and Compagnie française pour le commerce extérieur for €47,215,000.

The syndicated loan for a maximum amount of €700 million for the financial year ended December 31, 2018 includes the coverage of the Group's commercial paper issuance programme for €650 million and an additional liquidity line of €50 million available to factoring entities if needed (see Section 3.4.1 "Group debt and sources of financing").

3.5 POST-CLOSING EVENTS (ACCORDING TO ITEM 20.9 OF ANNEX I TO EC REGULATION 809/2004)

There has been no significant change to the Group's financial or commercial position since December 31, 2018.

3.6 OUTLOOK

3.6.1 Economic environment [1]

The global economy is expected to grow at a slower pace in 2019 (3.0%, down 0.2 percentage points compared with 2018), due to a slowdown in business in advanced economies and despite dynamic growth in emerging markets.

In 2019, among advanced economies, the United States will see a marked slowdown in its growth (2.3%, down 0.6% compared with 2018). Corporate investment is expected to decline after having been boosted by President Trump's tax reform in 2018, notably due to the rising financing cost due to the US Federal Reserve's rate hikes. Activity is likely to be slightly less dynamic in the United Kingdom (1.2%). The scale of this slowdown will depend on the terms of the United Kingdom's exit and the trade deal negotiated with the EU. Uncertainty will weigh on investments, as will the rising cost of financing due to higher key interest rates. Eurozone growth is expected to slow (1.6%), but will remain above its long-term potential. Uncertainties surrounding the terms of Brexit, risks weighing on the Italian economy, and difficulties in the automotive sector will also dampen growth momentum. In Spain, growth will be slower (2.2% *versus* 2.5%) than in 2018, but will remain strong. The deterioration in the automotive sector will penalise the economy, as will weak employment creation momentum, which will lead to a drop in consumer spending despite an increase in the minimum wage. Corporate investment is also likely to slow. In Germany, activity is likely to be slightly less dynamic (1.4%), owing to a slowdown in investments due to external factors (Brexit, in particular) and the fall in business confidence, in particular in the automotive sector. In France, growth is also expected to slow (1.4%) and corporate defaults increase (up 1.0%). Measures introduced to boost disposable income are projected to help consumer spending increase despite the impact of the "yellow vests" crisis, in particular for demand in capital goods. However, the fall in confidence indicators explains the slowdown in consumer investment, contrary to that of companies. In Italy, growth will be weak (0.5%), penalised by economic uncertainties, despite the budgetary agreement between the government and Brussels. In Japan, structural issues relating to the rigid job market and lacklustre private consumption are likely to slow down activity (1.0%), which is reaching the end of its recovery cycle.

Emerging countries are expected to experience slightly more buoyant growth in 2019 than in 2018. On the one hand, any prospects of growth in the United States would limit the Fed's monetary tightening, lessening capital outflows from emerging markets. However, the economic slowdown in Europe and the United States may spread to emerging economies through trade flows. Growth in India will remain strong (7.7%), driven in particular by consumer spending, reforms in favour of FDI and the possible suspension of monetary policy tightening. Emerging markets' performances will not be hugely limited by the slowdown in Chinese activity (6.2%), caused by weakening private consumption and the maturing of certain markets. South Africa is likely to see more dynamic growth than in 2018 (1.4% *versus* 0.7%), thanks to a recovery in investments in the mining sector, but this will be mitigated by political uncertainties, in particular relating to the land reform. Argentina is expected to suffer a second year of recession (down 1.0%), but to a lesser extent than in 2018 thanks to a recovery in agriculture and the relative stabilisation of the macro-economic context. Turkish growth will continue to weaken (1.2%), in particular due to the impact of the depreciation of the Turkish lira.

3.6.2 Outlook for the Group

The end of 2018 confirmed the scenario adopted by Coface of a gradual normalisation of the risk environment. The economic environment is now clearly more volatile; in addition to already known sources of risk (Argentina, Turkey), new risk factors have surfaced (Chinese slowdown, confidence in Europe, shutdown, trade wars).

Against this backdrop, Coface is confident in the relevance of its strategy, which is to become a more agile credit insurer, and remains focused on its implementation.

Drawing on its investments in risk management, Coface will continue to apply its strict underwriting policy, while underlining the sensitivity of the credit insurance business to major claims that can represent a large share of a quarter's profit.

Confident in the strength of its balance sheet, and in line with its capital management policy, the Company will propose to its shareholders the distribution of 100% of its net income, as a 0.79€ dividend[2].

Coface reiterates its objective of filing its certification request for its internal model in the summer of 2019. Discussions with the regulator on this subject have already started.

Moreover, changes to the standard formula, the estimated impact of which is a decrease of between 15 and 20 percentage points in the Group's solvency [3], are expected for an application in 2020.

The goals of delivering a net combined ratio of around 83% across the cycle and achieving a RoATE of 8% + 1% have been maintained.

(1) Group estimates.
(2) The proposed dividend is subject to the approval of the Shareholders' Meeting of May 16, 2019.
(3) Unaudited data.

3.7 KEY FINANCIAL PERFORMANCE INDICATORS

3.7.1 Financial indicators

Consolidated revenue

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

Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, Single Risk policies and surety bonds, less changes in recoveries following recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the financial year, and to the change in claims provisions during the financial year, and the handling expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring the recovery procedures (charges and provisions for internal and external debt collection fees).

Claims paid correspond to compensation paid under the policies during the financial year, net of collections received, plus costs incurred to provide the management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less amounts recovered during the financial year for claims previously indemnified, regardless of the year the indemnification was paid.

Claims provisions are established for claims declared but not yet settled at financial year-end, as well as for claims that have not yet been declared, but which have been deemed probable by the Group, given the events that have arisen during the financial year (incurred but not reported – IBNR provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by recoveries made following the payment of compensation or the estimate of potential losses for declared or potential claims. The difference between the amount of provisions in a given financial year (established during the first year of underwriting a policy) and the amounts re-evaluated the following years are either a liquidation profit (revaluation downward) or loss (revaluation upward) (see Note 22 to the consolidated financial statements).

Operating expenses

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

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

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

Total internal overheads (*i.e.*, overheads excluding external acquisition costs (commissions)), are analysed independently of the method for accounting for them by function, in all of the Group's countries. This presentation enables a better understanding of the Group's economy and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

Cost of risk

"Cost of risk" corresponds to expenses and provisions linked to cover the ceding risk (inherent to the factoring business) and the credit risk, net of credit insurance coverage.

Underwriting income

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

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

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

"Reinsurance income" (or income and expenses net of ceded reinsurance) corresponds to the sum of income from ceded reinsurance (claims ceded to reinsurers during the financial year under the Group's reinsurance treaties, net of the change in the provision for claims net of recourse that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and charges from ceded reinsurance (premiums ceded to reinsurers during the financial year for reinsurance treaties of the Group, net of the change in provisions for premiums also ceded to reinsurers).

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

"Investment income, net of management expenses (excluding finance costs)" combines the result of the Group's investment portfolio (investment income, gains or losses from disposals and reversals of provisions for impairment), exchange rate differences and investment management expenses.

Current operating income/(loss)

"Current operating income (loss)" corresponds to the sum of "Underwriting income after reinsurance", "Net investment income excluding the cost of debt (finance costs)" and non-current items, namely "Other operating income and expenses".

In the presentation of operating income by region, the amounts are represented before revenue from interregional flows and holding costs not charged back to the regions have been eliminated.

Income tax

Tax expenses include tax payable and deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described under "Accounting principles and methods" and in Note 29 of the consolidated financial statements).

Net income (attributable to owners of the parent)

Net income (attributable to owners of the parent) corresponds to the amount of "Net income from continuing operations" (corresponding to "Operating income", net of "Finance costs", "Share in net income of associates" and "Income tax"), "Net income from discontinued operations" and "Non-controlling interests".

3.7.2 Operating indicators

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

Production of new contracts

The production of new contracts corresponds to the annual value of credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given financial year.

Retention rate

The rate corresponds to the ratio between the annual value of the policies actually renewed and that of the policies that were supposed to be renewed at the end of the preceding period. The annual value of the policies corresponds to the valuation of the credit insurance policies over a 12-month period according to an estimate of the volume of related sales and the level of the rate conditions in effect at the time the policy is taken out.

Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the contracts, calculated based on the rate conditions in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to the definitive revenue of the policyholders).

Volume effect

The method for calculating premiums on the Group's revenue produces its effects throughout the life of the policies, and not for a single financial year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group's revenue for the following financial year.

3.7.3 Breakdown of the calculation of ratios as of December 31

Earned premiums *(in thousands of euros)*	2018	2017
Gross earned premiums [A]	**1,142,608**	**1,109,697**
Ceded earned premiums	(327,541)	(301,545)
NET EARNED PREMIUMS [D]	**815,067**	**808,152**

Claims expenses *(in thousands of euros)*	2018	2017
Claims expenses* [B]	**(504,509)**	**(570,863)**
Ceded claims	124,537	112,655
Change in claims provisions net of recoveries	12,211	43,153
NET CLAIMS EXPENSES [E]	**(367,762)**	**(415,055)**

* *Of which claims handling expenses.*

Operational expenses *(in thousands of euros)*	2018	2017
Operating expenses	**(658,219)**	**(653,864)**
Of which employee profit-sharing	6,219	4,662
Other income (services)*	242,127	244,661
OPERATING EXPENSES, NET OF OTHER INCOME – BEFORE REINSURANCE [C]	**(409,872)**	**(404,542)**
Commissions paid by reinsurers	128,666	119,767
OPERATING EXPENSES, NET OF OTHER INCOME – AFTER REINSURANCE [F]	**(281,207)**	**(284,775)**

* *Excluding the contribution from the public guarantee business in 2017 (€0.6 million).*

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

Ratios	2018	2017
Loss ratio before reinsurance	44.2%	51.4%
Loss ratio after reinsurance	45.1%	51.4%
Cost ratio before reinsurance	35.9%	36.5%*
Cost ratio after reinsurance	34.5%	35.2%*
Combined ratio before reinsurance	80.0%	87.9%*
Combined ratio after reinsurance	79.6%	86.6%*

* *Excluding the contribution from the public guarantee business in 2017 (€0.6 million).*

3.7.4 Alternative performance measures (APM) as of December 31, 2018

This section takes a look at KPIs not defined by accounting standards but used by the Company for its financial communications. This section is a follow-up to the AMF's position – IAP DOC 2015-12.

The indicators below represent indicators listed as belonging to the category of Alternative Performance Measures.

a) Alternative Performance Measures related to revenue and its items

Definition	Justification
Revenue with restated items	
(1) Two types of restatements on revenue: **i.** Calculation of revenue growth percentages in like-for-like: ◆ year N recalculated at the exchange rate of year N-1; ◆ year N-1 at the Group structure of year N. **ii.** Removal or addition of revenue in value (€) considered as extraordinary in the current year. The term "extraordinary" refers to impacts on revenue which do not occur every year.	**i.** Historic method used by Coface to calculate *pro forma* %. **ii.** Item considered as extraordinary; in other words, which will only occur in the current financial year (year N).
Fee and commission income/Gross earned premiums (current – like-for-like)	
Weight of fees and commission income over earned premiums on like-for-like basis: ◆ year N at the exchange rate of year N-1; ◆ year N-1 at the Group structure of year N. Fees and commission income corresponds to the revenue invoiced on additional services.	Indicator used to monitor changes in fees and commission income compared to the main revenue item at constant scope.
Internal overheads excluding extraordinary items	
(2) Restatement or Addition of items considered as extraordinary with respect to internal overheads. The term "extraordinary" refers to impacts on expenses which do not occur every year. Indicator used to compare changes in internal overheads by excluding extraordinary items.	

b) Alternative Performance Measures related to operating income

Definition	Justification
Operating income excluding restated extraordinary items (including finance costs and excluding other operating income and expenses)	
Restatement or Addition of items considered as extraordinary to operating income: these include extraordinary income and expenses impacting either revenue (see definition above, **(1)**) or overheads (see definition above **(2)**).	Indicator used to compare changes in operating income by excluding extraordinary items.

c) Alternative Performance Measures related to net income

Definition	Justification
Net income excluding extraordinary items	
Restatement or Addition of items considered as extraordinary with respect to net income. This includes extraordinary income and expenses likely to impact either revenue (see definition above **(1)**) or overheads (see definition above **(2)**). This aggregate is also restated for "current operating income and expenses" classified after operating income in the management income statement.	Indicator used to compare changes in net income by excluding extraordinary items.

Reconciliation with the financial statements	€M - N/N-1 comparison 2018	2017
i. (Rev. current N - FX Impact N-1)/(Rev. current N-1 + perimeter Impact N) -1 **ii.** Rev. current N +/- Restatements/Additions of extraordinary items N	**i. +4.6%** = (1,384.7 - (-31.9)/(1,354.9 - (0.6 DGP residual compensation + 0.2 adjustment gross domestic factoring income) - 1 **ii.** 1,384.7 +/- 0.0	**i. N/A** 1,354.1 = 1,354.9 - (0.6 DGP residual compensation + 0.2 adjustment gross domestic factoring income) ii. 1,354.9 +/- 0.0
Fee and commission income/Earned premiums - Constant	**Current: 11.9%** = 136.1/1,142.6 **Like-for-like: 11.7%** = 137.4/1,172.4	**Current: 12.0%** = 133.3/1,109.7
Current internal overheads +/- Restatements +/- Additions of extraordinary items	**€527.0m** = 527.0 +/- 0.0	**€519.0m** = 525.0 - (6.0 non-recurring tax expense in Italy)

Reconciliation with the financial statements	€M - N/N-1 comparison 2018	2017
Operating income +/- Restatements +/- Addition of extraordinary items	**€191.2m** = 203.9 + (-17.7) - (-5.0 extraordinary items)	**€136.9m** = 154.4 + (-18.1) - (-0.6 extraordinary items)

Reconciliation with the financial statements	€M - N/N-1 comparison 2018	2017
Current operating income +/- Restatements +/- Additions of extraordinary items net of tax	**€126.2m** = 122.3 - (-5.0 Exceptional items - 0.8 Exceptional fees) - (2.0 tax on extraordinary items and fees)	€83.2m +/- 0.0

d) Alternative Performance Measures related to the combined ratio

Definition	Justification
Loss ratio gross of reinsurance (loss ratio before reinsurance) and gross loss ratio with claims handling expenses refer to the same indicator	
The ratio of claims expenses to gross earned premiums (the sum of gross earned premiums and unearned premium provisions), net of premium refunds.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Loss ratio net of reinsurance (loss ratio after reinsurance)	
Ratio between claims expenses net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Group, and total earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Cost ratio before reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* and earned premiums.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums.
Cost ratio after reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* net of commissions received from reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums after ceded reinsurance.
Combined ratio before/after reinsurance	
The combined ratio is the sum of the loss ratios (before/after reinsurance) and cost ratios (before/after reinsurance) as defined above.	Overall profitability indicator of the Group's activities and of its technical margin before and after ceded reinsurance.
Net combined ratio excluding restated and extraordinary items [A]	
Restatement or Addition of items considered as extraordinary with respect to combined ratio after reinsurance. This includes extraordinary income and expenses impacting either revenue (see definition above, **(1)**) or overheads (see definition above **(2)**).	Indicator used to compare changes in combined ratios after reinsurance by excluding extraordinary items.
Loss ratio excluding extraordinary items [B]	
Restatement or Addition of items considered as extraordinary with respect to loss ratio after reinsurance.	Indicator used to compare changes in loss ratios after reinsurance by excluding extraordinary items.
Net cost ratio excluding restated and extraordinary items [C]	
Restatement or Addition of items considered as extraordinary to cost ratio after reinsurance: these include extraordinary income and expenses impacting either revenue (see definition above, **(1)**) or overheads (see definition above **(2)**).	Indicator used to compare changes in cost ratios after reinsurance by excluding extraordinary items.
Current year gross loss ratio – before reinsurance excluding claims handling expenses [D]	
Ultimate claims expense (after recourse) over earned premiums (after premium refunds) for the current year. The insurance period is exclusively the current year N.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.

Reconciliation with the financial statements	€M - N/N-1 comparison 2018	2017
- Claims expenses/Gross earned premiums	See 3.8.3 – Breakdown of the calculation of ratios at December 31	
- (Claims expenses + Ceded claims + Change in provisions on claims net of recourse)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.8.3 – Breakdown of the calculation of ratios at December 31	
- (Operating expenses – Employee profit sharing – Other income)/Gross earned premiums	See 3.8.3 – Breakdown of the calculation of ratios at December 31	
- (Operating expenses – Employee profit sharing – Other income – Commissions received from reinsurers)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.8.3 – Breakdown of the calculation of ratios at December 31	
Loss ratio (before/after reinsurance) + Cost ratio (before/after reinsurance)	See 3.8.3 – Breakdown of the calculation of ratios at December 31	
Combined ratio after reinsurance +/- Restatements/Additions of extraordinary items	**[A]=[B]+[C]** **79.6%** = 45.1% + 34.5%	**[A]=[B]+[C]** **86.6%** = 51.4% + 35.2%
Loss ratio after reinsurance +/- Restatements/Additions of extraordinary items	**45.1%** = 45.1% +/- 0.0 pt	**51.4%** = 51.4% +/- 0.0 pt
Cost ratio after reinsurance +/- Restatements/Additions of extraordinary items	**34.5%** = 34.5% +/- 0.0 pt	**35.2%** = 35.17% + (0.07 pt impact of DGP residual pricing: 0.6/(1,109.7-301.5))
Claims reported in the current year/Earned premiums for the current year See ultimate loss ratios development triangle	**75.7%** = see ultimate loss ratios development triangle	**74.1%** = see ultimate loss ratios development triangle

Definition	Justification
Prior year gross loss ratio – before reinsurance excluding claims handling expenses [E]	
Corresponds to gains/losses for insurance periods prior to current year N excluded. A gain or loss corresponds to an excess or deficit of claims provisions compared to the loss ratio actually recorded.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
Comprehensive gross loss ratio – before reinsurance excluding claims handling expenses [F]	
Corresponds to the accounting loss ratio for all insurance periods (Current year N and its prior years). This concerns the loss ratio before reinsurance excluding claims handling expenses.	Key indicator in loss monitoring.

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

e) Alternative Performance Measures related to equity

Definition	Justification
RoATE – Return on average tangible equity	
Net income (attributable to owners of the parent) over average tangible equity (average equity for the period (attributable to owners of the parent) restated for intangible assets).	The return on equity ratio is used to measure the return on the Coface Group's invested capital.
RoATE excluding non-recurring items	
The calculation of RoATE (see definition of RoATE above) is based on net income excluding non-recurring items and Average Tangible Equity (see RoATE definition above) excluding non-recurring items. For this calculation, interests or commissions linked to capital management instruments (such as hybrid debt, contingent equity) are not considered as non-recurring items.	The calculation of return on equity ratio excluding non-recurring items is used to monitor the Group's profitability between two reporting periods.

Reconciliation with the financial statements	€M - N/N-1 comparison	
	2018	2017
[E] = [F-D]	**-34.0%** = 41.7% - 75.7%	**-25.1%** = 49.0% - 74.1%
- (Claims paid net of recourse + Change in claims provisions)/Earned premiums	**41.7%** = - (-476.5/1,142.6)	**49.0%** = - (-544.3/1,109.7)

Reconciliation with the financial statements	€M - N/N-1 comparison	
	2018	2017
Net income (attributable to owners of the parent) for year N/[(Equity attributable to owners of the parent N-1, restated for intangible assets N-1 + Equity attributable to owners of the parent restated for intangible assets N)/2]	**7.7%** = 122.3/[(1,586 + 1,585)/2]	**5.3%** = 83.2/[(1,585 + 1,539)/2]
Net income (attributable to owners of the parent) for year N excluding non-recurring items/[Equity attributable to owners of the parent excluding non-recurring items N-1, restated for intangible assets N-1 + Equity attributable to owners of the parent excluding non-recurring items N restated for intangible assets N)/2]	**8.0%** = 126.2/[(1,589 + 1,585)/2]	Not applicable for this reporting year

f) Alternative Performance Measures related to the investment portfolio

Definition	Justification
Accounting rate of return of financial assets	
Investment income before income from equity securities, foreign exchange income and financial expenses compared to the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the accounting performance of the financial assets portfolio.
Accounting rate of return of financial assets excluding income from disposals	
Investment income before income from equity securities, foreign exchange income and financial expense excluding capital gains or losses on disposals compared to the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the recurring accounting performance of the financial assets portfolio.
Economic rate of return of financial assets	
Economic performance of the asset portfolio. Thus, the change in revaluation reserves for the year over the balance sheet total of financial assets is added to the accounting return.	Indicator used to monitor the economic performance of the financial assets portfolio.
Investment portfolio income	
Investment portfolio income (shares/fixed-income instruments and real estate)	Used to monitor the income from the only investment portfolio.
Other	
Income from derivatives excluding exchange rate, equity securities and investment fees.	Used to monitor income from equity securities, derivatives excluding exchange rate and fees relating to investments.

g) Alternative Performance Measures linked to reinsurance

Definition	Justification
Ceded premiums/Gross earned premiums (rate of ceded premiums)	
Weight of Ceded premiums compared to earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cedes to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not yet written.	Indicator used to monitor changes in reinsurance income.
Ceded claims/total claims (rate of ceded claims)	
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of Coface claims ceded to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor changes in reinsurance income.
Underwriting income before/after reinsurance (underwriting income gross/net of reinsurance)	
See definition above (financial indicators) Underwriting income before and after reinsurance is now reported directly in the income statement due to the change in the latter's presentation structure.	

€M - N/N-1 comparison

Reconciliation with the financial statements	2018	2017
Investment portfolio income/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/2).	**1.7%** = 45.4/(((2,834 - 129) + (2,877 - 116))/2)	**1.8%** = 49.8/(((2,877 - 116) + (2,752 - 121))/2)
Investment portfolio income excluding capital gains or losses/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/2).	**1.5%** = (45.4 - (4.7))/(((2,834 - 129) + (2,877 - 116))/2)	**1.4%** = (49.8 - (12.3))/(((2,877 - 116) + (2,752 - 121))/2)
Accounting rate of return on financial assets + (revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed-income instruments), year N- revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1]/2)	**(0.2)%** = (45.4 + ((108.6 - 103.9 - 2.3) - (152.6 - 90.7 - 9.4)))/(((2,834 - 129) + (2,877 - 116))/2)	**2.3%** = (49.8 + ((153 - 9 - 91) - (137.4 - 3 - 93.4)))/(((2,877 - 116) + (2,752 - 121))/2)
Income from shares excluding equity securities + income from fixed-income instruments + real estate income	**€45.4m** = 5.5 + 30.9 + 9.0	**€49.8m** = 6.7 + 36.8 + 6.3
Income from derivatives excluding exchange rate + income from equity securities + investment fees.	**-€2.5m** = 3.1 + 7.8 - 8.2 - 5.2	**-€2.5m** = 4.5 + 4.5 - 8 - 3.6

€M - N/N-1 comparison

Reconciliation with the financial statements	2018	2017
- (Ceded premiums (of which, change in premiums provisions)/Earned premiums)	**28.7%** = - (-327.5/1,142.6)	**27.2%** = - (-301.5/1,109.7)
- Ceded claims (of which, change in claims provisions after recourse)/Total claims	**27.1%** = -136.7/[(-476.5) + (-28.0)]	**27.3%** = -155.8/[(-544.3) + (-26.6)]

3.8 INVESTMENTS OUTSIDE THE INVESTMENT PORTFOLIO

Information can be found in Note 6 “Buildings used in the business and other property, plant and equipment” of the Group’s consolidated financial statements.

4. FINANCIAL ITEMS

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4.1 CONSOLIDATED FINANCIAL STATEMENTS

4.1.1 Consolidated balance sheet

Assets

(in thousands of euros)	Notes	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Intangible assets		**220,675**	**217,230**	**217,230**
Goodwill	*1*	155,058	155,082	155,082
Other intangible assets	*2*	65,617	62,148	62,148
Insurance business investments	*3*	**2,833,613**	**2,876,380**	**2,876,380**
Investment property	*3*	288	288	288
Held-to-maturity securities	*3*	1,848	1,852	1,852
Available-for-sale securities	*3*	2,742,533	2,743,385	2,743,385
Trading securities	*3*	9,527	30,111	30,111
Derivatives	*3*	2,354	9,383	9,383
Loans and receivables	*3*	77,063	91,361	91,361
Receivables arising from banking and other activities	*4*	**2,509,047**	**2,522,803**	**2,523,549**
Investments in associates	*5*	**0**	**15,780**	**15,780**
Reinsurers' share of insurance liabilities	*16*	**425,398**	**405,178**	**405,178**
Other assets		**927,888**	**920,776**	**920,776**
Buildings used in the business and other property, plant and equipment	*6*	48,972	54,679	54,679
Deferred acquisition costs	*8*	42,176	43,903	43,903
Deferred tax assets	*18*	52,809	79,516	79,516
Receivables arising from insurance and reinsurance operations	*7*	498,826	494,839	494,839
Trade receivables arising from other activities	*8*	48,553	47,640	47,640
Current tax receivables	*8*	57,267	60,286	60,286
Other receivables	*8*	179,285	139,913	139,913
Cash and cash equivalents	*9*	**302,419**	**264,325**	**264,325**
TOTAL ASSETS		**7,219,040**	**7,222,472**	**7,223,218**

* *Effects related to the first application of IFRS 9.*

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Equity attributable to owners of the parent		**1,806,249**	**1,802,423**	**1,802,621**
Share capital	10	307,799	314,496	314,496
Additional paid-in capital		810,420	810,420	810,420
Retained earnings		508,925	518,163	518,361
Other comprehensive income		56,772	76,131	76,131
Consolidated net income for the year		122,333	83,213	83,213
Non-controlling interests		**148**	**160**	**160**
Total equity		**1,806,397**	**1,802,583**	**1,802,781**
Provisions for liabilities and charges	13	**94,344**	**121,716**	**121,716**
Financing liabilities	15	**388,729**	**388,234**	**388,234**
Liabilities relating to insurance contracts	16	**1,746,379**	**1,681,780**	**1,682,258**
Payables arising from banking sector activities	17	**2,544,716**	**2,527,716**	**2,527,716**
Amounts due to banking sector companies	17	660,204	568,711	568,711
Amounts due to customers of banking sector companies	17	346,932	322,064	322,064
Debt securities	17	1,537,580	1,636,941	1,636,941
Other liabilities		**638,475**	**700,443**	**700,513**
Deferred tax liabilities	18	95,962	113,525	113,595
Payables arising from insurance and reinsurance operations	19	195,653	204,730	204,730
Current taxes payable	20	41,580	76,996	76,996
Derivative instruments with a negative fair value	20	1,666	267	267
Other payables	20	303,614	304,925	304,925
TOTAL EQUITY AND LIABILITIES		**7,219,040**	**7,222,472**	**7,223,218**

* *Effects related to the first application of IFRS 9.*

▶ Effects of the first application of IFRS 9 "Financial instruments" on the balance sheet

Assets

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Intangible assets	**217,230**		**217,230**
Goodwill	155,082		155,082
Other intangible assets	62,148		62,148
Insurance business investments	**2,876,380**		**2,876,380**
Investment property	288		288
Held-to-maturity securities	1,852		1,852
Available-for-sale securities	2,743,385		2,743,385
Trading securities	30,111		30,111
Derivatives	9,383		9,383
Loans and receivables	91,361		91,361
Receivables arising from banking and other activities	**2,523,549**	**(746)**	**2,522,803**
Investments in associates	**15,780**		**15,780**
Reinsurers' share of insurance liabilities	**405,178**		**405,178**
Other assets	**920,776**		**920,776**
Buildings used in the business and other property, plant and equipment	54,679		54,679
Deferred acquisition costs	43,903		43,903
Deferred tax assets	79,516		79,516
Receivables arising from insurance and reinsurance operations	494,839		494,839
Trade receivables arising from other activities	47,640		47,640
Current tax receivables	60,286		60,286
Other receivables	139,913		139,913
Cash and cash equivalents	**264,325**		**264,325**
TOTAL ASSETS	**7,223,218**	**(746)**	**7,222,472**

* *Effects related to the first application of IFRS 9.*
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Liabilities

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Equity attributable to owners of the parent	**1,802,621**	**(198)**	**1,802,423**
Share capital	314,496		314,496
Additional paid-in capital	810,420		810,420
Retained earnings	518,361	(198)	518,163
Other comprehensive income	76,131		76,131
Consolidated net income for the year	83,213		83,213
Non-controlling interests	**160**		**160**
Total equity	**1,802,781**	**(198)**	**1,802,583**
Provisions for liabilities and charges	**121,716**		**121,716**
Financing liabilities	**388,234**		**388,234**
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Payables arising from banking sector activities	**2,527,716**		**2,527,716**
Amounts due to banking sector companies	568,711		568,711
Amounts due to customers of banking sector companies	322,064		322,064
Debt securities	1,636,941		1,636,941
Other liabilities	**700,513**	**(70)**	**700,443**
Deferred tax liabilities	113,595	(70)	113,525
Payables arising from insurance and reinsurance operations	204,730		204,730
Current taxes payable	76,996		76,996
Derivative instruments with a negative fair value	267		267
Other payables	304,925		304,925
TOTAL EQUITY AND LIABILITIES	**7,223,218**	**(746)**	**7,222,472**

* *Effects related to the first application of IFRS 9.*
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Coface relies on the internal ratings of debtors for the calculation of depreciation of factoring receivables according to the new standard IFRS 9. The depreciation methodology (expected credit loss or "ECL") is based on three main parameters: the probability of default "PD", the loss given default "LGD" and the amount of exposure in case of default "EAD" (exposure at default). The depreciation is the product of the PD by the LGD and the EAD over the lifetime of receivables.

Most of factoring receivables are covered by credit insurance contracts subscribed by Coface entities. Therefore, the depreciation of factoring receivables was already taken into account in the Group consolidated financial statements through insurance provisions.

Thus, the increase of factoring receivables depreciation under new standard IFRS 9 is partially offset by a reversal of technical provisions.

4.1.2 Consolidated income statement

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Gross written premiums		*1,263,364*	*1,219,612*
Premium refunds		*(106,516)*	*(98,954)*
Net change in unearned premium provisions		*(14,240)*	*(10,961)*
Earned premiums	*21*	**1,142,608**	**1,109,697**
Fee and commission income		*132,418*	*128,914*
Net income from banking activities		*66,713*	*72,043*
Income from other activities		*42,995*	*44,279*
Other revenue	*21*	**242,127**	**245,236**
Revenue		**1,384,735**	**1,354,933**
Claims expenses	*22*	**(504,509)**	**(570,863)**
Policy acquisition costs	*23*	*(243,236)*	*(262,607)*
Administrative costs	*23*	*(241,136)*	*(253,532)*
Other insurance activity expenses	*23*	*(82,556)*	*(70,816)*
Expenses from banking activities, excluding cost of risk	*23/24*	*(13,552)*	*(13,779)*
Expenses from other activities	*23*	*(77,739)*	*(53,130)*
Operating expenses	*23*	**(658,219)**	**(653,864)**
Risk cost	*24*	**(2,122)**	**(4,483)**
UNDERWRITING INCOME BEFORE REINSURANCE		**219,885**	**125,723**
Income and expenses from ceded reinsurance	*25*	(62,128)	(25,970)
UNDERWRITING INCOME AFTER REINSURANCE		**157,757**	**99,753**
Investment income, net of management expenses (excluding finance costs)	*26*	51,124	55,281
CURRENT OPERATING INCOME		**208,881**	**155,034**
Other operating income and expenses	*27*	(4,974)	(589)
OPERATING INCOME		**203,907**	**154,445**
Finance costs		(17,681)	(18,109)
Share in net income of associates	*28*	592	2,369
Income tax expense	*29*	(64,132)	(55,651)
NET INCOME FROM CONTINUING OPERATIONS		**122,686**	**83,053**
Non-controlling interests		(353)	159
NET INCOME FOR THE YEAR		**122,333**	**83,213**
Earnings per share *(in €)*	*31*	0.79	0.53
Diluted earnings per share *(in €)*	*31*	0.79	0.53

4.1.3 Consolidated statement of comprehensive income

(in thousands of euros)	Notes	Dec.31, 2018	Dec.31, 2017
Net income for the period		**122,333**	**83,213**
Non-controlling interests		353	(159)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(2,870)**	**(19,233)**
Reclassified to income			
Recognised in equity		*(2,870)*	*(19,233)*
Fair value adjustments on available-for-sale financial assets	*3; 12; 18*	**(17,985)**	**6,646**
Recognised in equity – reclassifiable to income – gross		*(39,298)*	*23,002*
Recognised in equity – reclassifiable to income – tax effect		*20,627*	*(7,840)*
Reclassified to income – gross		*1,913*	*(11,201)*
Reclassified to income – tax effect		*(1,227)*	*2,685*
Fair value adjustments on employee benefit obligations	*3; 12; 18*	**1,395**	**(797)**
Recognised in equity – not reclassifiable to income – gross		*1,823*	*1,024*
Recognised in equity – not reclassifiable to income – tax effect		*(428)*	*(1,821)*
Other comprehensive income for the period, net of tax		**(19,460)**	**(13,384)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**103,226**	**69,670**
◆ attributable to owners of the parent		102,979	70,011
◆ attributable to non-controlling interests		247	(341)

4.1.4 Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**
2016 net income to be appropriated				41,531	
Payment of 2016 dividends in 2017				(20,398)	
Total transactions with owners		**0**	**0**	**21,133**	**0**
December 31, 2017 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					(1,696)
Free share plans expenses				695	
Transactions with shareholders				(3,505)	
Equity at December 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**
Effect of the first application of the standard IFRS 9				**(198)**	
2017 net income to be appropriated				83,213	
Payment of 2017 dividends in 2018				(52,895)	
Total transactions with owners		**0**	**0**	**30,318**	**0**
December 31, 2018 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity	*3;12;14;18*				
Fair value adjustments on available-for-sale financial assets reclassified to income	*3;12;14;18*				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(6,697)		(23,303)	30,000
Treasury shares elimination		0			(46,786)
Free share plans expenses				515	
Transactions with shareholders				18	
EQUITY AT DECEMBER 31, 2018		**307,799**	**810,420**	**530,377**	**(21,452)**

Other comprehensive income						
Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(5,823)	**115,601**	**(22,782)**	**41,531**	**1,755,177**	**5,490**	**1,760,667**
			(41,531)			
				(20,398)		(20,398)
0	**0**	**0**	**(41,531)**	**(20,398)**	**0**	**(20,398)**
			83,213	83,213	(159)	83,054
	15,162			15,162	(1)	15,161
	(8,514)			(8,514)	(1)	(8,515)
		(797)		(797)		(797)
(19,052)				(19,052)	(181)	(19,233)
				(1,696)		(1,696)
				695		695
(38)	2,374			(1,169)	(4,988)	(6,157)
(24,913)	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**
				(198)		**(198)**
			(83,213)			
				(52,895)	(6)	(52,901)
0	**0**	**0**	**(83,213)**	**(52,895)**	**(6)**	**(52,901)**
			122,333	122,333	353	122,686
	(18,668)			(18,668)	(3)	(18,671)
	686			686	0	686
		1,395		1,395		1,395
(2,767)				(2,767)	(103)	(2,870)
				(46,786)		(46,786)
				515		515
(5)				13	(253)	(240)
(27,685)	**106,641**	**(22,184)**	**122,333**	**1,806,249**	**148**	**1,806,397**

4.1.5 Consolidated statement of cash flows

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Net income for the period		**122,333**	**83,213**
Non-controlling interests		353	(159)
Income tax expense		64,132	55,651
+/- Share in net income of associates	*28*	(592)	(2,369)
Finance costs		17,681	18,109
Operating income (A)		**203,907**	**154,445**
+/- Depreciation, amortisation and impairment losses		(5,282)	(11,742)
+/- Net additions to/reversals from technical provisions		57,428	26,362
+/- Unrealised foreign exchange income / loss		(6,958)	(2,898)
+/- Non-cash items		(15,051)	615
Total non-cash items (B)		***30,137***	***12,336***
Gross cash flows from operations (C) = (A) + (B)		***234,044***	***166,780***
Change in operating receivables and payables		(74,892)	14,964
Net taxes paid		(64,772)	(47,699)
Net cash related to operating activities (D)		***(139,664)***	***(32,735)***
Increase (decrease) in receivables arising from factoring operations		2,612	(24,117)
Increase (decrease) in payables arising from factoring operations		(74,491)	1,458
Increase (decrease) in factoring liabilities		102,295	99,343
Net cash generated from banking and factoring operations (E)	*4; 17*	***30,416***	***76,684***
Net cash generated from operating activities (F) = (C + D + E)		**124,796**	**210,730**
Acquisitions of investments	*3*	(341,747)	(1,531,312)
Disposals of investments	*3*	375,163	1,331,927
Net cash used in movements in investments (G)		***33,416***	***(199,385)***
Acquisitions of consolidated subsidiaries, net of cash acquired			(6,500)
Disposals of consolidated companies, net of cash transferred		14,202	
Net cash used in changes in scope of consolidation (H)		***14,202***	***(6,500)***
Disposals of property, plant and equipment and intangible assets		(20,541)	(18,085)
Acquisitions of property, plant and equipment and intangible assets		4,196	2,045
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***(16,345)***	***(16,040)***
Net cash used in investing activities (J) = (G + H + I)		**31,273**	**(221,925)**

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Proceeds from the issue of equity instruments			
Treasury share transactions		(46,786)	(1,696)
Dividends paid to owners of the parent		(52,895)	(20,398)
Dividends paid to non-controlling interests		(6)	
Cash flows related to transactions with owners		***(99,687)***	***(22,114)***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments			(2,290)
Interest paid		(16,276)	(17,583)
Cash flows related to the financing of Group operations		***(16,276)***	***(19,873)***
Net cash generated from (used in) financing activities (K)		**(115,963)**	**(41,987)**
Impact of changes in exchange rates on cash and cash equivalents (L)		**(2,012)**	**(14,564)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F + J + K + L)		**38,094**	**(67,746)**
Net cash generated from operating activities (F)		124,796	210,730
Net cash used in investing activities (J)		31,273	(221,925)
Net cash generated from (used in) financing activities (K)		(115,963)	(41,987)
Impact of changes in exchange rates on cash and cash equivalents (L)		(2,012)	(14,564)
Cash and cash equivalents at beginning of period	*9*	**264,325**	**332,071**
Cash and cash equivalents at end of period	*9*	**302,419**	**264,325**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**38,094**	**(67,746)**

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INTRODUCTION

BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as of December 31, 2018 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 section "Accounting principles" of the present consolidated financial statements as of December 31, 2018.

They are presented with comparative financial information at December 31, 2017. A comparison on January 1, 2018 following the application of IFRS 9 is provided for detailed information on balance sheet notes.

These IFRS consolidated financial statements for the year ended December 31, 2018 were reviewed by the Coface Group's Board of Directors on February 11, 2019.

SIGNIFICANT EVENTS

Introduction of a new tag line – Coface For Trade

During its Risk Country Seminar of January 23, 2018, an event bringing together its clients, brokers and partners, Coface introduced its new tagline: Coface For Trade. This new wording is intended to be clearer and more engaging. It underlines the Group's commitment to trade and commerce, which is a powerful driver to create wealth and stability. It expresses the purpose of the Group, which is to help companies developing their business.

Election of François Riahi as Chairman of Coface's Board of Directors

During its meeting on June 15, 2018, the Board of Directors of COFACE SA co-opted François Riahi, Chief Executive Officer of Natixis, as a Board member and then elected him as Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within BPCE Group.

Own shares transactions

In line with the second pillar of Fit to Win which aims at improving the capital efficiency of its business model, Coface implemented in 2018 two share buyback programmes for a total amount of €45 million. The description of these programmes is as follows:

- a first programme of €30 million, performed between February 15 and October 15, resulted in the purchase of 3,348,971 shares. The Board of Directors, in its meeting of October 24, 2018, decided to cancel these shares and to make a corresponding reduction in the share capital of the Company;
- a second programme for a targeted amount of €15 million was launched at October 25, 2018 and extends until January 8, 2019 with 1,867,312 additional shares bought. As of December 31, 2018, Coface had purchased 1,708,735 shares for an amount of €13,736,491.

Set-up of a €300 million syndicated loan agreement for Coface Poland Factoring

As part of the refinancing of its factoring activity, on June 8, 2018 Coface Poland Factoring signed an agreement with a group of banking partners (2) for a €300 million syndicated multicurrency loan (EUR, PLN). This syndicated loan partly replaces existing bilateral credit lines.

The loan is put in place for two years, with an option to extend its duration by one year, exercisable once, subject to the banks' agreement.

This operation enables the Group to increase its financial flexibility and to extend the maturity of its refinancing debt, whilst benefiting from current favourable market conditions and strengthening its relationships with its leading banks, who thus confirm their commitment to Coface over the mid-term.

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

(2) The Group's Polish subsidiary is supported by seven banking partners (Crédit Agricole CIB, HSBC, ING Bank Ślaski and Natixis, acting as mandated lead arrangers and bookrunners, Banco Santander, Commerzbank and Société Générale CIB, acting as mandated lead arrangers). Natixis is acting as Documentation Agent and Crédit Agricole CIB as Facility Agent.

Disposal of Cofacrédit

Coface announced at end June 2018 that it has ceded to Factofrance (Groupe Crédit Mutuel – CM11) its 36% stake in Cofacrédit, a factoring company previously jointly owned by the two groups. This minority stake was not core to the development strategy in the factoring sector. The disposal is also in line with the second pillar of the Fit to Win strategic plan, which aims to improve Coface's capital efficiency. The transaction had a negative impact of €(2.2) million on net income for Q2 2018.

Signature of an agreement to acquire PKZ (Slovenia)

On September 6, 2018, Coface announced that it has signed a binding agreement with SID Bank, a Slovenian public bank, to acquire 100% of PKZ capital, a credit insurance subsidiary of SID Bank.

Created by SID Bank in 2005, PKZ is the market leader in credit insurance in Slovenia, with a strong market share.

In 2017, the company recorded €15.1m of gross written premiums on an export business focused portfolio.

The acquisition of PKZ by Coface is subject to usual regulatory approvals.

Brexit effects on Coface's activity in the UK

In 2018, the negative impacts of Brexit have highlighted longer-term trends in the UK economy: a decline in business and household confidence, pressure on changing business models (non-food distribution). In this context, Coface continued its rigorous underwriting policy. Our overall exposure to the UK decreased by 12%, mainly in food, distribution and construction sectors. Uncertainty remains high ("no deal", 2nd referendum) and additional measures may be taken in 2019. To ensure this follow-up, a steering committee, chaired by the Group's General Secretary, has been created and meets regularly to determine the priority measures to be taken: regulatory changes to the status of the branch, change in underwriting policy, communication with our clients and brokers..

Coface South Africa new partnership

Coface South Africa, a South African subsidiary of Compagnie Française d'Assurance pour le Commerce Extérieur, signed a strategic partnership on November 16, 2018 that could result in an opening of its capital with a B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd.

Through this transaction, Coface South Africa will improve and strengthen its local footprint and compliance with B-BBEE (broad-based Black Economic Empowerment) legislation.

This transaction remains subject to the approval of the South African regulatory authorities (not obtained at the closing date); it will result in an equity investment of Coface South Africa's capital up to 25% over a 10-year horizon.

SCOPE OF CONSOLIDATION

Change in the scope of consolidation in 2018

First-time consolidation

The Colombes 5 Bis mutual fund (FCP), held by Coface Europe, and Lausanne 6, held by Coface Ré, were created in 2018.

Exit from consolidation scope

The branches Coface Luxembourg (Western Europe region) and Coface Latvia Insurance (Central Europe region) were liquidated in 2018.

The Colombes 4 bis mutual fund (FCP), held by Coface Europe, was also liquidated in 2018.

Special purpose entities (SPE)

SPEs used for the credit insurance business

Coface's credit enhancement operations consist of insuring via an 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 a mere service provider to the special purpose entity by signing a contract with the SPE.. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the financial statements.

SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz, a Group factoring company, sells its factored receivables to a French special purpose vehicle (SPV), 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 asset-backed commercial paper (ABCP) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the FCT.

The FCT Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations

The Colombes mutual funds were set up in 2013 to centralise the management of the Coface Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

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

Fonds Lausanne were created in 2015 in order to allow Coface Ré to subcribe to units in investment funds. The management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

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

All Coface entities are consolidated using the full integration method, except Cofacrédit which was consolidated by equity method. This entity was sold at the end of June 2018.

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Northern Europe						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg KG c/o VR-LEASING Hauptstr. 131. 65760 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Securitisation fund) 41 rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services STADIONSTRAAT 20 4815 NG Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Postbus 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 Jens Ravns Vej 11C 7100 Vejle	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Western Europe						
France	COFACE SA 1 place Costes et Bellonte 92270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacrédit Tour D2 - 17 *bis* place des Reflets 92988 Paris la Défense Cedex	Not consolidated	-	-	36.00%	36.00%
France	Cofinpar 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2018	Interest Dec. 31, 2018	Control Dec. 31, 2017	Interest Dec. 31, 2017
France	Fimipar 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *ter* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *quater* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	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%
France	Fonds Colombes 5 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
France	Fonds Colombes 6 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services 100 boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgique 100, boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-		-	Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Suisse Rue Belle-Fontaine 18 1003 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Ré Rue Belle-Fontaine 18 1003 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Switzerland	Fonds Lausanne 2 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 6 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
UK	Coface UK Holdings Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Ireland Unit 5, Adelphi House. Upper George's Street Dun Laoghaire - Co Dublin	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Central Europe						
Austria	Coface Austria Kreditversicherung Service GmbH Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Compagnie française d´assurance pour le commerce extérieur SA Niederlassung Austria Marxergasse 4c 1030 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Compagnie française d´assurance pour le commerce extérieur Hungarian Branch Office Váci út 45. H/7 1134 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland Credit Management Services Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Factoring Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie française d´assurance pour le commerce extérieur Spółka Akcyjna Oddział w Polsce Al. Jerozolimskie 142 A, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Czech Republic	Compagnie française d´assurance pour le commerce extérieur organizační složka Česko I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	Full	100.00%	100.00%	100.00%	100.00%
Romania	Compagnie française d´assurance pour le commerce extérieur S.A. Bois-Colombes – Sucursala Bucuresti Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Technologie - Roumanie Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Compagnie française d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuania	Compagnie francaise d'assurance pour le commerce extérieur Lietuvos filialas A. Tumeno str. 4 01109 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	
Bulgaria	Compagnie française d'assurance pour le commerce extérieur SA – Branch Bulgaria 42 Petar Parchevich Str. 1000 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	CJSC Coface Rus Insurance Company Panorama business center, 8, 2nd Brest Skaya str, 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 23 Bar Kochva st, Bnei Brak 5126002 PB 76	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full		100.00%		100.00%
Israel	BDI – Coface (Business Data Israel) 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full		100.00%		100.00%
South Africa	Coface South Africa 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Services 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B - 7º Piso, Fracção B.1 Edifício Europa 1070 - 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance company 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumer Road Suite 910 Toronto - On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon - 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Interest Dec. 31, 2018	Control Dec. 31, 2017	Interest Dec. 31, 2017
Mexico	Coface Holding America Latina SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon - 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface do Brasil Seguros de Credito SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
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 SA Nueva Tajamar 555. Piso 17 Torre Costanera - Las Condes. Santiago	Full	100.00%	100.00%	100.00%	100.00%
Chile	Coface Chile Nueva Tajamar 555. Piso 17 Torre Costanera - Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Argentina	Coface Argentina Olga Cossettini 263, Piso 3, (C1107CCE) C.A.B.A. Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia LEVEL 11, 1 Market Street, Sydney NSW 2000, Australia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong Kong	Coface Hong Kong 29th Floor, No. 169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japan 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 Singapore 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	

ACCOUNTING PRINCIPLES

Applicable accounting standards

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of Coface as of December 31, 2018 are prepared in accordance with IAS/IFRS and IFRIC interpretations as adopted in the European Union and applicable at that date.

Standards applied since January 1, 2018

IFRS 9

The new standard IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and has been applicable retroactively since January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for the classification and measurement of financial assets and liabilities, the new methodology for credit risk impairment of financial assets, and the treatment of hedging transactions, with the exception of macro-hedging transactions for which a separate draft standard is under study by the IASB.

Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts" with specific measures for financial conglomerates was adopted on November 3, 2017 and has been applicable since January 1, 2018. This European Regulation allows European financial conglomerates to opt to postpone the application of IFRS 9 for their insurance sector until January 1, 2022 (date of application of the new IFRS 17 "Insurance Contracts" standard) under the following conditions:

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

Coface, meeting the eligibility criteria of a financial conglomerate, applies this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2021. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

Scope of application

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

Pursuant to the option opened by IFRS 9, Coface has chosen not to restate prior years published as comparative information for its financial statements.

IFRS 15

The new standard IFRS 15 "Revenue from Contracts with Customers" was adopted by the European Commission on September 22, 2016 and is applicable retroactively from January 1, 2018. The amendment "IFRS 15 clarification" adopted by the European Commission on October 31, 2017 is also mandatorily applicable from January 1, 2018.

IFRS 15 replaces the current accounting standards and interpretations related to revenue recognition. This standard now imposes a single accounting model for all revenues from customer contracts and highlights the concept of "performance obligation" for separate goods and services present within the same contract.

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

IFRS 15 introduces new guidance for revenue recognition in 5 steps:

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

IFRS 15 applies to all contracts with customers except for, in particular, leases (within the scope of IAS 17 until December 31, 2018, then within the scope of IFRS 16 applicable from January 1, 2019), insurance contracts within the scope of IFRS 4 "Insurance Contracts", and financial instruments within the scope of IFRS 9 "Financial Instruments". If specific requirements regarding revenue or contract costs are provided by another standard, this one should be applied first.

Coface conducted some workshops related to IFRS 15 first application. This work relied on diagnoses in relevant entities (factoring entities and service entities). Based on this analysis, Coface did not identify any issue arising from IFRS 15 first application.

As a consequence, Coface did not recognise any impact related to IFRS 15 first application either on the equity opening balance as of January 1, 2018 or in profit and loss for 2018.

Annual improvements to IFRS Standards 2014–2016 Cycle

On February 7, 2018, the European Commission adopted the amendment "Annual improvements to IFRS Standards 2014–2016 Cycle". It is mandatorily applicable from January 1, 2018. This amendment is the result of the annual improvement process that aims to simplify and clarify international accounting standards. The following standards have been modified: IAS 28 "Investments in Associates and Joint ventures", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 12 "Disclosure of Interests in Other Entities". This amendment does not have any impact on Coface's financial accounts.

IFRS 2

On February 26, 2018 the European Commission adopted the amendment to IFRS 2 "Share-based payments". It is mandatorily applicable from January 1, 2018. This amendment clarifies the recognition and measurement of share-based payment transactions: it details the criteria required to determine fair value, impacts of tax levies on plans and accounting treatments in case of modification of terms and conditions of plans. This amendment does not have any impact on Coface's financial accounts.

IAS 40

Adopted by the European Commission on March 14, 2018 the amendment to IAS 40 "Investment property" is mandatorily applicable from January 1, 2018. It clarifies in which cases a company is allowed to reclassify an asset from or to the "Investment property" category. This reallocation should be performed if, and only if, the property meets or ceases to meet the definition of an investment property. This amendment does not have any impact on Coface's financial accounts.

IFRIC 22

The European Commission adopted IFRIC 22 "Foreign Currency Transactions and Advance Consideration" on March 28, 2018. Interpretation is effective for annual periods beginning on or after January 1, 2018. It clarifies measurement for advance payments and collections in foreign currency. The trade date, required to determine the exchange rate, is the initial entry date of the non-monetary asset or liability, except in the case of several payments or collections, when the trade date will be determined at each payment or collection. This interpretation does not have any effect on Coface's financial accounts.

The following standards, adopted by the European Union on December 31, 2018, but not yet in force, have not been applied in advance by Coface.

IFRS 16

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

According to IFRS 16, the definition of leasing contracts implies, on the one hand, the identification of an asset and, on the other hand, the control by the lessee of the right to use this asset. Control is established when the lessee has both of the following rights throughout the period of use:

- the right to have almost all economical benefits coming from the asset use;
- the right to decide the use of the asset.

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

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

The right of use will be amortised on a straight-line basis and the financial debt will be amortised actuarially over the duration of the lease. The interest expenses on the financial debt and the amortisation expenses of the right to use will be entered separately on the income statement. However, according to the current IAS 17, so-called simple or operational leases do not induce a registration on the balance sheet and only the related rents are recorded in the income statement.

Regarding Coface activities, the effects of the implementation of IFRS 16 relate mainly to real estate assets leased as offices for operating requirements. The other lease contracts are related to IT and company cars. Coface expects a significant impact of €85 million on the "Property, plant and equipment" item resulting from the recognition of rights of use.

Coface chose the modified retrospective method for the first-time application. This method involves evaluating the amount of lease liabilities according to the remaining payments, using the incremental borrowing rate on January 1, 2019 for remaining contract periods. In particular, the option to not recognise contracts with lease period less than 12 months at January 1, 2019 in the balance sheet will be applied, direct initial costs will be excluded from the right of use valuation. Right of use will be valued with regard to the lease liabilities calculated at that date.

Interpretation IFRIC 23

The IFRIC 23 "Uncertainty over Income Tax Treatments" interpretation was adopted by the European Commission on October 23, 2018 and will be mandatorily applicable from January 1, 2019. This interpretation clarifies the accounting and valuation procedures for current and deferred tax where there are uncertainties over tax treatment. The entity must use the most likely amount of the expected value of the tax treatment. Coface reviewed uncertainties and documentation of the uncertainties and tax risks but without, at this stage, expecting any impact on the variation of income tax in the consolidated financial statements.

IFRS 17

IFRS 17 "Insurance contracts" published by the IASB on May 18, 2017 will replace IFRS 4 "Insurance contracts". Initially effective on January 1, 2021 with a comparison on January 1, 2020, this standard should come into effect from January 1, 2022. Indeed, during a meeting on November 14, 2018, the IASB decided to postpone for one year its application, clarifications are still required on structuring points of the standard.. The IASB also decided to align the term of the temporary exemption of the standard IFRS 9 for insurers in order to coincide with the application of IFRS 17 on January 1, 2022.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation.

At present, insurance contracts are recorded at historical cost and will be recorded at current value after the application of the IFRS. Therefore, insurance contract values will be based on future cash flows generated, including a risk margin to take into account the

uncertainty regarding these flows. IFRS 17 introduces the concept of contractual service margin. This margin represents the benefit not earned by the insurer and will be released over time, depending on the service provided by the insurer to the policyholder.

The standard requires a higher level of granularity in calculation detail than before as it requires estimation by group of contracts.

These accounting changes will modify the profile of the insurance income statement.

Given the importance of the changes made and despite the uncertainties still affecting the standard, Coface has set up a project structure, which will enable it, within various themes, to analyse all aspects of the standard: modelling, adaptation of systems and organisations, production of accounts and scales strategy, financial communication and change management.

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 using the equity method. This entity was sold in June 2018.

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 over the relevant activities of the entity, exposure to the variable returns of the entity and the investor's ability to affect the variable returns through its power over the entity. The analysis of special purpose entities (SPE's) in Coface Group is presented in Note 2 "Scope of consolidation".

Intercompany transactions

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

Non-current assets held for sale and discontinued operations

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

A sale is deemed to be highly probable if:

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

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

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

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

- the component represents a separate major line of business or geographical area of operations;
- the component is part of a single coordinated plan to dispose of 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 a subsidiary acquired exclusively with a view to resale.

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

Year-end and accounting period

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

Foreign currency translation

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.*, currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the exchange rate at the transaction date 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 exchange rate at the transaction date 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.

Hyperinflationary Economies

The application of IAS 29 "Financial Reporting in Hyperinflationary Economies" is required, as of July 1, 2018, for entities whose functional currency is the Argentine peso.

The Group has activities in Argentina whose contribution to the total consolidated balance sheet and net income is not significant as of December 31, 2018.

Thus, the impact of the application of this standard is also not significant at Group level and was not taken into account in the financial statements as of December 31, 2018.

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;
- 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 IFRS 15 "Revenue from Contracts with Customers".

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 apply IFRS 9 "Financial Instruments". A financial instrument is a contract that gives rise both to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and to a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

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.

IFRS 15 "Revenue from Contracts with Customers" is also applied for factoring business according the same rules as the service business.

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

Breakdown by function of insurance company expenses

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

Factoring companies

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

Other companies outside the insurance business and factoring business

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

Revenue

Consolidated revenue includes:

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

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

Insurance operations

Earned premiums

Gross written premiums

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

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

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

Premium refunds

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

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

Reserves for unearned premiums

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

Gross earned premiums

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

Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as the provisions for unwritten earned premiums.

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.

Contract service expenses

Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at year-end. Claims provisions also include provisions for unknown claims 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 party) 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.

Subrogation and salvage includes a provision for debt collection costs.

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

Reinsurance operations

All of the Group's inward and ceded reinsurance operations involve transfers of risks.

Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related policies.

Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded provisions for unwritten earned 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 these headings 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 make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

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

Goodwill

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

- the fair value of the consideration transferred;
- to which we add the amount of any non-controlling interest in the acquiree;
- and, in a business combination achieved in stages, the fair value at acquisition date of the acquirer's previously held equity interest in the acquiree;
- less the net of the amounts at acquisition date 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);
- 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;
- 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). Equity securities 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 unlisted equity securities): 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 are used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the Colombes funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

Financing liabilities

This item concerns subordinated debt.

Borrowings are initially recognised at fair value after taking account of directly attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest method. Amortised cost corresponds to:

- the measurement of the financial liability on initial recognition; minus;
- repayments of principal; plus or minus;
- cumulative amortisation (calculated using the effective interest rate) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised cost of the financial liability.

Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, *i.e.* that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- fees and commissions paid to agents, advisers, brokers and other intermediaries;
- levies by regulatory agencies and securities exchanges;
- transfer taxes and duties.

Transaction costs do not include:

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

Payables arising from banking sector activities

This item includes:

- amounts due to banking sector companies: this 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.

Two categories of provisions are recorded and are shown in deduction of the receivables:

- provisions booked by way of a charge to the income statement (under "Cost of risk") when it appears probable that all or part of the amount receivable will not be collected;
- provisions evaluated through expected credit loss (ECL) calculation also recorded as an expense in the income statement (under "cost of risk").

The ECL calculation, introduced by IFRS 9, relies on calculation models using the internal ratings of debtors ("DRA" debtor risk assessment). The methodology for calculating depreciation (ECL) is based on the three main parameters: the probability of default "PD", the loss given default "LGD" and the amount of exposure in case of default "EAD" (exposure at default). The depreciation will be the product of the PD by the LGD and the EAD, over the lifetime of the receivables. Specific adjustments are made to take into account the current conditions and the prospective (forward-looking) macroeconomic projections.

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under "Receivables arising from banking and other activities".

Cash and cash equivalents

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money market funds (SICAV) with maturities of less than three months.

Provisions for liabilities and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include provisions for tax risks (except income tax risk), for litigations with third parties, and on vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the Company has committed to pay until the end of the lease, from which is deducted the future income expected from potential subleases.

Employee benefits

In some 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: the Company's legal or constructive obligation is limited to the amount that it agrees to pay to the fund, which will pay the due amounts to the employees. These plans are generally state pension plans, such as 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 11).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7, 2002 and which had not vested at January 1, 2005 have been measured at fair value and recognised in personnel costs.

Income tax

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where the results are taxable.

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly by more than 95% (Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts, and those used to determine the taxable income, give rise to the recording of deferred taxes.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period-end.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.

Receivables and payables denominated in foreign currencies

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

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

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

Segment information

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

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

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

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

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

Related parties

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

Estimates

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

Estimates	Notes	Type of information required
Goodwill impairment	*1*	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Provision for earned premiums not yet written	*16*	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	*16; 21*	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	*16; 22*	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	*16; 22; 40*	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	*16; 22; 40*	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	*14*	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

NOTE 1. GOODWILL

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at year-end or whenever there is an impairment indicator.

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,396	8,417
Mediterranean & Africa	21,993	22,183
North America	6,087	5,795
Latin America	911	1,016
TOTAL	**155,058**	**155,082**

The change in goodwill amounted to €24,000 due to the fluctuation of exchange rates.

Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2018. 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, 2018:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	615.3	406.5	182.1	218.1	58.5	54.0

The assumptions used in 2017 were as follows:

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

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018;
- 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 a 0.5-point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2021 and 2022): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table. It shows that the value of the CGU remains higher than the contribution to Group net assets, for each CGU in the various scenarios:

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets[(1)]	615.3	406.5	182.1	218.1	58.5	54.0
Value in use of CGU	898.9	592.4	383.7	577.6	91.3	54.4
Sensitivity Long-term growth rate (0.5) point[(2)]	870.1	556.1	366.3	549.7	65.0	50.5
Sensitivity WACC +0,5 point[(2)]	862.3	549.5	362.3	542.9	66.4	51.1
Sensitivity Loss Ratio 2023 +1 point[(2)]	891.6	533.9	379.0	572.5	66.0	52.3
Sensitivity Loss Ratio 2023 +2 points[(2)]	884.3	473.8	374.3	561.2	60.6	48.2
Sensitivity Cost Ratio 2023 +1 point[(2)]	884.7	530.9	375.2	562.0	65.2	51.9
Sensitivity Cost Ratio 2023 +2 points[(2)]	870.6	467.8	366.8	540.2	59.0	47.5

(1) The Contribution to the consolidated Group's net assets corresponds to the difference between the value-in-use of the cash generating units (CGU) and their book value.
(2) The sensitivity analyses were carried out on the Contribution to the Group's net assets.

NOTE 2. OTHER INTANGIBLE ASSETS

	Dec. 31, 2018	Dec. 31, 2017
(in thousands of euros)	Net value	Net value
Development costs and software	62,955	59,463
Purchased goodwill	2,194	2,291
Other intangible assets	468	394
TOTAL	**65,617**	**62,148**

	Dec. 31, 2018		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	197,670	(134,716)	62,954
Purchased goodwill	6,748	(4,553)	2,195
Other intangible assets	2,820	(2,352)	468
TOTAL	**207,238**	**(141,621)**	**65,617**

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

Group mainly makes investments in hardware and IT licences.

These investments amounted to €15.7 million in the 2018 financial year compared to €15.5 million in the 2017 financial year.

Change in the gross value of intangible assets

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2018
Development costs and software	187,178	15,369	(4,292)	(585)	197,670
Purchased goodwill	7,831	0	(1,266)	182	6,747
Other intangible assets	2,722	300	(152)	(49)	2,821
TOTAL	**197,731**	**15,669**	**(5,710)**	**(452)**	**207,238**

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Development costs and software	183,821	15,350	(11,055)	(939)	187,177
Purchased goodwill	8,608	0	0	(776)	7,832
Other intangible assets	2,676	117	0	(71)	2,722
TOTAL	**195,105**	**15,467**	**(11,055)**	**(1,786)**	**197,731**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2018
Accumulated amortisation - development costs and software	(124,954)	(12,130)	4,287	342	(132,455)
Accumulated impairment - development costs and software	(2,761)	0	372	129	(2,260)
Total amortisation and impairment - development costs and software	**(127,715)**	**(12,130)**	**4,659**	**471**	**(134,715)**
Accumulated amortisation - purchased goodwill	(5,541)	(98)	1,266	(181)	(4,554)
Accumulated impairment - purchased goodwill	0	0	0	0	0
Total amortisation and impairment - purchased goodwill	**(5,541)**	**(98)**	**1,266**	**(181)**	**(4,554)**
Accumulated amortisation - other intangible assets	(2,308)	(237)	138	55	(2,352)
Accumulated impairment - other intangible assets	(19)	0	19	0	0
Total amortisation and impairment - other intangible assets	**(2,327)**	**(237)**	**157**	**55**	**(2,352)**
TOTAL	**(135,583)**	**(12,465)**	**6,082**	**345**	**(141,621)**

NOTE 3. INSURANCE BUSINESS INVESTMENTS

3.1 Analysis by category

As of December 31, 2018, the carrying amount of available-for-sale (AFS) securities amounted to €2,742,533 thousand, securities held for trading ("trading securities") came to €9,527 thousand and held-to-maturity (HTM) securities was €1,848 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments.

The distribution of the bonds portfolio by rating at December 31, 2018 was as follows:

- bonds rated "AAA": 16%;
- bonds rated "AA" and "A": 42.5%;
- bonds rated "BBB": 33.1%;
- Bonds rated "BB" and lower: 8.4%.

	Dec. 31, 2018					Dec. 31, 2017				
(in thousands of euros)	Amortised cost	Revaluation	Net value	Fair value	Unrealised gains and losses	Amortised cost	Revaluation	Net value	Fair value	Unrealised gains and losses
AFS securities	**2,635,835**	**106,698**	**2,742,533**	**2,742,533**		**2,599,727**	**143,658**	**2,743,385**	**2,743,385**	
Equities and other variable-income securities	207,560	99,425	306,985	306,985		211,479	111,806	323,285	323,285	
Bonds and government securities	2,211,474	(2,144)	2,209,330	2,209,330		2,175,164	26,090	2,201,254	2,201,254	
o/w direct investments in securities	*1,774,405*	*(1,061)*	*1,773,344*	*1,773,344*		*1,757,587*	*25,326*	*1,782,913*	*1,782,913*	
o/w investments in UCITS	*437,069*	*(1,083)*	*435,986*	*435,986*		*417,577*	*764*	*418,341*	*418,341*	
Shares in non-trading property companies	216,801	9,417	226,218	226,218		213,084	5,762	218,846	218,846	
HTM securities										
Bonds	1,848		1,848	1,848	0	1,852		1,852	2,564	712
Fair value through income – trading securities										
Money market funds (UCITS)	9,527		9,527	9,527		30,111		30,111	30,111	
Derivatives (positive fair value)		**2,354**	**2,354**	**2,354**			**9,383**	**9,383**	**9,383**	
(derivatives negative fair value for information)		*(1,666)*	*(1,666)*	*(1,666)*			*(267)*	*(267)*	*(267)*	
Loans and receivables	**77,063**		**77,063**	**77,063**		**91,362**		**91,361**	**91,361**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(408)**	**288**	**288**	
TOTAL	**2,724,968**	**108,645**	**2,833,613**	**2,833,613**	**0**	**2,723,747**	**152,633**	**2,876,380**	**2,877,092**	**712**

(in thousands of euros)	Gross Dec. 31, 2018	Impairment	Net Dec. 31, 2018	Net Dec. 31, 2017
AFS securities	**2,776,026**	**(33,493)**	**2,742,533**	**2,743,385**
Equities and other variable-income securities	338,477	(31,492)	306,985	323,285
Bonds and government securities	2,211,323	(1,993)	2,209,330	2,201,254
o/w direct investments in securities	*1,773,344*		*1,773,344*	*1,782,913*
o/w investments in UCITS	*437,979*	*(1,993)*	*435,986*	*418,341*
Shares in non-trading property companies	226,227	(8)	226,218	218,846
HTM securities				
Bond	1,848		1,848	1,852
Fair value through income – trading securities				
Money market funds (UCITS)	9,527		9,527	30,111
Derivatives (positive fair value)	**2,354**		**2,354**	**9,383**
(for information, derivatives with a negative fair value)	*(1,666)*		*(1,666)*	*(267)*
Loans and receivables	**77,158**	**(94)**	**77,063**	**91,361**
Investment property	**288**		**288**	**288**
TOTAL	**2,867,201**	**(33,587)**	**2,833,613**	**2,876,380**

Impairments

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2018
AFS securities	**30,175**	**3,306**	**0**	**11**	**33,493**
Equities and other variable-income securities	30,167	1,313	0	11	31,492
Bonds and government securities	0	1,993	0	0	1,993
Shares in non-trading property companies	8	0	0	0	8
Loans and receivables	**0**	**94**	**0**	**0**	**94**
TOTAL	**30,175**	**3,400**	**0**	**11**	**33,587**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2018					
	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,743,385**	**346,208**	**(329,286)**	**(36,711)**	**(3,306)**	**22,244**	**2,742,533**
Equities and other variable-income securities	323,285	30,445	(33,280)	(13,323)	(1,313)	1,173	306,985
Bonds and government securities	2,201,254	307,371	(287,944)	(27,043)	(1,993)	17,685	2,209,330
Shares in non-trading property companies	218,846	8,393	(8,062)	3,655		3,386	226,218
HTM securities							
Bonds	1,852	90	(96)			1	1,848
Fair value through income – trading securities	**30,111**	**9,525**	**(30,111)**	**0**		**2**	**9,527**
Loans, receivables and other business investment	**101,031**	**8,565**	**(15,337)**	**(1,529)**	**(94)**	**(12,930)**	**79,705**
TOTAL	**2,876,380**	**364,388**	**(374,830)**	**(38,240)**	**(3,400)**	**9,317**	**2,833,613**

Derivatives

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During 2018, 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.

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

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

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

3.2 Financial instruments recognised at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorises into three levels the inputs used to measure fair value. These levels are as follows:

Level 1: Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 84% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organised markets, as well as units in dedicated mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- government bonds and bonds indexed to variable interest rates (HTM securities);
- French units in money-market funds, SICAV (trading securities).

Level 2: Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

- unlisted equities;
- loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data.

Securities classified as level 3 represent 13% of the Group's portfolio. This level corresponds to unlisted equities, equity securities and units in dedicated mutual funds, as well as investment property.

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

Breakdown of financial instrument fair value measurements as of December 31, 2018 by level in the fair value hierarchy

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,742,533**	**2,742,533**	**2,375,057**	**23**	**367,453**
Equities and other variable-income securities	306,985	306,985	165,728	23	141,234
Bonds and government securities	2,209,330	2,209,330	2,209,330	0	
Shares in non-trading property companies	226,218	226,218			226,219
HTM securities					
Bonds	1,848	1,848	1,848		
Fair value through income – trading securities					
Money market funds (UCITS)	9,527	9,527	9,527		
Derivatives	**2,354**	**2,354**	**858**	**1,387**	**109**
Loans and receivables	**77,063**	**77,063**		**77,063**	
Investment property	**288**	**288**			**288**
TOTAL	**2,833,613**	**2,833,613**	**2,387,291**	**78,473**	**367,850**

Movements in Level 3 securities as of December 31, 2018

		Gains and losses recognised in the period		Transactions for the period			
(in thousands of euros)	As of Dec. 31, 2017	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	As of Dec 31, 2018
AFS securities	**347,367**	**(1,314)**	**16,012**	**9,073**	**(8,097)**	**4,411**	**367,453**
Equities and other variable-income securities	128,521	(1,314)	12,357	680	(35)	1,025	141,234
Shares in non-trading property companies	218,846		3,655	8,393	(8,062)	3,387	226,219
Derivatives	**609**			**2,751**		**(3,251)**	**109**
Investment property	**288**				**0**		**288**
TOTAL	**348,264**	**(1,314)**	**16,012**	**11,824**	**(8,097)**	**1,160**	**367,850**

Breakdown of financial instrument fair value measurements as of December 31, 2017 by level in the fair value hierarchy

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

Movements in Level 3 securities as of December 31, 2017

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

SPPI Financial assets as of December 31, 2018 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
SPPI financial assets	1,786,680	(26,620)
No SPPI financial assets	12,828	(575)
TOTAL	**1,799,508**	**(27,195)**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	146,923	144,796

NOTE 4. RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES

Breakdown by nature

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Receivables arising from banking and other activities	2,509,047	2,522,803	2,523,549
Non-performing receivables arising from banking and other activities	61,354	57,247	56,501
Allowances for receivables arising from banking and other activities	(61,354)	(57,247)	(56,501)
TOTAL	**2,509,047**	**2,522,803**	**2,523,549**

* *Effects of the first application of IFRS 9.*

Breakdown by age

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets in the balance sheet and they are classified as level 2. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

When applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, given that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

(in thousands of euros)	Dec. 31, 2018					
		Due				
	Not Due	- 3 Months	3 Months to 1 Year	1 to 5 Years	+ 5 Years	Total
Receivables arising from banking and other activities	1,856,362	652,686	0	0	0	2,509,047
Non-performing receivables arising from banking and other activities	0	0	6,008	30,753	24,593	61,354
Allowances for receivables arising from banking and other activities	99	(99)	(6,008)	(30,753)	(24,593)	(61,354)
Total receivables arising from banking and other activities	**1,856,461**	**652,586**	**0**	**0**	**0**	**2,509,047**
Claims reserve as hedge for factoring receivables	0	0	0	0	0	0
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,856,461**	**652,586**	**0**	**0**	**0**	**2,509,047**

(in thousands of euros)	Dec. 31, 2017					
		Due				
	Not Due	- 3 Months	3 Months to 1 Year	1 to 5 Years	+ 5 Years	Total
Receivables arising from banking and other activities	1,862,396	661,153	0	0	0	2,523,549
Non-performing receivables arising from banking and other activities	0	0	6,972	22,407	27,122	56,501
Allowances for receivables arising from banking and other activities	0	0	(6,972)	(22,407)	(27,122)	(56,501)
Total receivables arising from banking and other activities	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**
Claims reserve as hedge for factoring receivables	0	0	0	0	0	0
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**

NOTE 5. INVESTMENTS IN ASSOCIATES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Investments in associates at January 1	15,780	13,411
Share in net income of associates	592	2,369
Dividends paid	0	0
Change in perimeter	(16,372)	0
TOTAL INVESTMENTS IN ASSOCIATES	**0**	**15,780**

The decrease in investment in associates in the 2018 financial year is related to the sale in June 2018 of Cofacredit participation, which was held at 36%.

NOTE 6. TANGIBLE ASSETS

	Dec. 31, 2018	Dec. 31, 2017
(in thousands of euros)	Net value	Net value
Buildings used for operational purposes	33,114	35,344
Other property, plant and equipment	15,858	19,335
TOTAL	**48,972**	**54,679**

	Dec. 31, 2018		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	107,794	(74,680)	33,114
Other property, plant and equipment	54,599	(38,741)	15,858
TOTAL	**162,393**	**(113,421)**	**48,972**

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

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2018
Land used for operational purposes	14,010	0	0	0	14,010
Buildings used for operational purposes	93,785	1	0	(1)	93,785
Total buildings used in the business	**107,795**	**1**	**0**	**(1)**	**107,795**
Operating guarantees and deposits	5,257	1,846	(3,859)	169	3,413
Other property, plant and equipment	50,575	3,027	(2,022)	(395)	51,185
Total other property, plant and equipment	**55,832**	**4,873**	**(5,881)**	**(226)**	**54,598**
TOTAL	**163,627**	**4,874**	**(5,881)**	**(227)**	**162,393**

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Land used for operational purposes	14,010	0	0	0	14,010
Buildings used for operational purposes	95,006	7	(1,228)	0	93,785
Total buildings used in the business	**109,016**	**7**	**(1,228)**	**0**	**107,795**
Operating guarantees and deposits	5,247	122	(25)	(87)	5,257
Other property, plant and equipment	52,187	4,071	(5,085)	(598)	50,575
Total other property, plant and equipment	**57,434**	**4,193**	**(5,110)**	**(685)**	**55,832**
TOTAL	**166,450**	**4,200**	**(6,338)**	**(685)**	**163,627**

The Group mainly makes investments in tangible assets relating to the arrangement or layout of operated office buildings.

These investments amounted to €4.8 million in the 2018 financial year compared to €4.2 million in the 2017 financial year.

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

(in thousand of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2018
Accumulated depreciation – Building used for operational purposes	(72,451)	(2,228)	0	(1)	(74,680)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0
Buildings used in the business	**(72,451)**	**(2,228)**	**0**	**(1)**	**(74,680)**
Accumulated depreciation other property, plant & equipment	(34,397)	(3,762)	1,717	248	(36,194)
Accumulated impairment other property, plant & equipment	(2,099)	(471)	0	23	(2,547)
Other property, plant and equipment	**(36,496)**	**(4,233)**	**1,717**	**271**	**(38,741)**
TOTAL	**(108,947)**	**(6,461)**	**1,717**	**270**	**(113,421)**

(in thousand of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated depreciation – Building used for operational purposes	(70,488)	(2,231)	268	0	(72,451)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0
Buildings used in the business	**(70,488)**	**(2,231)**	**268**	**0**	**(72,451)**
Accumulated depreciation other property, plant & equipment	(36,031)	(3,563)	4,802	394	(34,398)
Accumulated impairment other property, plant & equipment	(2,447)	(19)	333	34	(2,099)
Other property, plant and equipment	**(38,478)**	**(3,582)**	**5,135**	**428**	**(36,497)**
TOTAL	**(108,966)**	**(5,813)**	**5,403**	**428**	**(108,948)**

Market value of buildings used for operational purposes

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Carrying amount	33,114	35,344
Market value	61,933	60,794
UNREALISED GAIN	**28,819**	**25,450**

Buildings held by Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2018.

NOTE 7. RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

Breakdown by nature

	Dec. 31, 2018			Dec. 31, 2017		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	304,247	(35,149)	269,098	303,603	(33,601)	270,003
Earned premiums not written	115,355	0	115,355	119,998	0	119,998
Receivables arising from reinsurance operations, net	114,655	(282)	114,373	105,129	(289)	104,840
TOTAL	**534,257**	**(35,431)**	**498,826**	**528,730**	**(33,890)**	**494,840**

Breakdown by age

	Dec. 31, 2018					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+ 5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**358,857**	**93,211**	**34,444**	**7,829**	**4,485**	**498,826**

	Dec. 31, 2017					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**360,819**	**78,253**	**37,193**	**13,635**	**4,939**	**494,839**

The insurance business operates on a reverse production cycle: premiums are earned before claims are paid out. Furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

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

NOTE 8. OTHER ASSETS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Deferred acquisition costs	42,176	43,903
Trade receivables arising from other activities	48,553	47,640
Current tax receivables	57,267	60,286
Other receivables	179,285	139,913
TOTAL	**327,281**	**291,742**

"Other receivables" mainly includes:

- receivables in factoring entities towards credit insurance entities for €65 million;
- loans granted to non-consolidated Coface entities for €34 million.

NOTE 9. CASH AND CASH EQUIVALENTS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Cash at bank and available	275,567	236,813
Cash equivalents	26,852	27,512
TOTAL	**302,419**	**264,325**

Operational cash optimisation continued during FY 2018, leading in the majority of the entities to a decrease of the cash amounts and an increase in long-term investments.

However, some entities had to keep some cash equivalents in the very short term.

Cash and cash equivalents are all available; no amount is placed on escrow-type accounts.

NOTE 10. SHARE CAPITAL

Ordinary shares	Number of shares	Per value	Share capital *(in €)*
At December 31, 2017	157,248,232	2	314,496,464
Cancellation of shares	(3,348,971)	2	(6,697,942)
At December 31, 2018	**153,899,261**	**2**	**307,798,522**
Treasury shares deducted	(2,600,240)	2	(5,200,480)
AT DECEMBER 31, 2018 (EXCLUDING TREASURY SHARES)	**151,299,021**	**2**	**302,598,042**

Shareholders	Dec. 31, 2018		Dec. 31, 2017	
	Number of shares	%	Number of shares	%
Natixis	64,853,881	42.86%	64,853,881	41.38%
Public	86,445,140	57.14%	91,883,815	58.62%
TOTAL EXCLUDING TREASURY SHARES	**151,299,021**	**100%**	**156,737,696**	**100%**

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

Natixis holds, at the end of December 2018, 42.86% of the COFACE Group's shares excluding treasury shares, and 42.14% including treasury shares.

NOTE 11. SHARE-BASED PAYMENTS

Ongoing free share plans

In connection with its stock market listing, the Coface Group awards free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year *(in €k)*
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	0
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	(994)
Long-term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	462
Long-term Incentive Plan 2017	Feb. 08, 2017	366,146	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	577
Long-term Incentive Plan 2018	Feb. 12, 2018	298,132	3 years	Feb. 15, 2021	Feb. 15, 2021	8.5	632

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2017	Number of new free share grants in 2018	Number of free shares cancelled in 2018	Number of free shares acquired in 2018	Number of shares to be acquired at Dec. 31, 2018
Long-term Incentive Plan 2014	0				0
Long-term Incentive Plan 2015	106,800		(106,800)		0
Long-term Incentive Plan 2016	302,196		(3,199)		298,997
Long-term Incentive Plan 2017	366,146				366,146
Long-term Incentive Plan 2018		298,132			298,132

The total number of shares allocated to the Long-term Incentive Plan 2018 amounts to 382,869 shares; only 327,132 shares were allocated in registered form to beneficiaries, including 298,132 shares and 29,000 performance units.

Performance units are awarded instead of free shares as soon as the free shares implementation appears complex or irrelevant in terms of the number of beneficiaries. These units are indexed on the share price and subject to the same conditions of presence and performance as free shares but are valued and paid in cash at the end of the vesting period.

Free shares under the Long-term Incentive Plan are definitively granted based upon presence in the Group and performance achievement.

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 €677 thousand was expensed under the implemented plans at December 31, 2018.

NOTE 12. REVALUATION RESERVES

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2018	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,913		(1,227)	686	0	686
Fair value adjustments on available-for-sale financial assets recognised in equity	(39,294)		20,627	(18,667)	(1)	(18,668)
Change in reserves - gains and losses not reclassificable to income (IAS 19R)	0	1,823	(428)	1,395	0	1,395
Transactions with shareholders	0		0	0	0	0
AT DECEMBER 31, 2018	**116,607**	**(30,314)**	**(1,836)**	**84,457**	**(122)**	**84,335**

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2017	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**
Fair value adjustments on available-for-sale financial assets reclassified to income	(11,199)		2,684	(8,515)	(1)	(8,516)
Fair value adjustments on available-for-sale financial assets recognised in equity	23,128		(7,913)	15,215	(157)	15,058
Change in reserves - gains and losses not reclassificable to income (IAS 19R)		968	(1,821)	(853)	0	(853)
Transactions with shareholders	2,373		5	2,378	(2,378)	0
AT DECEMBER 31, 2017	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**

NOTE 13. PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of euros)	Dec 31, 2018	Dec. 31, 2017
Provisions for disputes	3,441	5,652
Provisions for pension and other post-employment benefit obligations	62,564	66,141
Other provisions for liabilities and charges	28,339	49,923
TOTAL	**94,344**	**121,716**

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals (utilised)	Reversals (surplus)	Reclassifications	Changes in OCI	Exchange rate effects	Dec. 31, 2018
Provisions for employees	3,094	350	(308)	(232)	0	0	(11)	2,893
Provisions for other disputes	2,558	707	0	(2,513)	(12)	0	(192)	548
Provisions for disputes	**5,652**	**1,057**	**(308)**	**(2,745)**	**(12)**	**0**	**(203)**	**3,441**
Provisions for pensions	**66,141**	**3,294**	**(4,907)**	**(239)**	**0**	**(1,823)**	**98**	**62,564**
Provisions for liabilities	14,151	1,310	(135)	0	0	0	(188)	15,138
Provisions for restructuring	30,838	2,095	(10,466)	(11,041)	0	0	0	11,426
Provisions for taxes (excl. income taxes)	2,045	0	(1,334)	0	12	0	(28)	695
Other provisions for liabilities	2,889	527	(271)	(2,065)	0	0	0	1,080
Other provisions for liabilities and charges	**49,923**	**3,932**	**(12,206)**	**(13,106)**	**12**	**0**	**(216)**	**28,339**
TOTAL	**121,716**	**8,283**	**(17,421)**	**(16,090)**	**0**	**(1,823)**	**(321)**	**94,344**

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals (utilised)	Reversals (surplus)	Reclassifications	Changes in OCI	Exchange rate effects	Dec 31, 2017
Provisions for employees	7,005	246	(1,347)	(714)	(2,080)	0	(16)	3,094
Provisions for other disputes	2,678	353	0	0	(72)	0	(401)	2,558
Provisions for disputes	**9,683**	**599**	**(1,347)**	**(714)**	**(2,152)**	**0**	**(417)**	**5,652**
Provisions for pensions	**71,798**	**3,160**	**(6,466)**	**(1,032)**	**(4)**	**(1,026)**	**(289)**	**66,141**
Provisions for liabilities	15,786	1,480	0	(3,057)	0	0	(58)	14,151
Provisions for restructuring	42,906	6,967	(10,589)	(8,446)	1	0	(1)	30,838
Provisions for taxes (excl. income taxes)	4,932	5,215	(8,414)	0	336	0	(24)	2,045
Other provisions for liabilities	5,969	1,517	(5,699)	(806)	1,905	0	3	2,889
Other provisions for liabilities and charges	**69,593**	**15,179**	**(24,702)**	**(12,309)**	**2,242**	**0**	**(80)**	**49,923**
TOTAL	**151,074**	**18,938**	**(32,515)**	**(14,055)**	**86**	**(1,026)**	**(786)**	**121,716**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

Changes in provisions for liabilities and charges in 2018 mainly come from the decrease of provisions for restructuring, including of which a €7.9 million release of provision linked to the strategic plan Fit to Win and a €12.7 million release of provision for vacant units.

The renegociation of buildings' lease occupied by Coface in Bois-Colombes allowed a redefinition of financial conditions and occupied area organization. So, provision for vacant units has been completely released in 2018 financial year.

The provision linked to the strategic plan Fit to Win amounted to €10.5 million at December 31, 2018.

NOTE 14. EMPLOYEE BENEFITS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Present value of benefit obligation at January 1	***68,203***	***73,863***
Current service cost	2,241	2,191
Interest cost	619	(1,107)
Actuarial (gains)/losses	(1,672)	(1,167)
Benefits paid	(4,688)	(5,600)
Other	(118)	24
Present value of benefit obligation at December 31	**64,585**	**68,203**
Change in plan assets		
Fair value of plan assets at January 1	***2,062***	***2,065***
Revaluation adjustments – Return on plan assets	52	(117)
Acquisitions/mergers/deconsolidations	0	0
Employee contributions	0	0
Employer contributions	64	158
Benefits paid	(158)	(225)
Other	1	181
Fair value of plan assets at December 31	**2,021**	**2,062**
Reconciliation		
Present value of benefit obligation at December 31	***64,585***	***68,203***
Fair value of plan assets	2,021	2,062
(Liability)/Asset recognised in the balance sheet at December	**(62,564)**	**(66,141)**
Income statement		
Current service cost	2,279	1,901
Benefits paid including amounts paid in respect of settlements	(4,789)	289
Interest cost	978	1,079
Interest income	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)
Other	(320)	155
(Income)/ Expenses recorded in the income statement	**(1,852)**	**3,160**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	(1,823)	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,823)**	**(1,026)**

(in thousands of euros)	Dec. 31, 2018					
	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	***17,070***	***26,330***	***18,159***	***3,213***	***3,431***	***68,203***
Current service cost	696	839	202	116	388	2,241
Interest cost	194	98	290	37	0	619
Actuarial (gains) / losses	(569)	173	(1,273)	(3)	0	(1,672)
Benefits paid	(1,123)	(2,764)	(748)	(53)	0	(4,688)
Other	(1)	(10)	(52)	2	(57)	(118)
Present value of benefit obligation at December 31	**16,267**	**24,666**	**16,578**	**3,312**	**3,762**	**64,585**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,221***	***841***	***0***	***0***	***2,062***
Revaluation adjustments – Return on plan assets	0	52	0	0	0	52
Employer contributions	0	10	54	0	0	64
Benefits paid	0	(37)	(121)	0	0	(158)
Other	0	1	0	0	0	1
Fair value of plan assets at December 31	**0**	**1,247**	**774**	**0**	**0**	**2,021**
Reconciliation						
Present value of benefit obligation at December 31	***16,267***	***24,666***	***16,578***	***3,312***	***3,762***	***64,585***
Fair value of plan assets	0	1,247	774	0	0	2,021
(Liability) / Asset recognised in the balance sheet at December 31	**(16,267)**	**(23,419)**	**(15,804)**	**(3,312)**	**(3,762)**	**(62,564)**
Income statement						
Current service cost	696	810	269	116	388	2,279
Past service cost	0	0	0	0	0	0
Benefits paid including amounts paid in respect of settlements	(1,123)	(2,811)	(802)	(53)	0	(4,789)
Interest cost	205	431	305	37	0	978
Interest income	0	0	0	0	0	0
Revaluation adjustments on other long-term benefits	0	0	0	0	0	0
Other	(13)	(292)	(15)	0	0	(320)
(Income) / Expenses recorded in the income statement	**(235)**	**(1,862)**	**(243)**	**100**	**388**	**(1,852)**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(569)	173	(1,273)	(3)	(150)	(1,823)
Revaluation adjustments recognised in equity not reclassifiable to income	**(569)**	**173**	**(1,273)**	**(3)**	**(150)**	**(1,823)**

	Dec. 31, 2017					
(in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	***18,329***	***29,099***	***19,757***	***3,666***	***3,012***	***73,863***
Current service cost	729	1,343	(249)	124	244	2,191
Interest cost	(274)	(842)	119	(110)	0	(1,107)
Actuarial (gains) / losses	(570)	(613)	331	(315)	0	(1,167)
Benefits paid	(1,146)	(2,645)	(1,656)	(153)	0	(5,600)
Other	3	(13)	(143)	0	176	23
Present value of benefit obligation at December 31	**17,070**	**26,330**	**18,159**	**3,213**	**3,431**	**68,203**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,339***	***907***	***0***	***(181)***	***2,065***
Revaluation adjustments – Return on plan assets	0	(75)	(42)	0	0	(117)
Employer contributions	0	15	143	0	0	158
Benefits paid	0	(57)	(168)	0	0	(225)
Other	0	0	0	0	181	181
Fair value of plan assets at December 31	**0**	**1,221**	**841**	**0**	**0**	**2,062**
Reconciliation						
Present value of benefit obligation at December 31	***17,070***	***26,330***	***18,159***	***3,213***	***3,431***	***68,203***
Fair value of plan assets	0	1,221	841	0	0	2,062
(Liability) / Asset recognised in the balance sheet at December 31	**(17,070)**	**(25,109)**	**(17,318)**	**(3,213)**	**(3,431)**	**(66,141)**
Income statement						
Current service cost	656	1,119	47	79	0	1,901
Past service cost	0	0	0	0	0	0
Benefits paid including amounts paid in respect of settlements	0	0	289	0	0	289
Interest cost	165	183	45	155	531	1,079
Interest income	0	(10)	0	0	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)	0	0	0	(255)
Other	0	0	0	155	0	155
(Income) / Expenses recorded in the income statement	**821**	**1,037**	**381**	**389**	**531**	**3,160**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(570)	(613)	331	(315)	141	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(570)**	**(613)**	**331**	**(315)**	**141**	**(1,026)**

Actuarial assumptions

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

	Dec. 31, 2018			
	France	**Germany**	**Austria**	**Italy**
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
Supplementary retirement and other plans	*0.30%*	*1.85%*	*1.85%*	*N/A*
Statutory retirement benefits	*1.40%*	*N/A*	*1.85%*	*1.85%*
Long service awards	*1.00%*	*1.85%*	*1.85%*	*1.85%*
Other benefits	*1.70%*	*1.85%*	*N/A*	*1.85%*
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	4.20%	N/A	N/A	4.20%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*1.28*	*3.82*	*7.30*
Statutory retirement benefits	*14.92*	*N/A*	*10.51*	*12.20*
Long service awards	*14.92*	*14.92*	*19.26*	*8.80*
Other benefits	*0.00*	*1.46*	*N/A*	*0.00*
Term (years)				
Supplementary retirement and other plans	*4.09*	*12.26*	*16.75*	*17.50*
Statutory retirement benefits	*11.46*	*0.00*	*9.31*	*10.03*
Long service awards	*7.90*	*10.31*	*10.06*	*10.69*
Other benefits	*14.46*	*1.14*	*N/A*	*N/A*

	Dec. 31, 2017			
	France	Germany	Austria	Italy
Inflation rate	1.60%	1.60%	1.90%	1.60%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*1.75%*	*1.75%*	*N/A*
Statutory retirement benefits	*1.10%*	*N/A*	*1.75%*	*1.75%*
Long service awards	*0.75%*	*1.75%*	*1.75%*	*1.75%*
Other benefits	*1.60%*	*1.75%*	*N/A*	*1.75%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.60%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*0.37*	*5.02*	*7.70*
Statutory retirement benefits	*15.80*	*N/A*	*9.92*	*12.40*
Long service awards	*15.82*	*15.69*	*18.65*	*9.20*
Other benefits	*0.00*	*2.28*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.87*	*12.52*	*16.14*	*17.25*
Statutory retirement benefits	*11.92*	*0.00*	*9.06*	*10.10*
Long service awards	*8.18*	*10.41*	*9.86*	*10.72*
Other benefits	N/A	1.39	N/A	N/A

Sensitivity tests on the defined benefit obligation

	Dec. 31, 2018			
	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	(11.95%)	(9.97%)	(8.92%)	(1.06%)
-1% decrease in the discount rate	14.91%	11.82%	10.40%	1.09%
1% increase in the inflation rate	7.84%	10.12%	0.95%	1.08%
-1% decrease in the inflation rate	(6.58%)	(8.62%)	(1.13%)	(1.07%)
1% increase in rate of increase in medical costs	15.28%	0.00%	0.00%	0.00%
-1% decrease in rate of increase in medical costs	(12.78%)	0.00%	0.00%	0.00%
1% increase in rate of salary increase (including inflation)	10.61%	11.93%	1.97%	1.08%
-1% decrease in rate of salary increase (including inflation)	(8.87%)	(10.20%)	(2.05%)	(1.07%)

	Dec. 31, 2017			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long service awards	Other benefits
1% increase in the discount rate	(12.28%)	(9.87%)	(9.11%)	(1.34%)
-1% decrease in the discount rate	15.43%	11.74%	10.69%	1.38%
1% increase in the inflation rate	7.93%	9.20%	1.22%	1.12%
-1% decrease in the inflation rate	(6.60%)	(7.86%)	(1.40%)	(1.11%)
1% increase in rate of increase in medical costs	15.93%	0.00%	0.00%	0.00%
-1% decrease in rate of increase in medical costs	(13.12%)	0.00%	0.00%	0.00%
1% increase in rate of salary increase (including inflation)	10.86%	10.98%	2.30%	1.12%
-1% decrease in rate of salary increase (including inflation)	(9.05%)	(9.42%)	(2.34%)	(1.11%)

NOTE 15. FINANCING LIABILITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Due within one year		
◆ Interest	11,756	11,756
◆ Amortisation of expenses	(524)	(502)
Total	**11,232**	**11,254**
Due between one and five years		
◆ Amortisation of expenses	(2,343)	(1,642)
Total	**(2,343)**	**(1,642)**
Due beyond five years		
◆ Amortisation of expenses	(160)	(1,378)
◆ Nominal	380,000	380,000
Total	**379,840**	**378,622**
TOTAL	**388,729**	**388,234**

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Coface Group's main operating entity.

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As of December 31, 2018, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €388,729 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- less the debt issuance costs and the issue premium for €3,027 thousand;
- plus accrued interest of €11,756 thousand.

The impact on the consolidated income statement income as of December 31, 2018 mainly includes interest related to the period for €16,156 thousand.

NOTE 16. LIABILITIES RELATING TO INSURANCE CONTRACTS

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Provisions for unwritten earned premiums	280,584	271,227	271,227
Claims reserves	1,290,857	1,265,123	1,265,601
Provisions for premium refunds	174,938	145,430	145,430
Liabilities relating to insurance contracts	**1,746,379**	**1,681,780**	**1,682,258**
Provisions for unwritten earned premiums	(60,752)	(61,584)	(61,584)
Claims reserves	(321,289)	(309,120)	(309,120)
Provisions for premium refunds	(43,357)	(34,474)	(34,474)
Reinsurers' share of technical insurance liabilities	**(425,398)**	**(405,178)**	**(405,178)**
NET TECHNICAL PROVISIONS	**1,320,981**	**1,276,602**	**1,277,080**

* *Effects related to the first application of IFRS 9.*

Bridge table explaining effect of the first application of IFRS 9 "Financial Instruments"

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Provisions for unwritten earned premiums	271,227		271,227
Claims reserves	1,265,601	(478)	1,265,123
Provisions for premium refunds	145,430		145,430
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Provisions for unwritten earned premiums	(61,584)		(61,584)
Claims reserves	(309,120)		(309,120)
Provisions for premium refunds	(34,474)		(34,474)
Reinsurers' share of technical insurance liabilities	**(405,178)**		**(405,178)**
NET TECHNICAL PROVISIONS	**1,277,080**	**(478)**	**1,276,602**

* *Effects related to the first application of IFRS 9.*

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €706 million at December 31, 2018.

NOTE 17. PAYABLES ARISING FROM BANKING SECTOR ACTIVITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Amounts due to banking sector companies	660,204	568,711
Amounts due to customers of banking sector companies	346,932	322,064
Debt securities	1,537,580	1,636,941
TOTAL	**2,544,716**	**2,527,716**

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

NOTE 18. DEFERRED TAX

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets	(52,809)	(79,516)
Deferred tax liabilities	95,962	113,595
NET DEFERRED TAX - LIABILITIES	**43,153**	**34,079**
Temporary differences	(19,129)	(26,984)
Provisions for pensions and other employment benefit obligations	(9,397)	(10,751)
Tax loss carry-forwards	(6,619)	(7,752)
Cancellation of the claims equalisation provision	78,298	79,566
NET DEFERRED TAX - LIABILITIES	**43,153**	**34,079**

Deferred tax assets and liabilities must be assessed at the rate applicable on the date on which the asset will be realised or the liabilities will be settled.

In France, the finance law for 2018 predicted a decline in the current common law rate from 33.33% to 25% progressively between 2019 and 2022. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of the Coface Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorised to compensate due tax assets and liabilities.

Changes in deferred tax balances by region

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

(in thousands of euros)	Dec. 31, 2017	Jan. 1, 2018*	Change through income	Revaluation adjustment on AFS investments	Change in Currency impact	Other movements	Dec. 31, 2018
Northern Europe	55,548	55,498	3,420	79	0	(54)	58,943
Western Europe	10,562	10,562	20,242	(15,671)	67	418	15,618
Central Europe	(386)	(406)	(823)	(51)	(107)	318	(1,069)
Mediterranean & Africa	(14,930)	(14,930)	(2,073)	0	(231)	1	(17,233)
North America	(221)	(221)	1,639	(206)	192	0	1,404
Latin America	(3,241)	(3,241)	2,020	(3,486)	1,760	45	(2,902)
Asia-Pacific	(13,253)	(13,253)	2,141	(65)	(431)	0	(11,608)
TOTAL	**34,079**	**34,009**	**26,566**	**(19,400)**	**1,250**	**728**	**43,153**

* *Effects related to the first application of IFRS 9.*

Bridge table explaining effect of the first application of IFRS 9 "Financial Instruments"

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of IFRS 9	Jan. 1, 2018
Northern Europe	55,548	(50)	55,498
Western Europe	10,562	0	10,562
Central Europe	(386)	(20)	(406)
Mediterranean & Africa	(14,930)	0	(14,930)
North America	(221)	0	(221)
Latin America	(3,241)	0	(3,241)
Asia-Pacific	(13,253)	0	(13,253)
TOTAL	**34,079**	**(70)**	**34,009**

(in thousands of euros)	Dec. 31, 2016	Change through income	Revaluation adjustment on AFS investments	Change in Currency impact	Other movements	Dec. 31, 2017
Northern Europe	68,120	(12,684)	(80)	0	192	55,548
Western Europe	(9,456)	14,269	4,100	(191)	1,840	10,562
Central Europe	164	(374)	(48)	(45)	(83)	(386)
Mediterranean & Africa	(10,802)	(4,427)	0	88	211	(14,930)
North America	(2,880)	2,550	(205)	317	(3)	(221)
Latin America	(3,842)	124	1,413	835	(1,771)	(3,241)
Asia-Pacific	(8,777)	(5,205)	(22)	751	0	(13,253)
TOTAL	**32,527**	**(5,747)**	**5,158**	**1,755**	**386**	**34,079**

The "Other movements" column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

Deferred taxes related to Loss Carry

The breakdown by region of deferred tax assets linked to tax deficits is as follows:

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	0	0
Western Europe	136	173
Central Europe	542	953
Mediterranean & Africa	271	580
North Africa	854	244
Latin America	1,097	0
Asia-Pacific	3,719	5,802
NET DEFERRED TAX - LIABILITIES	**6,619**	**7,752**

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognised at the level of the entity's income tax results estimated for the period from 2019 to 2024, *i.e.* a recoverability horizon of five years.

This recognition results from a Business Tax Plan prepared by each entity on the basis of the Business Plan approved by the management.

NOTE 19. PAYABLES ARISING FROM INSURANCE AND REINSURANCE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Guarantee deposits received from policyholders and other	2,472	4,520
Amounts due to policyholders and agents	67,981	120,908
Payables arising from insurance and inward reinsurance operations	**70,453**	**125,428**
Amounts due to reinsurers	121,321	75,279
Deposits received from reinsurers	3,879	4,023
Payable arising from ceded reinsurance operations	**125,200**	**79,302**
TOTAL	**195,653**	**204,730**

NOTE 20. OTHER LIABILITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Current tax payables	**41,580**	**76,996**
Derivatives and related liabilities	**1,666**	**267**
Accrued personnel costs	54,873	51,545
Sundry payables	215,872	226,704
Deferred income	8,224	8,338
Other accruals	24,645	18,338
Other payables	**303,614**	**304,925**
TOTAL	**346,860**	**382,188**

NOTES TO THE INCOME STATEMENT

NOTE 21. REVENUE

Breakdown of consolidated revenue

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Premiums – direct business	1,169,260	1,137,778
Premiums – inward reinsurance	94,102	81,834
Gross written premiums	**1,263,364**	**1,219,612**
Premium refunds	**(106,516)**	**(98,954)**
Change of provisions for unwritten earned premiums	**(14,240)**	**(10,961)**
Earned premiums	**1,142,608**	**1,109,697**
Fees and commission income	**132,418**	**128,914**
Net income from banking activities	**66,713**	**72,043**
Other insurance-related services	3,637	4,382
Remuneration of public procedures management services	0	574
Business information and other services	28,550	27,436
Receivables management	10,809	11,886
Income from other activities	**42,995**	**44,279**
Revenue or income from other activities	**242,127**	**245,236**
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

Consolidated revenue by country of invoicing

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	303,081	303,872
Western Europe	283,965	280,785
Central Europe	133,843	127,708
Mediterranean & Africa	370,370	348,021
North America	126,502	121,894
Latin America	71,528	75,715
Asia-Pacific	95,447	96,938
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

Consolidated revenue by activity

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Earned premiums - Credit	*1,068,404*	*1,029,499*
Earned premiums - Single risk	*26,779*	*27,190*
Earned premiums - credit insurance	**1,095,183**	**1,056,689**
Fees and commission income	**132,418**	**128,914**
Other insurance-related services	**3,637**	**4,382**
Remuneration of public procedures management services		**574**
Revenue of credit insurance activity	**1,231,238**	**1,190,559**
Earned premiums - Guarantees	**47,425**	**53,008**
Financing fees	35,295	39,472
Factoring fees	32,416	33,884
Other	(998)	(1,314)
Net income from banking activities (factoring)	**66,713**	**72,043**
Business information and other services	28,550	27,436
Receivables management	10,809	11,886
Revenue of business information and other services activity	**39,359**	**39,322**
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

NOTE 22. CLAIMS EXPENSES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Paid claims, net of recoveries	(444,072)	(502,446)
Claims handling expenses	(28,020)	(26,607)
Change in claims reserves	(32,417)	(41,810)
TOTAL	**(504,509)**	**(570,863)**

Claims expenses by period of occurrence

	Dec. 31, 2018			Dec. 31, 2017		
(in thousands of euros)	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(828,774)	208,960	(619,814)	(797,900)	196,781	(601,119)
Claims expenses – prior years	324,265	(72,213)	252,052	227,037	(40,980)	186,057
TOTAL	**(504,509)**	**136,747**	**(367,762)**	**(570,863)**	**155,801**	**(415,062)**

NOTE 23. OVERHEADS BY FUNCTION

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Acquisition costs	(243,236)	(262,607)
Administrative costs	(241,136)	(253,532)
Other operating expenses	(82,556)	(70,816)
Expenses from banking activities, excluding cost of risk	(13,552)	(13,779)
Expenses from other activities	(77,739)	(53,130)
Operating expenses	**(658,219)**	**(653,864)**
Investment management expenses	**(4,006)**	**(2,141)**
Claims handling expenses	**(28,020)**	**(26,607)**
TOTAL	**(690,245)**	**(682,612)**
of which employee profit-sharing	*(6,219)*	*(4,662)*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €690,245 thousand as of December 31, 2018 versus €682,612 thousand as of December 31, 2017.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown in "Investment income, net of management expenses (excluding finance costs)".

NOTE 24. EXPENSES FROM BANKING ACTIVITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Charges to allowances for receivables	(5,858)	(3,490)
Reversal of allowances for receivables	6,763	38
Losses on receivables	(3,027)	(1,031)
Cost of risk	**(2,122)**	**(4,483)**
Operating expenses	**(13,552)**	**(13,779)**
TOTAL	**(15,674)**	**(18,262)**

"Cost of risk" corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions, receivables written off during the year, and recoveries of amortised receivables.

NOTE 25. INCOME AND EXPENSES FROM CEDED REINSURANCE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Ceded claims	124,536	112,655
Change in claims provisions net of recoveries	12,211	43,153
Commissions paid by reinsurers	128,666	119,767
Income from ceded reinsurance	**265,413**	**275,575**
Ceded premiums	(326,730)	(315,203)
Change in unearned premiums provisions	(811)	13,658
Expenses from ceded reinsurance	**(327,541)**	**(301,545)**
TOTAL	**(62,128)**	**(25,970)**

NOTE 26. INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Investment income	46,272	43,621
Change in financial instruments at fair value through income	(1,976)	1,541
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*0*	*64*
Net gains on disposals	6,621	4,059
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*22*	*(68)*
Additions to/(reversals from) impairment	(4,581)	1,620
Net foreign exchange gains	9,976	8,041
*o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds**	*(4,043)*	*(5,267)*
Investment management expenses	(5,188)	(3,601)
TOTAL	**51,124**	**55,281**

* *The Colombes and Lausanne funds foreign exchange result covered by derivatives amounts to -€4,043 thousand. This amount is broken down into -€7,372 thousand in realised profit and €3,329 thousand in unrealised losses.*

Investment income by class

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Equities	5,473	6,688
Fixed income	30,914	36,821
Investment properties	8,985	6,337
Sub-total	**45,372**	**49,846**
Associated and non-consolidated companies	3,133	4,515
Exchange rate - change profit/loss	7,807	4,521
Financial and investment charges	(5,188)	(3,601)
TOTAL	**51,124**	**55,281**

NOTE 27. OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Fit to Win restructuring charges	(10,607)	(8,433)
Loss on Cofacrédit disposal	(2,170)	
Other operating expenses	(719)	(614)
Total other operating expenses	**(13,496)**	**(9,047)**
Reversal of provisions on Fit to Win strategic plan	0	8,446
Renegotiation of Bois-Colombes lease contract	5,179	
Other operating income	3,343	10
Total other operating income	**8,522**	**8,456**
TOTAL	**(4,974)**	**(591)**

Other operating income and expenses amounted to €(5.0) million as of December 31, 2018.

Other operating income includes:

- the impact of the lease renegotiation of Bois-Colombes of the premises for €5.2 million. This amount mainly includes a reversal of provisions for vacant premises, a reversal of the residual rent-free period, offset by the compensation paid;
- reversals of provisions no longer relevant in Brazil and Belgium for €2.3 million and €0.8 million, respectively.

Other operating expenses include the loss on Cofacrédit disposal for €2.2 million and expenses related to the Fit to Win strategic plan implementation for €10.6 million.

Those expenses mainly include:

- €5.0 million compensation paid to commercial agents in the United States;
- €3.8 million of additional expenses in France (of which €0.6 million as provisions for risks and charges);
- €1.3 million of additional charges in the Mediterranean and Africa region.

NOTE 28. SHARE IN NET INCOME OF ASSOCIATES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Cofacrédit	592	2,369
TOTAL	**592**	**2,369**

Coface's share in the net income of Cofacrédit is €592 thousand of revenue. Cofacrédit was sold at the end of June 2018.

NOTE 29. INCOME TAX EXPENSE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Income tax	(37,566)	(63,022)
Deferred tax	(26,566)	(7,371)
TOTAL	**(64,132)**	**(55,651)**

Tax proof

(in thousands of euros)	Dec. 31, 2018		Dec. 31, 2017	
Net income for the year	**122,333**		**83,213**	
Non-controlling interests	(353)		159	
Income tax expense for the year	(64,132)		(55,651)	
Share of net income of associates	592		2,369	
Pre-tax income for the year and before share in net income of associates	**186,226**		**136,336**	
Tax rate		34.43%		34.43%
Theoretical tax	(64,118)		(46,940)	
Tax expense presented in the consolidation income statement	(64,132)	34.44%	(55,651)	40.82%
Difference	**14**	**0.01%**	**8,711**	**6.39%**
Impact of differences between Group tax rates and local tax rates	16,423	8.82%	18,137	13.30%
Specific local taxes	(750)	(0.40%)	(2,589)	(1.90%)
o/w French corporate value added tax (CVAE)	*(1,023)*	*(0.55%)*	*(873)*	*(0.64%)*
Tax losses for which no deferred tax assets have been recognised	(14,769)	(7.93%)	(14,397)	(10.56%)
Utilisation of previously unrecognised tax loss carryforwards	1,183	0.64%	2,943	2.16%
Dividends paid in France non-deductible for tax purposes (1%)	(580)	(0.31%)	(301)	(0.22%)
Tax on dividends paid by COFACE SA (3%)	0	0.00%	2,162	1.59%
Tax audit in France	0	0.00%	(12,382)	(9.08%)
Liability method impact	1,388	0.75%	566	0.42%
Other differences	(2,909)	(1.56%)	(2,850)	(2.09%)

The effective income tax rate decreased from 40.82% at December 31, 2017 to 34.44% at December 31, 2018.

The difference between theoretical tax and tax expense presented in the consolidation income statement is not significant in 2018. The positive impact of differences between Group tax rates and local tax rates is offset by the negative impact of tax losses for which no deferred tax assets have been recognised.

OTHER INFORMATION

NOTE 30. BREAKDOWN OF NET INCOME BY SEGMENT

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is the one in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is the one in which the ceding insurer is located. Geographic segmentation by billing location does not necessarily correspond to the debtor's location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur and Coface Ré, has been reallocated at the level of each region.

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

Analysis as of December 31, 2018 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
REVENUE	**299,979**	**274,376**	**136,856**	**371,880**
o/w Earned Premium	*201,397*	*241,693*	*106,463*	*313,738*
o/w Factoring	*57,083*	*(894)*	*10,524*	*0*
o/w Other insurance-related services	*41,498*	*33,577*	*19,869*	*58,142*
Claims-related expenses (including claims handling costs)	(98,411)	(83,673)	(52,951)	(153,197)
Cost of risk	(2,233)	0	111	0
Commissions	(22,666)	(40,212)	(9,232)	(37,626)
Other internal general expenses	(117,417)	(106,223)	(47,457)	(112,634)
Underwriting income before reinsurance*	**59,253**	**44,267**	**27,327**	**68,422**
Income/(loss) on ceded reinsurance	(10,310)	(25,716)	(2,937)	(6,133)
Other operating income and expenses	0	(370)	67	(1,613)
Net financial income excluding finance costs	4,220	16,052	5,239	10,965
Finance costs	(177)	692	(968)	(383)
Operating income including finance costs	**52,986**	**34,925**	**28,729**	**71,259**
Share in net income of associates	0	592	0	0
Net income before tax	52,986	35,517	28,729	71,259
Income tax expense	(17,262)	(18,772)	(6,317)	(17,000)
Consolidated net income before non-controlling interests	**35,724**	**16,745**	**22,412**	**54,259**
Non-controlling interests	(1)	(2)	(1)	(2)
NET INCOME FOR THE PERIOD	**35,723**	**16,743**	**22,411**	**54,257**

* *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.*

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
129,665	**71,584**	**96,850**	**962,581**	**26,890**	**0**	**(985,926)**	**1,384,735**
117,252	*68,757*	*93,308*	*962,581*	*0*	*0*	*(962,581)*	*1,142,608*
0	*0*	*0*	*0*	*0*	*0*	*0*	*66,714*
12,412	*2,826*	*3,543*	*0*	*26,890*	*0*	*(23,345)*	*175,413*
(45,856)	(39,783)	(22,038)	(411,501)	0	(4,914)	407,814	(504,509)
0	0	0	0	0	0	0	(2,122)
(24,175)	(7,694)	(18,267)	(361,531)	0	0	358,202	(163,203)
(35,058)	(25,625)	(35,482)	0	(26,220)	(20,817)	31,919	(495,015)
24,575	**(1,519)**	**21,063**	**189,549**	**671**	**(25,731)**	**(187,992)**	**219,886**
(6,610)	(5,170)	2,572	(197,374)	0	0	189,549	(62,128)
(5,441)	2,382	0	0	0	0	0	(4,974)
1,826	14,196	3,700	0	(49)	(1,057)	(3,968)	51,124
(1,382)	(204)	(1,264)	0	(238)	(16,169)	2,411	(17,681)
12,969	**9,685**	**26,071**	**(7,825)**	**383**	**(42,957)**	**0**	**186,225**
0	0	0	0	0	0	0	592
12,969	9,685	26,071	(7,825)	383	(42,957)	0	186,818
(2,422)	(5,717)	(9,351)	2,694	(132)	14,790	(4,644)	(64,132)
10,547	**3,969**	**16,720**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,685**
0	(347)	2	0	0	0	0	(353)
10,547	**3,621**	**16,721**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,333**

Analysis as of December 31, 2017 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
Revenue	**300,171**	**281,683**	**131,063**	**349,840**
o/w Earned Premium	*195,611*	*243,592*	*100,493*	*294,817*
o/w Factoring	*62,011*		*10,032*	
o/w Other insurance-related services	*42,549*	*38,091*	*20,538*	*55,023*
Claims-related expenses (including claims handling costs)	(111,964)	(131,528)	(49,815)	(142,586)
Cost of risk	(4,516)		33	
Commissions	(21,254)	(36,732)	(7,848)	(37,805)
Other internal general expenses	(118,739)	(90,020)	(45,880)	(114,653)
Underwriting income before reinsurance*	**43,698**	**23,402**	**27,553**	**54,795**
Income/(loss) on ceded reinsurance	(2,654)	12,665	(1,215)	(18,337)
Other operating income and expenses	8,000	(5,583)	50	(1,054)
Net financial income excluding finance costs	6,105	23,519	4,316	10,319
Finance costs	(263)	1,244	(17)	(550)
Operating income including finance costs	**54,886**	**55,248**	**30,687**	**45,173**
Share in net income of associates		2,369		
Net income before tax	**54,886**	**57,617**	**30,687**	**45,173**
Income tax expense	(17,168)	(45,585)	(5,867)	(5,846)
Consolidated net income before non-controlling interests	**37,718**	**12,031**	**24,820**	**39,327**
Non-controlling interests	(1)	1	(1)	(2)
NET INCOME FOR THE PERIOD	**37,716**	**12,032**	**24,819**	**39,325**

* *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.*

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
121,894	**75,715**	**96,938**	**983,541**	**28,066**		**(1,013,978)**	**1,354,933**
108,741	*72,554*	*93,888*	*983,541*			*(983,540)*	*1,109,697*
						0	*72,043*
13,153	*3,161*	*3,050*		*28,066*		*(30,438)*	*173,193*
(53,310)	(26,040)	(50,496)	(494,583)		(2,941)	492,400	(570,863)
							(4,483)
(26,177)	(9,846)	(19,828)	(325,210)			327,042	(157,658)
(34,678)	(26,788)	(34,913)		(27,446)	(35,337)	32,248	(496,207)
7,729	**13,041**	**(8,298)**	**163,748**	**620**	**(38,278)**	**(162,288)**	**125,723**
792	(6,719)	(8,046)	(166,203)			163,747	(25,970)
(1,783)	(219)						(589)
1,652	7,023	4,892		(588)	(893)	(1,064)	55,281
(1,007)	(1,044)	(602)		(142)	(16,156)	428	(18,109)
7,383	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**136,337**
							2,369
7,383	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**138,706**
(3,073)	(7,119)	4,387	845	38	19,049	4,689	(55,651)
4,310	**4,962**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,054**
	162						159
4,310	**5,125**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,213**

NOTE 31. EARNINGS PER SHARE

	Dec. 31, 2018		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	154,018,359	122,332	0.79
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**154,018,359**	**122,332**	**0.79**

	Dec. 31, 2017		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	156,820,959	83,213	0.53
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,820,959**	**83,213**	**0.53**

On February 9, 2016, Coface implemented with BNP Paribas Arbitrage a contingent capital line of €100 million for a period of three years (this can be reduced to two years at the discretion of Coface), available in one tranche, and that can be exercised in the event of the occurrence of certain extreme events (significant increase in the loss or deterioration of the solvency ratio) [(1)]. In the event one of the extreme events planned in the documentation occurs, Coface would benefit from a capital increase for a maximum amount of €100 million. The amount of the capital increase which could be carried out in accordance with the terms described herein shall not in any case exceed 10% of the share capital over the 12 months preceding the day on which the price of the share issuance is determined.

This contingent capital line expired on December 31, 2018 inclusive. Coface decided not to renew it.

NOTE 32. GROUP HEADCOUNT

(in full-time equivalent)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	625	632
Western Europe	884	945
Central Europe	529	480
Mediterranean & Africa	597	596
North America	162	124
Latin America	225	216
Asia-Pacific	134	134
TOTAL	**3,156**	**3,127**

As of December 31, 2018, the number of employees of fully consolidated companies was 3,156 full-time equivalents (FTE) versus 3,127 at December 31, 2017, up by 29 FTEs.

The decrease of headcounts in Western Europe Region is offset by a significant increase of headcounts in North America Region and Central Europe Region.

(1) See press release published on February 9, 2016, "COFACE SA implements contingent equity line of up to €100M ".

NOTE 33. RELATED PARTIES

As of the end of December 2018, Natixis held 42.86% of the Coface Group's shares excluding treasury shares, and 42.14% including treasury shares.

	Number of shares	%
Natixis	64,853,881	42.86%
Public	86,445,140	57.14%
TOTAL	**151,299,021**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

Current operating income *(in thousands of euros)*	Dec. 31, 2018		
	Natixis SA	**Natixis factor**	**Ellisphere**
Revenue (net banking income, after cost of risk)	(3,573)	0	0
Claims expenses	0	0	0
Expenses from other activities	0	0	(34)
Policy acquisition costs	0	1	0
Administrative costs	(46)	1	0
Other current operating income and expenses	0	1	0
OPERATING INCOME/(LOSS)	**(3,619)**	**3**	**(34)**

Related party receivables and payables *(in thousands of euros)*	Dec. 31, 2018			
	BPCE group	**Natixis SA**	**Natixis Factor**	**Ellisphere**
Business investments	**34,554**	**9**		
Other assets		**1,631**	**0**	**0**
Cash and cash equivalents		**1,849**	**0**	**0**
Liabilities relating to insurance contracts				**0**
Amounts due to banking sector companies		135,235		0
Other liabilities		**0**		**11**

The €135,235 thousand in financing liabilities due to banking sector companies, at the end of December 2018, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income *(in thousands of euros)*	Dec. 31, 2017		
	Natixis SA	**Natixis factor**	**Ellisphere**
Revenue (net banking income, after cost of risk)	(2,427)	0	0
Claims expenses	1	7	0
Expenses from other activities	(8)	(1)	(18)
Policy acquisition costs	1	10	0
Administrative costs	(60)	79	0
Other current operating income and expenses	1	(1)	0
OPERATING INCOME/(LOSS)	**(2,492)**	**94**	**(18)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2017			
	BPCE group	**Natixis SA**	**Natixis Factor**	**Ellisphere**
Business investments	**5,855**	**39,966**		
Other assets			**6**	**14**
Cash and cash equivalents		**11,819**		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		149,544		
Other liabilities				**58**

NOTE 34. KEY MANAGEMENT COMPENSATION

(in thousands of euros)	**Dec. 31, 2018**	**Dec. 31, 2017**
Short-term benefits	3,618	3,188
(Gross salaries and wages, incentives, benefits in kind and annual bonus)	-	-
Other long-term benefits	1,164	870
Statutory termination benefits	88	-
Share-based payment	-	-
TOTAL	**4,870**	**4,058**

The Group Management Committee is composed of seven members on December 31, 2018 and of the Coface CEO.

The line “Other long-term benefits” corresponds to the free performance shares allocation (value at allocation date).

A total of €304.5 thousand was paid out in directors’ fees to the members of the Board of Directors, the Audit, the Risk and the Compensation Committees in 2018.

NOTE 35. BREAKDOWN OF AUDIT FEES

(in thousands of euros)	KPMG				Deloitte				Total			
	2018	%	2017	%	2018	%	2017	%	2018	%	2017	%
Statutory and IFRS Audit												
COFACE SA	(451)	28%	(266)	20%	(447)	20%	(309)	15%	(898)	23%	(575)	17%
Subsidiaries	(941)	59%	(950)	72%	(1,735)	78%	(1,737)	83%	(2,676)	70%	(2,687)	79%
Sub-total	**(1,392)**	**87%**	**(1,216)**	**92%**	**(2,182)**	**98%**	**(2,046)**	**98%**	**(3,574)**	**93%**	**(3,262)**	**96%**
Other fees than Statutory and IFRS Audit												
COFACE SA	(59)	4%	(42)	3%	(30)	1%	(22)	1%	(89)	2%	(64)	2%
Subsidiaries	(153)	10%	(63)	5%	(21)	1%	(21)	1%	(174)	5%	(84)	2%
Sub-total	**(212)**	**13%**	**(105)**	**8%**	**(51)**	**2%**	**(43)**	**2%**	**(263)**	**7%**	**(148)**	**4%**
TOTAL	**(1,604)**	**100%**	**(1,321)**	**100%**	**(2,233)**	**100%**	**(2,089)**	**100%**	**(3,837)**	**100%**	**(3,410)**	**100%**

NOTE 36. OFF-BALANCE SHEET COMMITMENTS

(in thousands of euros)	Dec. 31, 2018		
	Total	Related to financing	Related to activity
Commitments given	**1,098,565**	**1,075,637**	**22,928**
Endorsements and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
Commitments received	**1,443,393**	**1,026,777**	**416,616**
Endorsements and letters of credit	140,063		140,063
Guarantees	174,053		174,053
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**356,927**		**356,927**
Securities lodged as collateral by reinsurers	356,927		356,927
Financial market transactions	**250,081**		**250,081**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes' investors (10-year maturity);
- a joint guarantee of €688,439 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €309,712 thousand and Compagnie française pour le commerce extérieur for €47,215 thousand.

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

NOTE 37. OPERATING LEASES

Lease commitments given consist of non-cancellable lease agreements. They are broken down as follows:

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	12,340	24,832
Between 1 and 5 years	49,084	69,943
More than 5 years	47,882	7,456
TOTAL	**109,306**	**102,231**

NOTE 38. RELATIONSHIP BETWEEN PARENT COMPANY AND SUBSIDIARIES

The main operational subsidiary of the Coface Group is the Compagnie française d'assurance pour le commerce extérieur ("la Compagnie"). This subsidiary, which is wholly owned by the Company, is a public limited company (*société anonyme*) under French law, with share capital of €137,052,417.05, registered in the Nanterre Trade and Companies Registry under number 552 069 791.

The main flows between COFACE SA, the listed parent company, and la Compagnie are as follows:

- Financing:
  - COFACE SA and la Compagnie have granted each other one ten-year loan,
  - In net terms, COFACE SA finances la Compagnie,
  - la Compagnie stands as surety for the bond issue floated by COFACE SA,
  - A two-way cash flow agreement exists between COFACE SA and la Compagnie,
  - COFACE SA delegates to la Compagnie management of its commercial paper programme and of its cash management.
- Dividends:
  - la Compagnie pays dividends to COFACE SA.
- Tax consolidation:
  - la Compagnie forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of la Compagnie française d'assurance pour le commerce extérieur and its principal financial flows as of December 31, 2018:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other subsidiaries	Eliminations	Total
Revenue	1,247	1,429,849	954,082	(1,000,442)	1,384,736
Total current income and expenses	9,958	101,652	134,885	(37,615)	208,880
Net income	(9,700)	27,288	104,745		122,333
Fixed assets	1,826,937	4,913,847	1,143,320	(4,780,848)	3,103,256
Indebtedness outside the Group	388,729	0	0		388,729
Cash and cash equivalent	351	173,096	128,972		302,419
Net cash generated from operating activities	(19,099)	53,379	90,516		124,796
Dividends paid to the quoted company	0	133,406	0		133,406

NOTE 39. EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event post closing date.

NOTE 40. RISK MANAGEMENT

The sections forming an integral part of the Group's financial statements related to risk management are presented in Chapter 5, Section 5.1 "Risk Management and Internal Control" and Section 5.2 "Risk Factors".

4.3 FINANCIAL STATEMENTS

4.3.1 Balance sheet

Assets

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Fixed assets			
Intangible assets	*4.1.1*	569	1,706
Financial assets		13,736	-
Interests in related companies	*4.1.2*	1,502,744	1,502,744
Loans to affiliates and subsidiaries	*4.1.3*	324,074	324,074
		1,841,124	**1,828,524**
Current assets			
French government and other authorities		2,037	6,039
Current account Tax Consolidation			
Current account Coface Finanz		447,911	466,921
Miscellaneous receivables		9,249	8,713
	4.1.4	**459,198**	**481,673**
Investment securities			
Treasury shares	*4.1.5*	7,567	4,517
Cash at bank and in hand	*4.1.6*	349	901
Prepaid expenses	*4.1.7*	1,240	2,421
		468,354	**489,512**
Deferred charge	*4.1.8*	1,651	1,981
Loan reimbursement premiums	*4.1.9*	962	1,154
		2,612	**3,135**
Active conversion gap		**324**	**-**
TOTAL ASSETS		**2,312,414**	**2,321,171**

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Equity			
Capital		307,799	314,496
Share capital premiums		810,436	810,436
Other reserves		73,957	129,339
Income for the year		122,605	20,815
	4.2.1–4.2.2	**1,314,796**	**1,275,086**
Provisions for liabilities and charges			
Provision for risks		324	-
Provision for charges		5,931	5,931
	4.2.3	**6,255**	**5,931**
Debts			
Bank borrowings and debts		448,357	467,213
Other bond issues		391,756	391,756
Sundry borrowings and debts		147,566	175,559
Trade notes and accounts payables		1,754	730
Tax and social liabilities		1,608	4,584
Other payables		-	312
	4.2.4	**991,041**	**1,040,155**
Passive conversion gap		**322**	**-**
TOTAL EQUITY AND LIABILITIES		**2,312,414**	**2,321,171**

4.3.2 Income statement

(in thousands of euros)	Notes	2018	2017
Operating income (I)		**359**	**2,845**
Recharged expenses and other income		359	2,845
Reversals of provisions and expense transfers		-	-
Operating expenses (II)		**5,706**	**6,652**
Other purchases and external expenses		3,783	2,599
Income tax, taxes and similar payments		140	0
Employee-related expenses		66	43
Other expenses		250	2,542
Depreciations and amortisations		1,467	1,467
Operating results (I - II)	*5.1*	**(5,347)**	**(3,807)**
Financial income (III)		**148,116**	**42,132**
Equity securities income		133,406	27,688
Other financial income		14,710	14,444
Income from SICAV sales		-	-
Financial expenses (IV)		**21,288**	**20,020**
Interest and similar expenses		20,771	19,828
Depreciations and amortisations		517	192
Financial result (III - IV)	*5.2*	**126,828**	**22,112**
Non-recurring income (V)		**9**	**514**
On capital transactions		-	350
On management transactions		9	163
Non-recurring expenses (VI)	*5.3*	**-**	**-**
On capital transactions		-	-
On management transactions		-	-
Non-recurring income (V-VI)		**9**	**514**
Income tax (income)	*5.4*	**(1,116)**	**(1,997)**
NET INCOME FOR THE YEAR		**122,605**	**20,815**

4.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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NOTE 1. SIGNIFICANT EVENTS

Changes in governance

Appointments to the Board of Directors of Coface

During its meeting on June 15, 2018, the Board of Directors of COFACE SA co-opted François Riahi, Chief Executive Officer of Natixis, as a Board member and then elected him Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within the BPCE group.

Implementation of two share buy-back programmes

In line with the second pillar of Fit to Win which aims to improve the capital efficiency of its business model, in 2018 Coface implemented two share buyback programmes for a total amount of €45 million. The description of these programmes is as follows:

- a first programme of €30 million, performed between February 15 and October 15, resulted of the purchase of 3,348,971 shares. The Board of Directors, in its meeting of October 24, 2018, decided to cancel these shares; and correlatively, to reduce the share capital of the Company;
- a second programme for a targeted amount of €15 million was launched on October 25, 2018 and runs until February 10, 2019. As of December 31, 2018, Coface has purchased 1,708,735 shares for an amount of €13,736,490.72.

Events since the close of the year

No significant events have arisen since the close of the year.

NOTE 2. ACCOUNTING PRINCIPLES, RULES AND POLICIES

Accounting principles and policies

The financial statements for the year ended have been prepared in accordance with generally accepted accounting principles and the French Chart of Accounts (Regulation ANC no. 2014-03 of the Accounting Regulation Committee, in accordance with the principles of prudence and business continuity).

Financial assets

Equity securities are reported in the balance sheet at cost. A depreciation is recorded when the realisable value (determined according to the restated equity, income, future outlook and value in use for the Company) is less than the acquisition value.

The value in use is determined using the discounted cash flow method. Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

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

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

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

Receivables and payables

Receivables and payables are valued at their face value. They are depreciated through a provision in an effort to account for potential collection difficulties.

Investment securities

Units in money-market funds (SICAV) are recorded according to the FIFO (first in, first out) method. Unrealised losses or gains resulting from an evaluation of the portfolio at the close of the financial year are reintegrated (or deducted) for calculating the tax income.

Start-up costs

According to Article 432-1 of the French general accounting plan (PCG), the stock market listing costs incurred by the Company may be recorded as start-up costs.

These costs are amortised over five years, with the first and last year amortised *pro rata temporis* in accordance with the French general accounting plan instructions (Article 361-3).

Issuing charges

According to the French general accounting plan (Article 361-2), the costs linked to the hybrid debt issued must be in principle distributed according to the characteristics of the loan. These costs were recorded in deferred charges and amortised on a straight-line basis for the term of the loan, *i.e.* 10 years.

Consistency of methods

The financial statements for the year are comparable to those of the previous year (consistency of accounting methods and time period principle).

The balance sheet, income statement and notes are expressed in euros.

NOTE 3. OTHER DISCLOSURES

a) Consolidating entity

COFACE SA has been fully consolidated since 2007 by Natixis whose head office is located at

30, avenue Pierre-Mendès-France 75013 Paris.

b) Tax consolidation group

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly at more than 95%: Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar.

The tax consolidation agreements binding the parent company to its subsidiaries are all strictly identical and stipulate that:

- each company shall calculate its tax as if there were no tax consolidation, and the parent company alone shall be liable for the payment of corporate income tax;
- the parent company shall recognise tax savings in income and shall not reallocate them to subsidiaries unless the subsidiary leaves the Group.

The option is valid for five years starting from January 1, 2015.

c) Staff and managers

COFACE SA has no staff on its payroll and has no pension commitment.

d) Off-balance sheet commitments

- Commitments received: €700 million

This is a line of credit with Société Générale, unused as of December 31, 2018, for an amount of €700 million which replaced on July 28, 2017 the six credit lines of €600 million from Société Générale, Natixis, CACIB, BNP Paribas, HSBC and BRED.

As of January 1, 2016, COFACE SA received a share subscription commitment of up to €100 million from BNP Paribas Arbitrage, relating to the contingent capital, maturing on March 31, 2019.

- Commitments given: €1,184 million

On March 19, 2012, COFACE SA issued a joint surety bond in favour of Coface Finanz, a company held indirectly by COFACE SA, for the sums that will be due by Coface Factoring Poland as reimbursement for the loan granted to the latter, for a maximum amount that changed from €350 million to €500 million in April 2015 (due date January 2021).

This joint surety bond has not been exercised since 2012.

In April 2015, COFACE SA issued a joint surety bond to hedge the commitments of Coface Finanz and Coface Factoring Poland for the bilateral credit lines taken out from eight banks and amounting to €684 million (€625 million as of December 31, 2016).

NOTE 4. ANALYSES ON THE MAIN BALANCE SHEET ITEMS (IN EUROS)

4.1 Assets

4.1.1 Intangible assets

(in thousands of euros)	Gross 2018	Amortisation	Net 2018
Set-up costs	5,696	5,128	569

Set-up costs include IPO (initial public offering) costs amortised over five years.

4.1.2 Interests in related companies and companies with capital ties

Related companies *(in thousands of euros)*	Dec. 31, 2017	Acquisitions	Disposals	Dec. 31, 2018
Compagnie française d'assurance pour le commerce extérieur	1,337,719			1,337,719
Coface Ré	165,025			165,025
TOTAL	**1,502,744**			**1,502,744**

4.1.3 Loans to affiliates and subsidiaries

Related companies *(in thousands of euros)*	Amount	Interests	Total
Compagnie française d'assurance pour le commerce extérieur	314,000	10,074	324,074

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

4.1.4 Other receivables

(in thousands of euros)	Dec. 31, 2018	Up to one year	1-5 years	Dec. 31, 2017
French government and other authorities	2,037	2,037		6,039
Current account Coface Finanz EUR	418,384	418,384		466,921
Current account Coface Finanz USD	29,527	29,527		
Miscellaneous receivables	9,249	5,192	4,057	8,713
Coface Factoring Poland	*207*	*207*		*189*
Natixis liquidity agreement	*9*	*9*		*1,640*
Kepler mandate share buy-back	*3,008*	*3,008*		
Other receivables	*6,024*	*1,967*	*4,057*	*6,884*
OTHER RECEIVABLES	**459,198**	**455,141**	**4,057**	**481,673**

The "Other receivables" item in miscellaneous receivables primarily consists of:

- expenses to be recharged in connection with the award of bonus shares for €5,930,564;
- costs of €3,008,491 related to the Kepler mandate share buy-back.

4.1.5 Treasury shares

Number of shares held	Dec. 31, 2017	Acquisitions	Disposals	Dec. 31, 2018
Liquidity agreement	126,429	1,949,688	1,949,480	126,637
Bonus share awards	384,107	380,761	0	764,868
Buy-back plan		1,708,735		1,708,735
	510,536	**4,039,184**	**1,949,480**	**2,600,240**

Liquidity agreement

With effect from July 7, 2014, Coface appointed Natixis to implement a liquidity agreement for COFACE SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marchés financiers – AMAFI) dated March 8, 2011, and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months and was renewed by tacit agreement in July 2015 and July 2016. (see Note 4.1.4).

The liquidity agreement is part of the share buyback programme decided by the Board of Directors' meeting of June 26, 2014. On July 2, 2018, COFACE SA announced that, following the long-term partnership that has become effective between Natixis and ODDO BHF, the liquidity agreement for its shares (ISIN code FR0010667147) originally granted to Natixis, has been transferred to ODDO BHF.

Bonus share award

Since its IPO in 2014, the Coface Group has granted bonus shares to certain corporate officers or employees of COFACE SA subsidiaries.

In 2018, the Board of Directors decided to allot 298,132 bonus shares. This award completes the 2016 and 2017 plans for 289,997 and 366,146 shares.

As a condition of and subject to acceptance by the General Meeting, COFACE SA will acquire the shares necessary for the allocation of these shares.

On May 16, 2018, at the General Meeting of Shareholders, the call option was once again granted to acquire, in addition to the 406,166 shares previously acquired, 358,702 new shares.

Under French standards, the acquisition of shares under a bonus share award constitutes an element of remuneration. The provision should be recognised in staff costs by crediting the line item Provisions for expenses and it should be spread out, when the presence of person in the Company is a condition upon delivery of the shares at the end of a future period that the Plan determines.

Thus, this charge will be recognised in the accounts using the acquisition price spread over the vesting period, namely three years. As COFACE SA did not acquire sufficient shares, it must also take into consideration the number of missing shares multiplied by the share price on the last day of the financial year to calculate the amount of this charge. At the end of 2018, the stock of "Provision for charges" amounted to €5,930,563.57.

At December 31, 2018, the Group's own shares held in treasury had a gross and net value of €21,303,254, broken down as follows:

- liquidity agreement: €1,142,337;
- bonus share award: €6,424,426;
- buy-back plan: €13,736,491.

4.1.6 Cash at bank and in hand

(en milliers d'euros)	31/12/18	31/12/17
Natixis	349	901

A USD account was opened with Natixis to facilitate USD transactions which have increased over the year

4.1.7 Prepaid expenses

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Natixis: liquidity agreement	24	24
Expenses related to the syndicated loan	721	1,316
Fees related to the strategy	391	1,020
Moody's: issuer rating and programme	104	62
	1,240	**2,421**

4.1.8 Deferred charges

(in thousands of euros)	Gross 2018	Amortisation	Net 2018
Expenses linked to subordinated debt	3,301	1,651	1,651

Deferred charges include costs linked to the issuance of the subordinated debt amortised over a period of 10 years.

4.1.9 Loan reimbursement premiums

(in thousands of euros)	Gross 2018	Amortisation	Net 2018
Premium linked to subordinated debt	1,924	962	962

The premium linked to the subordinated debt is amortised over 10 years.

4.2 Liabilities

4.2.1 Changes in equity

(in euros)	Dec. 31, 2017	Appropriation of earnings	Transactions for the year	Distribution	Income for the year	Dec. 31, 2018
Share capital (nominal value €2)	**314,496,464**		**(6,697,942)**			**307,798,522**
Number of shares	157,248,232					153,899,261
Share premium	**810,435,517**					**810,435,517**
Legal reserve	**31,449,646**					**31,449,646**
Other reserves	**42,905,863**		**(23,302,055)**			**19,603,808**
Retained earnings	**54,983,310**	**20,815,235**		**(52,895,438)**		**22,903,107**
Income for the year	**20,815,235**	**(20,815,235)**			**122,604,984**	**122,604,984**
TOTAL	**1,275,086,035**	**0**	**(29,999,997)**	**(52,895,438)**	**122,604,984**	**1,314,795,585**

COFACE SA's total equity amounted to €1,314,795,585.

Share premiums include share premiums, issue premiums (of which €471,744,696 are unavailable premiums) and share issue warrants for €15,725.

In accordance with the decision of the Ordinary Shareholders' Meeting of May 16, 2018, the 2017 result has been allocated as retained earnings. A dividend of €0.34 per share (excluding treasury shares) was paid on May 28, 2018 representing a total amount of €52,895,438.

The Board of Directors decided on October 24, 2018 to cancel 3,348,971 shares under the buy-back plan started on February 2018. This cancellation resulted in a €23,302,055 reduction in other reserves, corresponding to the difference between the nominal value of the shares and the average repurchase value of the shares.

4.2.2 Composition of capital

	Dec. 31, 2018		Dec. 31, 2017	
Shareholders				
Financial market and other	55.9%	86,062,884	58.2%	91,507,278
Natixis	42.1%	64,853,881	41.2%	64,853,881
Group Employee funds	0.2%	382,256	0.2%	376,537
Treasury shares	1.7%	2,600,240	0.3%	510,536
NUMBER OF SHARES		**153,899,261**		**157,248,232**
Nominal value (in euros)		*2*		*2*

4.2.3 Provisions for liabilities and charges

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Dec. 31, 2018
Provision for FX losses	0	324		324
Provision for bonus share award	5,931	782	782	5,931

4.2.4 Debts

(in thousands of euros)	Up to one year	1-5 years	Beyond 5 years	Dec. 31, 2018	Dec. 31, 2017
Bank borrowings and debts	**448,357**	0	0	**448,357**	**467,213**
Commercial paper: discounted fixed rate	448,568	0	0	448,568	467,546
CP accrued interests	(210)	0	0	(210)	(333)
Other bond issues	**11,756**	**0**	**380,000**	**391, 756**	**391,756**
Subordinated bonds	0	0	380,000	380,000	380,000
Accrued interests	11,756	0	0	11,756	11,756
Sundry borrowings and debts	**(2,434)**	**0**	**150,000**	**147,566**	**175,559**
Coface (Compagnie française d'assurance pour le commerce extérieur) borrowing	0	0	150,000	150,000	150,000
Accrued interests on Coface borrowing	201	0	0	201	201
Cash advance Coface and accrued interest	(2,635)	0	0	(2,635)	25,358
Trade notes and accounts payables	**1,754**	**0**	**0**	**1,754**	**730**
Tax and social liabilities	**1,608**	**0**	**0**	**1,608**	**4,584**
Other debts	**0**	**0**	**0**	**0**	**312**
TOTAL DEBTS	**461,041**	**0**	**530,000**	**991,041**	**1,040,155**

After approval by Banque de France on November 6, 2012, on November 13, 2012, COFACE SA issued commercial papers for €250 million (with a maturity of one to three months). This programme, intended to refinance the factoring portfolio in Germany, was rated F1 and P2 by the Fitch and Moody's rating agencies.

The amount raised was fully loaned to Coface Finanz through a cash agreement and all fees incurred were recharged.

In July 2017, this programme, managed by Société Générale and through the intermediary of six banks, totalled €600 million under commercial paper and €100 million under an emergency credit line through six banks. During 2018, commercial paper was issued In USD. At end 2018, the EUR and USD portions were 419 million and 29 million respectively, equivalent to EUR 448 million in total.

Since February 2016, the issuance rates on commercial paper are negative.

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

Moody's and Fitch reaffirmed the Group's Insurer Financial Strength Ratings (IFS) of A2 and AA- respectively (outlook "stable" in both cases), on June 8 and August 29, 2018.

In December 2014, COFACE SA borrowed €110 million at a rate of 2.30% over a period of ten years from Compagnie française d'assurance pour le commerce extérieur for the acquisition of Coface Ré, followed in June 2015 by a second tranche of €40 million for sending additional funds to Coface Ré (see Note 4.1.2).

The "Trade notes and accounts payable" item mainly consists expenses payable for Non-utilised Commission on Credit Lines for €875,000, for Statutory Auditors' fees for €661,000, and directors' fees of €250,000.

Tax and social liabilities comprise current accounts for entities under tax consolidation (Compagnie française d'assurance pour le commerce extérieur, Cogeri and Fimipar and Cofinpar).

NOTE 5. ANALYSES OF MAIN BALANCE SHEET ITEMS (IN EUROS)

5.1 Operating income

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Operating income	**359**	**2,845**
Commercial paper structuring costs	359	488
Other income	0	2,357
Operating expenses	**(5,706)**	**(6,652)**
Other purchases and external expenses	**(3,783)**	**(2,599)**
Statutory Auditors' fees	(987)	(639)
Other fees	(861)	(496)
Financial Information	(49)	(60)
Rebilling Group payroll costs and related expenses	0	155
Legal advertising costs	(10)	(5)
Bank fees	1	0
Fees and Commissions on services	(1,799)	(1,475)
Expenses related to the issuance of subordinated debt	(2)	(2)
Reception fees	0	(11)
Royalty fee	(75)	(67)
Income tax, taxes and similar payments	**(140)**	**0**
Employee-related expenses	**(66)**	**(43)**
Social charges on directors' fees	(66)	(43)
Other expenses	**(250)**	**(2,542)**
Directors' fees	(250)	(217)
Expenses linked to the bonus share award	0	(2,325)
Depreciations and amortisations	**(1,467)**	**(1,467)**
Amortisation of set-up costs	(1,137)	(1,137)
Amortisation of costs linked to subordinated debt	(330)	(330)
OPERATING INCOME	**(5,347)**	**(3,807)**

The entry "Commercial paper structuring costs" corresponds to the recharging of the costs of managing this commercial paper.

The entry "Statutory Auditors' fees" of €986,900 includes €958 thousand in statutory audit fees and €29 thousand for other audits underway.

The entry "Other fees" mainly includes legal fees, services from rating agencies and fees relating to the management of commercial paper.

The entry "Fees and Commissions on services" of €1,798,909 corresponds to expenses relating to contingent equity and strategic projects.

5.2 Financial income

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Financial income	**148,116**	**42,132**
Equity securities income	**133,406**	**27,688**
Dividend	133,406	27,688
Other financial income	**14,710**	**14,444**
Interests linked to the CP programme and syndicated loan	99	(74)
Income on guarantees	1,658	1,566
Loan interests	12,953	12,953
Financial expenses	**(21,288)**	**(20,020)**
Interest and similar expenses	**(20,771)**	**(19,828)**
Fees and commissions linked to the CP programme	(869)	81
Interests on bond loan	(15,675)	(15,675)
Interests on borrowings	(3450)	(3450)
Interests on cash advance	(15)	(24)
Perte de change	(2)	0
Guarantees expenses	(760)	(760)
Depreciations and amortisations	**(517)**	**(192)**
Reimbursement premium amortisation	(517)	(192)
FINANCIAL INCOME	**126,828**	**22,112**

Financial income primarily consists of the €133.4 million dividend received from Compagnie française d'assurance pour le commerce extérieur and €13 million in interest on the €314 million loan granted to Compagnie française d'assurance pour le commerce extérieur.

Financial expenses primarily consist of €380 million in interest on the bond loan and the €150 million loan taken out at the end of 2014 from Compagnie française d'assurance pour le commerce extérieur.

5.3 Non-recurring result

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
NON-RECURRING INCOME	**9**	**514**
Gains on treasury share sales	0	350
Default interest	9	163
NON-RECURRING EXPENSES	**0**	**0**
Sundry	0	0
	9	**514**

Non-recurring income consists in default interest on the reimbursement of the 3% tax on dividends paid in 2016 and 2017.

5.4 Income tax

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Accounting income before CT	**121,489**	**18,819**
Deductions:	(133,730)	(30,176)
◆ Dividend Compagnie française d'assurance pour le commerce extérieur (mother/daughter regime)	(130,406)	(27,688)
◆ Bonus share awards to be rebilled	0	(2,325)
Default interest	0	(163)
◆ Unrealised capital gain Dec. 31, 2015 from units in money-market funds (SICAV)	(324)	0
Reintegrations:	1,981	2,602
◆ Share of costs 1% on Group dividend	1,334	277
◆ Bonus share award expenses	0	2,325
◆ Provision for exchange rate losses	324	0
◆ Foreign currency translation reserve (liabilities)	322	0
Taxable income	**(10,260)**	**(8,756)**
Corporate tax (rates 33 1/3%)	0	0
3% tax on dividends paid to external (outside the tax consolidation group)	0	1,999
Corporate tax before tax consolidation	**0**	**1,999**
Net expense from consolidated companies	1,116	(2)
Corporate income tax (income)	**1,116**	**1,997**

The application of the tax consolidation agreement resulted in a consolidation gain of €1,115,937 for financial year 2018, compared to a loss of €1,894 in 2017.

COFACE SA's tax loss carry-forward prior to the tax consolidation was €2,788,100 for 2014.

5.5 Statutory Auditors' FEES

This information is available in the COFACE Group consolidated financial statements as of December 31, 2018, in Note 35.

NOTE 6. INFORMATION REGARDING RELATED COMPANIES

The table below presents all items regarding related companies:

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Balance Sheet – Assets	**2,277,412**	**2,296,494**
Interests in related companies	1,502,744	1,502,744
Loans to affiliates and subsidiaries	324,074	324,074
Current account Tax Consolidation	401	0
Current account Coface Finanz	447,911	466,921
Miscellaneous receivables	207	189
Cash at bank and in hand	1,724	901
Cash at bank and in hand	351	901
Prepaid expenses	0	24
Balance Sheet – Equity & Liabilities	**152,374**	**175,586**
Sundry borrowings and debts	150,481	175,559
Trade notes and accounts payables	0	27
Other payables	1,893	0
Income statement	**142,498**	**80,334**
Operating income	0	520
Operating expenses	(157)	(38)
Financial income	148,475	42,132
Financial expenses	(5,820)	(4,373)

NOTE 7. SUBSIDIARIES AND INTERESTS

	As of Dec. 31, 2018						
	Currency	Share capital	Reserves and retained earnings	Share of capital held	Value of securities held – Gross	Value of securities held – Net	Outstanding loans and advances granted by the Company
		In foreign currency		*% (reported)*	*(in €)*		
Compagnie française d'assurance pour le commerce extérieur 1, place Costes-et-Bellonte 92270 Bois-Colombes	EUR	137,052,417	907,152,393	99.995%	1,337,719,300	1,337,719,300	150,480,702
Coface Ré SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	CHF	10,000,000	244,801,454	100%	165,025,157	165,025,157	0

	Year 2018			
	Turnover	Net earnings or loss	Dividends received or recognised by the Company	Exchange rate Dec. 31, 2018
	(in €)			
Compagnie française d'assurance pour le commerce extérieur 1, place Costes-et-Bellonte 92270 Bois-Colombes	1,078,261,625	62,776,981	133,405,987	
Coface Ré SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	524,991,570	31,918,125	-	1.1269

4.5 FIVE-YEAR SUMMARY OF COMPANY RESULTS

Details *(in euros)*	2014	2015	2016	2017	2018
I - Year-end Capital					
a) Share capital	786,241,160	786,241,160	314,496,464	314,496,464	307,798,522
b) Number of issued shares	157,248,232	157,248,232	157,248,232	157,248,232	153,899,261
c) Number of bonds convertible into shares	-	-	-	-	-
II - Operations and income for the year					
a) Revenue excluding tax	2,642,322	992,028	2,269,291	2,844,892	358,946
b) Income before tax, depreciation, amortisation and provisions	(1,677,741)	72,977,514 (2)	77,558,666	20,478,344	123,473,002
c) Income tax		(1,730,821)	517,871 (3)	(1,996,620)	(1,115,937)
d) Income after tax, depreciation, amortisation and provisions	(2,779,036)	73,048,606	75,381,066	20,815,235	122,604,984
e) Distributed profits	(1)	66,617,140 (2)	20,397,756 (4)	53,290,817 (5)	122,332,846 (6)
of which interim dividends					
III - Earnings per share					
a) Income after tax, but before depreciation, amortisation and provisions	(0.01)	0.48	0.49	0.14	0.81
b) Income after tax, depreciation, amortisation and provisions	(0.02)	0.46	0.48	0.13	0.80
c) Dividend paid to each share	0.00	0.42	0.13	0.34	0.79
IV - Personnel					
a) Average number of employees in the year	-	-	-	-	-
b) Payroll amount	-	-	-	-	-
c) Amount of sums paid in employee benefits	-	-	-	-	-

(1) For 2014, an extraordinary dividend of €0.48 per share taken from the share premium, i.e., €75,460,456, (excluding treasury shares) was distributed as voted by the Annual Shareholders' Meeting of May 18, 2015.
(2) For 2015, an dividend of €0.48 per share taken from the share premium, i.e., €75,312,210 (excluding treasury shares), corresponding to the distributable profit of €66,617,140 increased by the €8,695,070 withholding on the issue premium, was distributed as voted by the Annual Shareholders' Meeting of May 19, 2016.
(3) In 2016, the tax income comes from the income from tax-consolidated companies.
(4) For 2016, a distribution of €0.13 per share, i.e., €20,397,756 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 17, 2017.
(5) In 2017, a motion was put to the vote at the Annual Shareholders' Meeting of May 16, 2018 regarding the distribution of €0.34 per share, amounting to a total of €53,290,817 (excluding treasury shares).
(6) For 2018, a distribution of €0.79 per share (€122,332,846) will be submitted to the Shareholders' Meeting of May 16, 2019.

4.6 OTHER DISCLOSURES

Pursuant to Article D.441-4 of the French Commercial Code, the table below sets out the payment terms of COFACE SA's suppliers showing bills received and not paid at the end of the financial year for which payment is in arrears:

Suppliers payment terms

	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment tranches					
Number of bills affected	1	1	0	13	
(in thousands of euros) Total amount of bills affected including VAT	2.5	1.7	0,0	98,0	102,2
Percentage of total amount of purchases during the financial year	**0.01%**	**0.01%**	**0.00%**	**0.53%**	**0.55%**
(B) Bills excluded from (A) relating to disputed or unrecognised liabilities and receivables					
No bills excluded from these tables relating to disputed or unrecognised liabilities and receivables.					
(C) Reference payment terms used (contractual or legal term - Article L.441-6 or Article L.443-1 of the French Commercial Code)					

At the closing date of COFACE SA's financial year, no bills issued remain unpaid.

4.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Annual General Shareholder's Meeting of COFACE S.A.

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of COFACE S.A. for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Estimation of provisions for unknown claims

Identified Risk	Our response
Provisions for unknown claims represent an estimate of the claims expense incurred during the year but not yet reported at the balance sheet date. They also include specific provisions recorded for claims that have not yet been proven but whose probability of occurrence is high and for which the compensation that would potentially be paid would be significant. At December 31, 2018, the amount of these provisions amounted to €707 million in the consolidated financial statements. As indicated in the section Accounting Principles and Principles - Contractual Benefit Expenses of the notes to the Consolidated Financial Statements, these provisions are determined on the one hand by the application of deterministic statistical methods on the basis of historical data and on the other hand. on the other hand, the use of assumptions using expert judgment to estimate the ultimate load (this ultimate load corresponds to the load borne until the complete disaster). Thus, as the provision for unknown claims includes accounting estimates with a high degree of uncertainty, we considered this aggregate as a key audit matter.	To cover the risk associated with estimating provisions for claims, we implemented the following approach: ◆ We reviewed the internal control mechanism implemented to estimate provisions for claims and the expected ultimate cost of claims, and tested the design and operational effectiveness of the key controls implemented by Management; ◆ We assessed the relevance of the method, used to determine the expected ultimate cost of claims; ◆ We assessed any changes in claim payment processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate; ◆ We tested the reliability of the underlying claims data used in the actuarial calculations; ◆ We performed an independent recalculation of the credit insurance provisions on a portion of the portfolio and verified that the company's methods had been correctly applied; ◆ We analyzed the retrospective review of technical provision by comparing provisions opening balance with actual claims.

Measurement of Insurance business investments

Identified Risk	Our response
Insurance business investments amounted to €2.834 million at December 31, 2018. As indicated in the section Accounting principles, rules and methods of the notes to the Consolidated financial statements, the insurance business investments are determined at the end of the financial year, based on their classification associated with the management intention selected for each line of security by the Group. A level of judgment is required to determine this measurement: ◆ Impairment testing realised by the Management and ◆ the valuation of unlisted securities, in particular non-consolidated equity investments and shares in SCI / SCPI. (Real Estate Investment trust) Given the amount involved and the judgment made by the Management to detect the impairment of the securities in the portfolio, we deemed this to be a key audit matter at December 31st, 2018.	To assess the measurement of the insurance business investment, our audit work consisted mainly in verifying that the valuation used by the Management were based on an appropriate valuation method and quantified elements used, according to the type of security: ◆ We verified the stock prices used; ◆ We obtained the business plans established by the Management and assessed the relevance and the justification of the assumptions made; ◆ We verified the consistency of the main assumptions used with the economic environment; ◆ We compared the consistency of the forecasts retained for the previous periods with the corresponding outcomes on a sample of securities; ◆ We compared the underlying documentation to the impairment indices and we validated the numbers in the aforementioned document in relation to external sources.

Estimation of provisions for unwritten earned premiums

Identified Risk	Our response
Unwritten earned premiums amounted to €115 million in the financial statements at December 31, 2018. As indicated in the section Accounting principles, rules and methods of the notes to the financial statements, unwritten earned premiums are determined based on an estimate of expected premiums for the period. The provision is the difference this estimate and the premiums recorded. This provision presents a significant risk of material misstatement given to the uncertainties inherent in certain items taken into account in making the estimates. The risk lies in particular in the factors used to determine the ultimate (i.e. once premiums have been written for their final amount) which relies on statistical methods. Thus, we consider this to be a key audit matter even though the change in the provision from one year to the next is very limited.	In order to assess whether the estimation of unwritten earned premiums amount was reasonable, we implemented the following audit approach: ◆ We reviewed the internal control system relating to the premium estimation process and tested the operational effectiveness of the key controls implemented by Management; ◆ We called on our actuarial experts to assess the relevance of the methodology applied and the key assumptions used to determine ultimate premiums; ◆ We assessed any changes in the billing processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate; ◆ We verified the consistency of the assumptions used to determine the forecasts; ◆ We reconciled the bases of the calculation with data from the financial statements; ◆ We compared the estimates of unwritten earned premiums recognized at the opening of the financial year with actual results to assess the relevance of the method implemented.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We precise that it is not our role to report the matters related to the sincerity and the concordance with the consolidated financial statements of Solvency II information extracted from the report required under the article L.356-23 of the insurance code *(Code des assurances)*.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L.225-102-1 of the French Commercial Code *(Code de commerce)*, is included in the Group management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of COFACE S.A. by the sole shareholder, on February 28, 2008 for KPMG S.A. and by the annual general meeting, on May 3, 2007 for Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2018, KPMG was in the 11th year of total uninterrupted engagement and Deloitte & Associés was in the 12th year and 5th year since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on April 2, 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	KPMG S.A.
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

4.8 STATUTORY AUDITOR'S REPORT ON THE COMPANY'S ANNUAL FINANCIAL STATEMENT

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Annual General Shareholders' Meeting of COFACE S.A.

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of COFACE S.A for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the COFACE S.A. as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the «Statutory Auditors' Responsibilities for the Audit of the Financial Statements» section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors..

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valorisation des titres de participation

Identified Risk	Our response
The amount of participations in affiliated companies with a participating interest amounted to €1,502.7 million euros. As mentioned in note 2.1, the equity securities appearing in the balance sheet are recognized at their acquisition date and subsequently depreciated based on their value in use. The latter is estimated by management on the basis of estimates based on forecasts. The estimate of the value in use of these securities requires the judgment of the management in its choice of items to consider, including the profitability prospects of the entities whose securities are held by COFACE S.A. The potential impact on the financial statements is the existence of a provision for depreciation of the unrecognised equity securities at the financial closing.	Our audit consisted mainly in verifying that the estimate of value in use determined by management is based on an appropriate justification of the valuation method and the quantified elements used. In order to do this: ◆ we obtained and analysed business plans and discussed with the management on its forecasts; ◆ we analysed the consistency of the main assumptions used with the economic environment; ◆ we compared the consistency of the forecasts used in the prior periods with the actual outcomes; ◆ we assessed the need to depreciate and, if applicable, we verified the calculation of this depreciation.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (code de commerce).

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 the French Commercial Code *(Code de commerce)*.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code *(Code de commerce)*, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other Information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of COFACE S.A. by the sole shareholder, on February 28, 2008 for KPMG S.A. and by the annual general meeting, on May 3, 2007 for Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2018, KPMG was in the 11th year of total uninterrupted engagement and Deloitte & Associés was in the 12th year and 5th year since securities of the Company were admitted to trading on a regulated market..

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on April 2, 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	KPMG S.A.
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

5. MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

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5.1 RISK MANAGEMENT AND INTERNAL CONTROL

Within the framework of the Group's activity, risk-taking translates the search for business opportunities and the will to develop the Company in an environment intrinsically subject to numerous hazards. The essential goal of the risk management function is to identify the risks to which the Group is exposed and to set up an efficient internal control system to create value.

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

The Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations. These mechanisms seek to ensure that i) risks of any kind are identified, assessed and controlled; ii) operations and behaviours are in accordance with the decisions made by the corporate bodies, and comply with the laws, regulations, values and internal rules of the Group; as concerns financial information and management more specifically, they aim to ensure that they accurately reflect the Group's position and business; and that iii) these operations are carried out to ensure effectiveness and efficient use of resources.

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

5.1.1 Structure of the mechanism

The internal control and risk management mechanism consists of:

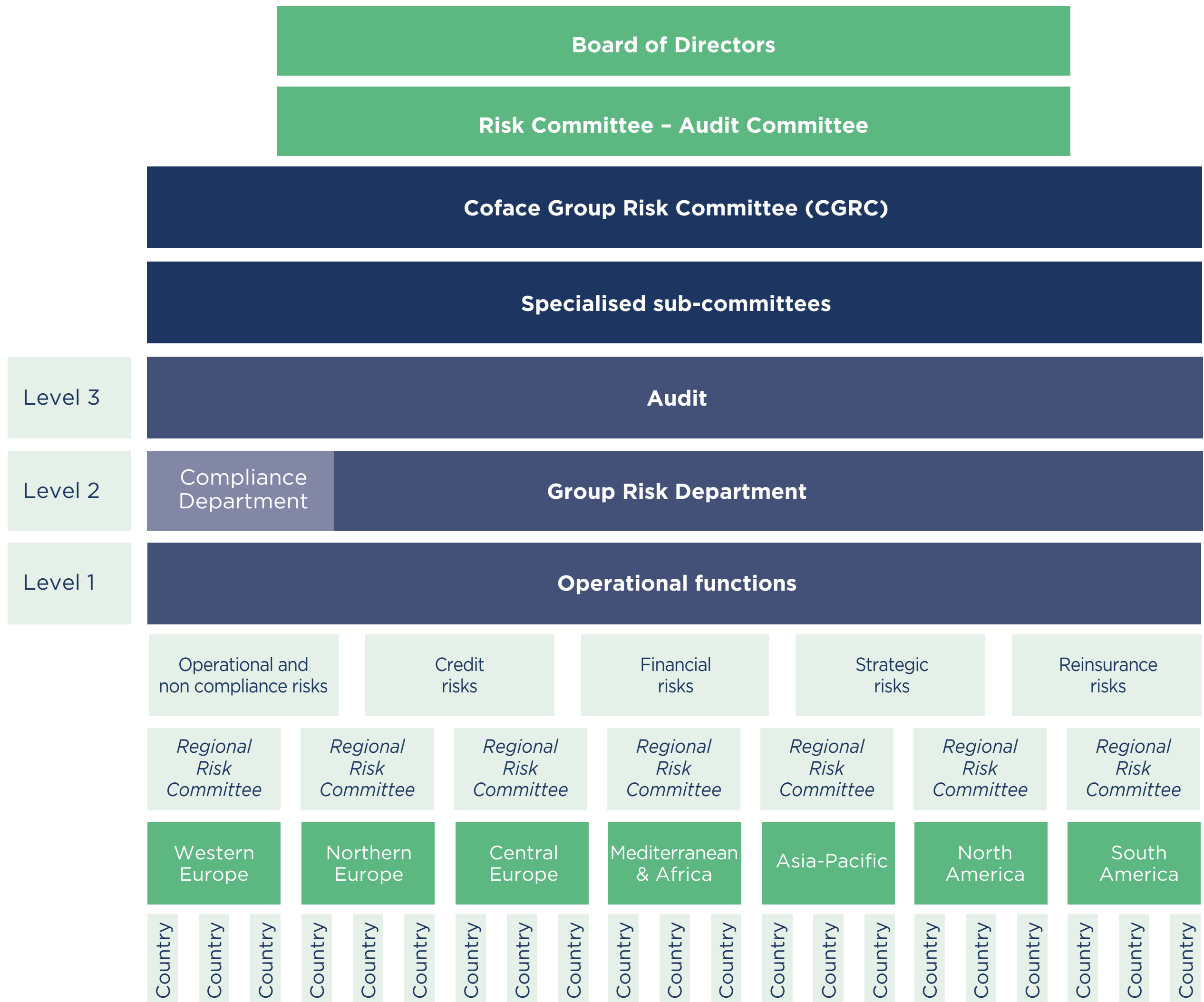
- a governance structure, designed to allow supervision and appropriate management of the Group's activities; and
- management structures and control mechanisms, designed to enable the Group's managers to separately apprehend the main risks to which the Group is exposed, and to have the necessary tools for their analysis and prevention.

Governance structure

The Group has implemented a risk management and control system that revolves around clear governance supported by a dedicated organisation based on key functions. In 2018, it introduced a change to its governance with the creation of a Risk Committee [1]. The risk management and control system is now based on the Board of Directors, a Risk Committee, an Audit Committee, an Appointments and Compensation Committee, the Coface Group Risk Committee (CGRC) and specialist committees that define the Group's strategy, review and approve risk policies, and identify, measure and manage the risks identified according to the limits and indicators for risk appetite.

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

(1) *The Risk Committee was created in April 2018 by decision of the Board of Directors. Its missions are described in Section 2.1.8.*



Like the CGRC, regional Risk Committees meet quarterly and involve the Group Risk Department and the Group Compliance Department.

Management structures and control mechanisms

The management structures and control mechanisms are based on the CGRC. The committee is chaired by the Chief Executive Officer and meets at least every quarter with the members of the Group Management Committee, the Group's strategic and operational management body, the Director of Group Risks, the Group Compliance Director, the Group Director of Audit and the Director of the Actuarial Department and, if necessary, the representatives of the operational or functional departments concerned, who are likewise represented according to the matters at hand.

The CGRC is tasked with:

- reviewing the main risk management policies and procedures;
- proposing risk appetite limits which will be submitted to the Board of Directors for approval;
- monitoring risk appetite limits and associated indicators;
- monitoring the Group's risk exposure, in all its forms (credit, finance, operational and compliance, reinsurance, strategic policies);
- reviewing the main conclusions drawn from sub-committee meetings;
- finding out about audits performed within the Group;
- organising reporting to the Risk Committee, the Audit Committee or other bodies as appropriate;
- reviewing ORSA[1] assumptions and results for the purpose of their approval by the Board of Directors;
- ensuring that the internal control mechanism is effective;
- communicating its decisions to the staff involved.

In 2018, special attention was paid to monitoring the quality of data used in the Solvency II process, which was covered in two separate presentations to the CGRC. CGRC sub-committees have a clearly defined scope of responsibility as regards one or more types of risk, and have decision-making authority over elements of risk, in line with their charters.

(1) *Own Risk and Solvency Assessment.*

5.1.2 Organisation

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

In order to manage and prevent risks, and in accordance with the Solvency II Regulation, the Group has introduced a system of governance to ensure sound and prudent management of the business. This system of governance is built on a clear separation of responsibilities and is proportional to the nature, magnitude and complexity of the Group's operations.

The 4 key functions

The Solvency II Regulation grants the Chief Executive Officer and, if necessary, the Deputy Chief Executive Officer, the status of effective directors of a Group. It authorises the appointment by the Board of Directors of one or more other effective directors.

Each key function is controlled by the Chief Executive Officer or the effective director and operates under the ultimate responsibility of the Board of Directors. It has direct access to the Board for reporting any major problem in its area of responsibility. This right is enshrined in the Board of Directors' Charter.

The professional qualifications, knowledge and experience of the heads of key functions should be adequate to enable sound and prudent management, and they must be of good repute and integrity.

Key functions are free of influences that may compromise their capacity to carry out the tasks assigned to them in an objective, loyal and independent manner.

Since 2017, regional audit, risk and compliance functions report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same reporting line by function has been established between country and regional managers.

Risk management function

Under the responsibility of the Director of Risks, the risk management function, including the internal control function, is designed to cover all the Group's risks and reports to the CGRC.

It is tasked with assessing the relevance and effectiveness of the internal control system. Regarding Solvency II, it works closely with the actuarial function and is responsible for drafting reports and for prudential oversight.

It ensures that risk policies are defined in accordance with regulatory requirements and monitors their application; these are reviewed annually by general management, then approved by the Board of Directors. These policies are then communicated to all the Group's entities, thereby helping to forge a common risk culture.

The risk management function, including the internal control function:

- implements and monitors the risk management system;
- monitors the Group's overall risk profile and identifies and assesses emerging risks;
- reports on risk exposure and advises the Board of Directors on risk management matters;
- defines and monitors the Group's appetite [1] for such risks: risk appetite takes five dimensions into account through 14 indicators;
- updates the mapping of risks to which Coface is exposed, working closely with the operational functions;
- contributes to improving and formalising level one control activities implemented by operational staff;
- performs level two checks on operational risks, with the exception of non-compliance risks;
- ensures that continuity plans are regularly tested in all entities;
- collates incidents and losses from the various entities.

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

Compliance function

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

The compliance function is in charge of implementing procedures to ensure that the Company complies at all times with the legislation applicable to it and to check that this legislation is applied effectively. In this respect, it ensures that the level one controls relating to compliance are properly implemented by the businesses, defines and performs level two controls, and issues recommendations intended to correct any shortcomings highlighted during such controls.

It provides advice on all issues relating to compliance with legislative, regulatory and administrative provisions associated with access to insurance activities and the practice thereof.

Internal audit function

The Group's Internal Audit Department is placed under the responsibility of the Group Director of Audit, who is also in charge of the key internal audit function. He attends the Group General Executive Committee meetings in an advisory capacity. He has a hierarchical reporting line to the Group Chief Executive Officer (CEO) and a functional reporting line to the Natixis General Inspection Department, as the internal audit function forms part of the periodic control mechanism of the reference shareholder, Natixis, and that of BPCE.

The structure of the internal audit function is based on a reporting line to the Group Director of Audit.

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

- the quality of the financial position;
- the level of risks effectively incurred;

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

- the quality of organisation and management;
- the coherence, relevance and smooth operation of risk assessment and control mechanisms, and their compliance with regulatory requirements;
- the reliability and integrity of accounting information and management information, including information linked to Solvency II issues;
- compliance with laws, regulations and the Group's rules (compliance). Auditing checks the quality and relevance of the procedures implemented to ensure compliance with laws, regulations and professional standards applicable to the audited activities in France and abroad, and the Group's policies, decisions by its corporate bodies, and its internal rules;
- the quality, effectiveness and smooth operation of the permanent control mechanism in place and other components of the governance system;
- the quality and level of security offered by the information systems; and
- the effective implementation of the recommendations of prior audit missions, whether they derive from the proceedings of the Group's audit segment, BPCE and Natixis General Inspections, in addition to the external controls of supervisory authorities.

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

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

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

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

The actuarial function

The actuarial function is performed by the Director of the Actuarial Department, who reports to the Chief Financial Officer since July 1, 2016. It is tasked with advising general management and supporting its efforts to guarantee the Group's long-term solvency and profitability and with overseeing compliance with Solvency II requirements, such as reserving. To perform its missions, the actuarial function has direct access to Board meetings.

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

In accordance with the requirements of the European Solvency II Directive, the actuarial function is in charge of the following tasks:

- coordinates the calculation of technical provisions;
- guarantees the appropriateness of methodologies, underlying models and assumptions used for the calculation of technical provisions;
- assesses the adequacy and quality of data used in the calculation of technical provisions;
- compares the best estimates with empirical observations;
- informs the administrative, management or control bodies of the reliability and suitability of the calculation of technical provisions;
- supervises the calculation of technical provisions in the cases specified in Article 82 (approximations related to data quality issues in the estimation of technical provisions);
- issues an opinion on the global commercial underwriting policy;
- issues an opinion on the appropriateness of measures taken in terms of reinsurance;
- contributes to the effective implementation of the risk management system under Article 44. In particular, it ensures compliance with reserving and commercial underwriting policies and the correct implementation of reinsurance.

Internal control system

The internal control system relies on the same functions as the risk management system and is used to verify the application of the rules and principles defined under the risk management system.

As an insurance company with a banking Group as its reference shareholder, the Company operates an internal control system compliant with the provisions of the Solvency II Directive and the decree of November 3, 2014 on the internal control of banking sector companies, payment services and investment services subject to the oversight of the ACPR.

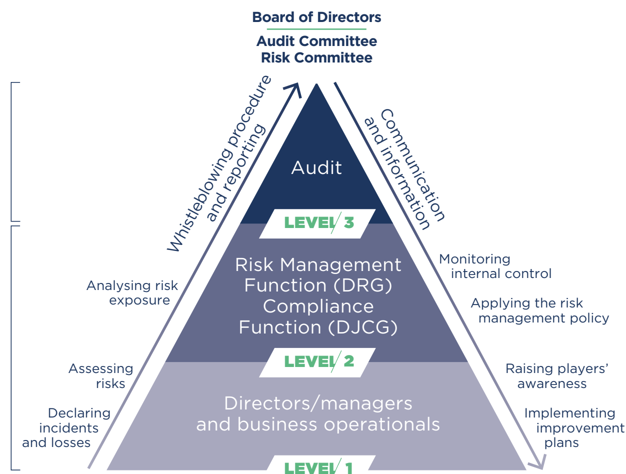
The risk management and internal control mechanism consists of three lines of defence with well-identified players for each level. The first line of defence is represented by the businesses, which are responsible for the processes, systems and products they each use, as well as for the resulting risks.

The second line of defence is represented by dedicated risk and compliance functions, which are responsible for supporting the first line of defence and for defining tools and methods to assess, manage, control and report risks.

The third line of defence is represented by the internal audit function, which provides independent assessment of the efficacy of the risk management mechanism and more broadly, of all the Group's activities and processes, according to a multi-year audit plan.

Each line of defence applies the controls adopted within the Group:

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



The risk management mechanism consists of three lines of defence with well-identified players for each level.

These controls are applicable to all of the Group's entities, in particular with respect to:

- integration into the organisation: internal control procedures are integrated into the organisation, either as a result of the distribution of the functions itself, or through the control actions specified in the different processes; and
- universality: no field is excluded. All processes, activities and structures are involved.

In 2018, in accordance with its action plan, Coface implemented a new centralised management system to manage level one and two controls. This system provides an instant overview of control completion rates, results and corresponding remediation plans across the whole scope. This roll-out was preceded by an awareness-raising and risk management training campaign for all Group employees.

It was rolled out across all Group entities and is used both by the businesses and by the Risk Management and Compliance Management departments.

Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the Chief Financial Officer (CFO) of each region.

Local CFOs are responsible, for their scope: i) for the local accounting system (compliance with local regulations and with the Group's rules); ii) for the IFRS accounts as reported in the Group's consolidation tool (compliance with IFRS and Group rules); iii) for financial risks, specifically compliance with the principle of congruity between assets and liabilities in order to limit the financial risks on their balance sheet.

The Group CFO is responsible, at Group level, for i) the quality of financial reporting; ii) the definition and monitoring of the investment policy; iii) management of financial risks and the implementation of control rules for other risks, with the support of the Risk Department; and iv) the management of solvency, with regard to Solvency II in particular.

The Group's Accounting and Tax Department provides regions with control and reporting tools and files which allow the methods defined by the Group to be applied and enable proper oversight of reconciliations, especially between management applications and the accounting tool.

For the purpose of the level one controls, at each closing date each entity sends the controls and reconciliations made and used to validate the quality and integrity of the data.

This file and the supporting documents are sent to the regional CFO (or the person appointed by the regional CFO to collect this data), who supervises the proper completion of all these reconciliations. A summary of these controls is then sent to the Group's technical accounting department.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group.

Processing of accounting and financial information

The Group's Accounting and Tax Department, reporting to the financial department, guarantees the quality of the financial information and is responsible for the production and control of the accounting information for the whole Group (consolidated financial statements; financial statements of the parent and its daughter companies Compagnie française d'assurance pour le commerce extérieur (Coface), Cofinpar, Fimipar and Cogeri; declarations and controls in the field of taxation).

Its detailed tasks are broken down into:

- maintaining the general and ancillary accounts of these entities (France only): recognition of operations, control and justification of operations, closing the quarterly accounts, producing consolidated financial statements (accounting treatment of interests, reciprocal operations, etc.);
- producing reports and presentation of accounts: producing financial statements, internal reports, periodic regulatory statements (declarations to the supervisory, tax and corporate administrations), relations with the supervisory authorities and Statutory Auditors;
- preparing Group standards, regulatory oversight and strategic projects: definition of rules and writing of Group accounting rules, writing and follow-up of accounting procedures in conjunction with Natixis' Finance Department in the case of IFRS, overseeing the development of the accounting and tax regulations, assisting, training and providing technical support to subsidiaries and branches, analyses and impact studies on modifications in scope for the consolidated financial statements;
- the control system: tracking the proper application of the standards and procedures in the Group;
- Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles, delegating certain responsibilities to entities in the various countries with regard to their scope. As such, the consolidated entities are responsible for producing, according to their local standards and IFRS: i) accounting information; ii) tax information; iii) regulatory information; and iv) corporate information.

They also monitor the production of consolidation bundles according to the Group's standards and procedures.

Common tool for general accounting, consolidation and management control

The monthly reporting of management control, quarterly financial statements in French GAAP and in IFRS are entered in the same tool. The quality of the information received is improved through automatic reconciliation statements.

Additional controls are carried out during quarterly inventory operations especially from the analysis of accounts and comparisons with the management data. Consistency checks are carried out with the data received from management control reporting.

Cross-functional controls are carried out for the purpose of consolidation operations: analytical review of the balance sheet and income statement, consistency check on entries and the most significant entities, closure of the net position on each consolidated entity and on the Group, verification of intra-group transactions and their proper reconciliation, verification of earnings from reinsurance, breakdown of expenses by destination, thus ensuring an overall consistency check.

Disclosure requirements for financial and accounting information

The Financial Communications Department, which reports to the Group Financial Department, produces, with the support of other departments, the financial information released to the financial markets, analysts and investors. The departments concerned provide the Financial Communications Department with contributions and reviews that help it control the risks of material error or release of erroneous information, delays to release and breach of confidentiality or equality between shareholders. This department is the special correspondent of the French Financial Markets Authority (AMF).

Outlook for change

Work to improve the risk management system will continue in 2019, using the same centralised system as was used in 2018. Improvements to the incident and loss identification mechanism and an overhaul of business continuity plans are scheduled.

5.1.3 Definition and measurement of risks

Credit risks

Definition

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

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

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

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

Control and follow-up of products

- Approval of new products: the Group relies on a Group Product Committee to ensure that the product offering is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offering in each region. It combines the marketing, sales, organisation, compliance, actuarial and risk functions, and any other function on a project-by-project basis.
- Validation of product developments: any product development, whether in terms of the policy, pricing method, retail method, target (policyholder, country), must be conveyed to the Group's Marketing Department and to the Legal Department.
- Sales delegations: in order to ensure the profitability of the policies, the contractual parameters thereof that have a strong influence on the policy's performance or on risk management are covered by a delegation system with seven levels of responsibility.
- Pricing: the Group uses a common pricing tool (PEPS), allowing its users to create pricing projects with the help of simulation tools and to formulate pricing proposals that are consistent with the Group's profitability objectives.

Centralised credit risk management

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

Frequency risk is covered by technical provisions which are established using a statistical loss model, which simulates the loss ratios using the developments observed and current loss experience data. This risk is measured for each region and country by tracking the instantaneous loss ratio [1]. With respect to the monitoring of exposures and portfolios, the Group has developed a more refined system of management of its risks through 38 sectors and five country risk levels (150 risk levels in total). Therefore, unpaid receivables are analysed weekly by the Group Management Committee, and monthly by the Group Risk Underwriting Committee. The loss ratios of the various commercial underwriting regions are likewise tracked at consolidated Group level.

Peak risk is covered via the Group's reinsurance company, Coface Re. In addition to the weekly and monthly monitoring by individual region and country, a mechanism is established at the Group level, which relies on:

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

(1) *The instantaneous loss ratio is a weekly indicator which allows the change in the loss ratio to be reconstituted. It is monitored for each region and each country and is the subject of a weekly report within the Group.*

Diversification of the credit risk portfolio

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

Common interests with policyholders

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

Decision-making

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

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

Consideration of risk quality for establishing the premium

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

Sharing of risk between the Group and the policyholder

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

Recovery management by the Group

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

A fine-tuned risk underwriting system: ATLAS

Commercial underwriting decisions are made by groups of risk underwriters in various underwriting centres, who work in real time and as a network thanks to ATLAS. These commercial underwriting decisions meet the underwriting rules that are defined for the Group as a whole.

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

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

Measures

Evaluation of provisions

The Group establishes claims provisions which are designed to cover probable losses for its credit insurance operations. The claims that have arisen but not yet been declared/settled at year-end 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 that is performed according to the characteristics of the policy and claim considered. These provisions are assessed on the amount of unpaid receivables declared which are covered by a claim;
- IBNR (incurred but not reported) provisions, which simultaneously cover the uncertainties in estimating provisions for declared and undeclared claims (in other words, claims that have occurred but which have not been declared at year-end); and
- forecasts of recoveries to take place on claims paid out.

The technical provisions for credit insurance are not updated. The estimated IBNR provisions are based on an estimate of final loss experience through periodic actuarial analyses which are performed by the entities and controlled by the Group Actuarial Department.

The Group Actuarial Department also has the role of ensuring that the overall level of Group provisions is sufficient to cover future claims, and of ensuring and verifying the correct implementation of actuarial principles, which the calculations of estimated reserves must respect.

To date, the actuarial methods used by the Group and its entities are methods based on claims triangles (Chain Ladder and Bornhuetter-Ferguson actuarial methods). These methods are supplemented by an estimation of the variability of the technical provisions at one year by the Merz and Wuthrich method, which aims to determine a reasonable estimate range in which the Group Actuarial Department issues an opinion regarding an adequate ultimate loss ratio.

On the basis of the opinions issued by the Group Actuarial Department and other analyses, during the Loss Reserving Committee meeting management determines the level of final reserves to be established for each quarterly closing. This committee is formed for each entity and at the Group level. It meets at least quarterly, but may be convened in case of a major event which requires a significant revision of the level of reserves (in particular in the event of a significant claim). The estimates are likewise refined based on economic information, risk underwriting information, and information on the recovery of receivables, evaluated at a quarterly committee meeting on "economic expectations".

Loss ratio

The Group measures the loss experience, notably according to the loss ratio (total of claims expenses compared to the total gross earned premiums). This ratio, which was determined using figures from the consolidated financial statements, was 44.2% in 2018.

The table below shows the progression of the average loss ratio for a given year between 2016 and 2018:

Year	2018	2017	2016
Loss ratio	44.2%	51.4%	63.3%

The Group controls its level of ultimate loss thanks to its capacity to reduce or cancel its credit insurance coverage, a corrective measure aimed at reducing its exposure in certain countries in response to the deterioration in the economic situation.

A variation of +/- one percentage point [(1)] in the gross accounting loss ratio at December 31, 2018 would have had an impact of +/-€11 million on claims expenses, of +/-€8 million on claims expenses net of reinsurance, of +/-€6 million on 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 in light of the loss ratio recorded in previous years. This sensitivity analysis is calculated on a straight line basis.

Claims expenses recorded at the Group level

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

	As of December 31								
	2018			2017			2016		
(in millions of euros)	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year (year of occurrence)	(829)	209	(620)	(798)	197	(601)	(782)	168	(614)
Claims expenses – prior years	324	(72)	252	227	(41)	186	76	(24)	52
CLAIMS EXPENSES	**(505)**	**137**	**(368)**	**(571)**	**156**	**(415)**	**(706)**	**144**	**(562)**

Status of technical provisions established at the Group level

In the table below, the provisions for unwritten earned 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. Profit-sharing is a contractual stipulation which consists of paying a portion of the benefit that might be generated on the contract based on its loss experience to the policyholder at the end of a defined period.

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

(in millions of euros)	2018	2017	2016
	As of December 31		
Provisions for unwritten earned premiums	280	271	276
Claims reserves	1,291	1,266	1,275
Provisions for profit-sharing	175	145	127
Liabilities relating to insurance contracts	**1,746**	**1,682**	**1,678**
Provisions for unwritten earned premiums	(61)	(62)	(48)
Claims reserves	(321)	(309)	(267)
Provisions for profit-sharing	(43)	(34)	(26)
Reinsurers' share of liabilities relating to insurance contracts	**(425)**	**(405)**	**(341)**
NET TECHNICAL PROVISIONS	**1,321**	**1,277**	**1,337**

Development of claims provisions

The development of claims provisions shows how claims provisions have progressed over the last decade.

The following triangle shows the development of the ultimate loss ratios and sets out, for a given line N, the outlook for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies according to the increasing reliability of information relating to claims still pending. The discrepancy between the initial loss ratio and the final loss ratio measures the excess or insufficiency of the provisions originally recorded.

Triangle of development of ultimate loss ratios (before reinsurance and excluding claims handling expenses)

Occurrence year/ development year (as a %)	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2009	77.2	65.9	60.3	61.6	57.8	56.5	55.8	56.3	55.7	55.1
2010	58.2	44.3	37.9	35.5	34.9	34.9	34.7	34.3	34.2	
2011	73.6	61.1	55.0	54.4	53.2	52.3	51.2	50.6		
2012	77.1	67.4	60.8	58.5	59.7	59.8	58.9			
2013	72.6	56.9	51.1	49.2	49.4	48.4				
2014	72.5	61.8	62.9	59.7	57.2					
2015	70.2	65.5	55.6	51.7						
2016	70.0	63.1	52.8							
2017	74.1	61.4								
2018	75.7									

The claims provisions estimate model used by the Group relies on conventional approaches to reserving based on claims triangles. The Group's reserving guidelines transmitted to entities ensure uniform reserving practices throughout the Group and aim to maintain the level of prudence historically used in claims provisions.

In particular, the loss ratios used are higher than those recorded historically. Consequently, given the Group's good control of its loss experience, liquidation profits from claims provisions have been recognised since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the change in these profits over the period from 2016-2018:

Period	Ultimate loss ratio before reinsurance and excluding claims handling expenses for each year following the first year of development *(as a %)*	Accounting loss ratio before reinsurance and excluding claims handling expenses *(as a %)*	Profits *(as a %)*
Year 2016	70.0	61.0	(9.0)
Year 2017	74.1	49.0	(25.1)
Year 2018	75.7	41.7	(34.0)

The second table, entitled "Triangle of development of cumulative claims paid, net of recourse (before reinsurance)", sets out, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and previously which have been made since December 31 N. The process of declaring claims, indemnifying them and any recourse extends over several years. This requires the claims per insurance period to be tracked.

Triangle of development of cumulative claims paid, net of recourse (before reinsurance)

Occurrence year/ development year *(in millions of euros)*	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2009	164	453	517	533	538	545	545	547	553	552
2010	60	274	345	358	365	369	379	389	386	
2011	67	458	566	597	626	608	596	594		
2012	117	446	562	575	580	593	596			
2013	83	400	491	523	527	523				
2014	74	417	572	613	616					
2015	62	370	474	488						
2016	55	327	442							
2017	58	310								
2018	68									

Debtor risk exposure

The Group insures the unpaid receivables risk for over 2 million debtors worldwide. As of December 31, 2018, the average debtor risk was below €250 thousand. More than 81% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and Spain, and in the United States.

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

The total outstanding covered by the Group was €540.5 billion, up by more than €27 billion against a background of continuing high sensitivity of emerging countries and of specific sectors such as construction, metals and the oil sector. The risk selectivity level was strengthened for increased granularity.

The charts below show the breakdown of debtors [1] as of December 31, 2016, 2017 and 2018 according to the outstanding amounts of cumulative credit risk carried by the Group for them. Analysis of the number of debtors by outstandings brackets reveals a weak risk concentration profile.

(1) The debtors referred to above are clients of the Group's policyholders.

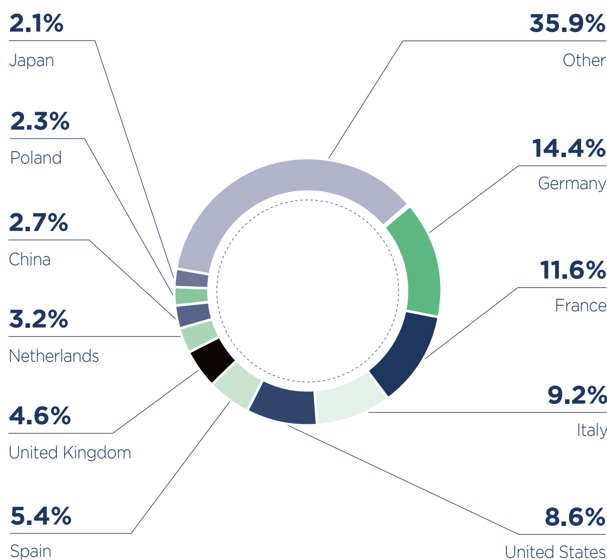
Debtor total outstandings brackets	Outstandings* (in €m) 2018	2017	2016
€1 - €100 thousand	38,996	39,263	39,581
€101 - €200 thousand	26,237	25,989	25,404
€201 - €400 thousand	36,450	35,955	34,833
€401 - €800 thousand	45,912	44,949	44,100
€801 - €1,500 thousand	47,677	46,755	45,778
€1,500 thousand - €5 million	102,380	98,157	94,959
€5 million - €50 million	168,544	155,751	149,443
€50 million - €200 million	47,316	42,168	37,374
€200 million and more	26,980	23,585	21,185
TOTAL	**540,492**	**512,572**	**492,657**

* *The outstandings shown below are gross of reinsurance (direct business and inward reinsurance) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not correspond to the effective use thereof by the policyholders.*

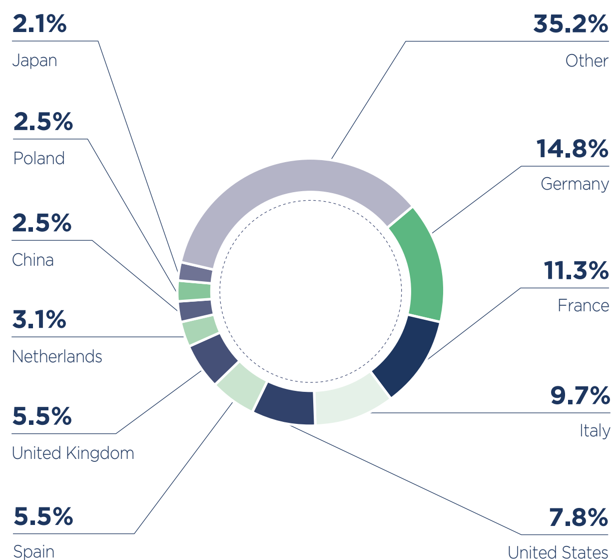
Geographical distribution of risks

The debtors covered by the Group's credit insurance policies are mainly located in Western Europe. In the medium term, the Group considers that the consequences of Brexit, in particular the negotiation of the trade agreement between the United Kingdom and the European Union, will determine the future evolution of risks; Coface is adjusting its monitoring of risks accordingly. As of December 31, 2016, 2017 and 2018, the top ten countries represented 64.5%, 64.8% and 64.0% respectively of the Group's total exposure (€540,492 million) arising from its credit insurance activities.

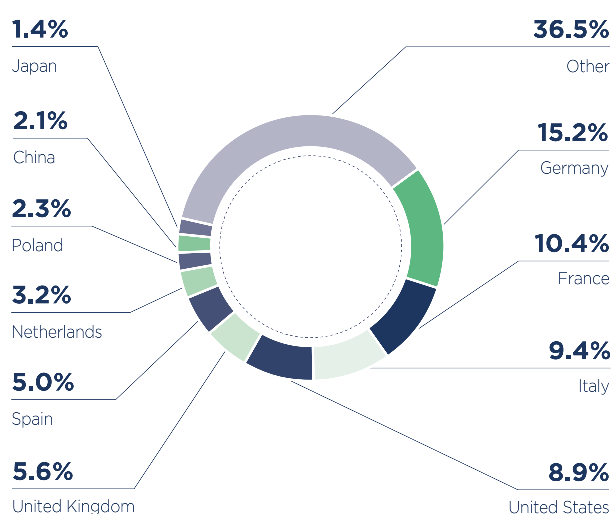
At December 31, 2018



At December 31, 2017



At December 31, 2016



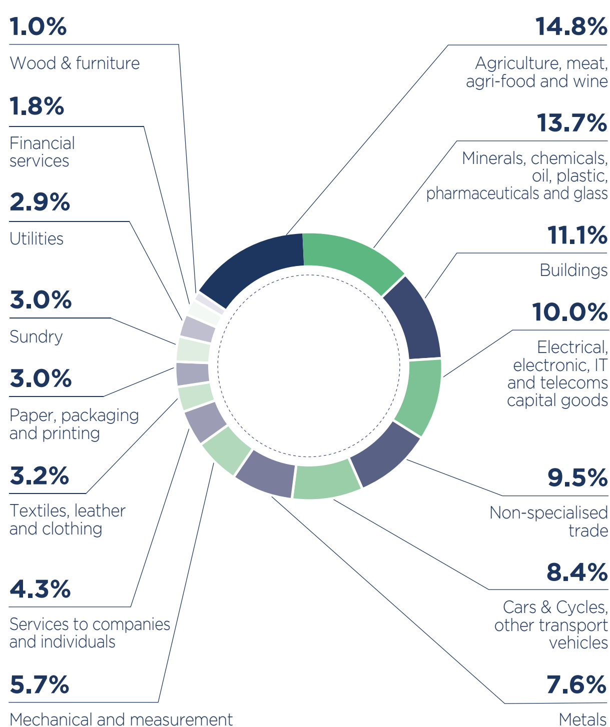
The following table shows the breakdown as of December 31, 2016, 2017 and 2018 of the Group's debtor receivables grouped by geographic region:

	Outstandings* *(in €m)*		
Group Regions	**2018**	**2017**	**2016**
Western Europe	115,090	111,110	103,010
Northern Europe	109,821	106,698	104,324
Asia-Pacific	72,561	65,968	63,734
Mediterranean & Africa	108,444	106,189	98,938
North America	54,027	46,861	50,626
Latin America	32,642	29,909	30,711
Central Europe	47,908	45,837	41,314
TOTAL	**540,492**	**512,572**	**492,657**

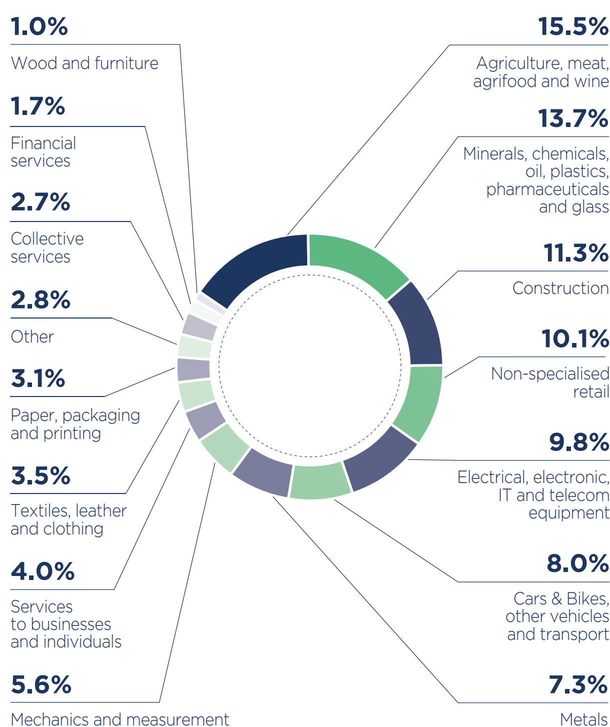
* *The outstandings shown below are gross of reinsurance (direct business and inward reinsurance) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not correspond to the effective use thereof by the policyholders.*

Exposure by debtor activity sectors

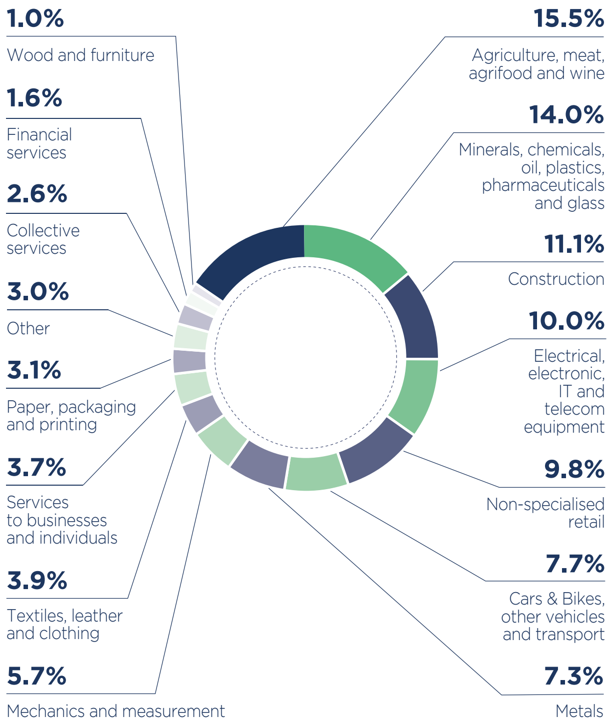
At December 31, 2018



At December 31, 2017



At December 31, 2016



Term of risks

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

Level two controls ensure that the Group's rules on credit risk are properly observed.

Operational and non-compliance risks

Definition

Operational risk is defined as the risk of direct or indirect losses, due to an inadequacy or failure attributable to procedures and persons in all business areas, to internal systems or to external events, including the risk of internal and external fraud.

Operational risk also includes the notion of legal risk, including the risk of dependency. The Group does not consider that its business or profitability is dependent on any trademarks, patents or licenses. Indeed, as part of its business selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by trademark registration, including in France. Finally, the Group has registered a number of trademarks, logos and domain names used in its businesses worldwide.

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

- non-compliance risk is defined as the risk of judicial, administrative or disciplinary sanctions, a significant financial loss or damage to reputation that results from a failure to comply with specific legislative or regulatory provisions applicable to the insurance, sale of information, debt collection or factoring businesses, whether such provisions concern professional rules or mandatory internal regulations. The main areas of non-compliance are: the fight against financial crime (anti-money laundering, anti-terrorism financing, fraud prevention and anti-corruption legislation), the protection of personal data, the rules of professional ethics and the regulations applicable to the insurance, factoring and debt recovery businesses;
- modelling risk is defined by the risk to earnings arising from inappropriate or misused models, due to poor design, poor monitoring or improper use;
- dilution risk is included in operational risks for the factoring business (resulting, in particular, from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the solvency of the debtor: disputes, compensation, prepaid invoices and double issuance, for example, and even the issuing of false invoices in the most serious cases.

Measures

Operational risk mapping

In order to improve the understanding of its operational risks, the Group is carrying out a mapping in accordance with so-called "qualitative" methodology.

For each business process or support, a list is drawn up of the significant risk situations which may affect this business or support.

The risk assessment performed by each entity is based on an assessment of its frequency and intensity of impact, as well as the effectiveness of level one controls. A four-level assessment scale is applied (low, medium, significant, high).

Each risk situation is the subject of a detailed description incorporating an assessment of the inherent risk (*i.e.* before level one controls), a description and evaluation of the level one controls, and an evaluation of the residual risk and potential action plans.

Reporting incidents and losses

An incident is the occurrence of an operational risk that could result in, or could have resulted in, a financial loss, an unjustified profit, or in other non-financial consequences.

An inventory is made of operational incidents and losses. A summary is produced each month and distributed during the Coface Group Risk Committee (CGRC) meeting.

The incidents reported are corrected and are taken into account when updating the operational risk map.

Action plans and reporting

The purpose of implementing the measures described above is to fully identify the operational risks. When necessary, preventive or corrective action plans for the reduction or control of operational risks are defined and rolled out.

The Group Risk Department is responsible for reporting to the CGRC and the Group's management bodies.

Business continuity

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

The BCP is prepared based on Group rules, supplemented by rules on mutual assistance between entities and remote working, for which three tests were conducted in 2018. These rules constitute the Group's business continuity policy. Each entity carries out its business continuity plan locally.. User needs and resources are identified via a business impact analysis.

The overall approach is in line with the principal standards for business continuity. The main operational components of the BCP are the crisis management plan and the business line continuity plans. Back-up of the main data and IT applications used by the Group is ensured by two separate data processing centres located in the Paris region, remote from each other and operating in "active-active" mode.

Risks related to cybersecurity (see also Section 5.2.4 "Risks related to cybersecurity")

Coface has developed security standards for its information systems which include a set of policies, rules, procedures and standards applicable at the various levels of the organisation.

Several measures have been introduced to minimise the risk of malicious acts, data theft, hacking of the information system, deletion of corporate websites, alteration of information, premature stoppage of services by saturation of networks or websites, specifically:

- general maintenance of infrastructure at the latest software version level;
- distribution of security patches according to a recurring procedure;
- search for weaknesses in our infrastructure with the implementation of an ongoing process of vulnerability management;
- evaluation of the robustness of our infrastructure with the implementation of simulated attacks carried out by specialist firms;
- evaluation of the resilience of our internal applications to attacks by specialist firms through the implementation of a code audit;
- reduction of the human risk through awareness-raising campaigns on IT system security in the form of e-learning, communication by email, or the distribution of posters or brochures;
- implementation of a control program designed to prevent risks.

Information systems security is managed by a committee that meets quarterly.

Financial risks

Definition

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

- interest rate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes in the yield curve or the volatility of interest rates;
- foreign exchange risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of exchange rates;
- liquidity risk represents the inability to meet contractual or contingent payment obligations;
- equity risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of equity markets;
- real estate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of real estate markets;
- spread risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads compared to the risk-free yield curve;
- counterparty risk represents the unexpected default, or deterioration in the credit quality, of the Company's counterparties and debtors.

The Group has introduced an investment policy that takes into account the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies, and the investment constraints resulting from the management of its liabilities. The investment strategy applied must enable the Group to honour its commitments to its policyholders, while optimising the investments and their performance within a defined risk framework.

The Group's investment policy is reviewed twice a year and covers, in particular, strategic asset allocation, the asset classes and products eligible for investment, the target maturity of the portfolio, the management of any hedges and the policy for managing the Group's revenue. The allocation defined each year is based on an analysis of the liabilities, on simulations and stress tests of the returns or risks of the various asset classes in the portfolio and on compliance with the defined parameters related to the Group's business and its commitments: target sensitivity, capital consumption, maximum loss depending on the behaviour of financial markets, and on the quality and liquidity of the investment portfolio.

The control of financial risk is based on a rigorous system of standards and controls that are constantly being reviewed.

Measures

As an insurance company, the Group maintains an allocation that is mainly focused on fixed income products offering it more stable recurring revenue.

	As of December 31					
	2018		2017		2016	
Investment portfolio (fair value)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Equities	178	6.6%	207	7.5%	126	4.8%
Bonds	1,775	65.6%	1,785	64.7%	1,797	68.3%
Loans, deposits and other business investments	525	19.4%	549	19.9%	570	21.7%
Investment property	227	8.4%	219	7.9%	138	5.2%
TOTAL	**2,705**	**100.0%**	**2,760**	**100.0%**	**2,631**	**100.0%**

* *Excluding unconsolidated subsidiaries.*

As of December 31, 2018, bonds accounted for 65.6% of the total investment portfolio.

As part of the defined strategic allocation, the Group has reduced its allocation to equities, and increased its allocation to European unlisted real estate, while increasing its exposure to the sovereign debt of the main issuers in the financial markets.

	As of December 31					
	2018		2017		2016	
Breakdown by type of debt in the bond portfolio (fair value)	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Sovereign and similar	963	54.2%	882	49.4%	923	51.4%
Non-sovereign	812	45.8%	903	50.6%	874	48.6%
TOTAL	**1,775**	**100.0%**	**1,785**	**100%**	**1,797**	**100%**

These investments are all made within a strictly defined risk framework; issuer credit quality, issue sensitivity, and the spread of risk across issuers and geographic regions are covered by clear rules defined in the various management mandates granted to the Group's dedicated asset managers.

Specific limits that apply to the entire investment portfolio are defined in terms of portfolio pricing, and by counterparty and country limits. Regular monitoring is also conducted on the liquidity of the credit portfolio, on the changes in spreads and on the Group's aggregate exposure to the main asset/liability risks. Lastly, hedges are made, when appropriate: they are systematic on foreign exchange risk and discretionary on interest rate and spread risk. As of December 31, 2018, part of the sovereign bond portfolio was hedged using interest rate futures.

As of December 31, 2016, 2017 and 2018, the main features of the bond portfolio were as follows:

	As of December 31					
	2018		2017		2016	
Distribution of the bond portfolio by geographical area (fair value)	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Asia – Developed countries	248	14.0%	230	12.9%	259	14.4%
Emerging countries (1)	165	9.3%	171	9.6%	164	9.1%
Eurozone	833	46.9%	779	43.6%	821	45.7%
Europe outside the eurozone (2)	132	7.4%	144	8.1%	145	8.1%
North America	397	22.4%	461	25.8%	408	22.7%
TOTAL	**1,775**	**100%**	**1,785**	**100%**	**1,797**	**100%**

(1) Countries where the Group is present, primarily Brazil and Mexico.
(2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is mainly exposed to developed countries in the eurozone and North America. Exposure to Greek sovereign debt is still nil, but we made some investments on Portugal during the year. In 2018, the Group continued to increase its international diversification, particularly in developed countries in Asia, as well as in the eurozone, in order to take advantage of higher rates of return and to track the various increases in rates, or to reduce the cost of currency hedging.

The bond portfolio remains primarily invested in investment grade [(1)] companies and countries.

Breakdown by rating * of bonds in the bond portfolio (fair value)	As of December 31					
	2018		2017		2016	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
AAA	284	16.0%	341	19.1%	354	19.7%
AA - A	755	42.5%	663	37.1%	675	37.6%
BBB	588	33.1%	587	32.9%	576	32.1%
BB - B	148	8.4%	193	10.8%	186	10.4%
CCC and below	0	0.0%	1	0.1%	6	0.3%
TOTAL	**1,775**	**100%**	**1,785**	**100%**	**1,797**	**100%**

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

Also, investments in corporate bonds account for 45.8% of the bond portfolio, with more than 90% in investment grade companies. These investments were made within the framework of a strictly defined risk policy, and particular care was taken with regard to issuer quality, issue sensitivity, and the spread of issuers' positions and geographic regions in the various management mandates granted to the Group's dedicated managers.

The Group's interest rate risk on its financial portfolio is limited, since the maximum authorised sensitivity for the bond asset class is deliberately capped at 4 [(2)]. The sensitivity of the bond portfolio was 3.5 at December 31, 2018.

Finally, the Risk Committee's semi-annual meetings systematically review the portfolio's spread and liquidity risks.

Hedging policy

The Group's Investment Department, which is responsible for directing its investments and managing its investment portfolio, may authorise the use of hedges against the risk of interest rate hikes, through forward financial instruments (swaps, futures, options) on regulated markets or over the counter with counterparties rated A- or higher.

These transactions are carried out exclusively for hedging purposes and in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is then strictly limited to the amount of underlying assets held in the portfolio (equities or fixed income products) in order to hedge assets actually held in the portfolio.

As of December 31, 2018, the Company and Coface Re were partially hedged against the risk of a rate hike and the risk of a fall in the equity markets. The first hedge is based on exposure to the rates of French government bonds in the investment portfolio through futures; the second aims to hedge the equity exposure of the investment portfolio, particularly using out-of-the-money long-term put options. The level and management of these hedges are defined and reviewed depending on the market conditions and management of the levels of unrealised gains and losses at the monthly Investment Committee meetings between the Group's management and the manager of the Amundi investment platform.

Foreign exchange risk

As of December 31, 2018, 36.3% of the Group's consolidated revenue was earned outside the eurozone, and thus subject to exchange rate risk.

Subsidiaries or branches whose accounts are drawn up in euros and which underwrite in other currencies must comply with the same matching principles (matching of assets and liabilities denominated in a currency other than that used as a reference for issuing accounting statements). Exceptionally, open positions in other currencies may be hedged. The Group does not make foreign currency investments for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure of the investment portfolios to foreign exchange risk is limited: as of December 31, 2018, more than 73% of investments were denominated in euros.

(1) According to Standard & Poor's rating classification, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of BB+ or lower are considered to be high yield.

(2) The sensitivity of a bond measures the loss of value of the bond in the event of a rise in interest rates. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if interest rates increase by 1%.

Breakdown of the investment portfolio by currency	As of December 31					
	2018		2017		2016	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
EUR	1,989	73.6%	1,942	70.4%	1,833	69.7%
USD	323	12.0%	423	15.3%	410	15.6%
Other*	392	14.5%	395	14.3%	388	14.7%
TOTAL	**2,705**	**100.0%**	**2,760**	**100%**	**2,631**	**100%**

* *Mainly Singapore dollar, pound sterling, Hong Kong dollar, and Canadian dollar.*

Moreover, for the greater part of the portfolio, which includes all of the Group's European entities, foreign exchange risk is systematically hedged for foreign currency investments that do not apply the principle of congruence. Therefore, as of December 31, 2018, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were systematically hedged against the euro by the managers responsible for the portfolios concerned. Foreign currency transactions carried out by subsidiaries are monitored by the Group in order to decide, on a case-by-case basis, on the need to put in place the associated hedges.

Sensitivity to exchange rate risk of the net income of entities denominated in foreign currencies

	Average exchange rate (December 2018)	Net income (Group share) in €k as of Dec. 31, 2018	Net income (Group share) in thousands of foreign currency as of Dec. 31, 2018	Assumption – 10% variation in the exchange rate	Net income (Group share) in €k after exchange rate changes	Rate difference between actual rate and exchange rate fluctuating by 10%
Brazilian real	0.2320	3,572	15,394	0.2552	3,929	357
Canadian dollar	0.6535	5,581	8,540	0.7188	6,139	558
Swiss franc	0.8659	1,053	1,217	0.9525	1,159	105
Pound sterling	1.1304	1,377	1,218	1.2434	1,514	138
Hong Kong dollar	0.1080	(4,722)	(43,715)	0.1188	(5,194)	(472)
Mexican peso	0.0440	682	15,484	0.0484	750	68
Polish zloty	0.2347	4,910	20,919	0.2582	5,401	491
Romanian leu	0.2149	1,885	8,775	0.2364	2,074	189
Russian rouble	0.0135	1,002	74,202	0.0149	1,102	100
Singapore dollar	0.6279	(8,484)	(13,513)	0.6906	(9,332)	(848)
US dollar	0.8465	4,127	4,875	0.9312	4,540	413
Other		6,942			7,636	694
Euro		104,407			104,407	
TOTAL		**122,332**			**124,125**	**1,792**

Liquidity risk

The Group's bond portfolio has a short duration, in line with its liabilities. The breakdown of bond durations is presented below:

Breakdown of the bond portfolio by duration	As of December 31					
	2018		2017		2016	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
< 1 year	316	17.8%	366	20.5%	452	25.2%
1 year < > 3 years	593	33.4%	562	31.5%	480	26.7%
3 years < > 5 years	418	23.5%	366	20.5%	374	20.8%
5 years < > 10 years	415	23.4%	451	25.3%	444	24.7%
> 10 years	33	1.9%	40	2.2%	47	2.6%
TOTAL	**1,775**	**100%**	**1,785**	**100%**	**1,797**	**100%**

51.2% of the securities in the bond portfolio have a duration of less than three years as of December 31, 2018.

The liquidity position of an insurance company is valued by standards which measure the Company's ability to meet its financial obligations.

Equity risk

Equity markets are characterised by volatility which creates a significant risk for an insurer subject to specific rules in terms of reserves (provisions for long-term depreciation) and capital consumption (Solvency II Directive).

In this context, the Group once again reviewed its equity exposure in 2018 through work on the review of its strategic asset allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and is concentrated in the eurozone, in line with its core business. The Group has no specific concentration of its equity risk on one or more economic sectors. Management is calibrated against the MSCI EMU benchmark [1]. These investments are also subject to a discretionary hedge put in place to mitigate any potential extreme shocks. The hedging strategy is dynamic: its level, its scope and its magnitude are defined by the Investment Department working with the manager responsible for the management platform.

As of December 31, 2018, equities accounted for 6.6% of the investment portfolio, of which 6.0% were equities listed on a market in the eurozone. These investments were the subject of a hedge on 30% of the invested portfolio through the purchase of put options maturing in June 2020 at an out-of-the-money exercise price of approximately 10% on the Eurostoxx 50 index. These hedges may be adjusted according to the investments and the amount of the unrealised losses or gains on the shares held.

Real estate risk

Under the Group's strategic allocation, real estate represents a limited portion of the Group's assets at less than 8%, due to the low liquidity of this asset class. The Group's current portfolio consists of property used within the context of its operating activities, as well as funds with underlying real estate.

The real estate risk is the risk of seeing a reduction in market value, thereby impacting the unrealised gains recorded for this real estate, or even of recording unrealised losses.

As of December 31, 2018, the Group had real estate exposure with a fair value of €288.4 million, consisting of €61.9 million in commercial property and €226.5 million in non-listed real estate.

Concentration risk/counterparty default risk

The Group has adopted an investment policy that defines a comprehensive counterparty risk management framework. The approach consists in defining limits for bond investments and consolidating all exposures across all financial instruments in order to circumscribe the potential total loss for the Group following default by or bankruptcy of the counterparty concerned.

A maximum limit for exposure to a single counterparty has been set as a percentage of the investment portfolio. This is set at 5% of assets under management, with possible exceptional and temporary derogations for exposures related to short-term investments.

As of December 31, 2018, the 10 main exposures in the bond portfolio were €230 million, or 13% of the fair value of the bond portfolio.

More generally, the Group has implemented management rules within its investment portfolio and for all asset classes that require geographic and sectoral diversification of risks in order to protect or mitigate a potential default.

The tables below, which enable the sensitivity of the portfolio to be measured using the so-called IFRS 7 benchmark method, show that the portfolio, excluding the impact of equity rate hedges, is, at December 31, 2018, slightly more sensitive to the combined effects of a 100 bps increase in bond rates and a 10% fall in the equity market than it was on December 31, 2017. This can be explained by the significant rise in our equity exposure.

(1) *Published by Morgan Stanley Capital International, the MSCI EMU index is an index weighted by the free float-adjusted market capitalisation, designed to measure the performance of equity markets in the eurozone countries.*

Sensitivity of the portfolio to changes in equity and bond markets as of December 31, 2018

(in millions of euros)	Market value as of December 31, 2018	Impact of a 100 bps rise in interest rates (1) (2)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,775	(62.5)		
Equities	178		(17.8)	(35.6)
TOTAL	**1.953**	**(62.5)**	**(17.8)**	**(35.6)**

(1) Average sensitivity of the bond portfolio at end 2018: 3.52.
(2) Excluding any hedging impact.

Sensitivity of the portfolio to changes in equity and bond markets as of December 31, 2017

(in millions of euros)	Market value as of December 31, 2017	Impact of a 100 bps rise in interest rates (1)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,785	(63.5)		
Equities	207		(20.7)	(41.4)
TOTAL	**1,992**	**(63.5)**	**(20.7)**	**(41.4)**

(1) Average sensitivity of the bond portfolio at end 2017: 3.6.
(2) Excluding any hedging impact.

Sensitivity of the portfolio to changes in equity and bond markets as of December 31, 2016

(in millions of euros)	Market value as of December 31, 2016	Impact of a 100 bps rise in interest rates (1)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,797	(64.7)	-	-
Equities	126	-	(12.7)	(25.3)
TOTAL	**1,923**	**(64.7)**	**(12.7)**	**(25.3)**

(1) Average sensitivity of the bond portfolio at end 2016: 3.6.
(2) Excluding any hedging impact.

To the extent that shares and bonds are accounted for in the available-for-sale category, sensitivity would have an impact on "other comprehensive income", to which shareholders' equity is sensitive. Unrealised gains and losses on these financial securities have no impact on net income, except for any impairment recorded. In the event of a sale, the resulting profit or loss would have an effect on the operating income in the income statement.

Strategic risks

Definition

Strategic risk stems from the Group's businesses and business lines worldwide. It can be defined as the risk affecting our results and our solvency due to changes in market conditions, poor strategic decisions or poor application of these decisions aimed at responding to the changes in market conditions. Changes in market conditions may, for example, be linked to regulatory or prudential developments or to the brokerage model adopted within the Group.

Apart from changes in the economic environment that may be reflected by an increase in credit risk, Coface considers that strategic risks in its business are low.

Measures

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

Reinsurance risks

Definition

Given its risk appetite, the Group reinsures itself against the extreme risks that it could suffer.

Reinsurance generates four types of risk:

- the residual insurance risk that may arise from differences between the requirement for reinsurance and the actual coverage provided for in the treaty;

- the counterparty risk that results from the potential inability or refusal of the reinsurer or a treaty party to meet its obligations to the ceding insurer;
- the liquidity risk arising from the possible delay between the payment of the benefit by the insurer to its policyholder and the receipt of the reinsurance benefit;
- the operational risk related to the execution of the treaty.

Measures

Intra-group risk sharing and reinsurance

In order to optimise its cover against an abnormal deviation of the loss experience, the Group centralises the purchasing of its reinsurance with the use of a sophisticated risk-sharing mechanism.

The lead company, which centralises this purchasing function, negotiates cover on behalf of the Group's insurance entities for frequency and peak risks that best meets their operational needs. The Company held this role until the end of 2014 and was replaced by Coface Re SA as of January 2015.

The objective of setting up Coface Re SA is to isolate the Group's reinsurance flows as part of a special entity, to continue streamlining the coverage plans of the Group's entities and partners, and to increase the range of services available to its international clients.

In 2018, the external reinsurance program for the subscription year (excluding Stop Loss) was as follows:

- two quota-share treaties with a total rate of 26%, identical to the 2017 rate;
- two excess loss treaties, one per risk and the other per country (only on Single Risk), protecting the Group's retention after quota-share transfer such that no one single loss represents, after tax, more than 3% of the Group's equity; and
- a Stop Loss treaty protecting the Group's accounting year retention, after quota-share and excess loss, against a sharp increase in the frequency risk.

The Group's 2018 reinsurance treaties were signed with a pool of 22 reinsurance companies. All these reinsurance companies on the 2018 panel are rated between A- and AA by one of the major international rating agencies.

The Group continues to require systematic collateral from its reinsurers (cash, securities, letters of credit) on all proportional treaties including IBNR. This objective was fully achieved as of December 31, 2018 for all counterparties of its master treaty. The collateral requirements apply on a case-by-case basis to excess claims based on the Group's assessment and are updated annually. Under the 2018 reinsurance treaty, the Group's top three reinsurers represent a 39.50% share of the reinsured risks.

Since these treaties were established in 1990, the Group has never had to face a claim that surpassed an excess loss reinsurance treaty.

Coface Re SA has been a reinsurer for Group entities and members of the Coface Partners network since 2015, and transfers the externally purchased coverage through the programs described below. It also ensures that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

Measuring risks linked to the factoring business

Factoring transactions is a means of financing by which a company assigns the receivables due from its clients to a financial organisation, called a factor, under the terms of a contract entered into between the two parties. The Company assigns its rights (subrogation) to the factor in return for rapid financing of its receivables, for a fee (commission on the services and interest on the financing).

The factor thus finances the Company in advance, which enables the Company to optimise its cash flow, and is in turn reimbursed through settlement by the debtors, either by direct collection (recourse factoring) or via a credit insurance policy taken out by the Company (non-recourse factoring), in the event of debtor non-payment or insolvency.

When the contract is negotiated, the type of product, the analysis of the client's creditworthiness, the quality of the receivable and the portfolio of debtors, as well as the terms and pricing applied, influence the risk associated with financing the receivables.

The risks are covered by guarantee funds or reserves (a holdback is applied on the financing portion) on each contract, to which can be added a specific reserve fund based on a prior assessment of:

- the technical risk: failure to pay in full the invoices financed by the factor, for reasons other than debtor insolvency (dilution risk);
- the ceding company risk: potential irrecoverable losses in the event of client insolvency or default (Loss Given Default).

The ceding company risk is assessed by:

- an analysis of clients' financial position using internal rating tools;
- an on-site audit to check the reliability of internal procedures (tools, receivables, deliveries, payments, recovery, etc.) for any new or existing client;
- daily checks of invoices and financing.

Debtor risk is managed in two ways, by a recourse or a non-recourse contract:

- non-recourse: a Group credit insurance policy is taken out by the client to protect it against the risk of unpaid accounts receivable;
- recourse: the factor alone does not assume the purchaser insolvency risk and has recourse against their Client for the unpaid invoices.

The factoring business is governed by specific Group rules, authorising two Group companies, Coface Finanz (Germany) and Coface Factoring Poland (Poland), to market factoring products.

A single tool (Magellan) provides the framework for the factoring business and brings together all the data relating to the life of the contracts: client data, buyers, invoices, contracts.

The factoring outstandings are recorded in the Group tool (ATLAS) enabling consolidated management of its exposure to a buyer or a group of buyers.

The subsidiaries have adopted a specific organisational structure and internal control procedures for daily monitoring of transactions (financing flows, late payment by debtors).

A new Group-level structure has been in place since April 2017 with the creation of the Group Commercial Underwriting Department and a dedicated team that oversees the factoring business.

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

- delegations granted to entities that require, in addition, an agreement between the Group Risk Underwriting Department and the Group Subscription Department;
- a Risk Committee organised by the Group Risk Underwriting Department and the Group Subscription Department, bringing together the factoring risk managers of the entities;
- monthly reports for each entity with a summary of the portfolio and the risk indicators selected on the basis of how differentiating they are.

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

5.2 RISK FACTORS

Prior to making a decision to invest in the shares of the Company, prospective investors should consider carefully all the information set out in this document, including the risks set out below. Such risks are, as of the date of this report, the risks that the Group believes, were they to occur, could have a material adverse effect on the Group, its business, its financial position, its operating results or outlook, and which are material in making an investment decision. Further information relating to risk management is presented in Section 5.1 "Risk Management and Internal Control". Prospective investors should nonetheless note that the risks described in this chapter may not be comprehensive, and that there may be additional risks that are not currently known or whose occurrence, as of the date of the registration document, is not considered likely to have a material adverse effect on the Group, its business, its financial position, its operating results or outlook.

The Group operates in a rapidly evolving environment that leads to numerous external risks, in addition to the risks inherent in the conduct of its businesses. This chapter identifies the significant risk factors to which the Group believes it is exposed and their management.

On a low-medium-high scale, the broad risk categories set out below are as follows:

- risks relating to the economic, competitive and regulatory environment of the Group's business sector: medium;
- risks relating to financial markets and to the Group's financial strength: low;
- risks related to the Group's activities: high;
- risks related to the Group's operating activities: medium;
- other risks related to the Company: low.

5.2.1 Risks relating to the economic, competitive and regulatory environment of the Group's business sector

Risks related to the macroeconomic situation

The Group is present in 63 countries and markets its services in nearly 100 countries and in the many sectors of the economy in which its policyholders operate. Given the nature of its business, its activity is directly influenced by the economic environment and by business activity at both a local and a global level. Although the diversity of the sectors and regions in which the Group operates gives it some resistance to the various economic cycles, its activity is sensitive to changes in general macroeconomic conditions, global trade, the level of investment and consumption, as well as any changes in economic policies affecting its policyholders.

Risk on premiums collected

The premium on a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the policy, on an insured risk on client receivables or on a capped insured receivable, which are themselves a function of the turnover generated by the policyholder during the period covered by its credit insurance policy. The total volume of premiums collected by the Group thus depends on its policyholders' revenue, namely the volume of sales actually generated by them during the periods covered by their respective credit insurance policies, and covered by these policies.

The Group's credit insurance policies include a minimum lump sum premium, calculated on the basis of an estimate of the volume of sales that will be made by a policyholder over the period covered by these policies. This minimum is generally invoiced according to a quarterly schedule, the first payment being due on the date when the policy comes into effect. The volume of sales actually made by the policyholder, which allows the final premium to be determined, is only known at the end of the period covered by the policy. The amount of the final premium, assessed on the volume of sales made by the policyholder, is generally higher than the amount of the minimum fixed premium already invoiced. An adjustment premium, representing the difference between the lump sum premium already invoiced and the final premium, is then invoiced to the policyholder. However, if the total premium calculated on the basis of the volume of sales made by the policyholder is lower than the amount of the fixed premium, this difference is retained by the Group.

Although a deterioration in the economic environment may lead to an increase in the level of premiums received by the Group, resulting from the signing of new policies (either by new policyholders seeking cover or by existing policyholders extending their cover) or from an increase in the insurance premium rates, an economic slowdown, in particular within the eurozone where a large proportion of the Group's policyholders are located, could also result in a reduction in the volume of insurance premiums, due to a slowdown in business experienced by policyholders.

Risk on the level of loss

Difficult economic conditions, in particular in the eurozone where the majority of policyholders are based, may cause an increase in payment delays and bankruptcies and thus in the frequency of claims. They could also lead to peak risks; in other words, abnormally high losses relating to a single debtor or group of debtors, or even due to an accumulation of losses in a single country.

Although the Group's broad geographical spread and its diverse portfolio strengthen its resistance to regional or segment-specific economic shocks by diluting the effect across its entire business, the growing interconnection of economic sectors and financial mechanisms on a global scale exposes it, like all credit insurers, to the risk of having to cope with a global-scale economic crisis, which would limit the benefit of this dilution factor.

An unfavourable change in the economic and commercial environment could in the future have a material adverse effect on the Group's business, financial position, solvency margin, operating results or outlook.

Risks related to the competitive environment

The Group operates in a highly competitive credit insurance market (see also Section 1.4) with a large number of players of varying sizes and status, including export credit agencies (ECAs) created by governments to encourage their exports. The global market is nevertheless dominated by three major players, including the Group, who are the only ones to have a global network and a significant footprint. In certain markets the Group competes with export credit agencies, leading players in their market, who have very significant or even monopolistic market shares. Although it believes that the credit insurance market has strong entry barriers for new global players, the Group cannot disregard the possibility that new players, including those of significant size, will modify their strategy in order to enter certain markets in which it is present, thereby heightening already intense competition. In some regions, it also faces competition from smaller regional players that have good local presence.

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credits or stand-by letters of credit, or factoring, in certain markets, offering alternative coverage solutions to policyholders, who could decide to favour them over the services of the Group. Moreover, an important source of competition comes from the companies themselves, which may opt to self-insure their credit risks, and to manage their receivables internally. An increase in credit insurance costs and in the terms on which the Group offers its other services, and more generally unfavourable developments in business practices in the credit insurance sector, could strengthen this trend and worsen the competitive environment.

Factoring, a market where the Group is present in Germany and Poland, is a less concentrated market than credit insurance and is shared among banking players and non-banking players.

In recent years, the Group has experienced strong competitive pressure, particularly in terms of price in all its business segments and a broadening of the scope and nature of insurance coverage delivered mainly in Western Europe. The competitors in its various business sectors could, due to their size, have larger financial, commercial, technical and human resources, or a greater capacity for innovation, than the Group. These competitors could in the future continue to adopt aggressive pricing policies, diversify or expand service offerings or their supply chains, or develop strategic or contractual relationships in markets in which the Group is present or seeks to expand, and thus increase competitive pressure.

In this regard, the Group may need to adapt its services and tariffs or its risk underwriting policy, which could affect its profitability and/or lead to a loss of market share. Similarly, in the face of such competition the Group may struggle to implement its strategy for sustainable and profitable growth if it fails to offer prices, innovative products, services or a quality of service at least comparable to those of its competitors. The more intense competition could have a material adverse effect on its business, financial position, operating results or outlook.

Risks related to the regulatory environment (legal and accounting)

Risks related to national and international policies and regulations applicable to the Group's activities

The Group operates in a strongly regulated environment, which differs according to the countries in which it does business. Its insurance business is subject to the control of local regulators, which may sometimes differ depending on the country in which it is established.

The Group is headquartered in France; its activity is to a large extent governed by European directives and by French domestic regulations on non-life insurance. The supervisory and regulatory authority for its activities in France and in the European Union is the ACPR (French Prudential Supervision and Resolution Authority).

Most countries in which the Group operates apply laws and regulations which govern solvency standards, the level of capital and reserves, the multiplicity and diversification of business investment portfolios, the conduct of business (particularly the granting of relevant licenses and approvals), distribution practices, the anti-money laundering and anti-terrorism financing rules and the Know Your Customer protection rules.

These various regulations and supervisory measures have been strengthened in the wake of the 2008 financial crisis, both at the European level and outside the European Union. Some countries have adopted or are in the process of adopting measures that constitute significant changes to the current framework, notably to strengthen the solvency of insurance companies. In this context, the amendments to the regulations applicable to the Group's insurance activities since January 1, 2016 have led to new restrictions or conditions on the conduct of its business. They have, particularly by introducing stricter capital and liquidity requirements, increased its financing costs and operating expenses, which could restrict the scope of its activities or, more generally, hamper its development (see Section 5.2.2 "Risks related to hedging the Group's solvency" – SCR ratio below).

The Group also has factoring businesses in Germany, where it is subject to specific regulations, and in Poland. In both these countries, a change in the existing laws and regulations on factoring, particularly in terms of capital and liquidity requirements specific to non-banking factoring activities, could impact the operation of these businesses and the financial position of the Group.

A significant portion of the Group's business is subject to obtaining approvals and licences issued by the public authorities in charge of supervising and controlling credit insurance and factoring activities. As part of its strategy of sustained and profitable growth, the Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licences and authorisations to conduct such business activities. Any major difficulty encountered in obtaining such authorisations could delay or jeopardise its establishment in these new countries. Similarly, the non-renewal, suspension or loss of these authorisations could have a material adverse effect on its business, operating results, financial position and outlook.

Lastly, due to the fast pace of change in the regulatory environment and the strict interpretation and application of the regulations by the regulatory authorities, the Group has become particularly vigilant about compliance. Despite implementing measures to comply with applicable regulations, it may become subject to regulatory investigations and possible sanctions which could affect its business, operating results, financial position, outlook and reputation.

More generally, the Group cannot guarantee that rapid and/or significant changes in current regulations will not, in the future, have a material adverse effect on its business, financial position, solvency margin, dividend policy, operating results or outlook.

Risks relating to tax regulations

As an international group operating in many countries, the Group is subject to multiple tax regulations and conducts its business globally in light of the various regulatory requirements and its sales, financial and tax objectives.

To the extent that the current tax regulations in the various countries where the Group operates do not always provide clear or definitive guidelines, the structure of the Group, the conduct of its business and the tax system may be based, in certain circumstances, on its interpretation of the applicable tax regulations. The Group cannot guarantee that these interpretations will not be challenged by the relevant tax authorities, or that the applicable regulations in some of these countries will not be subject to changes, fluctuating interpretations and contradictory applications. More generally, any breach of the tax regulations of countries in which the Group or its companies are located or operate may result in adjustments, or the payment of late interest, fines and penalties. These factors could have a negative impact on the Group's effective tax rate, cash and operating results.

Risks relating to changes in accounting standards

The Group's consolidated financial statements are prepared in accordance with international standards, as adopted by the European Union. The international accounting standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and their respective interpretations, as presented in the "Accounting principles and methods" of the Group's consolidated financial statements.

IFRS 17 "Insurance contracts" published by the IASB on May 18, 2017 will replace IFRS 4 "Insurance contracts". Initially applicable as of January 1, 2021 with a comparison of January 1, 2020, this standard is only actually expected to enter into force from January 1, 2022. In fact, at its meeting on November 14, 2018, the IASB decided to postpone its application by one year, with clarification remaining to be provided on the structural points in the standard. It also decided to align the term of the temporary exemption from IFRS 9 for insurers to coincide with the application of IFRS 17 on January 1, 2022.

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts", with specific provisions for financial conglomerates, was adopted on November 3, 2017 and was applicable as of January 1, 2018. This European regulation allows European financial conglomerates to opt to postpone application of IFRS 9 for their insurance sector until January 1, 2022 (date of application of the new IFRS 17 "Insurance Contracts") on condition that:

- they do not transfer financial instruments between the insurance sector and any other sector of the conglomerate (other than financial instruments measured at fair value through the profit or loss account);
- they state which insurance entities are applying IAS 39; and
- they disclose specific additional information in the notes to their financial statements.

Coface, meeting the eligibility criteria of a financial conglomerate, plans to apply this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2021. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

These two important draft standards could have a significant impact on the recognition of liabilities linked to insurance policies and the classification of financial assets.

5.2.2 Risks relating to financial markets and to the Group's financial strength

Risks related to world financial market conditions

The Group's business operations are sensitive to changes in the financial markets in France, Europe and the rest of the world. Numerous factors, including uncertainties about the solvency of certain sovereign issuers, the stability and solvency of financial institutions, the risk of future inflation or deflation in certain markets, as well as geopolitical tensions, have led to a liquidity shortage and increased the volatility of the financial markets. They could in the future continue to weigh on the markets and the overall economy, and thus on the business activities and prospects of the Group.

Furthermore, a liquidity shortage and the volatility of financial markets could have a material effect on the Group's investment portfolio, and, more broadly, on its financial income, primarily due to the size of the investment portfolio, which mainly comprises financial instruments whose value depends on the performance of the financial markets (see also the paragraph on "Financial risks" in Section 5.1.3 and the paragraph on "Risks related to the investment portfolio" in Section 5.2.2).

Adverse changes in the financial markets could, in the future, have a material adverse effect on the business, the Group's financial position, solvency margin, share price trends, operating results, market value or outlook.

Risks related to exchange rate fluctuations

Due to the international nature of its activities, the Group distributes policies in around 100 countries and in approximately 50 currencies other than those of the accounts of the issuing entities (premiums collected and claims paid). Similarly, its credit insurance policies may cover invoices in various currencies. Consequently, its entities, which carry foreign exchange risks on their balance sheets when they issue policies with premiums collected in a currency different from their accounting currency, record liabilities that are indexed to a currency other than the one used in the rest of their balance sheet.

Furthermore, the Group, which releases its financial statements in euros, could be exposed to foreign exchange risks, mainly due to the activities of certain foreign subsidiaries that operate in foreign currencies. Its capital is therefore subject to fluctuations in these exchange rates when consolidating the net positions of the various entities in the Group.

Finally, financial assets in the Group's investment portfolio that are in a foreign currency may be affected by fluctuations in the exchange rates of the currencies in which they are denominated (see also the paragraph on "Financial risks" in Section 5.1.3). These fluctuations could significantly affect its financial income.

Although it can seek to reduce its exposure to foreign currency fluctuations through hedging activities via the matching principle, fluctuations in exchange rates and any related losses as part of its hedging activities could have a material adverse effect on its financial position, operating results and solvency margin.

Risks related to the investment portfolio

The Group holds an investment portfolio primarily comprised of financial instruments. The fair value of this investment portfolio as of December 31, 2018 was €2,704.6 million (excluding cash equivalents and investments in unconsolidated subsidiaries). The Group operates a diversification policy for its investment portfolio that aims to comply with the current legal and regulatory provisions, as well as obtain an optimal balance between risk and return (see also the paragraph on "Financial risks" in Section 5.1.3). The occurrence of any of the risks described below could nevertheless have a material adverse effect on its current and future revenue, net income, cash and financial position.

Interest rate risk

A significant portion of the Group's investment portfolio is invested in bonds. As of December 31, 2018, bonds accounted for 65.6% of the total fair value of its investment portfolio. The Group is thus subject to interest rate risk, including both interest rate and spread risk, which is particularly relevant to bonds. During a period when rates fall, there is a risk that the average portfolio interest rate will fall (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future change in rates). Conversely, during a period when interest rates rise, there is a risk that the market value of the bond portfolio will fall, in which case the Group would have to record unrealised losses. Any significant variation in the value of its bond portfolio as a result of a change in interest rates could have a material adverse effect on its net income, cash, solvency margin and financial position. With this in mind, the Group has adopted an asset-liability management policy.

Counterparty risk

As of December 31, 2018, more than 91% of the bonds held by the Group had a rating of BBB or above, assigned by at least one internationally recognised rating agency. At the same date, the exposure of its investment portfolio was primarily geared towards countries in the eurozone, with the exception of Greece. Despite this risk selection policy, it cannot be excluded that its investment portfolio might experience significant changes in value due to persistent current and potential future tensions on the financial markets, in particular with regards to sovereign debt. These defaults or fears of defaults by public or private issuers or by any other third party, counterparties, financial institutions, clearing houses or stock markets could disrupt the market, cause increased volatility of financial instruments, result in a chain reaction of defaults, or even lead to general illiquidity, and could lead the Group to record losses or impairments on invested assets, or significant unrealised losses, or make it unable to meet future funding needs to honour its commitments. Such losses or impairments could harm the value of its investments and reduce its profitability, having a material adverse effect on its current and future revenue, net income, cash, solvency margin and financial position.

Equity risk

As of December 31, 2018, 6.6% of the Group's investment portfolio was invested in equity mutual funds and shares, exposing it to upward and downward fluctuations in the stock market which in turn depend on many exogenous factors. In the event of a drop in the securities to which its portfolio is exposed, it could be obliged to record unrealised losses, or even significant asset impairments, which could have a material adverse effect on its current and future revenue, net income, cash and financial position.

Risks related to the Group's financing needs

The Group's liquidity requirements correspond, on the one hand, to coverage of its operating expenses, the settlement of claims and financial expenses and, on the other hand, to the liquidity needs of the factoring business in Germany and Poland. The main sources of liquidity for the insurance business are the insurance premiums received and the net income from investments. Liquidity to cover

the financing requirements of the factoring business totalled €2.2 billion at December 31, 2018 and corresponded to drawdowns under bilateral credit lines and overdraft facilities of a maximum amount of €971.5 million, to issuances made under its commercial paper program for a total maximum amount of €650 million and a factoring receivables securitisation program in Germany for a total maximum amount of €1.195 billion. Any early termination of the securitisation programs or related financing in the event of default or a failure to comply with commitments could have a material adverse effect on its financial position.

As part of its financing policy, the Group accessed and is expected to continue to access the capital and loan markets. In this regard, it cannot guarantee that it will have sufficient financing or that capital or loan market conditions, particularly interest rates, and the perception on these markets of its financial position and outlook, will be favourable enough to access the funding (bank financing or fundraising on financial markets) required to develop its business, in particular to cover its operating expenses, claims settlement and financial expenses. The capital market has suffered, and could continue to suffer, from high volatility or from disruptions limiting the availability of market financing. Such insufficient liquidity and/or prolonged restrictions in accessing these forms of funding could have a material adverse effect on its business, financial position, operating results or outlook.

Risks related to hedging the Group's solvency (SCR ratio)

Solvency II, which has been applicable since January 1, 2016, is aimed in particular at a better understanding of insurers' risks. In this respect, these regulations include solvency capital requirements (SCR) that set capital adequacy requirements for insurers for the purpose of absorbing a major shock. These SCR may be calculated based on a standard formula set by the regulations or by a complete or partial internal model developed by the insurer and validated by the prudential regulator.

In preparation for Solvency II, the Group, like the majority of other European insurers, has nevertheless had to make a certain number of strategic choices. The Group has chosen the standard model as its regulatory calculation method.

Risks related to rating revision

The ratings on the ability to settle claims and on financial soundness are important factors when assessing the competitive position of insurance companies. The rating agencies regularly review their ratings and methodologies, and consequently may, at any time, modify the ratings that they have assigned. In the current economic environment, some rating agencies have downgraded their outlook for the insurance sector, and have downgraded the ratings of a growing number of companies. At the date of this registration document, the Group has maintained its ratings of AA- from Fitch and A2 from Moody's, which were confirmed in August and June 2018 respectively, with stable outlooks.

However, even a potential downward revision of the outlook and/or of these ratings could have negative effects for the Group and cause: a deterioration in its competitive position; difficulties in distributing new credit insurance policies; the termination of certain existing credit insurance policies; an increase in reinsurance costs; significant financing difficulties or increasing financing costs, linked in particular to its securitisation program and its related financing; the need to grant additional coverage for certain contracts; a negative effect on its relations with its creditors, commercial counterparties and distributor partners, in particular the fronters; a significant negative effect on public trust and on its reputation.

A downgrading in the outlook and/or ratings could consequently have a negative impact on its business, liquidity level, financial position, net income, solvency margin, market value and outlook.

Financial risks related to the effects of climate change

The risks related to the effects of climate change may be physical risks or risks regarding the transition towards a low-carbon economy. The physical risks consist of damage caused by extreme weather events. Coface could be exposed through its clients and their counterparties. These physical risks would ultimately correspond to credit, market and liquidity risks. The risk of transition to a low-carbon economy could result directly in the reduction of the likelihood and scale of physical damage. Initially, the impact would primarily concern sectors linked to the exploitation of fossil fuels as well as the chemical and metal industries. The transport and construction sectors would also be affected. As for the physical risk, therefore, Coface would face credit, market and liquidity risks. Thanks to its diversified credit risk portfolio, Coface is not directly affected by such risks to any significant extent.

In connection with Article 173 of the Law of August 17, 2015 on Energy Transition for Green Growth applicable to Coface, in 2016 the Group defined its responsible investment policy and the goals to be achieved in keeping with its role as a credit insurer and the protection of its reputational risk.

Thus, in partnership with Amundi, in 2016 Coface set up a mechanism to address the regulatory requirements and to measure the carbon footprint of its portfolios with a view to reducing it. Accordingly, calculating and disclosing information on Coface's carbon exposure is the foundation of its commitment in this area:

- ESG (Environmental, Social, Governance) factors: incorporate sensitivity to these factors while maintaining a primary goal of risk and reputation management. Amundi drafts a report that provides the average ESG rating of the Coface portfolio (with ratings from A to G);
- voting rights and Commitment: take part in voting at the Shareholders' Meetings of companies held in the portfolio through the delegated managers and encourage dialogue with their management on best practices by building on the practices followed in these matters;
- measuring the carbon footprint: protecting the Group against carbon risk and participating in international environmental protection and energy and ecological transition endeavours.

The Group's initiatives to reduce its environmental footprint are described in detail in Chapter 6.

5.2.3 Risks related to the Group's business activity

Risks related to the solvency of debtors and policyholders, its assessment and the reliability of information relating to this solvency

The Group's core business is credit insurance. In addition, the Group offers factoring activities in Germany and Poland. Assessing the credit risks related to these activities is an essential component of its business.

Credit risk includes:

- for credit insurance, the underwriting risk, inherent in the insurance business (namely, short-term credit insurance, special risks including Single Risk and surety bonds) under the Solvency II Directive; in other words, the risk of losses or of an unfavourable change in the value of insurance commitments, due to inadequate assumptions in terms of pricing and reserving; and
- for the factoring business as defined by the regulations issued on November 3, 2014, *i.e.* the risk incurred in the event of default by a counterparty or counterparties considered to be a single beneficiary.

High quality, reliable information on debtor solvency is essential for managing the pricing policy and the risk underwriters' decision process. The Group, as with other players in the market, cannot disregard the fact that in certain markets, it may face difficulties in obtaining reliable and accurate information or debtor solvency data from the service providers that it may use.

Any lack of information or use of unreliable information regarding a debtor or the environment in which it operates, or a delay in the provision of such information, is likely to distort the evaluations and assessments used by the Group, and therefore the estimate of the related potential claims risk. Such risks relating to solvency assessments could have a material adverse effect on its business, financial position, operating results, solvency margin and outlook.

Furthermore, if the credit insurance or factoring products that it develops and sells are designed to address needs of policyholders (or clients in the case of factoring activities) and changes in terms of coverage, the Group must likewise control the risks in terms of exposure, and thus of profitability. A poor assessment of debtor solvency (and, in cases of factoring and guarantee activities, of the Group's clients) at the time of underwriting, and for credit insurance during the lifetime of the product, or even at the time of its renewal, could result in poor compatibility between the premium, the commitments made and the Group's management, and thus entail a potentially significant risk of loss.

Risks related to the establishment of insurance technical provisions, depreciation and the assumptions used

The insurance policies managed by the Group's insurance subsidiaries meet the definitions of insurance contracts provided by IFRS 4. These policies give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on French GAAP accounting standards. A liability adequacy test is performed to verify that the technical insurance liabilities, as they appear in the consolidated financial statements, are sufficient to cover the future cash flows estimated at that date (see also the paragraph on "Credit risk" in Section 5.1.3 "Definition and measurement of risks").

The Group makes estimates when establishing technical provisions which are primarily based on statistics and assumptions about changes in events and circumstances related to the policyholders and their debtors, as well as their economic, financial, social, regulatory and also political environment. These estimates may turn out to be different or insufficient when compared to actual events and circumstances observed subsequently, especially if they simultaneously affect its main portfolios. The use of these assumptions requires a high degree of judgement by the Group's management bodies, which may affect the level of the reserves recognised and therefore may have a material adverse effect on the Group's financial position, operating results and solvency margin.

The Group holds business investments for which there is no active market or the observable values are either limited or unrepresentative. Their fair value is then measured using valuation techniques based on assumptions that require a high degree of judgement. The valuations and estimates are revised when new information becomes available. In light of this information and in accordance with these accounting principles and methods, as described in the Group's consolidated financial statements, its management bodies use their judgement to analyse the causes of any decrease in the estimated fair value of securities, its prospects of short-term recovery and the level of provisions that is considered adequate for the resulting impairments. The impairments or additional provisions could have a material adverse effect on the Group's operating results, financial position and solvency margin.

Risks related to the geographic and sectoral distribution of debtors covered by the Group's insurance policies and its policyholders

The Group insures payment default risk for more than 40,000 policyholders in around 100 countries worldwide. The debtor risks covered by the Group's credit insurance policies are mainly located in Western Europe, notably in Germany, France, Italy and Spain. As of December 31, 2018, these four countries accounted for 40% of the Group's overall exposure from its credit insurance activities, while the whole of Western Europe represents 50.5% of the Group's total exposure. On the same date, debtors from non-OECD countries represented less than 18% of the Group's overall exposure. The Group is therefore particularly exposed to the risks and economic situation of countries in the eurozone and in Western Europe in general.

The persistence of a difficult economic situation, or the occurrence of new difficulties in these countries, and more generally in Western Europe, could increase the difficulties and worsen the financial position of the Group's debtors and policyholders operating in such countries. These factors could in return result in a considerable change in the Group's risk profile, and thus have a material adverse effect on its business, financial position, operating results or outlook.

In 2018, the Group maintained a selective risk underwriting policy and close monitoring due to the persistently tense global economic situation observed in all the so-called emerging countries. The Group's debt insurance portfolio covers a broad range of business sectors. However, As of December 31, 2018, the construction, agri-food and chemicals sectors represented 39.7% of the Group's

total exposure. A breakdown of the Group's guaranteed debtor receivables by business sector is set out in the paragraph (see also the paragraph on "Credit risk" in Section 5.1.3 "Definition and measurement of risks").

Similarly, the risks for some more sensitive sectors were revised in 2018 in keeping with the work carried out in 2017, to anticipate the deterioration in the solvency of the most vulnerable players in these markets (metal industry, sectors linked to the oil industry, etc.). Despite the diversity of the business sectors of the Group's policyholders and debtors covered by its credit insurance policies, the Group cannot disregard the fact that a significant deterioration in the economic conditions in any given sector may impact its overall risk levels, as well as the volume of premiums received, with a resulting material adverse effect on its business, financial position, operating results or outlook. This monitoring takes place on an ongoing basis and allows for adjustment to closely match anticipations.

Risks related to overexposure to debtors or regarding major policyholders

As of December 31, 2018, no debtor represented more than 1% of the Group's exposure and no policyholder accounted for more than 1% of the total premiums collected. Although the Group considers that the level of risk exposure regarding a major debtor is fairly limited, given their number and the diversity of risks that they present and the reinsurance underwritten, the occurrence of any significant risks linked to certain important debtors could affect the amount of indemnifications that it may have to pay, and have a material adverse effect on its financial position and operating results.

Risks related to the Group's factoring business

As part of its factoring activity, the Group finances the trade receivables of companies by acquiring their trade receivables, either insuring or not insuring these receivables against the risk of debtor insolvency, and collecting them on its own account. In some cases, the Group has a right of recourse against the ceding company. For the financial year ended December 31, 2018, the factoring business represented €66.71 million in net banking income and €2.5 billion in purchased receivables. In this regard, the Group could be obliged to bear risks related to invoice quality (risk of invoice dilution) in the case of disputed or falsified invoices; client insolvency (*i.e.* ceding company risk) where the client is unable to repay the cash advance made on outstanding invoices; or the solvency of buyers of products and services (see also Notes 4 and 24 to the Group's consolidated financial statements).

If these risks occur in any significant manner, they could have an adverse effect on the financial position, solvency margin, operating results and thus the outlook of the Group.

5.2.4 Risks related to the Group's operating activities

Risks related to the Group's international activities

The Group markets its services in 100 countries in Europe, North America, Latin America, Asia, and a number of African countries. The diversity of its geographical locations exposes it to various and sometimes unstable economic, financial, regulatory, commercial, social and political environments which could have an influence on the solvency of its policyholders' debtors or, to a lesser extent, on the solvency of its policyholders themselves, its methods of operation and marketing, as well as the management and monitoring of risks related to its credit insurance products.

It could be obliged to face a number of external risk factors, such as: fluctuations in exchange rates and currency devaluations; capital transfer restrictions; restrictions related to embargoes; changes in legal and tax systems, including the regulations regarding transfer pricing and withholding tax on payments made by the entities of the Group; increase in interest rates; inflation, potential recessions and financial market volatility; or even political instability and the risk of terrorism and war.

In this context, the Group may face significant difficulties and its strategy may be affected by the environment in certain countries in which it operates, leading to a material adverse effect on its business, financial position, operating results or outlook. Furthermore, the Group is present in countries where the legal systems are very diverse, and where the legal and dispute resolution systems sometimes present characteristics or levels of maturity that are different from those of its most important markets in Europe. In this context, it could encounter difficulties with regard to taking legal action or enforcing rulings.

Risks related to intermediated distribution of the Group's credit insurance policies

Although the Group has various distribution channels and its own sales teams, around two thirds of its sales activity for its credit insurance policies is brokered, and depends on the existence and quality of its relationships with various partners who distribute credit insurance policies on its behalf, especially in countries where it does not have a direct presence (fronting) or does not have its own licence. Its network of partners is composed of insurance brokers, financial institutions and non-specialised business facilitators, with whom it often maintains long-term relationships that are not exclusive (see also Section 1.5.1 "A multi-channel sales network that has been strengthened by an important network of partners and business contributors").

Any significant difficulty encountered in the management or development of its partnerships could have a direct impact on its competitiveness and the implementation of its strategy for sustainable and profitable growth. The Group cannot, therefore, rule out a drop in its business related to the breach or a renewal under less favourable terms of partnership contracts with third

parties such as brokers, banks and multiple-line insurers, or the bankruptcy of these partners. These difficulties, if they occur to a large extent, could have a material adverse effect on its financial position, operating results or outlook.

Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs

The theoretical level of exposure assessed by the Group is incompatible with the Group's available capital alone. This theoretical level of exposure is based primarily on the fact that a certain number of claims derived from this exposure will be passed on to reinsurers under a quota-share treaty, bearing in mind that this transfer of risk to reinsurance companies does not exempt the Group from its commitments to pay its policyholders. The Group has also implemented a reinsurance strategy against any potential extreme risks it may incur through non-proportional "excess claim and excess loss" cover (see the paragraph on "Credit risk" in Section 5.1.3 "Definition and measurement of risks"). In terms of its relations with reinsurance companies, the Group is subject to the default risks of its reinsurers and the risk that it might be unable to obtain reinsurance treaties or obtain them on acceptable pricing terms.

Although, despite the financial crisis, no defaults have been seen among the Group's reinsurers, one or more reinsurers of the Group might no longer be able to meet their financial obligations, which could lead to increased losses for the Group. Furthermore, the reinsurance capacities on the market and the prices of reinsurance treaties depend on the general economic situation and on many other factors, and could vary significantly. Therefore, even though such a situation has never occurred, the Group could have difficulties in obtaining reinsurance on commercially or financially acceptable terms, thereby increasing the risk of potential losses. In turn, this could lead the Group to change its pricing structures or its risk underwriting policy, which could negatively impact its profitability and competitiveness. The occurrence of any of these risks could have a material adverse effect on the Group's financial position, operating results, solvency margin, business and outlook.

Risks related to operational failures or inadequacies

The Group's business relies very heavily on a set of complex processes involving risks of operational malfunctions linked to many internal or external factors. These factors may be human, organisational, material, natural or environmental, including risks of inadequate procedures, errors, fraud or malicious acts by employees, policyholders or brokers, or non-compliance with internal and external regulations, intrusion or hacking. Although the Group pays close attention to the quality of its services, the rigour of its internal processes and systems, and compliance with strict ethical values in the conduct of its business, it cannot rule out the occurrence of such failures (see also the paragraph on "Operational risks" in Section 5.1.3 "Definition and measurement of risks").

Potential claimants could try to hold the Group's employees, officers or companies responsible for such occurrences. The Group could be forced to pay damages and interest, or be subject to significant fines and unfavourable media coverage. The occurrence of such events could affect the Group's reputation for reliability and integrity and thus affect its ability to retain the confidence of its policyholders and to attract new policyholders, causing a material adverse effect on its business, financial position, operating results and outlook.

Risks related to information systems

The Group's business relies very heavily on its information systems. The Group manages complex information systems (in particular for the collection and management of information on the creditworthiness of companies, sales management for products and services, the centralisation of its risks – pricing, invoicing, debt collection, management of claims disputes – and for its bookkeeping and reporting), which are essential for the conduct of its credit insurance business, and additional services related to business information, factoring and debt management.

IT tools and information systems are indeed essential components for all its business, in terms of the development and the quality of its commercial offers (business information, management and collection of debts, credit insurance offers, in particular pricing and underwriting decisions of the Group risk underwriters), as well as for management, back office, reporting and internal control procedures. Despite a policy to strengthen the back-up of its information systems and infrastructure, particularly in the context of Solvency II, and the availability of back-up systems for all its databases and emergency plans for its activities including priority information systems (see paragraph 1.8, "Information systems and processes"), it cannot be guaranteed that the tools, systems and databases will not be destroyed or damaged as a result of an incident or failure of IT tools and information systems.

Any failure of IT tools or information systems, including as a result of hacking, could have a material adverse effect on the Group's business, financial position, operating results or outlook.

In addition, in order to manage certain information systems that are essential to its business, the Group depends on a limited number of suppliers, particularly with regard to the databases related to its information systems. The contracts to supply these services are renewed or renegotiated periodically. An unfavourable change in the relationship with one of the suppliers, hardening of required conditions, a failure to comply with commitments specified in the contracts, non-renewal of these contracts, or a renewal under less favourable conditions than those previously applicable, a potential default by one of the suppliers or a potential increased concentration of providers, could result in delays or significant costs, and generally have a material adverse effect on the Group's business, financial position, operating results or outlook.

Risks related to cybersecurity

The risks related to cybersecurity are a concern for the Group, and the management of such risks is essential for its businesses and clients. Techniques used to steal information and data, hack, disrupt, degrade quality or sabotage information systems are constantly evolving. The Group may be subject to targeted attacks on its IT networks. It could be forced to face interruptions to business, losses or damage to its databases, or misappropriations of confidential information for which it could be held liable, particularly involving litigation or in a way that could negatively affect its reputation and image. The Group is therefore implementing a monitored and controlled Security policy to make the appropriate changes to its system enabling it to protect itself against such hacking techniques, pre-empt and manage any crises and swiftly set up an effective and appropriate system of response.

Risks related to digital transformation

The digitisation of the economy and of trade in particular presents Coface with certain challenges, particularly in terms of client expectations, distribution, security and modelling. Coface is constantly investing in these areas to make its services digital, easy and intuitive to use, integrated into clients' environments and secure, and to ensure its operations are competitive and support the digitisation of its offering. These investments constitute a significant part of the investments for its Fit to Win strategic plan.

Risks related to the occurrence of exceptional events (acts of terrorism, natural disasters, pandemics, etc.)

Unforeseen events such as acts of terrorism, conflicts, the spread of pandemics such as the Ebola virus, a serious natural disaster, the potential consequences of global warming, or any other emergency situation could adversely affect the Group's business and financial position due to the economic and financial consequences of indemnifying the resulting claims.

These events could also cause a temporary disruption to the Group's business operations and result in significant losses to the extent that they would not be covered or would be insufficiently covered, by any relevant insurance policy, and if the Group's business continuity plans did not alleviate the consequences. Such losses may relate to physical assets, financial assets, market positions or key employees. These events could likewise generate additional costs and an increase in expenses for the Group (in particular increased insurance and reinsurance premiums). Although it has not experienced such events in the past, it cannot be excluded that such events may occur in the future and have a material adverse effect on its business, financial position, market value, operating results or outlook.

5.2.5 Other risks related to the Company

Risks related to the control of the Company and its relations with Natixis

The Company's main shareholder is Natixis, which holds 42.14% of its capital as of December 31, 2018. Consequently, Natixis could significantly influence the Group's strategic decisions, and/or have all resolutions that are submitted for the approval of the Company's shareholders at the Ordinary or Extraordinary Annual Shareholders' Meetings accepted or rejected, particularly with regard to the appointment of members of the Board of Directors, the approval of the annual financial statements and the distribution of dividends, as well as the authorisation to proceed with capital increases or other issues of securities, merger or contribution operations, or any other decision requiring the approval of the Company's shareholders.

The Company has in the past benefited from Natixis' financial support. Even though the Company considers itself to be financially independent, it cannot be guaranteed that the Company will not need additional support in the future, or that Natixis will continue to provide such financial support, given that Natixis has publicly announced its intention to reduce its shareholding in the Company.

Furthermore, it cannot be excluded that Natixis could find itself in a situation where its own interests and those of the Group or of other shareholders are in conflict, particularly in the case of a liquidity contract.

Risks related to the Company's holding structure

The Company is a holding company which conducts its business indirectly through operating subsidiaries, the Compagnie française d'assurance pour le commerce extérieur and its subsidiaries, and has no credit insurance business or service of its own. As a holding company, its main sources of funds come from dividends paid by its subsidiaries, and the proceeds of debt or equity issues as well as sums borrowed under bank or other loan facilities. The Group's operating subsidiaries hold its assets, and are the source of almost all of its profits and cash flows. If the profits of these operating subsidiaries were to fall, its profits and cash flows would be affected, and the affected subsidiaries could be unable to honour their obligations, or pay, in part or in full, the dividends expected by the Company.

The capacity of the Group's operating subsidiaries to make these payments depends on economic, commercial and contractual considerations, as well as on legal and regulatory constraints, which are linked to the solvency margin, thereby restricting the use of capital and in particular the distribution of dividends. It could also be affected by the various risk factors described in this paragraph. Were the equity of the Company and/or one of its subsidiaries to fall below the regulatory requirements, the insurance business regulators have significant means available to them to take action. For example, they may restrict or prohibit the signing of new contracts, prohibit the distribution of dividends and/or, in the most serious cases, require reorganisation or insolvency proceedings, in particular the opening of involuntary reorganisation or winding-up proceedings for such a subsidiary in France.

Moreover, if its subsidiaries were not able to maintain an adequate level of equity with regard to the regulatory requirements and/or their competitive positions, the Company could be forced to support them financially, which could have a significant impact on the status of its liquidity position, consolidated net income and financial position. Any fall in profits or the impossibility or inability of its subsidiaries to make payments to other subsidiaries of the Group could have a material adverse effect on its ability to distribute dividends, repay debt and fulfil its other obligations, which could have a material adverse effect on its business, solvency margin, operating results, financial position and outlook.

Risks related to potential judicial, administrative or arbitral proceedings

In the normal course of business, the Group's entities could be involved in a number of judicial, administrative or arbitral proceedings, particularly following claims for compensation. Although, as of today, no procedures of this type are likely to affect its business, financial position or operating results, there is no guarantee that new procedures might not be brought against the Company or its subsidiaries in the future. If applicable, claims for a significant amount could be made against the Company or its subsidiaries, and the outcome of these procedures could result in a significant degree of liability for the Group. In such a case, although it maintains a prudent level of provisions to guard against the cost of litigation, these proceedings could have a material adverse effect on its business, reputation, financial position, operating results and outlook.

Risks related to deferred tax assets

The Group records deferred tax assets for future tax savings resulting from the differences between deficits carried forward and the timing differences between the values of asset items in the consolidated financial statements, and those allocated when the taxable income is established. The effective realisation of these assets in future years depends on the tax laws and regulations, the outcome of current or future controls and disputes, and the expected future operating results of the entities concerned (see Note 18 to the Group's consolidated financial statements).

Risks related to the valuation of goodwill and intangible assets

The occurrence of future events with an adverse impact on the Group may result in an impairment of certain intangible assets and/or goodwill. Any substantial impairment may have an adverse impact on the Group's financial position and operating results for the year in which such expenses are recognised (see Notes 1 and 2 to the Group's consolidated financial statements).

5.3 INSURANCE POLICY

Since January 2015, the Group has had its own insurance program with leading insurance companies, offering levels of cover that it considers commensurate with the risks inherent in its business operations, to cover its general and specific risks (professional civil liability, civil operating liability, director civil liability, material damage to operating assets, business travel accidents, cyber risks, etc.). The Group supplements this insurance cover locally, according to its needs or the specific regulatory requirements of certain countries.

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The Coface Group has made a commitment to cooperate in the field of corporate, environmental and societal issues for several years now. In 2003, it joined the United Nations Global Compact, through which it supports in its sphere of influence the 10 principles of the Global Compact relating to human rights, international labour standards and the fight against corruption. Coface's human resources (HR) policy is a reflection of its economic and corporate plan. It contributes to and accelerates the Coface Group's strategic transformations, while ensuring the development and commitment of its employees. The activity of Coface, a service sector company, has a very limited direct impact on the environment. Nonetheless, the Coface Group is committed to environmental protection and sustainable development issues, and works on its indirect impacts, particularly with the management of its assets.

Carrying these principles even further, in 2015, Coface's general management created the role of Group corporate social responsibility (CSR) manager, which is handled by the Corporate Secretary to ensure the monitoring of actions undertaken and those to be undertaken in this field by all Coface entities worldwide. In 2015, the Coface Group also drew up a medium-term company-wide CSR plan under which it specifies the Group's corporate, environmental and societal values and makes a number of corresponding commitments to be implemented in the coming years.

This year, the provisions of the new Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code (*Code de commerce*) make it possible to look at a business' corporate social responsibility through the non-financial performance report (*déclaration de performance extra-financière*, DPEF), which now replaces the CSR report. This year is a transition year for rolling out these new regulations.

Certain areas that were covered in detail in previous years under the Grenelle II Act are no longer presented under the new regulations. In fact, the Company's business has a very limited impact in terms of waste in general, as well as food waste. The same is true for noise pollution for third parties and biodiversity protection. The Coface Group has therefore decided to no longer cover these areas, while focusing more on others with greater impacts on society.

In accordance with requirements for the non-financial performance report, the Company presents its business model this year in the section entitled "Overview of Coface" (Chapter 0), as well as the main non-financial risks and challenges relating to its business (see next page).

To further strengthen and integrate its responsibility approach at the heart of operations for its activities, the Coface Group carried out its first mapping of non-financial risks in 2018. Alongside the risk maps already monitored by the Group (strategic risk, credit risk, financial risk, operational and non-compliance risk, reinsurance risk, see Section 5.1.3 "Definition and measurement of risks"), this process has made it possible to identify the main non-financial risks throughout its value chain.

The risk mapping approach has been carried out in three stages:

1. definition of the scope for non-financial risks: identification of risks and challenges with potentially significant impacts on the Group, or which the Group represents for society in general.

   This scope has been defined based on the findings from its CSR reporting for the last few years, consulting with the Risk Department. A restricted scope of risks and challenges was then defined by the Group to ensure the consistency of its mapping with its business sector, geographic locations and core challenges;
2. assessment of the risks: each risk was assessed using an approach consistent with the one deployed by the Group's Risk Department. All risks were rated based on two criteria: the inherent level of the risk occurring and the level of control over this risk;
3. prioritisation of risks: based on the assessments carried out, the Group identified and ranked 10 priority non-financial risks, which were approved by the Group's General Secretary.

These risks, most of which were already identified and monitored by the Group, are presented in the following table. The Group's policies to protect itself against them, and details of the actions and results, are presented throughout this document.

In 2019, the Coface Group plans to refine this approach.

Significant non-financial risks	Description of the risk and impact	Policies and actions to mitigate the risk	Registration document reference
Attracting and retaining talent	◆ Management of talent and employee well-being ◆ Impact on quality of service and loss of value for the business	In 2017 and 2018, Coface measured its employees' satisfaction and commitment with a commitment survey. This enables it to draw up action plans and work in line with a continuous improvement approach. Coface has put in place action plans to attract and retain talent, as well as training plans for all its employees. Coface is committed to various solidarity measures, maintains ongoing corporate dialogue with its employee representative bodies and has set up a series of initiatives supporting its workplace wellness policy. Coface is developing several programmes to ensure gender equality in the workplace.	Section 6.1.1
Committed employees	◆ Employee engagement ◆ Need to recruit skills ◆ Training to adapt employees' skills in line with the Group's changes ◆ Impact on quality of service and loss of value for the business		
Diversity and equal opportunities	◆ Diversity and equal opportunities ◆ Impact on quality of service and loss of value for the business		
Extraordinary risks	◆ Extraordinary event (acts of terrorism or events) ◆ Impact: disruption of Coface's business	Coface has insurance coverage and business continuity plans.	Section 5.2.4
Risks relating to any failure to respect human rights	◆ Respect for human rights among our policyholders ◆ Impact on the Company's image and reputation	Since 2003, Coface has been part of the United Nations Global Compact and does not cover any companies involved in manufacturing cluster bombs and/or anti-personnel mines.	Section 6.1.1
Risks relating to corruption	◆ Acts of corruption ◆ Impacts: disputes, penalties or withdrawal of the right to operate under licence	Coface has put in place an anti-corruption code of conduct, supported by a training and awareness programme for all employees, procedures for assessing business partners and accounting controls.	Section 6.3.5
Risks relating to tax evasion	◆ Transfer of assets to a country where the tax burden is lower in order to avoid a tax expense ◆ Impacts: penalties against the Company	The KYC (Know Your Customer) procedure and monitoring approach are strengthened when the local entity is located in a tax haven. Coface complies with the tax laws applicable in the jurisdictions where the Group operates.	Section 6.3.5
Risks relating to data protection and cyber-security	◆ Access to the integrity and confidentiality of data and information ◆ Impacts: unauthorised access or cyber-attack leading to the disclosure of information or disruption of activities	Coface has put in place an IT charter, which is included in the internal regulations setting out all the rules comprising Coface's security system.	Section 6.3.5
Risks relating to failure to adapt the activity to environmental challenges	◆ Setting up an in-house environmental policy (water, energy, paper) ◆ Impacts on the Company's image and reputation	Coface is committed to reducing its water, energy, paper and fuel consumption.	Section 6.2
Risks relating to the failure to adapt to changes in asset management practices	◆ Socially responsible investment policy ◆ Impacts on the Company's image and reputation	Coface has set up reporting systems to measure and reduce its investment portfolio's carbon footprint.	Section 6.3.4

4,131 employees in 63 countries

Over 800 participants in the **My Voice** groups, with a total of **550** initiatives launched

Continuity with the global gender **equality** initiative

285 participants in Lead Together, representing **50** countries

39 V.I.E (international intern in a company) in 2018

Coface Trade Aid

97% of assets covered by **SRI**

6.1 SOCIAL INFORMATION

6.1.1 Human Resources and performance development policy

Each year, the Group Human Resources (HR) Department reviews and shares with its contacts in the Coface regions and countries all its governance principles; these are presented together with the overall HR strategy. The goal is to adopt a common vision of the organisation of the function, its challenges and the application of its policies, in particular Talent Reviews and succession plans, the compensation policy and HR support for businesses.

Introduction

In various ways, the Fit to Win plan has covered most of the Company's functions, all of its key processes and the vast majority of its teams. Against a backdrop of the transformation of tools, organisations and management, this transformation needed to be supported by a cultural reference, built around Coface's values, as redefined in 2016.

Alongside this, in line with the focus on risk and control functions, such as compliance, skills have been further strengthened in these areas, which has also required extensive cultural support, in order to build awareness and ramp up training on these management practices.

One of the driving forces for the cultural transformation has been the roll-out of a different organisation, in January 2017. Shortly after Fit to Win was launched, the control functions, *i.e.*, the department in charge of ensuring compliance, risk management and the audit functions, adopted an integrated organisation, with a direct reporting line between the Group departments and the regional departments. This realignment of the organisation made it possible to very quickly align the objectives for these functions in all the Group's companies, distributing the desired changes in practices in these various areas with a more direct approach.

One key driving force has been the work carried out to strengthen the managerial culture, which the Company wanted to be more agile, more client-centric and more closely aligned with its employees' cultural diversity.

Reflecting this drive to strengthen the culture, a number of managers have arrived from international companies, with transformation experience. One third of the Senior Manager positions have been filled with new arrivals, making it possible to strengthen and enrich the managerial culture over the last three financial years. The Executive Committee has also benefited from an in-depth renewal.

An ambitious leadership development programme Lead Together has also been launched. This programme, headed up by the Executive Committee and Group HR and supported by the expertise of an outstanding partner, will cover 500 of the Company's managers between 2018 and 2019, representing nearly 15% of Coface's workforce, and all of its Senior Managers and mid-level managers.

The launch of an employee commitment survey in 2017, then 2018, has made it possible to take a further step forward with the cultural transformation. The survey's findings revealed an extraordinarily high participation rate (92%), with a level of engagement below the industry benchmark, and showed us the areas requiring progress and the priorities for improving our management practices.

The strengthening of managers' role in developing their employees is one of the priorities and has led to broader objectives being set for annual appraisals to include employee development.

Coface has also chosen to involve employees in the review processes looking at how to improve commitment: we have set up action groups, made up of volunteers, and asked them to work on proposals for actions and their implementation. Large numbers of employees have been involved in these groups, which have met a number of times, around brainstorming sessions, involving different hierarchical levels and working on a positive agenda for improving day-to-day life. This new and informal way of working in groups has clearly contributed to the cultural change.

The cultural transformation has also been reinforced with a strong focus on international mobility and talent development in order to distribute best practices between countries and benefit from

diverse ideas and practices from the Group's various companies. In 2018, the number of international transfers was 2.4 times higher than the average for the past five years.

Lastly, in terms of talent management, we have focused on gender equality and specifically development opportunities with the Women to Win programme. This initiative, which is still a long way from being completed, is already opening up positive cultural changes.

A real asset: our diversity

The following data come from the Group's HR reporting tool, available online. The database is updated in real time, and receives a steady flow of data from local HR managers in the countries. Consolidation of this information occurs on the last business day of the month, which allows monthly scorecards to be produced. This reporting includes the individual contract, activity, business and length of service data for each legal entity in the Group and information on the hierarchical links between the various positions.

The tool also serves as a strategic planning tool for staff, as it makes it possible to manage recruitment actions and internal transfers within the context of a reference budget. The breakdown of Coface's workforce is presented below:

Strong international dimension

At December 31, 2018, the Group employed 4,131 people based in 63 countries, compared with 4,078 at December 31, 2017.

The following table presents the geographic breakdown of the Group's workforce since December 31, 2016:

Workforce	2018	2017	2016	% of total 2018
Northern Europe	701	713	771	17%
Western Europe	987	974	1,175	24%
Central Europe	687	715	721	17%
Mediterranean & Africa	768	763	760	19%
North America	192	125	112	5%
Latin America	390	388	366	9%
Asia-Pacific	406	400	377	10%
TOTAL	**4,131**	**4,078**	**4,282**	**100%**

In 2016, Coface reorganised its global regions by putting Russia in the scope of the Central Europe region (it was previously part of Northern Europe), and Spain and Portugal in Mediterranean & Africa (previously part of Western Europe), which resulted in certain changes in the regions concerned.

Changes in the workforce in Western Europe between 2016 and 2017 were partly due to the transfer of the State guarantees management business to Bpifrance Assurance Export.

The changes in the workforce in North America are partly linked to the integration of commercial agents into Coface's internal workforce in 2018.

Due to the nature of its activities and their geographic coverage, the Coface Group is multicultural, with a strong international focus. For the financial year ended December 31, 2018, 72 nationalities were represented in the Group; this diversity is strengthened by the frequent integration of employees from other countries into the teams; currently, 244 employees work outside their country of origin. This diversity guarantees that the Group reflects the diversity of the business communities and clients that it serves. For example, there are 24 different nationalities among employees based in France.

Young talents are also a priority for Coface. To enhance its ability to attract the new generation to its entities abroad and renew its talent pool, Coface has given added impetus to its V.I.E (international intern in a company) scheme by orienting V.I.E assignments towards key roles in the Company's development, where the young persons selected can develop their talent in full. In total, nearly 30 participants in the V.I.E scheme form this unique talent pool each year.

In 2018, Coface welcomed 39 volunteers in 14 countries. In 2019, Coface plans to extend this scope to include 17 countries.

Activities across diverse sectors

The table below presents the breakdown of the Group's workforce by activity type since December 31, 2016:

Workforce	2018	2017	2016	% of total 2018	Change 2018 *vs* 2017
Sales & Marketing	1,390	1,315	1,308	33.7%	5.7%
Support	1,413	1,382	1,595	34.2%	2.2%
Information, litigation, debt collection	1,003	1,040	1,040	24.3%	(3.6%)
Underwriting	325	341	339	7.9%	(4.7%)
TOTAL	**4,131**	**4,078**	**4,282**	**100%**	**1.3%**

In 2018, 1,390 employees were assigned to sales and marketing, 1,413 to support functions, 1,003 to information, litigation and debt collection and 325 to underwriting.

For reference, changes in the workforce for support functions between 2016 and 2017 were in large part due to the transfer of the State guarantees management business.

The increase in the Sales and Marketing workforce factors in the targeted strengthening of sales forces, with the Sales Force Effectiveness programme, as well as the integration of commercial agents who were previously external, in the US.

Different types of employment contracts and changes in the workforce

In France, Germany, Italy, Spain and the UK, the total workforce at December 31, 2018 was 1,794 employees and broke down as follows according to the type of contract:

		Permanent contracts	Fixed-term contracts	Supervising managers
France	2018	97.8%	2.2%	23.1%
	2017	98.4%	1.6%	22.0%
	2016	99.2%	0.8%	18.5%
Germany	2018	99.5%	0.5%	15.1%
	2017	99.7%	0.3%	13.9%
	2016	99.7%	0.3%	13.3%
Italy	2018	99.5%	0.5%	28.6%
	2017	99.5%	0.5%	25.9%
	2016	99.0%	1.0%	23.6%
Spain	2018	100%	0%	26.3%
	2017	97.8%	2.2%	28.6%
United Kingdom	2018	99.0%	1.0%	21.0%

Coface employs people almost exclusively on permanent contracts.

In addition, the percentage of supervising managers is up in most of the countries from the reporting scope, which clearly illustrates the drive to further strengthen Coface's managerial culture. This is particularly true for the functional departments at the Bois-Colombes head office: the strengthening of certain functions, such as compliance, risk or the Finance Department, have proportionally increased the number of supervising managers in France.

In 2018, the Company hired 124 new employees in France, Germany, Italy, Spain and the UK, with 249 departures, including 105 resignations, 53 contracts ended due to retirement and 23 dismissals. It is important to note a slight change in the methodology applied, because fixed-term contracts are recorded for arrivals and departures from this year.

For reference, the transfer of the State guarantees management business to Bpifrance Assurance Export gave rise to 249 departures in 2017.

Different age ranges

At December 31, 2018, the age ranges of employees in France, Germany, Italy, Spain and the UK were as follows:

Age ranges	Percentage of staff in the UK	Percentage of staff in Spain	Percentage of staff in Italy	Percentage of staff in France	Percentage of staff in Germany
< 30 years	13.0%	8.4%	5.3%	14.5%	4.0%
30 to 40 years	32.0%	28.9%	23.3%	25.6%	22.4%
40 to 50 years	24.0%	43.7%	48.1%	27.7%	31.9%
> 50 years	31.0%	18.9%	23.3%	32.2%	41.7%

Historically, France and Germany have had an age pyramid with a large proportion of the workforce over the age of 50 and a limited staff turnover rate, reflecting both team loyalty and the Company's willingness to recognise and retain the expertise of its employees. However, Coface France decided in 2017 to support employees nearing retirement age by offering them a pre-retirement scheme enabling them to bring forward their departure by a maximum of up to two years prior to their full retirement date. As part of this, Coface undertook significant support and transition work to ensure that skills are transferred as smoothly as possible, in an extension of the provisions under the generation contract adopted in 2013. These departures resulted in a partial renewal of the teams.

To facilitate collaboration, Coface France also organised an "Intergenerational Collaboration" conference at the Bois-Colombes site in September 2018, with very positive feedback from Coface's employees.

Relatively balanced gender breakdown

The male/female balance (just over 53% women throughout the Group in 2018, and 38% female managers), as with the cultural diversity within the Company and each Coface region, is an asset for the Group, which has for several years taken steps towards promoting internal mobility and access of its employees to roles of responsibility.

The table below shows the change in female representation in countries within the reporting scope since 2016:

		% women among total workforce	% women among managers
France	2018	50.5%	37.4%
	2017	50.7%	37.0%
	2016	56.0%	41.6%
Germany	2018	53.6%	18.4%
	2017	53.0%	17.1%
	2016	52.2%	14.9%
Italy	2018	50.8%	44.4%
	2017	48.7%	40.8%
	2016	48.7%	34.0%
Spain	2018	64.7%	42.0%
	2017	64.3%	40.4%
United Kingdom	2018	41.0%	23.8%

Female representation is on the rise in Germany, and in management positions in Italy. The fall in France is explained in large part due to the transfer of the State guarantees management business, an activity with a high level of female representation, outside the scope of Coface.

At December 31, 2018, female representation within the governance bodies was as follows:

- Board of Directors: five women out of 11 directors, *i.e.*, 45.5%;
- Executive Committee: five women, *i.e.*, one third of the members of the Executive Committee;
- Management Committee: two women, *i.e.*, one quarter of the members of the Management Committee;
- Senior Manager category (top 180): 54 women out of 181 (Coface all regions and head office) and 28 out of 88 (for the scope covering the five countries in the report), *i.e.*, approximately one third.

In addition to this diversity within our teams, Coface has diverse products and clients. At Coface, our employees' day-to-day work is enhanced by the diversity of the teams they work with and the clients they meet.

Coface's talent management policy aims to promote the diversity of this human capital to support the Company's capacity for innovation and its ability to position itself as a learning company that is constantly striving for more agility. It also aims to enable each individual to develop in line with their aspirations and aptitudes, capitalising on the Group's scale and its presence in more than 60 countries. A certain number of initiatives, detailed below, are contributing to these goals, from gender equality with the Women to Win programme to the international mobility policy making it possible to share skills between the Group's countries and the LEAD together programme to develop leadership, looking to build a shared managerial culture by bringing together managers from various countries for exchange sessions supported by external coaches.

On track for a cultural transformation

Since launching Fit to Win, Coface has ramped up the opportunities for employees to be visible and to contribute, through their ideas, to improving processes, tools, offices and more generally their day-to-day life within the Company.

In addition to this, the opportunities given to employees to contribute to the agility, client focus or change management objectives have enriched the day-to-day activities of many of them, further strengthened their sense of belonging and contributed to Coface's rationale.

This has been achieved by the LEAN process improvement groups deployed, the exchange workshops organised with the Fit to Win Days and hosted by employees in 2017 and 2018, as well as the My Voice working groups in 2018.

New ways of working

In 2018, Coface carried out extensive work to improve the levels of engagement among its employees, notably setting up the My Voice Action Teams. In total, over 800 employees in more than 40 different countries actively contributed to these working groups over a period of some six months. Approximately 550 initiatives have been launched, at every level throughout the organisation. The workplace environment and development opportunities aspects have been reworked in particular. Various initiatives, such as "Coffee with the CEO" or meetings with country directors, have been launched in most of Coface's countries, including France, Spain, Italy, Germany, Austria, Serbia, Peru and even Russia, to build stronger links with the management team. In most of its countries, the Central Europe region has set up plenary meetings, which bring all the local employees together, or invites all the region's employees to take part in webinars with the country director and management team members. These monthly or quarterly meetings aim to communicate on the Company's results and strategy, while ensuring regular communication with management.

These events are also opportunities to get valuable direct feedback from Coface's employees. In addition, France has set up a digital and physical suggestions box to collect this feedback from employees.

One of the challenges highlighted by the My Voice commitment survey was to build better understanding of each individual's role within the organisation and with the deployment of the Fit to Win strategic plan. Employees expressed a need for links between the various functions. A number of initiatives have been launched in response to this issue, including My Job Day, in France, for instance. This initiative, presenting the various professions available in a given function, has also made it possible to present the department's vacancies and request applications from internal candidates, with possibilities for functional transfers. Coface Chile and Italy have organised "live my life" role plays enabling participants to understand their colleagues' day-to-day work, as well as their recurring issues and constraints, with a view to improving coordination between the teams.

Flash Training sessions were also organised in France, aiming to provide employees with information or training on Coface products and the organisation's key tools and initiatives. For example, the requirement to put in place a KYC process - ensuring knowledge of our clients' identity to prevent money-laundering and terrorist financing - was presented with a Flash Training approach. In the US, this same requirement was covered with Lunch and Learn conferences looking at specific topics.

The results from My Voice France also showed that employees felt a need for better knowledge of their clients' requirements. Initiatives have been set up for "double listening" to clients and arranging meetings in the field with prospects, clients or brokers.

A dedicated wall for My Voice communications has also been created in a number of countries.

This way of operating with working groups, set up widely across the Group's various countries, has not only made it possible to find concrete solutions for improvements, built with employees, but has also introduced a new way of working thanks to a more bottom-up and collaborative approach; holding inter-department meetings, organising regular meetings and actively engaging employees in these improvements, making them accountable for My Voice actions.

For its part, the Group HR Department has mapped out a global action plan including work on career development, the definition of Coface's Employer Brand following work on the Company's rationale and the building of an onboarding programme for new employees, ensuring "a minimum experience" for new arrivals within Coface worldwide. Already launched in 2018, this action plan will be deployed more widely in 2019. France has launched this work on integrating new employees at country level by offering presentations of the various departments for new arrivals.

In September 2018, Coface once again measured the satisfaction and commitment of its employees using a new engagement survey prepared and conducted with AON Hewitt, called My Voice. With its rich experience and benchmark of 14 million respondents this year, this service provider was able to guide Coface in its choice of questions and protect the anonymity and confidentiality of the responses.

This year, six questions were added to the questionnaire, primarily covering senior leadership, client focus and follow-up on the results and actions from My Voice 2017. The survey contained 42 questions, including two open questions.

In 2018, My Voice was conducted in 12 different languages (four new languages compared with 2017) and once again obtained a participation rate of over 92%, demonstrating employees' strong attachment to Coface and a desire for constructive improvement.

The total commitment score shows a year-on-year increase of six points, reflecting a significant improvement with six months of actions. However, the results are still generally below the AON benchmark, and Coface needs to continue building on the work carried out in order to further strengthen its implementation of a continuous improvement approach.

The My Voice 2018 results were presented by region, country and function in December 2018. Working groups will be set up in early 2019 to define action plans at every level within the organisation, on all the topics highlighted by the survey as requiring improvement.

Coface plans to repeat this survey in 2020 in order to allow time to put in place sustainable actions and then measure the impact of its action plans.

In 2017, Coface also launched Yammer, its company social network, to facilitate communications between departments and countries and exchange information more efficiently. This tool was also widely used in 2018, particularly to communicate on follow-up on the My Voice actions.

Across the Group, Coface has sought to incorporate agility into its organisation through these new ways of working, and it hopes to see these bottom-up initiatives continue to develop in 2019.

The Lean management approach, aiming to optimise processes, tools and organisational aspects and free up resources for stronger value-added tasks with a view to increasing Coface's operational efficiency, is another vehicle for bottom-up initiatives, because employees, who are at the heart of the business, are trained to resolve problems.

When the My Voice action plans were drawn up in the various countries, employees also expressed strong needs for ramping up the number of Lean initiatives, as well as strengthening training in this area.

In this way, many countries have incorporated this Lean management dimension into their My Voice action plans, including the whole of the Mediterranean and Africa region, which organised a Train the Trainer initiative on this topic, as well as Israel and Romania, which

have reviewed their work processes to improve productivity. In France, a dedicated Flash Training course was organised on these Lean initiatives within Coface.

A pleasant environment

In 2018, Coface also focused on flexibility at work with new agreements for teleworking in France and the adoption of flexible working arrangements in many countries in the reporting scope and outside of Europe.

In fact, in France and Austria, negotiations concerning the introduction of teleworking were completed in 2018 and led to an agreement being signed with the employee representative bodies. Eastern Europe has also set up a policy for working remotely in most of the countries where this is allowed by local legislation.

Germany, which has opened talks with its works councils to offer teleworking for all its employees, won the "Work and Family Compatibility" award for the third year running, thanks to its simple access to childcare, flexible hours, special leave arrangements, etc.

Mexico has also worked on this flexible working as part of the My Voice actions, offering a shorter day on Fridays, possibilities for everyone to work remotely and even a rest day for each employee's birthday.

It should be noted that 8% of the Group's total workforce chooses to work part time to meet their personal needs. This figure stands at 12% within the reporting scope; furthermore, as part of its working hours agreements, the Company offers employees the opportunity to organise their work hours according to selected times. No employees in France, Germany, Italy, Spain or the UK work in shifts or at night.

This year, our UK entity continued with its workplace wellness initiatives, notably organising yoga classes or making available baskets of fruit for employees, ensuring a healthy and welcoming workplace environment year round. Coface Spain also organises an annual campaign including information sessions on nutrition and healthy lifestyle habits. Working groups on healthcare and sports are also organised as part of this.

Other Coface offices are also endeavouring to create pleasant working conditions; Coface offices in Spain and Portugal renewed their initiative for the 8th consecutive year to celebrate "Friendship and Affection Day" with handwritten cards distributed to friends and colleagues. More than 1,800 cards are exchanged each year.

Coface also encourages regular physical activity in its various countries. This year, for instance, Coface Austria took part in an inter-company race and organised a yoga class on its office roof. Romania and Slovakia went even further by taking part in a marathon, while Lithuania and France took on a challenge to count the number of steps taken by their employees. In France, with the Global Challenge, more than 570 participants were provided with connected watches and took part in a number of challenges over 100 days, in teams of seven people. The France Communications Department's initiative to offer teams combining various departments, for those who were interested in this, has also enabled employees from Bois-Colombes to get to know their colleagues better.

Germany has also organised Pilates classes to promote employee well-being at work. In addition, Coface Germany has introduced "JobRad", a new programme to encourage people to cycle to work. This programme makes it possible to benefit from significantly discounted prices for buying a new bike, which has resulted in orders for more than 35 bikes.

One of the My Voice groups is also working to set up collaborative spaces on each floor at the Bois-Colombes site in France. Working with the Facilities Management Department, the first room was set up in December 2018 to enable Coface employees to meet up in a more colourful, modern and inspiring space, as an alternative to conventional meeting rooms. It is now also possible to find breakout rooms for employees in Brazil and Argentina.

In India, employees have also redecorated their offices together, with the theme of Coface's values. In addition, Coface Bangalore is working on a proposed relocation for the end of January 2019, with a view to improving employee well-being, security arrangements and collaboration between the teams by grouping the employees together in the same offices. In Spain, employees plan to expand their facilities in order to benefit from a more comfortable space for their lunch breaks.

To promote the diversity of our teams and the various cultures represented, the teams celebrate many different local festivals around the world. In India, numerous festivals were celebrated, with competitions organised between teams. The Mediterranean and Africa region also celebrated a number of local festivals, such as in Dubai for instance.

In Central Europe and Latin America, countries are encouraged to organise one event each quarter. For instance, "Family Day", "Children's Day", Easter, Valentine's Day and Women's Day events were all opportunities for celebrations. Germany also organises after work sessions on the last Thursday of every month.

New managerial culture for the entire Group

At the start of 2018, a ground-breaking initiative was launched for Coface: setting up a joint programme for all the Group's entities aiming to develop managers' abilities to take on board Coface's new requirements, help their teams find their bearings during the current transformation period and meet the new expectations by developing their sense of initiative, their ability to communicate with impactful messages, to ensure a sense of purpose for each individual's actions, to work with the various internal and external stakeholders, and to give feedback. This programme is based on the principle that each individual, from employees to managers, has a significant impact responsibility within the Company, with an even stronger focus for managers considering their role in relation to the teams.

"LEAD Together" was chosen as the name for this programme following a creativity workshop involving a dozen managers and employees. Learn, Empower, Achieve and Develop summarise the cycle through which managers develop their skills and those of their teams to achieve the objectives set by the Company. "Together" represents not only the Collaboration value as a key success factor for the Company, but also the desire to share experiences and learn from one another in order to further strengthen Coface's collective capabilities to drive its transformation forward.

LEAD together was built in a few months in partnership with the executive coaching firm Turningpoint. The target population for 2018 and 2019 is made up of managers: approximately 200 Senior Managers, Region or Group-level department managers, or country heads; then 300 mid-level managers who report to them. The programme initially involves preparatory work (videos and articles to read, questionnaire to analyse their Leadership profile, collection of feedback to identify their individual Leadership development challenges). This is followed by a three-day face-to-face session, hosted by coaches from Turningpoint. Lastly, a half-day co-development session (peer coaching) is held a few weeks later, in addition to an individual coaching session for Senior Managers.

The programme includes a key contribution by representatives from Coface (HR and management), who present the Group's ambitions and each individual's expected contributions to achieve them, as well as sharing their vision and talking about Leadership. Each group of trainees is mentored by a representative from the higher management level, who can share their vision and directly hear questions and feedback from each individual, making it possible to identify the key issues to be escalated to the Executive Committee and addressed at the highest level within the organisation. During the Senior Manager sessions, Xavier Durand dedicated one hour to discussions with participants sharing his journey as a leader and the experiences through which he has built his career, as well as his vision of Leadership and his advice for the participants. During the sessions dedicated to mid-level managers, members of the Executive Committee perform this role in relation to participants, who appreciate these ground-breaking opportunities for discussion.

The programme is being rolled out across all the countries. The Senior Manager sessions brought together participants from all of Coface's Regions and businesses, in Paris, with groups of 20 to 25 people. Seven sessions were held between May and September 2018 for the face-to-face section, covering 163 participants in total. Deployment for mid-level managers was launched in November, and a session was held in each Region, bringing together participants from the region's various countries and various professions. In total, 122 managers took part in these sessions. The programme will continue to move forward in 2019 based on the same principles, with a view to reaching over 500 beneficiaries in total.

Feedback from participants has been very positive, with an overall satisfaction score of 4.7 out of 5. They particularly appreciate the very pragmatic approach, centred around the behavioural and interpersonal dimension, as well as the creation of an international network of Leaders united around the same goals and ambitions. Lastly, the sharing of experiences between peers, looking to develop the capacity to support one another, is a real asset. The programme also makes it possible to identify collective development issues, to which the Group's Executive Committee pays particular attention, such as the ability to break the global strategic vision down into more specific expectations for an entity or team, as well as the ability to give clear and regular feedback to employees, enabling them to position themselves and maintaining good levels of motivation.

Talent management and compensation policy

Alongside LEAD together, Coface has various cross-functional initiatives in place to develop the collective skills required to achieve the Group's ambitions, while also recognising, developing and valuing each individual based on their contribution to our collective performance and their ability to grow within our organisation.

Skills development

Training at Coface plays an important role with regard to the combined effect of the specific aspects of credit insurance and the regulatory obligations. It is a tool for developing employees' technical and behavioural knowledge, which leads the Group to broaden the employability of its teams and integrate new needs expressed by its clients and the economic realities of its markets. Employees are in touch with their environment and are able to support the Group's business in line with strategic requirements and client expectations. In addition to developing technical skills, more resources have been assigned to training in skills associated with the Group's values. The goal is to help employees understand how these values translate into the behaviour expected in the responsibilities linked to their job.

The Group continued using the 360 Learning platform in 2018 in order to continue sharing business, regulatory or even behavioural know-how. Following the pilot launched in 2017, the Commercial School was rolled out in 41 countries, enabling a population of 650 sales staff and underwriters to develop their knowledge of Coface's processes, products and tools, particularly among new arrivals. Individual programmes have been created, enabling each person to access specific content tailored to their role. From a regulatory perspective, anti-corruption, risk management, IT security and other modules linked to the new general regulations for protecting employees' data were set up during the year to enable each employee to gain the knowledge required and adopt the expected behaviours in terms of how we do business. A module has also been set up covering the code of conduct more generally at Coface. Lastly, an initial personal development module, looking to raise awareness of managing unconscious biases, has been offered for all employees on a voluntary basis. This course is based on three ideas. Firstly, that we all have unconscious biases that we often use to help us interpret the world around us. Secondly, that these biases are sometimes a disruptive element, leading us to make incorrect judgements concerning certain employees or clients. Thirdly, that there are uniting behaviours that we can adopt directly, on a day-to-day basis, to prevent the unintended consequences of unconscious biases. This module's deployment was notably triggered by the Women to Win programme and the need to tackle prejudices relating to women within the business, which can lead to behaviours and decisions that penalise their career development.

In 2018, the average use of the e-learning platform continued to progress, climbing to over 10,000 connections per month on average, compared with 2,900 in 2017.

In addition to e-learning, Coface has continued to train its employees with face-to-face sessions, such as the LEAD together programme. The training plan on annual appraisals has been further strengthened to cover all new arrivals, both managers and employees, in the various countries. In addition, the improvements made to the process have been systematically shared in team meetings with managers by the HR correspondents in order to ensure they are effectively taken on board by everyone. They have been given a communications kit so they can inform their employees directly and take on responsibility for the distribution of best practices and rules. Lastly, a career management module has been set up in the various regions to enable employees to take control of their career development and start looking at their aspirations and abilities before their discussions with their manager or dedicated HR correspondent. For the MAR and LAR regions, these workshops have already been deployed in virtually all the countries, with very good feedback from participants, who appreciate realising that they have a bit “more control over their development” than previously.

Investment in training is monitored via the number of hours of training delivered, the number of employees trained and the budget dedicated to training. The detailed indicators are as follows:

Country	Number of training hours 2018	Number of people trained 2018	Budget spent *(in €)* 2018
France	8,801	713	511,249
Italy	3,256	185	71,020
Germany	9,878	572	120,160
Spain	6,551	195	140,287
United Kingdom	1,449	113	56,127
TOTAL	**29,935**	**1,778**	

Training therefore covers more than 99% of employees in France, Germany, Spain, Italy and the UK, with an average of 17 hours of training per person trained, up five hours per person compared with 2017.

Training costs are reported based on the amounts invoiced for each country and in line with local regulations or practices. Consolidated data for the entire reporting scope will therefore be able to be provided once the methods for calculating this budget have been standardised.

It is important to note that the full 2018-2019 Lead Together programme represents a very strong additional training investment of over €1 million. This cost is primarily invoiced at corporate level; it does not appear in the country budgets presented above.

As mentioned previously, the overall increase in the number of hours of training is linked in part to the launch of the LEAD together programme. This could also be linked to a slight change in the reporting methodology, because Coface has decided to record coaching support when justified with a nominative invoice, training objective and specific timeframe.

This year, Germany significantly increased its number of hours of training with the launch of the various Group Compliance training modules, approved by the local works councils at the end of 2017. A major training effort has also been made with English e-learning modules and a series of "OrgaShaker" working groups involving more than 100 participants over an average of two and a half days.

Career management

With the career management training module, Coface has launched an approach to support individual career management, which will continue to progress with a Group policy set up to strengthen internal mobility and retain talents through improved development opportunities, in response to the expectations identified with the My Voice employee survey, in particular. Without waiting for 2019, various other initiatives have also been launched. First of all, the annual appraisal has been modified in order to better identify employees' aspirations and their manager's vision, enabling the HR teams to better define priorities in terms of managing individual development.

The Talent Review process has been deployed very widely within the organisation and structured around key areas for career management: identification of employees' potential for development, definition of professional aspirations and identification of a pool of employees open to international transfers.

The Group's intranet has also been adapted to make it possible to publish vacant positions in all the countries: this gives employees access to open positions for international transfers throughout the organisation.

Lastly, a short-term assignment policy has been drawn up to make it possible to share experiences and skills between countries with assignments lasting less than one year, while supporting individual employee development.

Following these actions, 27 international mobility transfers were set up in 2018, 17 of them starting before the end of the year, a significant increase in activity compared with previous years. In 2018, the Group had over 50 employees on international transfers.

Alongside this, Coface is continuing to develop the V.I.E (international intern in a company) programme to help build more diverse and dynamic teams. This public initiative supporting the French economy's international development offers opportunities for young Europeans under the age of 28 to undertake a professional assignment abroad on behalf of a French company for 6 to 24 months.

The V.I.E programme enables the Group to develop its pool of international young talents who are trained up on the Company's key activities and have good knowledge of its organisation. It is an effective springboard for young graduates who would like to embark on international careers with Coface.

Other key projects are being carried out to further strengthen our ability to attract and retain the talent that Coface needs. On the one hand, extensive work has been launched on the Employer Brand, following on from Coface's more general repositioning. Who are we as an employer? What qualities do we want to be known by on the job market? How can we further strengthen our reputation? A study has been carried out with various stakeholders and influencers (top management, new recruits, candidates who refused job offers, etc.). Above all, in-depth work has been carried out during workshops, bringing together over 80 employees around the world, making it possible to collect each individual's vision and identify the Company's attractive features and core expectations. In early 2019, the findings from this work will make it possible to define a shared visual identity and series of supporting arguments for all the Group's entities, in order to better recruit the profiles Coface needs, as well as to better engage teams around a shared project.

More specifically, the Employer Brand will be incorporated into the new onboarding process for new arrivals, which the Group is currently putting in place, as well as the materials to be used in this context. This project aims to provide all new arrivals, wherever they may be based in the world, with the keys needed to understand the Group as a whole, their role in it and the opportunities available to them.

Lastly, Coface has developed its women's mentoring programme to facilitate access to positions of responsibility for more women. While 53% of Coface's workforce are women, they represent just 38% of the managerial community and 28% of the top 200. A pilot initiative will be rolled out in the first quarter of 2019. Ten women representing various functions and different levels of responsibility have been identified to take part. They will be supported by a male or female mentor, who will help them develop themselves in various areas, such as taking charge of a team for a new manager, improving interpersonal relations, preparing for the next steps in their careers or even integrating into a new culture following an international transfer. All of them will follow a specific training course in early 2019, then the programme will start up and run for 6 to 12 months. It will then be extended to cover other regions and populations.

Performance management

Coface has adapted its HR processes, especially its annual appraisals, to establish its values as a key success factor and to serve as a foundation for individual development initiatives.

Since 2013, an annual appraisal process has been rolled out using an online tool in 22 languages in all of the countries where the Group is active, to determine strategic priorities and share standardised criteria for employee performance assessment. At the start of 2018, 98% of annual appraisals had been conducted, illustrating the need of employees to exchange views with their manager and discuss clear individual objectives for the coming year, based on a sharing of the major strategic priorities for each entity and function. Simplification of the process and the online tool has been appreciated by both beneficiaries and the HR teams. The training programmes launched at the end of 2017 were also greatly appreciated, enabling employees and managers to better understand expectations and how the information is used, particularly as a point of entry for Talent Reviews, as well as to initiate career reviews.

Compensation policy

In accordance with regulatory requirements applicable to the insurance sector since 2016 (Solvency II), Coface's compensation policy is reviewed each year to align it with the Group's strategic objectives and ensure effective risk management within the Company.

This policy is set out in detail in Section 2.3.1 "Compensation Policy", and aims:

- to attract, motivate and retain the best talent. Each year since 2016, the Group has awarded free performance shares to a regulated target population in the context of the Solvency II Directive (key functions and employees with significant influence on the Company's risk profile), for whom a portion of variable compensation must be deferred, and to certain key employees as part of the retention policy. The vesting period for this scheme is set at three years;
- to encourage individual and collective performance and seek to be competitive on the market, while respecting the Group's financial balance. In 2017, the Group Human Resources Department launched a global compensation survey project with a compensation consultancy firm expert in the financial services sector. This two-year project aimed to further strengthen the Group's knowledge of market practices and ensure clear compensation management within the Group during a period of significant change. It concerned 36 countries between 2017 and 2018, thus covering nearly 90% of the Group's functions;
- to comply with the regulations in force and guarantee internal fairness and professional equality, particularly between men and women. As part of its annual compensation review, the Compensation Department ensures that the distribution of budgets for pay rises respects gender balance throughout all the Group's entities. In France, the Human Resources Department has committed to correcting any pay-related inequality between men and women by the end of 2019; lastly
- to be consistent with the Group's objectives and support its development strategy in the long term. The bonus policy is therefore reviewed and validated each year by the Management Committee with regard to the Group's priorities. In 2018, an objective linked to management's ability to be exemplary with their application of the Group's values, to be a driving force for change and to support the Group's transformation was incorporated into the bonuses for Senior Management.

The Coface compensation policy is managed by the Group HR Department and transmitted by the HR function to all of Coface's regions and countries.

Coface: Operating responsibly within its environment

Rich social dialogue

The Group maintains on-going corporate dialogue with its European and national employee representative bodies. The implementation of this dialogue provides management and employee representatives with a forum for working towards the Group's success and sustainable development.

In France, there are three bodies, which are elected: the works council, made up of nine permanent members; staff delegates, comprising 11 permanent members and five alternates; and the Hygiene, Safety and Working Conditions Committee (CHSCT), made up of nine members. These bodies will be replaced by the Social and Economic Committee (CSE) at the start of 2019.

In Germany, three works councils exist: the works council for the Coface Germany branch (Coface Deutschland) and Coface Rating GmbH (EIC), composed of 11 members and representing some 500 employees; the works council for Coface Finanz GmbH, composed of five members and representing approximately 110 employees; and the works council for Coface Debitorenmanagement GmbH, composed of three members and representing some 45 employees.

In addition, the Board of Directors of Compagnie française d'assurance pour le commerce extérieur includes four directors who represent employees (*i.e.*, one third of the Board members) and one director representing the works council.

These different bodies meet regularly to discuss corporate matters such as compensation, working hours, management of leave and the employees' mutual fund.

In France during 2018, 13 meetings of the works council, 11 meetings of the staff delegates, two CHSCT meetings and 11 meetings with union delegates took place. The works council and CHSCT meetings also dealt with subjects linked to the functioning of the Company (consultation on the economic situation, strategic orientations and their corporate consequences, renovation of premises, reorganisation of departments, staff changes and professional training).

In Germany, over 50 works council meetings took place this year, *i.e.*, significantly more than the number of mandatory meetings.

The European Works Council ("CEE") meets at least once per year to set out the activity and future strategic guidelines for the Group. Throughout the year, there are also discussions between

management and the European Works Council restricted committee regarding projects pending and the development of the organisation.

The European Works Council now has 14 permanent members representing employees in the 23 European countries.

European Council members received support to prepare for the Central European Council meeting in June 2018.

The Group believes that corporate dialogue is an important driver for mobilising employee commitment. In an effort to create conditions for its sustainable development, it is working to reconcile the Company's performance with a process of corporate progress. Progress on the Fit to Win strategy and My Voice, an engagement questionnaire for employees, was the subject of specific presentations at the plenary meeting of the European Works Council in 2018, as well as a number of presentations with the local works councils.

Collective bargaining and company-level agreements

The Group conducts regular discussions with the European Works Council and in 2013 signed an agreement regarding the rights to information and consultation of the body, creating a restricted committee within it. On May 19, 2015, the restricted committee approved its internal regulation, thus strengthening the principles of its governance.

In France, the companies in the Group's scope of consolidation primarily fall under the National Collective Agreement for Insurance Companies. As regards company-level agreements, in accordance with each party's prerogatives, the employee-representative bodies are integrated into the processes of transforming organisations or establishing new processes, always striving to seek out agreements. In 2018, management signed four agreements with the union organisations concerning the introduction of teleworking, employee profit-sharing and professional elections for the economic and social committee.

The collective agreements for teleworking and flexible working have impacts on the working conditions of Coface's employees and their economic performance for the Company. Detailed information on these agreements and Coface's efforts to facilitate flexible working is presented above (section relating to "A pleasant environment").

It should be noted that in Germany, discussions and negotiations on the Fit to Win plan (internal reorganisation) were conducted in close collaboration with the trade unions throughout the year.

Coface complies with local regulations and agreements regarding the organisation and duration of the working hours of its employees, in all countries where it is established, either directly or through subsidiaries or branches.

In 2017, the observed absenteeism rate was 2% in France, 4.98% in Germany, 2.26% in Italy, 4.29% (including maternity leave) in Spain and 1.13% in the UK. In each of the countries within the reporting scope, the absenteeism rate is monitored according to local calculation methods. The calculation method in Italy, for example, has changed, as it now includes only sick leave (as opposed to sick leave, maternity leave and leave for long-term illness in 2016). Therefore, communication of consolidated data for the whole of the reporting scope will be possible after alignment of the calculation methods for this rate.

Workplace health and safety

The Group ascribes significant importance to employee health and safety. There are medical monitoring mechanisms in compliance with local regulations, and healthcare coverage is offered to employees in all entities.

Concerning employment in the service sector, the identified risks more specifically concern the occupational environment and professional transportation. To that end, certain entities have now taken initiatives to prevent these risks, notably as concerns their employees (training for driving on slippery roads, nutrition days, medical, dental and eye check-ups, etc.).

Employees are trained in first-aid and emergency building evacuation drills are regularly organised in many countries from the reporting scope, such as France, Germany and Italy, as well as outside of Europe, such as India, for instance, to ensure employee safety.

Flu vaccination campaigns are also organised for Coface employees and sometimes their families, particularly in France or Hong Kong.

Coface Spain and India offer all employees a health assessment each year. In India, employees have access to consultations with doctors or nutritionists.

In the wake of the Paris terror attacks, a Vigipirate security plan was activated at the Bois-Colombes site and security measures were reinforced (check-point at main entrance to the building). The Group has undertaken to intensify security measures in each of its entities to ensure that employees are protected as much as possible against terrorist threats.

In France, Germany, Italy and the UK, 14 workplace accidents leading to days off were reported in 2018: six in France, five in Germany, two in Italy and one in the UK. No occupational illnesses were reported in France.

In conjunction with the occupational physician, the Hygiene, Safety and Working Conditions Committee (CHSCT) and the commission for the prevention of psychosocial risks, a set of indicators is monitored to spot trends, learn lessons and implement actions. Hence, when renovating the premises of the head office, specific arrangements were made in the building to reduce noise generated by working areas (partitioning off of social areas, installation of plants and the addition of partitions between office areas).

Coface's management maintains regular dialogue with employee representative bodies regarding matters in connection with working conditions and safety. In this respect, during meetings with the CHSCT, the single document on risk prevention for employee health and safety was updated with the cooperation of the occupational physician.

Anti-discrimination measures: disability

The Group is centred on the consulting, analysis and client relations businesses, and is thus able to welcome employees with disabilities. The Group ensures that employees with disabilities are integrated into all its businesses and countries and applies existing local provisions.

The lines of action in France, Germany and Italy are presented and discussed with the employee representation bodies on a regular basis. Furthermore, Coface Germany has a specific representation body for employees with disabilities. Throughout 2016, Coface Germany conducted negotiations on the arrangement of a professional reintegration programme. This negotiation led to an agreement in 2017. In 2017, the first person took part in this programme, with very positive feedback from the participant, works councils and managers. This programme's benefits include a specifically adapted office, an orthopaedic chair or reduced working times in certain cases. In 2018, 13 employees were interviewed with a view to better understanding how to facilitate their day-to-day work. Two of them were able to benefit from an adapted integration process.

Coface France is currently working in collaboration with the occupational physician and social services on communication to clarify the implications and in particular the interests of the recognition process for the employee with disability status under French law.

In order to enhance the working conditions of employees with disabilities, Coface France intends to offer all employees the possibility of teleworking.

Lastly, the practices of Coface Italy reflect the legal framework, which requires that a minimum number of jobs should be reserved for people with disabilities in the total workforce of an entity.

Gender equality

Coface has maintained its very strong focus on equal opportunities for men and women, and seeks to create the necessary conditions to guarantee fair treatment for everyone based on their experience and skills, as well as working conditions that enable their personal and professional fulfilment. In addition to the women's mentoring and unconscious bias e-learning initiatives already presented in the previous sections, the Group ensured that all the regions are continuing to roll out a programme to guarantee equal opportunities for men and women, building on the actions taken in 2017.

In Germany, a women's leadership development programme was launched in September 2018, based on workshops followed by conferences, of two days each. It will continue in 2019, with the female participants receiving support from members of the NER region's management team to help them gain exposure in-house and develop their networks. By the end of the year, the aim is to have 30% of management roles held by women, compared with just over 18% currently.

At CER, a major initiative aims to share portraits of women leaders with all employees each month, looking at the unexpected facets of their personalities. The idea is to highlight their outstanding human features and make them inspiring, encouraging other women to follow in their footsteps.

In Latin America, three women based in Colombia, Peru and Mexico and recognised for their outstanding contributions to the business were selected by a regional committee from among 12 female candidates to take part in the major *Mujeres de Éxito* (Women who Succeed) conference in Mexico over three days.

In Asia, the creation of women's networks has been encouraged in all the countries, with a pilot initiative in Hong Kong. This network's first meeting was sponsored by the region's head, and an external speaker was also invited to give a motivational speech. The country heads themselves are sponsoring the networks developed locally.

Lastly, in France, a measure was launched to ensure fair pay for men and women. The pay gaps were analysed in January 2018, then presented to management, and a dedicated budget has been allocated to eliminate any "unjustified" gaps within two years. With help from HR, managers were able to take realignment decisions as part of the pay rise process in April 2018. The second phase is planned for 2019 with a view to achieving fair pay.

Two initiatives, from France and Germany, were rewarded by the Group during an awards ceremony attended by Senior Managers from around the world and organised as part of the Leadership Meeting in Lisbon in July.

Respect for the fundamental conventions of the International Labour Organization

Since 2003, the Group has been a signatory of the United Nations Global Compact, which commits it to respecting the fundamental conventions of the ILO. Coface therefore ensures compliance with freedom of association and the right of collective bargaining, the elimination of professional and employment discrimination, elimination of forced or mandatory labour, and the effective abolition of child labour.

6.1.2 Agreement providing for employee share ownership in the capital of the Company

As part of its stock market listing, the Company carried out a capital increase operation reserved for employees in June 2014. Nearly 50% of eligible employees participated in this offer and became shareholders, either directly or through the Coface Actionnariat FCPE mutual fund.

6.2 ENVIRONMENTAL INFORMATION

As a service company, Coface's CSR policy consists primarily in making conscious real estate choices that help to lower its environmental footprint by reducing its greenhouse gas emissions, as well as its energy and paper consumption. The development of these action plans is intended to mitigate potential (i) risks linked to the activity not adapting to environmental challenges and (ii) consequences in terms of climate change for the services produced by the Group.

6.2.1 General environmental policy

The Company is fully committed to protecting the environment. Its approach to reducing its environmental footprint has significantly influenced its real estate choices, particularly in the choice of its head office, and the efforts rolled out to reduce its greenhouse gas emissions, consumption of energy and paper, along with other initiatives established in France and abroad which encourage waste sorting and recycling, particularly for parts of obsolete IT equipment.

In Israel, Sweden and the UK, the Coface teams moved into more modern premises in 2018, more in line with the new environmental regulations.

In 2015, the Company set up a medium-term CSR plan which was the outcome of a think tank launched at the end of 2014 involving all of the Company's regions, the main aspects of which are presented in Section 6.4 below. Part of this plan's objectives has been achieved since 2016.

In 2018, as in previous years, there was no environmental litigation and no indemnity was paid in application of a legal decision rendered in that subject area. The Group has therefore not established any guarantee or provisions to cover that risk.

Measures to raise employee awareness

In order to fully include employees in this process, various actions were undertaken to raise employee awareness. Therefore, each year the Group activity report features a section devoted to raising Coface employee awareness about environmental challenges, and the best practices booklet distributed to all employees upon their arrival at the Bois-Colombes premises emphasises in particular the importance of daily actions for sustainable development, and in particular of reducing paper consumption and sorting waste.

A presentation on legal obligations in CSR issues and measures implemented inside the Group was given to the European Works Council meeting in 2016. This was an opportunity to make the European employee representative body aware of CSR issues. Moreover, CSR issues and specifically social issues (such as the My Voice findings and the resulting action plans) are looked at each year with the employee representative body at European level.

Environmental features of the Group's buildings

In France, environmental aspects were a determining factor for Coface in choosing the building that has housed its head office in Bois-Colombes since 2013. This building, which can host approximately 1,200 employees, is certified NF MQE (high environmental quality for construction) and BREEAM (BRE Environmental Assessment Method). It thus incorporates current best practices in terms of the immediate environmental impact, construction materials and processes, and production of waste. This building has furthermore been certified "low consumption" (BBC); its standard energy consumption is thus limited. The building preserves natural resources, thanks to limited water needs for green areas due to rooftop water recovery, solar panels situated on the roof and low-consumption exterior lighting.

In Germany, the main office located in Mainz is certified "Ökoprofit" for its sparing use of energy resources.

In compliance with European Regulations, Coface commissioned energy audits in France, Germany, Italy and Spain at the end of December 2015 and in 2016 for its respective buildings and vehicle fleets. The purpose of the audits was to study the energy use and greenhouse gas emissions for each building and vehicle fleet and draft recommendations for renovations to optimise or reduce energy use. In France, the main energy saving measures recommended in the report were implemented in 2016. To ensure the Company's alignment with the best standards in this area, while continuously looking to improve performance, further audits are planned for countries from the reporting scope within the next few years.

6.2.2 Sustainable use of resources

Water consumption

The Group only consumes water in the operation of its service-sector premises: air-conditioning, cooling of electronic equipment, cafeteria, maintenance, sanitary facilities and watering of green areas.

In 2018, water consumption represented 31,368 m^3. It is up slightly this year, linked in particular to the extended reporting scope. Water consumption totalled 27,081 m^3 in 2017, versus 28,587 m^3 in 2016 for the entire reporting scope, due to efficient control of the water distribution network and maintenance.

Paper consumption

Coface is committed to reducing its paper consumption. It has established a printing policy for its entire reporting scope which includes the following measures: setting printers to print on both sides of the paper by default, eliminating individual printers where possible, encouraging staff to print only essential documents and to favour "economical" printing layouts. Across the reporting scope, the Group also encourages the purchase of environmentally-friendly paper, certified PEFC or carrying an FSC label.

Campaigns were undertaken in several countries to reduce paper consumption. In France, an audit was performed on all printers in 2016 to analyse the total costs and uses of these machines and determine areas for optimisation according to the functional needs of Coface employees. The significant reduction in consumption for several years now and the precise mapping of the total number of machines have revealed, by comparison to usage rates per machine, the need to reduce the number of printers by nearly 40%, consequently leading to a substantial reduction in the costs linked to the operation of these machines for the Company.

The Group has engaged for several years in a policy to make its exchanges with its policyholders paperless, and strives to continually improve its clients' digital experience. A number of web services, such as Dashboard, CofaMove, CofaServe and CofaNet Essentials, have been developed in recent years.

In 2018, Coface rolled out electronic signature software for documents. This software facilitates the electronic exchange and approval of contracts and documents, significantly reducing paper consumption.

The move to paperless exchanges between Coface and its multi-national clients also includes the use of the Dashboard, an exclusively online tool that offers policyholders centralised monitoring of data for all their trade receivables.

Coface's total paper consumption in France has, therefore, been reduced significantly in recent years thanks to the move to paperless exchanges with policyholders and to better monitoring of printing as well as the use of thinner paper. 2018 saw a slight increase as the stock of paper was built up again.

Likewise in Germany, total paper consumption has fallen every year since 2016, when it stood at 24.8 tonnes, to reach 11.9 tonnes in 2017. Consumption increased in 2018, following an adjustment of the method for calculating paper consumption, with another type of paper added to total paper consumption.

Italy, Spain and the UK consume little paper thanks to a strict implementation of the printing procedure described in the first paragraph of this section.

Across the reporting scope, paper consumption in 2018 therefore amounted to 44 tonnes.

	France		Germany		Italy		Spain		United Kingdom	Total (reporting scope)	
Paper consumption	*(in metric tonnes)*	**Change N/N-1** *(in %)*	*(in metric tonnes)*	**Change N/N-1** *(in %)*	*(in metric tonnes)*	**Change N/N-1** *(in %)*	*(in metric tonnes)*	**Change N/N-1** *(in %)*	*(in metric tonnes)*	*(in metric tonnes)*	**Change N/N-1** *(in %)*
2016	36	(16.6%)	24.8*	(12.9%)	5	-	-	-	-	65.8	(6.4%)
2017	17.5	(51%)	11.9	(46.6%)	5	0%	2.5	-	-	36.9	(43.9%)
2018	20.0	+15%	15.6	+30%	3.7	(25%)	1.9	(23%)	3	44.2	+19%

* *In 2017, paper consumption was corrected in Germany for the 2016 financial year. Consumption in 2016 totalled 22.3 tonnes, not 24.8 tonnes.*

6.2.3 Climate change

The Group has taken various initiatives to reduce its environmental footprint, in particular with regard to greenhouse gas emissions, through the policies presented below and its new socially responsible investment policy – SRI (see Section 6.3.4).

Energy consumption

The Group's energy consumption concerns lighting, air-conditioning and heating of the premises.

The Group implements actions to reduce energy consumption, which translates to the environmental choices made in terms of real estate (see the features of the building housing the head office and the main office in Germany), which have allowed energy consumption to be significantly decreased.

Reported energy consumption since 2016 for the reporting scope

	2018 reporting scope France, Germany, Italy, Spain and UK		France, Germany, Italy and Spain 2017		France, Germany and Italy 2016	
	Consumption	CO_2 equiv.	Consumption	CO_2 equiv.	Consumption	CO_2 equiv.
Electricity	6,562 MWh	719 CO_2 T.eq.	6,825 MWh	632 CO_2 T.eq.	6,360 MWh	521 CO_2 T.eq.
Gas	1,503 MWh	355 CO_2 T.eq.	1,463 MWh	316 CO_2 T.eq.	1,371 MWh	297 CO_2 T.eq.
Surface area	73,159 m^2		72,026 m^2		67,823 m^2	

The percentage of renewable energy used by Coface in France since 2015 corresponds to approximately 14% of its total consumption. Furthermore, the roof of its Bois-Colombes head office in France is covered by some 100 square metres of solar panels, which reduce its gas consumption by reheating the water supplied to sanitary facilities and to the restaurant. In place since 2015, these sensors made it possible to save six to seven months of gas consumption per year, depending on the years, from 2016 to 2018. Since September 1, 2018, the surface area of the head office in France has been reduced by nearly 40%, reducing its energy consumption levels.

In Germany, electricity consumption does not generate any greenhouse gas emissions since Coface Germany has opted for an energy contract fully based on renewable energy sources with an offset system.

The optimisation of electricity and gas consumption made it possible to achieve a general reduction across the majority of the countries from the reporting scope in 2018.

Travel policy

The travel policy for Coface France employees was adapted and rolled out for the Group in 2018.

To better understand its procedure for business travel and its greenhouse gas emissions, the Group now works with one dedicated travel agency.

With the travel policy, travel is generally limited and replaced by telephone or videoconferencing, where available and relevant, given the situation. In addition, all the main Coface sites worldwide are equipped with the appropriate means. At the head office, several videoconference rooms and a telepresence room allow effective, simultaneous discussions to take place between the Group's seven regions.

In addition, to limit the carbon footprint, only train travel is authorised over certain distances, beyond which it may be preferable to travel by plane.

Type of travel	CO_2 metric tonnes equivalent for the 2018 reporting scope France, Germany, Italy, Spain and UK	CO_2 metric tonnes equivalent for France, Germany, Italy and Spain in 2017*	CO_2 metric tonnes equivalent for France, Germany and Italy in 2016*	CO_2 metric tonnes equivalent for France and Germany in 2015
Aeroplane	675	673.6	509	373
Train	18	14.5	5.6	3.05

* *The data was corrected with regard to the 2016 registration document: 533 CO_2 T.eq. (air travel) and 4.35 CO_2 T.eq. (train).*

In 2018, the limited increase in the consumption of greenhouse gases relating to air travel is the result of the UK being added to the reporting scope the same year. The distances travelled by plane increased by just 3% this year, with the corresponding CO_2 emissions stabilising.

As regards the increase in the consumption of greenhouse gases in connection with train travel in 2018, this increase is not due to any specific increase in the number of kilometres travelled by train in the countries within the reporting scope, but rather to the inclusion of the UK in the reporting scope and to the Spanish energy mix, which is heavily reliant on fossil fuels.

Vehicle policy

Within the reporting scope, countries adopt initiatives to reduce fuel consumption, such as Coface in France, which regularly upgrades its vehicles and selects them based on a number of criteria, including CO_2 emissions per kilometre travelled. The average for the vehicle fleet in France was 102.87 g/km in 2018, compared with 101 g/km in 2017, and greenhouse gas emissions increased by 1.42% over three years between 2016 and 2018. New executive-grade vehicles have been added to the fleet with high emission levels due to their engine options.

In Germany, the fuel consumption reduction policy is governed by specific clauses specified in the contract drawn up with the vehicle leasing agency, providing for maximum fuel consumption thresholds per vehicle.

Table of consumption since 2016

Fuel: Diesel and 4-star premium fuel	2018 reporting scope France, Germany, Italy, Spain and UK	2017 reporting scope France, Germany, Italy and Spain	2016 reporting scope France, Germany and Italy
Litres	622,592	696,043	711,615
CO_2 metric tonnes equiv.	1,561	1,778.5	1,691

* *Note on methodology: in 2017, the data reported for Diesel consumption in Germany for 2016 has been corrected. The correction of the German data (704.6 CO_2 metric tonnes equiv. reported in 2016 instead of 1,058.67 CO_2 metric tonnes equiv.) has led to correction of the end result, which should have been equal to 2,036 CO_2 metric tonnes equiv., instead of 1,691.*

To date, Coface's contribution to reducing greenhouse gas emissions has resulted in a limitation of CO_2 emissions through the vehicle policy, and limiting travel through the travel policy and its responsible investment policy, which notably includes, as described below, taking regular measurements of greenhouse gas emissions from its financial investment portfolio.

6.3 SOCIETAL INFORMATION

6.3.1 Regional, economic and social impact

Support for client development

The very nature of credit insurance contributes to the development of economic trade by offering companies secure commercial transactions, as presented in Section 1.3.1 (Description of the credit insurance business). Coface, as a leading market player, strives to offer its clients products that are best suited to their needs, in support of their development. It has made innovation a strategic cornerstone of its development, as illustrated by the marketing since 2014 of the EasyLiner offering targeted at SMEs in France and abroad, and accessible for online subscription. It has also established a system throughout the Group allowing potential claims to be best identified and processed.

Forging of links with the local social and economic fabric

With teams located in 63 countries for maximum proximity to the economic and social fabric, the Group favours the hiring of local employees, who are trained in the credit insurance businesses and have detailed knowledge of the business environment. It thus contributes to strengthening its expertise, while developing local players in the countries.

In addition to hiring employees and developing partnerships with universities and business schools (see Section 6.3.2), Coface takes part in local inter-company initiatives to support certain social causes and proposes or supports student initiatives, for example.

Each year since 2016, Coface has participated in an inter-company initiative jointly with the city of Bois-Colombes, where its head office is situated, to promote support for TÉLÉTHON, a charity created to finance research projects on neuromuscular genetic diseases. This event allowed numerous employees from the Coface head office and from other companies based in the area to meet around shared values of social cohesion and solidarity; all the funds collected (€3,258 in 2018) were donated, as they are every year, to the TÉLÉTHON association.

6.3.2 Partnerships and corporate philanthropy

Academic relations: promoting careers at Coface

Coface has strong links with the local communities; thanks to the relations it has built with schools and universities in the countries where the company operates. Coface has established strong partnerships with national universities or schools and puts together a pool of talent each year with interns or trainees (particularly in Spain, France, Italy and even Mexico). This best practice will not be developed this year, as the Group has chosen instead to focus on other priority areas of its HR strategy.

Coface Trade Aid

In 2018, a Group-wide charter was created for all Coface entities. This charter is intended to define a framework for the actions taken under the Coface Trade Aid umbrella worldwide to ensure their consistency with Coface's values and mission to help businesses to develop safely and sustainably. To ensure that these actions are relevant and truly benefit the charities in terms of financial donations, it was decided this year that the number of charities supported would be limited to one per country.

Coface Trade Aid's mission is to provide local support for charity projects, to work for sustainable economic development around the world, particularly through: helping for people to return to work to remain in employment, assistance in setting up businesses, supporting innovation, micro-credit and professional training.

Coface Trade Aid targets specific, identified micro-projects, aiming to track them and be involved from start to finish. The proposed projects are selected for their utility, effectiveness and ambition. Financial transparency, dynamism and the involvement of associations are likewise important selection criteria.

Initially launched in France, Coface Trade Aid has been gradually extended to all countries of the Group, with the same aim of supporting local initiatives based on education, the learning of a profession, micro-financing or the facilitation of economic exchange. In 2013, for the first time, Coface organised the Coface Trade Aid Week, during which each Coface country was asked to mobilise its teams for the benefit of charities. This operation has since been renewed annually, with the participation of most countries, and now constitutes a common, positive approach across all entities.

In the framework of Coface Trade Aid, solidarity initiatives are organised in the various countries where Coface is present. Examples include:

- since 2010, Coface UK has taken part every year in the London 10k race in partnership with the charity Changing Lives, which helps homeless people and those suffering from severe addictions;
- in France, a new partnership has just been set up with the Association pour le droit à l'initiative économique (ADIE), which enables people who are excluded from bank credit to obtain loans, primarily to start a micro-enterprise. In 2018, €23,000 were collected for this charity;
- in Australia, since 2017, Coface has supported Yalari, a not-for-profit organisation that offers secondary education scholarships at leading Australian boarding schools for indigenous children from regional, rural and remote communities.

  In June 2018, Coface took part in Yalari's annual fundraising dinner in Sydney, contributing $2,500.

  In October 2018, Coface invited Yalari's former pupils to speak at the Company's annual celebration evening and share their fascinating and inspiring stories with the brokers and our partners;
- in India, Coface donated 624,270 rupees to Manav Sena Sanidhi, a charity supporting the well-being and education of underprivileged children from this region;
- in Spain, Coface works with the Adecco Foundation. €8,943 were donated in 2018, with 70% going to support families of our employees facing disabilities, with specific projects enabling them to facilitate their future integration into the world of work and society in general;
- in Portugal, Coface has been working for several years with Vale de Acór, whose mission is to find jobs for former drug addicts;
- in Germany, employees organised various activities, making it possible to raise €2,168.30. The Company topped up this amount to reach a total of €5,000. These funds were donated to the new German Trade Aid project, Eliya, an organisation enabling children in Sri Lanka to receive an appropriate education, while providing jobs for local communities in Tangalle;
- in Mexico, employees have helped support the development of local micro-enterprises by providing training on Excel for staff in these businesses, as well as for unemployed people, in partnership with the Franco-Mexican Chamber of Commerce;
- In Lithuania, employees raised a total of €1,000 with employees to support the Mstislav Rostropovich Foundation, which helps talented children in need;
- in Romania, Coface raised funds for children with cancer being cared for at the Marie Curie paediatric hospital. The children are able to benefit from psychosocial support through various treatments from their first day in hospital up until to their successful integration into society once their treatment is complete;
- in 2017, Coface Hungary set up a partnership with the Autistic Art Foundation, which offers residences for autistic people in Hungary. This year, employees volunteered to take part in essential gardening work at the various residential homes;
- in Austria, Coface doubled the amount raised by employees with a donation of €2,000 to support research into immune disorders through the MedUni Vienna association, one of Europe's best medical institutions in terms of research performance.

6.3.3 Subcontracting and suppliers

The outsourcing of important or critical activities is strictly governed by the regulations applicable to insurance companies since the entry into force of the Solvency II Regulation. In this respect, since 2016, the Company has issued a Group policy aimed at identifying "material or critical" activities and defining the fundamental principles for resorting to outsourcing, the terms of any contract drafted for such outsourcing and the control procedures related to the outsourced activities and functions.

This policy, approved by the Company's Board of Directors in 2016 and reviewed annually ever since, considers the following as constituting material or critical activities, pursuant to the applicable regulations: (i) the following four key functions (see also Section 5.1.2 "Organisation"): the risk management function, the compliance verification function, the internal audit function and the actuarial function; as well as (ii) the other functions comprising the core credit insurance business, the interruption of which is likely to have a significant impact on the Company's business or its ability to effectively manage risks, or jeopardise the conditions under which it obtained its approval.

Coface and all its subsidiaries have therefore pledged to select service providers who meet the high-quality service standards and have the qualifications and skills necessary to efficiently handle the outsourced service, by avoiding any conflict of interest and guaranteeing data confidentiality. They also agreed to inform the French Insurance Regulator (the ACPR) of their intention to outsource services that fall within the scope of the procedure, pursuant to the applicable regulations. Any outsourcing contract to be signed with a service provider should include certain mandatory clauses imposed by Coface and be approved by the Company's Board of Directors prior to signature.

To date, the main material or critical activities outsourced by the Group concern the Company's financial investment management activity and, in a few limited countries, the risk underwriting activity. Key functions are not outsourced.

The Fit to Win strategic plan defined in 2016 has sought to limit the outsourcing of certain IT functions, such as Group-wide IT development functions; the purpose of limiting the use of outsourcing is to gradually insource these activities within a special Coface entity, in order to ensure the secure control of IT systems as well as the perpetuation of skills within the Group.

With respect to activities that are neither material nor critical as defined by the French Insurance Code (*Code des assurances*), the fields where cooperation with third parties is used concern Coface's commercial activity in particular. In fact, Coface acts through a worldwide network of agents and partners who share the same goal of developing credit insurance solutions to facilitate domestic and export B-to-B trade on numerous markets by relying on its expertise and its unique risk database. Selected for their competence and reliability, these agents and partners are required to follow Coface's commercial practices regarding product distribution; as such, distribution must comply with the rules laid down by the Group, under the latter's control in accordance with its internal rules and procedures.

In the context of its relationships with suppliers in general, Coface established in 2015 an internal policy of best practices in the field of procurement, and standardised its general terms for procuring supplies and services. These mostly include the best practices specified in its procurement policy and attached to contracts signed with suppliers. Conditions for issuing calls for tenders were also standardised in 2015 and include applicant assessment criteria based on the values upheld by corporate social responsibility. As a continuation of this policy, in June 2017 Coface signed the *Charte Relations Fournisseurs Responsables* (responsible supplier relationship charter) of the *Médiateur des Entreprises* and the Conseil national des achats, two French associations. This charter consists of 10 commitments for a responsible purchasing policy towards suppliers. It enables Coface to apply, in concrete terms, its willingness to foster fair and transparent relationships with its suppliers.

In accordance with the French "Sapin 2" Act of December 10, 2016 concerning transparency, anti-corruption and the modernisation of economic life, Coface has set up an assessment of suppliers looking at the corruption risk.

6.3.4 Socially responsible investment (SRI)

In addition to the investment policy within the Group and in connection with Article 173 of the Law of August 17, 2015 on Energy Transition for Green Growth applicable to Coface, in 2016 the Group defined its responsible investment policy and the goals pursued consistent with its role as credit insurer and the protection of its reputational risk. In accordance with the transparency goals set by this regulation, the Group provides qualitative and quantitative information on the implementation of this policy.

Being a Socially Responsible Investor, according to Coface, means both including oversight and analysis measures in its investment policy in order to fulfil its obligations towards its policyholders, and integrating into its investment decisions, where appropriate, factors related to respect for the social, environmental and governance quality goals of the companies in which it invests (hereafter the "ESG factors").

Evolving as it does in an international environment where SRI practices and standards diverge, the Group strives to pay particular attention to the dialogue it conducts with issuers. It also aims to foster a dynamic analysis of investment opportunities, without seeking an approach solely focused on a strictly positive selection or the systematic exclusion of certain assets.

As an institutional investor, Coface seeks to adopt long-term measures through its investment policy for better recognition of the underlying risks linked to ESG factors and to measure over time the concrete effects of a more comprehensive integration of these factors into its portfolio management.

The SRI strategy is thus based on three pillars, with each one being the subject of a dedicated quarterly or annual report. The Group has entrusted AMUNDI, its dedicated global manager, with producing reporting elements and analysing potential impacts on the management of its investments. Thus, in partnership with AMUNDI, in 2016 Coface set up a mechanism to address the regulatory requirements and to measure the carbon footprint of its portfolios. Accordingly, calculating and disclosing information on Coface's carbon exposure is the foundation of its commitment in this area.

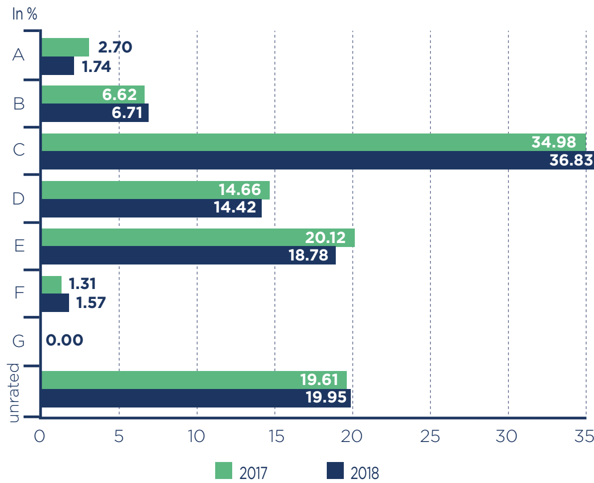
The three pillars of Coface's Socially Responsible Investor strategy are as follows:

1/ ESG factors: Integrate sensitivity to these factors into its asset management, while maintaining a primary logic of risk and reputation management.

   Since the 1st quarter of 2017, AMUNDI has produced a quarterly report on the average ESG rating of the Coface portfolio (A to G rating) and a breakdown of assets by ESG rating.

   As of December 31, 2018, the overall ESG rating of the investment portfolio was C-, stable compared with the end of 2017. In 2018, Coface decided, in line with Amundi's policy, to not invest directly in any securities from issuers with a G rating or issuers with more than 30% of their turnover linked to coal mining.

ESG rating of the investment portfolio



Source Amundi.

N.B. : The portfolio monitored by AMUNDI represents 97.3% of Coface's total portfolio.

2/ Voting rights and Commitment: Taking part in voting at the Shareholders' Meetings of companies held in the portfolio through the delegated managers and encouraging dialogue with their management on best practices by relying on the practices implemented on these topics through the managers selected by Coface.

AMUNDI provides an annual report on Voting Rights, containing the following information:

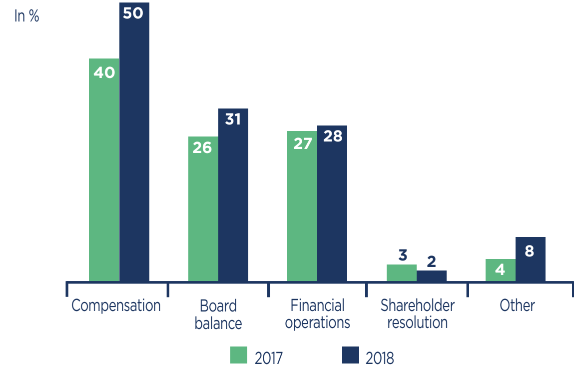
- overall voting statistics for each of the Coface dedicated funds (with a focus on geographic breakdown, opposition rates and major opposition topics);
- the list of meetings at which voting rights are exercised and during which an opposition voting right was exercised (with a breakdown per company concerned, per country and per opposition topic).

Prior to these votes and where necessary, Coface can initiate discussions with AMUNDI's specialised teams to gather analyses on proposed resolutions and discuss the associated vote recommendations.

AMUNDI transmits its voting policy annually to the Group, to include the best corporate governance, social responsibility and environmental practices.

The percentage of opposition votes exercised by AMUNDI on behalf of Coface at Shareholders' Meetings held in 2018 are presented below, by topic:

Opposition votes on share positions held directly



Source Amundi.

According to AMUNDI, truthful, comprehensive and transparent financial information constitutes an essential right of shareholders and a prerequisite for exercising voting rights in a considered manner. Hence, opposition votes mainly come from the following considerations:

- with regard to the compensation policy: AMUNDI considers that aligning senior managers' interests with those of the shareholders is a vital factor in corporate governance. The Company's compensation policy must contribute to this balance;
- with regard to balanced membership of the Board: AMUNDI considers that the Board is a strategic body and that its decisions determine the future of the Company and the responsibility of its members. Thus, according to AMUNDI, its actions must be governed by transparency, responsibility, efficiency and availability;
- with regard to financial transactions: AMUNDI considers that minority shareholders must be wary of excessive dilution of the capital.

3/ Measuring the carbon footprint: Protecting the Group against carbon risk and participating in international environmental protection and energy as well as ecological transition endeavours.

AMUNDI provides a quarterly carbon report including:

a) A presentation of carbon emissions (per million euros invested and per million euros in revenue) and carbon reserves (per million euros invested).

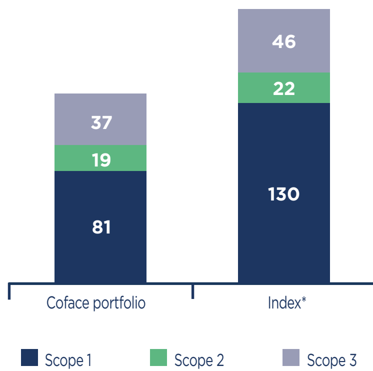
All data is presented in absolute and relative terms with regard to a benchmark index determined according to the strategic allocation of the platform.

The carbon reserves per million euros invested constitute an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in the portfolio.

This presentation is drawn up for three different levels of scope:

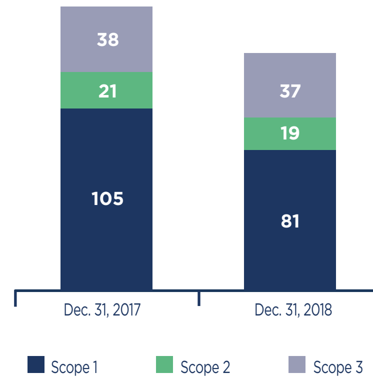
- Scope 1: all direct emissions from sources owned or controlled by the Company;
- Scope 2: all indirect emissions resulting from the purchase or production of electricity, steam or heat;
- Scope 3: all other indirect emissions upstream and downstream of the value chain. Only emissions upstream and via first-tier suppliers are presented in the report.

Carbon emissions per million euros invested (TCO_2/€m)



Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

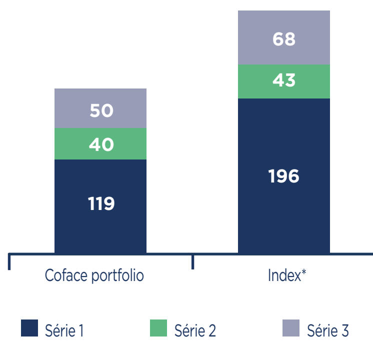
Carbon emissions per million euros invested at December 31, 2018



Source Amundi.

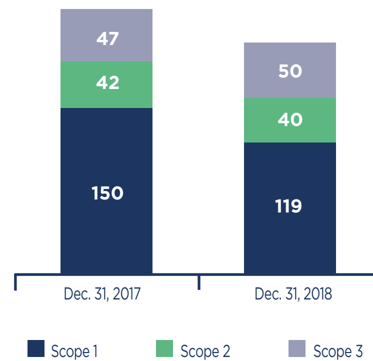
This indicator measures emissions from the portfolio in metric tonnes of CO_2 equivalent per million euros invested. It is an indicator of emissions resulting from investment in the portfolio. It is down for the year, primarily for emissions from Scope 1. Carbon emissions per million euros invested were less than those of the benchmark index.

Carbon emissions per million euros of revenue



Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

Carbon emissions per million euros of revenue at December 31, 2018

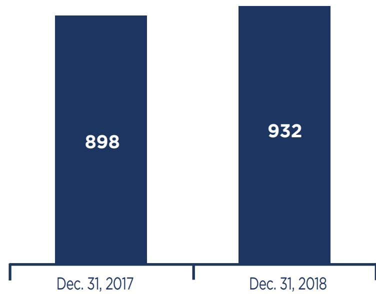


Source Amundi.

This indicator measures average emissions in metric tonnes of CO_2 equivalent per unit of revenue generated by the companies (in millions of euros). It is an indicator of the carbon intensity of the value chain of companies in the portfolio. It fell by 13% over the year. Carbon emissions per million euros of revenue were also less than those of the benchmark index.

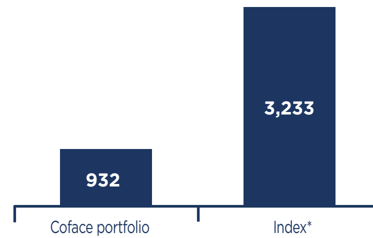
N.B. : The portfolio monitored by AMUNDI represents 97.3% of Coface's total portfolio. 34.5% of the monitored portfolio is rated. This 34.5% represents 88.5% of rateable outstanding amounts.

Carbon reserves per million euros invested at December 31, 2018 *vs.* December 31, 2017



Source Amundi.

Carbon reserves per million euros invested at December 31, 2018



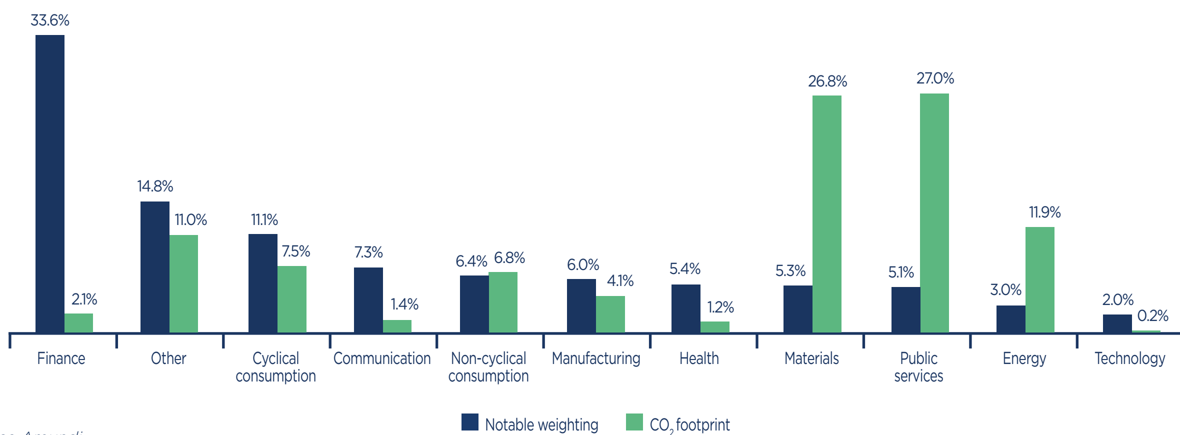
Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

These graphs measure carbon reserves from the portfolio in metric tonnes of CO_2 equivalent per million euros invested. They represent an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in this portfolio.

N.B.: The portfolio monitored by AMUNDI represents 97.3% of Coface's total portfolio. 1.1% of the monitored portfolio is rated. This 1.1% represents 2.83% of rateable outstanding amounts.

b) Sectoral and geographical contributions to carbon emissions

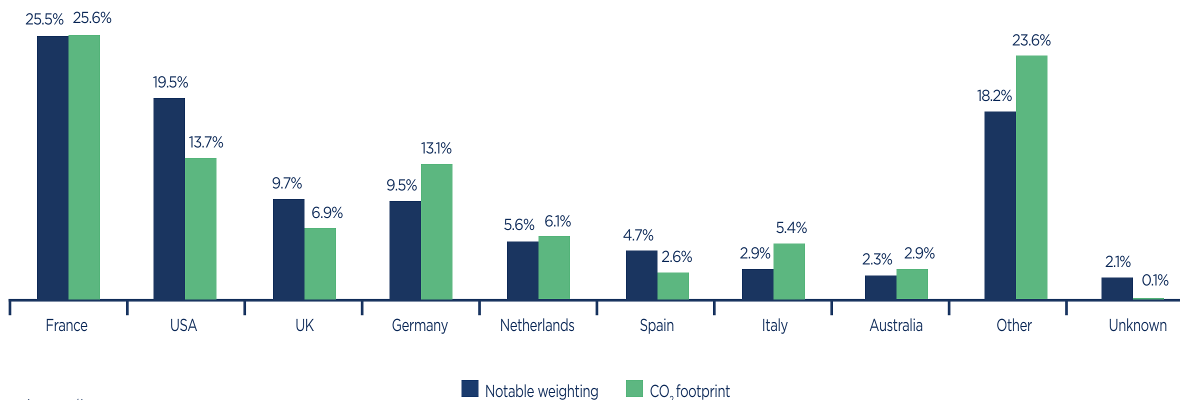
Sectoral contributions at December 31, 2018



Source Amundi.

The biggest contributors as of the end of 2018 were public utilities, materials and energy. The smallest contributors were finance, communications, health and technology.

Geographical contributions at December 31, 2018



Source Amundi.

The countries with the greatest exposure in the Group were France and the United States.

N.B.: The data on carbon emissions provided correspond to the annual emissions of companies in the portfolio and are expressed in metric tonnes of CO_2 equivalent, including the six greenhouse gases defined in the Kyoto protocol whose emissions are converted into global warming potential (GWP) in CO_2 equivalent.

6.3.5 Fair practices and respect for human rights

The importance of compliance in general is crucial for the management team and is highlighted during each conference or presentation for employees. More specifically, during each top-200 annual conference, the CEO always mentions the importance of integrity and ethics in his speech. In addition, employees' ethical commitments are one of the essential aspects monitored by the executive leadership team through the annual satisfaction survey covering all the Group's employees.

As part of managing non-compliance risks, Coface's code of conduct, which was created for use by all Group employees, was revised in 2018 to reinforce for all employees promotion of the values of integrity necessary for the proper conduct of their professional activities. This code notably emphasises the importance of treating clients fairly by avoiding conflicts of interest and not using information in an employee's possession against the interests of a client, a potential client and co-contracting third parties.

The code of conduct also draws employees' attention to the importance of avoiding any pressure that may come with expensive gifts, which should be reported to the compliance director.

With regard to lobbying, Coface does not directly or habitually carry out any activity in this field and has no employee whose appointed duty or mission involves lobbying public or political entities. Nevertheless, any action undertaken in this respect should naturally be carried out in the context of the ethical rules laid down by Coface in the aforesaid code of conduct, which includes a number of anti-corruption rules.

Within the context of combating money laundering and corruption, every year the Group strengthens the tools and roll-out of procedures to best control all risks linked to financial security. These measures concern all the Group's entities, employees and clients.

The Coface Group has adopted a zero tolerance policy for corruption in all its forms. This policy has been provided to all of the Group's employees, particularly through the Anti-Corruption Code and the code of conduct, which are both prefaced by the CEO. These two documents have been translated into the Group's main languages (specifically French, English, German, Spanish, Italian and Portuguese). They have been made available to all employees and can also be accessed in electronic format on the Group's intranet site.

Since 2017, Coface has focused on implementing the provisions set out in the "Sapin II" law on transparency, anti-corruption and modernisation of the economy. More specifically, the Compliance Department has worked to put in place an Anti-Corruption Code, which includes three sections: a summary of the general guidelines, specific guidelines and practical advice. The general guidelines set out the Coface Group's zero tolerance policy for corruption. They provide definitions of corruption, unfair advantages and the beneficiary concept, as well as the legal framework for corruption. The specific features of corruption involving public agents are also explained. The section on specific rules presents the guidelines for sensitive issues in terms of corruption: gifts and invitations, facilitation payments, political contributions, lobbying, charities and sponsoring.

This Anti-Corruption Code is being supported by:

- the roll-out of a programme to train and raise awareness among all Group employees; E-learning courses on the Anti-Corruption Code and the code of conduct have been set up for all employees. Each course has been rolled out in the main languages to ensure better understanding by employees;
- a mapping of corruption risks, drawn up for each Coface Group entity and per function within each entity. The identification of corruption risks has focused on nine risk situations: sales to public entities, gifts, accommodation and travel costs, use of the Company's assets (benefiting third parties for non-commercial purposes), charitable and political donations, sponsoring, employment of people related to civil servants, obtaining of all types of licences, permits and regulatory authorisations, cross-border movement of goods and related activities, governmental lobbying for policies, legislation and/or regulations;
- a global framework for assessing third parties, which is currently being rolled out. For clients, the KYC (Know Your Customer) procedure already defined the processes for client identification and knowledge and the due diligence measures to be applied, as well as the monitoring and control processes. For suppliers and intermediaries, a control system for third parties was set up in 2018. This is based on a third parties evaluation procedure, which notably describes the scope and controls to be applied with third parties, as well as the governance model;
- an ethical whistleblowing system. Coface has put in place an internal whistleblowing system, as described in the Anti-Corruption Code and the code of conduct. The internal whistleblowing system was presented in a dedicated and detailed procedure in January 2018, notably based on the following core principles: the people concerned must be able to choose between several channels for reporting and communicating; employees who report incidents in good faith must be protected and their identity must, in principle, remain confidential; alongside this, first-level accounting control procedures were deployed within the Group in 2018, and the 2019 audit plan includes controls by internal audit to check the anti-corruption arrangements.

As part of the implementation in 2017 of a revised KYC evaluation grid, a communication campaign was carried out targeting sales staff on warning signs regarding money laundering, concerning the Company (address, activity, change in turnover given the client sector, number of employees, etc.), the transaction (complexity, unusual behaviour by the client, etc.), the Company representatives (negative information, politically exposed individual, etc.) or problems in obtaining the mandatory documentation. An e-learning training course to combat money laundering was rolled out for all employees in 2018. Each course has been made available in the main languages to ensure better understanding by employees.

As concerns combating financial delinquency, the procedures that are regularly updated and locally transposed notably consist of a general procedure relating to the risk of money-laundering and a KYC procedure. These procedures, revised each year, are accompanied by several application sheets (sheet relating to the functioning of declarations of suspicion, sheet relating to the review of atypical transactions, procedure relating to transfers of cash flows in case of an embargo, or within the context of anti-terrorism). In addition, specific anti-money laundering procedures have been established, notably for sales and debt collection processes.

The procedures are implemented by the international network of correspondents in charge of compliance within the Group.

In its business lines, the systematic implementation of the diligence procedures described above allow Coface to avoid operations that are deemed suspect. Moreover, restrictions are applied in the area of arms trade guarantees, prohibiting coverage for companies active in the manufacturing of cluster bombs and/or anti-personnel mines.

In order to complete its measures regarding international and local sanctions, Coface began rolling out an automated filtering tool for all Group entities in 2018 to further strengthen both controls for establishing relationships with new clients and controls on existing clients. Apart from sanctions, the tool also makes it possible to identify negative information on clients (such as involvement in crimes or offences such as corruption or fraud) and strengthens Coface's management of any reputation risk relating to its clients.

Coface's B-to-B activity does not require specific measures regarding consumer health and safety.

Coface pays great attention to the security of its IT systems and the confidentiality of data concerning policyholders and their clients. An IT charter incorporated into the internal regulations contains all the rules comprising Coface's security system, of which all employees are reminded annually in order to prevent any breach or threat to the data and systems (viruses, cyber-attacks, information leaks, identity theft, hacking, phishing, whaling, etc.). Attention to information system and data security is also demonstrated through the Group's choice of suppliers, the conditions in which it stores data on policyholders and their clients, its implementation of and compliance with the regulation and industry data protection standards (active and passive protection measures such as firewalls, and business continuity plans – see also Section 1.8 "Information systems and processes"), and through the addition of specific contract clauses during both the pre-contractual and contractual phases.

As part of its implementation of EU Regulation No. 2016/679, the "General Data Protection Regulation" (GDPR), Coface adapted its information systems and processes in 2018 with a view to complying with the stricter requirements in terms of personal data protection, including the:

- appointment of a Data Protection Officer (DPO);
- formalisation of data processing registers;
- inclusion of GDPR clauses in contracts with its clients and suppliers;
- communication of the "Privacy Notice" to Coface clients;
- choice of the CNIL, the French data protection agency, as the lead authority for cross-border processing within the European Union.

Coface has also launched a project to set up Binding Corporate Rules (BCR), as defined in Article 47 of the GDPR, with a view to setting a global framework for transfers of data outside the European Union.

As a member of the United Nations Global Compact, Coface follows the principles stated therein relating to the protection of human rights:

- to promote and respect protection of international human rights law in its sphere of influence; and
- to ensure that it is never complicit in human rights violations.

Coface complies with the tax law applicable in the jurisdictions where the Group operates and ensures compliance with international principles, notably the principles from the OECD's BEPS (Base Erosion and Profit Shifting) project, including the requirement for country-by-country reporting (CBCR). This requirement was introduced by the French Finance Act for 2016 and applies to groups established in France with consolidated annual revenue excluding tax of over €750 million. The country-by-country report must include various elements, such as revenue, tax paid and number of employees. As the ultimate entity of the consolidated group that Coface is part of, BPCE produces and submits country-by-country reports to the French tax authorities, which are shared with the foreign tax authorities that have signed the Multi-lateral Competent Authority Agreement.

Coface has dedicated teams to monitor changes in tax laws and their application within the Group. Coface also works with well-known advisers to review the compliance of its practices and tax position in accordance with the rules applicable.

Lastly, Coface's Know Your Customer procedure includes strengthened vigilance measures when transactions involve one or more entities located in non-cooperative States and territories for tax purposes, as defined by Article 238-0 A of the French Tax Code (*Code des impôts*) [1], or in a country that could create a reputation risk for Coface (even if this country is not specifically included in the list of non-cooperative States and territories under the jurisdiction of the Coface entity that issued the policy).

(1) At January 1, 2010, non-cooperative States and territories are defined as those whose position regarding the transparency and exchange of information for tax purposes has been reviewed by the Organisation for Economic Cooperation and Development and which, to date, have not signed an administrative assistance agreement with France allowing the exchange of any information required for the application of the parties' tax laws, or have not signed such an agreement with at least 12 jurisdictions.

6.4 CSR INITIATIVES ENVISAGED IN THE MEDIUM TERM BY COFACE

Thanks to a discussion launched in the last quarter of 2014, which involved the participation of all its regions of business, the Company developed throughout 2015 a medium-term CSR plan examined by the Board of Directors in December 2015. This plan includes the follow-up of initiatives already existing at Group level and the launch of a certain number of new initiatives. These initiatives concern corporate governance, clients and prospects in all its geographic regions of business, the Group's employees, its environmental footprint and its societal environment.

In this respect, a decision was made to strengthen Coface's CSR reporting by setting up a dedicated CSR page on the Coface website, which was completed in 2016 and improved in 2017 by the addition of new content.

The Company has made a commitment to raising the awareness of its policyholders and prospects about relevant environmental, social and governance issues through segment-specific economic studies on its website, some of which refer to CSR issues. As it does every year, Coface's Economic Research Department published several studies in 2018 on the economic situation in emerging countries ("A new deal of cards for emerging markets" and "Country and sector risks barometer" published each quarter) and the renewable energy sector (Wind energy: how long will the wind stay in the industry's sails?).

The Company will pursue and step up its social initiatives with a particular focus on defining a diversity policy that includes, in particular, the employment of people with disabilities.

Environmental reporting is extended each year to new countries to improve the monitoring of the Group's carbon footprint and identify the investments required for better energy consumption.

Lastly, Coface Trade Aid has continued to benefit the Company's societal environment with its charity actions for economically underprivileged populations, with a determination to refocus its actions on local economic development as conveyed by the Company's values and missions.

In 2018, discussions took place on the integration of CSR into Coface's business model, in order to meet the new requirements resulting from the transposition of EU Directive 2014/95/EU into French law.

6.5 REPORTING FRAMEWORKS AND METHODOLOGY

The non-financial performance report has been drawn up to meet the requirements of Articles L.225-102-1 and R.225-104 to R.225-105-2 of the French Commercial Code.

General organisation of the report

In 2018, Coface further strengthened its non-financial reporting guidelines to ensure a unique and consistent framework across the reporting scope.

The information presented in this document was produced internally on the basis of information provided by the heads of each area concerned. The corporate information and indicators were supplied by the Human Resources Departments of the entities in the reporting scope and by the person in charge of Personnel Reporting, and were coordinated by the Group Human Resources (HR) Department. The environmental information comes from the departments in charge of facilities management in the reporting scope. The societal information was supplied by the Compliance Department, and information on the socially responsible investment policy was supplied by the Group Investment, Financing and Treasury Department. These last three categories of information were coordinated by the Group Legal Department.

Reporting period

Unless stated otherwise, all figures refer to financial year 2018, corresponding to calendar year 2018. Comparable data, on a like-for-like basis, is sometimes presented for previous years for purposes of comparison.

Reporting scope

The information presented in this Document was produced for the first time for financial year 2014, and the figures contained therein concerned the French scope, with an illustration of the policies, processes, tools, initiatives and actions at Group level.

Since 2014, the Group has extended its reporting scope during each new reporting year, as presented in the table below. The Group plans to continue this extension to make its reporting as representative as possible with regard to the Group's workforce and revenue.

Workforce figures are always reported for the Group scope.

Financial year	Reporting scope	Information regarding the scope added	Scope representativeness with regard to the Group's workforce	Scope representativeness with regard to the Group's revenue
2014	France	The French scope concerns (i) COFACE SA and (ii) its subsidiary, Compagnie française d'assurance pour le commerce extérieur (iii) excluding its second subsidiary, Coface Re, which is not registered in France and has a total workforce of 11 employees based in Switzerland.	24%	20%
2015	France and Germany	The German scope concerns the three German companies, Coface Finanz GmbH, Coface Rating GmbH and Coface Debitorenmanagement GmbH, as well as the German branch of Compagnie française d'assurance pour le commerce extérieur.	40%	36%
2016	France, Germany and Italy	Italy includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur and a service company devoted to debt collection operations, Coface Italia SRL.	43%	43%
2017*	France, Germany, Italy and Spain	Spain includes the insurance branch and a service entity, Coface Servicios España.	42%	53%
2018	France, Germany, Italy, Spain and UK	The UK includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur, Coface UK Holdings Ltd and a service entity, Coface UK Services Ltd.	43%	56%

* *Although the reporting scope was significantly extended in 2017, its workforce representativeness decreased due to a reduction in the workforce in France. This decrease was due largely to the transfer of the State guarantees management business to Bpifrance Assurance Export on January 1, 2017, which resulted in 249 departures.*

Methodological details on the information communicated

Corporate

- The corporate indicators, excluding the Group's workforce, concern the French, German, Italian, Spanish and UK scope in 2018. However, as mentioned above, the description of policies, processes and HR tools are defined at Group level.
- All figures concerning the workforce, seniority, age and diversity were obtained from Group HRD Reporting, an online internal tool.
- The workforce figures provided relate to employees at December 31, 2018 on permanent or fixed-term contracts (including expatriates and people who have temporarily left the Company), excluding people who have permanently left the Company, interns, trainees, V.I.E (international intern in a company) participants, temporary staff, consultants and sub-contractors.
- Cases of long-term sick leave (over three months) are now classed as "employees who have temporarily left the Company".
- Employee arrivals include all employees recruited on permanent and fixed-term contracts since 2018.

  Contract renewals are not recorded as new arrivals. However, any person who was not part of the recorded workforce (consultant, intern, etc.) and is awarded a fixed-term or permanent contract must be recorded as a new arrival.
- The number of departures includes all the reasons for departures for people on permanent and fixed-term contracts: resignation, dismissal, termination by mutual agreement, end of probation period initiated by the employee and/or employer, retirement or death, until December 31 of the year (inclusive). Cases when fixed-term contracts have ended are not included in the list of departures.
- The indicator for the "percentage of female managers" takes into account the percentage of female managers in the workforce at December 31, 2018, *i.e.*, the number of women in management positions among the workforce (numerator) over the total number of employees in manager positions (denominator).
- The following employees must be recorded as managers:
  1/ General management;
  2/ Middle management and managers.
- Workplace accidents and data on disabilities are reported in accordance with local regulations.
- Training for France, Germany, Italy, Spain and the UK includes internal training, external training and e-learning, referring to initiatives to develop employees' skills and including an educational objective and a supporting document to record the training period. The figures show the number of trainees benefiting from training in 2018, including employees who took part in a training course before leaving the Company. An employee who has taken part in several training courses is counted only once.

- This year, coaching support that complies with the definition of training given above will be included in the number of hours of training and the number of people trained.
- Concerning the number of hours of training, in the absence of information from the trainer (internal or external) on the exact number of hours of training provided, the reported length of one day of training is equal to seven hours. E-learning language programmes are included in the training reporting.
- The indicator counts the number of hours of training provided for employees. For group courses, the number of participants needs to be multiplied by the number of hours of training (*e.g.*, 15 people trained with a 7-hour course = 15*7 = 105 hours of training).
- Long training programmes spread over two calendar years must be prorated based on the hours carried out. The hours carried out in year N-1 must be recorded in the reports for N-1, with the hours carried out in year N recorded in the reports for N.
- The number of training hours reported corresponds to the hours delivered (and not the hours planned), traceable based on an attendance sheet. E-learning programmes must only be recorded when their level of progress is 100%.
- The reported length of an e-learning module is the theoretical length indicated in the training programme, except for e-learning courses accessible for an unlimited amount of time during a given period, which depend on the time invested by the learner and for which the effective length is reported (for example, the length of a foreign language e-learning course, accessible for an unlimited amount of time for three months, may vary from one user to the next).

Environmental

- The indicator figures are for:
  - France, and include the Coface head office and regional departments in France;
  - Germany, composed of eleven sites, the main office being located in Mainz, and the others in Hamburg, Berlin, Hanover, Nuremberg, Düsseldorf, Bielefeld, Frankfurt, Cologne, Karlsruhe, Stuttgart and Munich;
  - Italy, composed of two sites, the main office being located in Milan and the other in Rome;
  - Spain, composed of eight offices, the main office being located in Madrid. The other offices are located in San Sebastián, Alicante, Valencia, Seville, Pamplona, Barcelona and A Coruña;
  - the UK scope, with four sites: London, Watford, Birmingham and Manchester.

  The energy consumption scope includes the buildings open for the full year and not those opened or closed during the year.
- The greenhouse gas emissions have been calculated:
  - for energy consumption, based on CO_2 emission conversion factors reported by local suppliers – primarily for electricity – or the CO_2 emission conversion factors available in the French agency for sustainable development (ADEME) Base carbone® database, with regard to fuel consumption;
  - for transport, based on the CO_2 emission conversion factors reported by suppliers and/or based on the CO_2 emission conversion factors available in the ADEME Base carbone® database.
- The emission factors relating to fuel consumption have been standardised at Group level and are as follows:
  - Petrol: 2.28 kg CO_2e/litre (ADEME); and
  - Diesel: 2.51 kg CO_2e/litre (ADEME).
- Paper consumption includes the paper bought for the printers and the internal reprography service (mainly paper certified PEFC, FSC and FSCMX). It does not include external communication actions or envelopes or other paper types. In 2018, the method for calculating paper consumption was adjusted for Germany, adding letterhead paper to all of its consumption reported up until then.
- Water consumption corresponds to the consumption of the Bois-Colombes head office (France), the offices in Mainz (Germany), Milan (Italy) and Madrid (Spain), as these four sites are the main buildings in the reporting scope; data for the other buildings are included in rental charges and are therefore not available. If the data for December are not available, the data are reported year on year from November N-1 to November N.
- Part of the distance travelled by train in the UK is not reported because some of the staff do not use the dedicated travel agent's services.

As the Company's activity has a limited impact on the areas listed below, they have not been covered:

- tackling food waste;
- combating food insecurity;
- respect for animal welfare;
- responsible, fair and sustainable food; and
- circular economy.

6.6 REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE REPORT CONTAINED IN THE MANAGEMENT REPORT

Year ended December 31, 2018

To the Shareholders,

In our capacity as Statutory Auditors appointed as an independent third party for COFACE SA, accredited by the COFRAC under number 3-1049 (1), we hereby present to you our report on the consolidated non-financial performance report for the year ended December 31, 2018 (hereafter the "Report"), presented in the Group's management report, in accordance with the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for preparing a Report in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in relation to these risks and the results of these policies, including key performance indicators. The Report has been prepared in accordance with the Company's procedures (hereafter the "Guidelines"), with their significant elements presented in the Report.

Independence and quality control

Our independence is defined by the terms of Article L. 822-11-3 of the French Commercial Code and the Statutory Auditors' professional code of ethics. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, industry guidelines and applicable laws and regulations.

Responsibility of the Statutory Auditors

On the basis of our work, it is our responsibility to issue a reasoned opinion expressing limited assurance concerning:

- the Report's compliance with the terms of Article R. 225-105 of the French Commercial Code;
- the accuracy of the information provided in accordance with paragraph 3 of Section I and Section II of Article R. 225-105 of the French Commercial Code, *i.e.* the results of the policies, including key performance indicators, and the actions, relating to the main risks (hereafter the "Information").

However, it is not our responsibility to express an opinion concerning:

- the Company's compliance with any other legal and regulatory requirements, particularly concerning any vigilance plan and measures to combat corruption and tax evasion;
- the compliance of products and services with the regulations applicable.

(1) *The corresponding scope is available on the www.cofrac.fr site.*

Nature and scope of the work

Our work presented hereafter was carried out in accordance with Articles A.225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third-party performs its mission and in accordance with the industry standards set by the French accounting standards board (CNCC) relating to this work, as well as the international standard ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We have carried out work allowing us to assess the Report's compliance with the legal and regulatory provisions, as well as the accuracy of the Information:

- we have reviewed the activity of all the consolidated companies, the presentation of the main social and environmental risks relating to this activity and, if applicable, its impacts in terms of respect for human rights and measures to combat corruption and tax evasion, as well as the corresponding policies and their results;
- we have assessed the suitability of the Guidelines in terms of their relevance, exhaustiveness, reliability, impartiality and understandability, taking into account industry best practices, where appropriate;
- we have verified that the Report covers each category of information provided for under Section III of Article L.225-102-1 regarding social and environmental aspects, as well as respect for human rights and measures to combat corruption and tax evasion;
- we have verified that the Report presents the business model and the main risks relating to the activity of all the consolidated companies, including, when relevant and proportionate, the risks created by its business relationships, its products or its services, with regard to the information provided for under Section I of Article R.225-105, as well as the policies, due diligence procedures and results, including key performance indicators;
- we have verified, when relevant in relation to the main risks or the policies presented, that the Report presents the information required under Section II of Article R.225-105;
- we have assessed the process for identifying, prioritising and validating the main risks;
- we have looked into the existence of internal control and risk management procedures put in place by the Company;
- we have verified that the Report includes a clear and justified explanation of the reasons for cases when a policy is not in place for one or more of these risks;
- we have verified that the Report covers the consolidated scope, *i.e.*, all the companies included in the basis for consolidation in accordance with Article L.233-16;
- we have assessed the collection process put in place by the entity aiming to ensure the exhaustiveness and accuracy of the results of the policies and the key performance indicators to be presented in the Report;
- for the key performance indicators and other quantitative results [(1)] we considered to be most important, we applied:
  - analytical procedures to verify correct consolidation of the data collected and the consistency of their changes,
  - detailed tests based on samples to check the correct application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out with a selection of contributing entities [(2)] and covers between 17% and 63% of the consolidated data for the key performance indicators and results selected for these tests and, for the total headcount indicator reported at Group level, 20% of the Group's workforce;
- we consulted the documentary sources and conducted interviews to corroborate the due diligence procedures (organisation, policies, actions, qualitative results) that we considered most important [(3)];
- we assessed the Report's overall consistency based on our knowledge of the Company.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to allow us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work.

As a result of the use of sampling techniques, and limitations inherent in the functioning of any internal control and information system, the risk of a material anomaly in the Report not being detected cannot be ruled out entirely.

Means and resources

Our work involved the skills of six people. We were assisted in our work by our sustainable development and corporate social responsibility specialists. We conducted some 10 interviews with the people responsible for preparing the Report, notably representing the human resources department, the strategy department, the compliance department, the risk department, and the finance and investment department.

(1) **Social indicators:** *Total headcount at December 31 and breakdown by gender and type of contract, Percentage of female managers, Number of employees recruited on permanent contracts and fixed-term contracts, Number of dismissals, Number of people trained, Number of hours of training.*
Environmental indicators: *Energy consumption (electricity and gas), CO_2 emissions linked to energy consumption, CO_2 emissions linked to fuel consumption, CO_2 emissions linked to train and air travel, Paper consumption.*

(2) *Coface France (Bois-Colombes head office), Coface UK (Watford).*

(3) *Talent retention, Anti-discrimination, Skills development, Anti-corruption, Protection of human rights, IT security procedures relating to personal data protection, Business continuity planning, Anti-tax evasion procedures.*

Conclusion

Based on our work, and taking into account the scope of our responsibilities, we have not identified any material anomalies likely to call into question the fact that the Report is compliant with the regulatory provisions applicable and that the Information overall is presented in a true and fair way, in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above, and in accordance with Article A. 225-3 of the French Commercial Code, we would like to make the following comment:

As set out in the methodological information presented in the "Reporting standards and methods" section, the social indicators, excluding the total headcount indicator reported at Group level, cover 43% of the Group's workforce for the 2018 financial year.

Paris-La Défense, April 02, 2019

KPMG S.A.

Anne Garans	Régis Tribout
Sustainability Services Partner	*Partner*

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7.1 MEMORANDUM AND ARTICLES OF ASSOCIATION

7.1.1 Corporate name

The corporate name of the Company is "COFACE SA".

7.1.2 Location and registration number

The Company is registered in the Nanterre Trade and Companies Register under number 432 413 599.

7.1.3 Date of formation and duration

The Company was formed on August 7, 2000 for a term of 99 years as of the date of its registration in the Trade and Companies Register, save for early dissolution or extension.

7.1.4 Head office, legal form and applicable laws

Head office: 1, place Costes et Bellonte, 92270 Bois-Colombes, France.

Telephone number of head office: +33 (0)1 49 02 20 00.

Legal form and applicable laws: limited corporation (*société anonyme*) under French law with a Board of Directors.

7.1.5 Articles of Association

The Company's Articles of Association were prepared in compliance with the legal and regulatory provisions applicable to limited corporations with a Board of Directors.

Corporate purpose (Article 2 of the Articles of Association)

The Company's purpose is to perform any civil or commercial operations involving moveable and real-estate property and financial operations, to take all direct or indirect shareholdings and, in general to perform any operations directly or indirectly relating to its corporate purpose.

Articles of Association relating to the management and administrative bodies – Internal rules of the Board of Directors

(a) Articles of Association

Board of Directors (see also Section 2.1. "Composition and operation of the Board of Directors and its specialised committees")

Composition of the Board of Directors (Article 12 of the Articles of Association)

The Company is administered by a Board of Directors consisting of at least three (3) and at most eighteen (18) members.

Term of functions – Age limit – Replacement (Article 12 of the Articles of Association)

Board members serve for a term of four years. In case of a vacancy owing to the death or resignation of one or more directors representing the shareholders, the Board of Directors may temporarily replace these members between two Shareholders' Meetings, in compliance with the terms of Article L.225-24 of the French Commercial Code. The Board must imperatively proceed to make temporary appointments within three months following the date of the vacancy if the number of directors falls below the minimum required by the Articles of Association, without however being lower than the legal minimum.

The number of directors who are aged 70 or over cannot exceed one third of the total number of serving directors. Should this proportion be exceeded, the oldest director shall be deemed to have resigned upon completion of the next Ordinary Shareholders' Meeting.

The mandate of a director expires at the end of the Ordinary Shareholders' Meeting that rules on the accounts of the previous financial year and is held in the year during which the director's mandate is due to expire.

If a director is appointed to replace another director during that director's term, he shall only serve for the remaining duration of his predecessor's term.

Directors may be re-elected without limitation, subject to legal and statutory provisions, in particular with regards to their age.

Directors are personally liable for the performance of their mandate, in accordance with commercial laws.

Directors' shares (Article 12 of the Articles of Association)

Each director must hold at least 500 of the Company's shares.

Chairman of the Board of Directors (Article 13 of the Articles of Association)

The Board appoints a Chairman from among the individuals serving as members for a period which cannot exceed his term of office as director.

The Chairman can be re-elected.

The age limit for performing the duties of Chairman is fixed at 65. When a serving Chairman reaches this age, he is considered to have resigned at the Ordinary Shareholders' Meeting which rules on the financial statements of the financial year during which that Chairman reached the age limit.

The Chairman of the Board of Directors organises and guides the Board of Directors' work and reports on it to the Shareholders' Meeting. He oversees the effective operation of the Company's corporate bodies and, in particular, ensures that the directors are in a position to fulfil their duties.

In the event of a temporary indisposition or death of the Chairman, the statutory and regulatory provisions are applicable.

Should it consider it necessary, the Board may appoint one or more Vice-Chairmen from the directors, who will, in the order of their own appointment, chair Board meetings in the event that the Chairman is absent or indisposed.

In the event of the absence or indisposition of the Chairman or Vice-Chairmen, the Board appoints, for each meeting, a member among those present to preside over it.

The amount and procedures for the remuneration of the Chairman and Vice-Chairmen are fixed by the Board of Directors.

Exercise of General Management (see also Section 2.2 "Chief Executive Officer and Group General Management Specialised Committees")

General Management (Article 14 of the Articles of Association)

The general management of the Company is handled either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The Board appoints its Chairman and decides by a simple majority whether to grant him the powers of Chief Executive Officer (CEO) or whether to grant these powers to another person. This decision as to whether the mandates of Chairman and Chief Executive Officer (CEO) should be held by the same person or by two separate persons, as well as any subsequent change to this configuration, shall remain in force until a contrary decision is taken by the Board of Directors, which may then decide, by a simple majority, to opt for the other configuration of the powers of general management. The Board of Directors of the Company keeps the shareholders and third parties informed about this change in accordance with applicable law.

Where the general management is handled by the Chairman, legal and statutory provisions of the Company's Articles of Association related to the Chief Executive Officer (CEO) apply to him.

Chief Executive Officer (CEO) (Article 15 of the Articles of Association)

The Board of Directors determines the duration of the Chief Executive Officer's (CEO) term and his remuneration.

The age limit for performing the duties of Chief Executive Officer (CEO) is 65. Should a Chief Executive Officer (CEO) exceed this age limit, he is considered to have resigned at the Shareholders' Meeting which rules on the accounts of the financial year during which he turned 65.

The Chief Executive Officer (CEO) is invested with the broadest powers to act under all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers that the law expressly grants to Shareholders' Meetings and to the Board of Directors.

He represents the Company in its dealings with third parties. Provisions of the Articles of Association or decisions of the Board of Directors limiting the powers of the Chief Executive Officer (CEO) are unenforceable against third parties.

If the Chief Executive Officer (CEO) does not assume the duties of the Chairman of the Board of Directors and is not a director, he attends Board meetings in a consultative capacity.

Deputy Chief Executive Officer (Article 16 of the Articles of Association)

At the request of the Chief Executive Officer (CEO), the Board of Directors can appoint an individual to assist the CEO, with the title of Deputy Chief Executive Officer (Deputy CEO).

The Board of Directors determines the remuneration of the Deputy CEO.

The age limit for performing the duties of Deputy CEO is 65. If a serving Deputy CEO attains this age, he is considered to have resigned at the Ordinary Shareholders' Meeting which rules on the accounts of the financial year during which he turned 65.

In collaboration with the CEO, the Board determines the scope and duration of the powers conferred upon the Deputy CEO. The Deputy CEO has the same powers vis-à-vis third parties as the CEO.

If the Deputy CEO is not a director, he attends Board meetings in a consultative capacity.

Operation of the Board of Directors (Article 18 of the Articles of Association)

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

Board meetings are convened by the Chairman. However, directors representing at least one third of the Board members may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. In the event that the CEO's duties are not performed by the Chairman, the CEO may also ask the Chairman to convene a Board meeting to consider a fixed agenda. Board meetings are held either at the registered office or any other location indicated in the convening notice. The convening notice to attend is in the form of a simple letter or e-mail addressed to the Board members. If there is a degree of urgency, the convening notice may be given by any other appropriate means, including verbally.

Meetings of the Board of Directors are presided by the Chairman of the Board of Directors or, should the latter be absent, by the oldest director present, or by one of the Vice-Chairmen, if there are any.

A director may appoint another director, by means of a letter, to represent him at a session of the Board of Directors.

Each director may, during a given meeting, only have one proxy vote by virtue of the foregoing paragraph.

The meeting can only validly deliberate if at least half of the serving directors are present.

Decisions are taken by means of majority voting by those directors present or represented.

In the event of a split vote, the director chairing the meeting has the casting vote.

In compliance with applicable statutory and regulatory provisions, the Board's internal rules may provide that directors who take part in a meeting via video conferencing or other telecommunication means that meet the technical requirements set by the prevailing statutory and regulatory provisions are deemed to be present for the purposes of the calculation of the quorum and the majority.

The Board may appoint a secretary who may be, but need not be, one of its members.

Based on a proposal by its Chairman, the Board may decide to form among its members, or with the involvement of persons who are not directors, committees or commissions in charge of looking into matters that it or its Chairman shall refer to them for assessment; these committees or commissions exercise their powers under its responsibility.

The minutes of each session shall mention the names of the directors who are present or represented and the names of the directors who are absent, to act as evidence towards third parties.

Powers of the Board of Directors (Article 21 of the Articles of Association)

The Board of Directors determines the Company's business strategy and oversees its implementation. Subject to powers expressly assigned to the Shareholders' Meetings and within the limitations of the corporate purpose, the Board deliberates on all matters relating to the effective operation of the Company and rules on all matters concerning it. The Board of Directors carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer must send to each director all the documents and information needed for the accomplishment of his duties.

The internal rules of the Board of Directors determine which decisions are to be submitted to prior authorisation of the Board of Directors, in addition to those which must be submitted to it in accordance with the law.

Directors' fees (Article 19 of the Articles of Association)

Independently of all reimbursement of costs or allocation for particular services which may be accorded, directors may receive, in the form of directors' fees, remuneration recorded under overheads, the total amount of which is fixed by the Shareholders' Meeting. The Board of Directors divides the aforementioned remuneration among its members as it sees fit.

(b) Internal rules of the Board of Directors

The internal rules of the Board of Directors specify, on the one hand, the method of organisation and operation, the powers, rights and prerogatives of the Board and of the committees it has established (see Article 4 "Creation of committees – Joint provisions" and Article 1.2 "Operations subject to the prior authorisation of the Board of Directors" for a description of the various committees established and the limits on the powers of general management) and, on the other hand, the terms of control and evaluation of its operations.

The internal rules of the Board of Directors may be consulted online in the section entitled "Investors/Governance" of the corporate website at www.coface.com.

(c) Control and assessment of the Board of Directors' operations

Article 2 of the Board of Directors' internal rules provides for at least 1/3 of members to be independent, pursuant to the AFEP-MEDEF Code, within the Board of Directors.

Pursuant to Article 2.3.2 of the Board of Directors' internal rules, a director is considered to be independent if he does not maintain any relation of any kind whatsoever with the Company, management or the Coface Group, which could compromise the exercise of his free judgement or be of a nature to put him in a conflict of interest with management, the Company or the Coface Group.

The qualification of an independent member of the Board of Directors is discussed by the Nominations and Compensation Committee, which drafts a report on this subject for the Board. Each year, the Board of Directors examines, in view of this report, before publication of the registration document, the status of each director with regard to the criteria of independence defined in Article 2.3.2 of the Board of Directors' internal rules. The Board of Directors must provide the findings from its examination to the shareholders in the annual report and at the Annual Shareholders' Meeting at which the directors are appointed.

In addition, in compliance with Article 3.5 of the Board of Directors' internal rules, at least once a year, an agenda item is devoted to evaluating the operation of the Board, which is reported in the Company's annual report.

A formal evaluation of the Board of Directors is conducted every three years, and will be entrusted to the Nominations and Compensation Committee, potentially assisted by an outside consultant (see Section 2.1.6 "Evaluation of the work of the Board of Directors").

Rights, privileges and restrictions attached to the shares

Form of shares (Article 8 of the Articles of Association)

The Company's shares shall either be registered or bearer shares, at the discretion of each shareholder.

The ownership of the Company's shares shall result from their registration in an account in the name of their holder in the registers kept by the Company or by a duly authorised intermediary.

Voting rights (Article 11 of the Articles of Association)

Each share grants its holder the right to vote and be represented at Shareholders' Meetings, in accordance with the law and the Articles of Association.

As an exception to the allocation of a double voting right for any share that has been fully paid up, as proven by the registration in the name of the bearer for two years, pursuant to Article L.225-123, paragraph 3 of the French Commercial Code, each shareholder is entitled to the same number of votes as the number of shares that he/she owns or represents.

Right to dividends and profits (Article 11 of the Articles of Association)

Each Company share grants its holder the right to a proportional share in any distribution of the Company's earnings, assets and proceeds from liquidation.

The rights and obligations attached to the shares follow them when they change hands.

Ownership of a share implies, as of right, acceptance of the Articles of Association of the Company and the decisions duly taken by Shareholders' Meetings.

Shareholders shall only bear liability to the extent of the nominal value of each share they hold.

Whenever it is necessary to hold several shares in order to exercise a particular right, in the event of an exchange, grouping or allocation of shares, or as a result of an increase or a reduction of the share capital, a merger or other corporate operation, the owners of single shares or of an insufficient number of shares may only exercise this right provided that they arrange to group together and to buy or sell any shares as may be required.

The joint owners of shares shall be represented at Shareholders' Meetings by one of their number or by a single representative. Should the parties involved fail to agree over the appointment of their representative, the latter shall be appointed by a court order issued pursuant to a petition filed by the first joint owner to do so.

Unless otherwise agreed and notified to the Company, in the event of the division of ownership of a share, the voting right belongs to the beneficial owner (*usufruitier*) at Ordinary Shareholders' Meetings and to the bare owner (*nu-propriétaire*) at Extraordinary or Special Shareholders' Meetings. However, in any event, the bare owner has the right to take part in all Shareholders' Meetings.

Payment of the dividend in shares (Article 24 of the Articles of Association)

The Shareholders' Meeting ruling on the accounts for the financial year has the authority to offer each shareholder, for all or part of the dividend pay-out, an option to receive the dividend in cash or in accordance with legal conditions in the form of shares. This option may also be granted in the case of interim dividends.

The procedures for dividend payments in cash are fixed by the Shareholders' Meeting or, alternatively, by the Board of Directors.

Preferential subscription right

The Company's shares benefit from a preferential subscription right to capital increases under the terms provided for by the French Commercial Code.

Limit on voting rights

No statutory clause restricts the voting right attached to the shares.

Amendment of shareholders' rights (Article 23 of the Articles of Association)

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

Annual Shareholders' Meetings (Article 23 of the Articles of Association)

Powers

The shareholders take their decisions in Shareholders' Meetings which are designated as ordinary or extraordinary.

The Ordinary Shareholders' Meeting takes all decisions which do not entail modification to the Company's share capital or Articles of Association. In particular, it appoints, replaces, re-elects and dismisses directors. It also approves, rejects or corrects the accounts and rules on the breakdown and allocation of profits.

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

Convening notice and meeting location

Shareholders' Meetings are convened as per the terms and conditions set forth in the law.

Meetings take place at the registered office or any other location indicated in the convening notice.

Access to and conduct of the meetings

All shareholders may take part in the Shareholders' Meetings in person or through a representative, in accordance with the prevailing regulations, upon presentation of suitable evidence of their identity and of their ownership of shares, in accordance with prevailing legal and regulatory provisions.

Shareholders who take part in a Shareholders' Meeting by video conferencing or other telecommunication means or by remote transmission, including over the Internet, which enable them to be identified in accordance with the prevailing regulations, are deemed to be present for the purposes of the calculation of the quorum and the majority, subject to a decision taken by the Board of Directors to make use of such means of telecommunication and said decision being mentioned in the announcement or convening notice to attend the Shareholders' Meeting.

Any shareholder may vote remotely or appoint a proxy in accordance with prevailing regulations, by means of a form drawn up by the Company and sent to the latter, including by electronic means or remote transmission, if this is permitted by the Board of Directors. This form must be received by the Company in accordance with regulatory requirements in order for it to be taken into consideration.

Chairmanship, committee, attendance sheet

Each Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for that purpose by the Board.

Where the meeting is called by the Statutory Auditors or a legal officer, the meeting is chaired by the person or individuals issuing the notice to attend.

The duties of deputy returning officer (*scrutateur*) are performed by the two members present at the meeting who hold the largest number of shares and are willing to act in that capacity. The committee appoints the secretary, who is not necessarily a shareholder.

An attendance sheet is kept in accordance with statutory requirements.

Deliberations, minutes

Shareholders' Meetings deliberate subject to the quorum and majority requirements prescribed by law. Voting is on a one-share, one-vote basis.

Deliberations are recorded in minutes entered in a special register and signed by members of the committee.

Copies or extracts of the minutes are certified as valid by the Chairman of the Board of Directors, the Chief Executive Officer, if he is a director, or the secretary of the meeting.

Shareholders' right to information

Each shareholder has the right to receive disclosure of the documents required to enable him to make an informed decision and to develop an informed opinion on the Company's management and operations. The Company has the obligation to make these documents available to or send them to shareholders.

The nature of these documents and the terms under which they must be sent or made available are set by law.

Statutory clauses likely to have an impact on a change in control

None.

Crossing of thresholds and identification of shareholders (Article 10 of the Articles of Association) (see also Section 7.3.4)

In compliance with prevailing laws and regulations, the Company may ask any duly empowered body or intermediary for any information about the identity of the holders of any securities that confer an immediate or deferred right to vote in its Shareholders' Meetings, as well as the number of securities they hold.

Any individual or legal entity that directly or indirectly possesses, alone or in conjunction with others, 2% of the share capital or voting rights (calculated in accordance with the provisions of Articles L.233-7 and L.233-9 of the French Commercial Code and the provisions of the general rules of the Autorité des marchés financiers [French Financial Markets Authority, or AMF]), or any multiple of this percentage, must notify the Company of the total number (i) of the shares and voting rights possessed directly or indirectly, alone or in conjunction with others, (ii) of the securities that provide deferred access to the share capital of the Company, possessed directly or indirectly, alone or in conjunction with others, and the voting rights potentially attached thereto, and (iii) of shares already issued that this party may acquire by virtue of an agreement or a financial instrument mentioned in Article L.211-1 of the French Monetary and Financial Code. This notification must take place by means of a letter sent by registered post with acknowledgement of receipt within four stock market days after the relevant threshold has been exceeded.

The obligation to inform the Company shall also apply, within the same timescales and on the same terms, whenever the shareholder's shareholding or voting rights fall to a level below any of the abovementioned thresholds.

Should a shareholder fail to comply with the obligation to declare the fact that it has exceeded or fallen below the abovementioned thresholds, then at the request of one or more shareholders who account for at least 2% of the share capital or voting rights of the Company, recorded in the minutes of the Shareholders' Meeting, the shares which exceed the fraction that should have been declared are deprived of their voting rights for a period of two years from the date on which notification is effectively sent.

The Company is entitled to inform the public and bring to the attention of the shareholders either the information it has been notified of, or any failure to comply with the abovementioned obligation by the relevant party.

Specific clauses governing modifications to share capital

There is no specific stipulation in the Company's Articles of Association governing modifications to its capital.

Such capital may thus be increased, reduced or amortised in any manner authorised by law.

7.2 GENERAL INFORMATION CONCERNING THE CAPITAL OF COFACE SA

7.2.1 Share capital subscribed and share capital authorised but not issued

At the date of this registration document, the Company's share capital totals €307,798,522. It is divided into 153,899,261 shares with par value of €2 (two), fully subscribed and paid-up, all of the same category.

In compliance with Article L.225-37-4, paragraph 3 of the French Commercial Code, the summary table below presents the delegations valid as of December 31, 2018 that have been granted by the Annual Shareholders' Meeting to the Board of Directors in the area of capital increases, by application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

The table below summarises the resolutions voted on during the Combined Shareholders' Meeting of the Company dated May 16, 2018, as concerns capital increases:

Resolution	Subject of the resolution	Maximum face value	Term of authorisation	Amount used at Dec. 31, 2018
15th	Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised (1)	€80 million	26 months	No
16th	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued with preferential subscription rights (1)	€120 million concerning capital increases €500 million concerning debt securities	26 months	No
17th	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of a public offer without preferential subscription rights (1) (2) (3)	€45 million concerning capital increases (1) (2) €500 million concerning debt securities (3)	26 months	No
18th	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through the private placements specified in Article L.411-2 II of the French Monetary and Financial Code (1) (2)	€30 million concerning capital increases (1) (2) €500 million concerning debt securities (3)	26 months	No
19th	Authorisation given to the Board of Directors, within the limit of 10% of the capital per year, in the event of issue without preferential subscription rights, through public offers or private placements per Article L.411-2 II of the French Monetary and Financial Code, for the purpose of setting the issue price according to the terms established by the Shareholders' Meeting (1) (2)	Up to a limit of 10% of the share capital per 12-month period (1) (2)	26 months	No
20th	Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights (1)	Limit prescribed by applicable regulations (to date, 15% of the initial issue) (1)	26 months	No
21st	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind (1) (2)	€30 million concerning capital increases (1) (2) €500 million concerning debt securities (3)	26 months	No
22nd	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan (1).	€3,200,000 (1)	26 months	No
23rd	Delegation of authority to the Board of Directors to increase share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries (1).	€3,200,000 (1)	18 months	No

(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation is attributed to the total cap set on the amount of €120 million, as concerns immediate and/or future capital increases.
(2) The overall face value of the capital increases likely to be made by virtue of this delegation is attributed to the nominal amount of the cap of €45 million, as concerns capital increases without preferential subscription rights.
(3) The maximum overall face value of the issues of debt securities likely to be made by virtue of this delegation is attributed to the total cap set on the amount of €500 million, as concerns issues of debt securities.

7.2.2 Shares not representing capital

None.

7.2.3 Independent control, holding and acquisition of treasury shares by the Company

Description of the 2018-2019 Buyback Programme

Introduction

It is recalled that the Combined Shareholders' Meeting of May 17, 2017, in its fifth (5th) resolution, had previously authorised the Board of Directors to trade in the shares of COFACE SA (the Company), under the 2017-2018 Share Buyback Programme, the main features of which were described in the description published on the Company's website and in the 2017 registration document.

The Company, listed on Euronext Paris - Compartment A -, wishes to continue with its Share Buyback Programme (the Programme), in accordance with the applicable regulation (see "Legal Framework" below).

To this end, the Combined Shareholders' Meeting of May 16, 2018 again authorised, in its fifth (5th) resolution, the Board of Directors, which may in turn delegate this authority, under the legal and regulatory conditions, to implement a new Programme concerning the Company's shares (ISIN code FR0010667147). This Programme would replace the existing programme set up by the Combined Shareholders' Meeting of May 17, 2017.

Main features of the 2018-2019 Buyback Programme

Date of the Annual Shareholders' Meeting that authorised the Programme

The 2018-2019 Programme was authorised by the Combined Shareholders' Meeting of May 16, 2018, in its fifth (5th) resolution.

The Board of Directors meeting of July 25, 2018, pursuant to the authority granted to it by the Combined Shareholders' Meeting of May 16, 2018, in its fifth (5th) resolution, authorised COFACE SA, which may in turn delegate this authority to the Chief Executive Officer, to trade the Company's shares through the "2018-2019 Share Buyback Programme", the main features of which are described below.

Breakdown of equity securities held as of December 31, 2018 by objective

At December 31, 2018, COFACE SA held 1.69% of its own share capital, representing 2,600,240 ordinary shares. On that date, the number of shares held could be broken down by objective as follows:

	Objectives	Number of shares held
a)	ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract, in compliance with the charter of ethics recognised by the Autorité des marchés financiers;	126,637
b)	allocate shares to Company employees, and in particular as part of:	
	(1) employee profit-sharing schemes,	0
	(2) any Company stock options plan, pursuant to the provisions of Article L.225-177 *et seq.* of the French Commercial Code,	0
	(3) any savings plan in accordance with Articles L.3331-1 *et seq.* of the French Labour Code,	0
	(4) any bonus share award plan pursuant to the provisions of Article L.225-197-1 *et seq.* of the French Commercial Code,	
	additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;	764,868
e)	cancel all or part of the stock thus purchased.	1,708,735
TOTAL		**2,600,240**

Objectives of the 2018-2019 Share Buyback Programme

The Company's shares may be purchased and sold, at the decision of the Board of Directors, in order to:

Authorised objectives	
a)	ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract, in compliance with the charter of ethics recognised by the *Autorité des marchés financiers*;
b)	allocate shares to corporate officers and to employees of the Company and other Group entities, in particular as part of: (i) employee profit-sharing schemes, (ii) any Company stock option plan, pursuant to the provisions of Article L.225-177 *et seq*. of the French Commercial Code, (iii) any savings plan in accordance with Articles L.3331-1 *et seq*. of the French Labour Code, or (iv) any bonus share award plan pursuant to the provisions of Article L.225-197-1 *et seq*. of the French Commercial Code; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
c)	transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
d)	keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations;
e)	cancel all or part of the stock thus purchased;
f)	implement all market practices accepted by the *Autorité des marchés financiers* and, more generally, execute all transactions in compliance with current regulations, in particular, the provisions of (EU) Regulation No. 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse (regulation on market abuse).

Maximum share of the capital, maximum number, maximum purchase price and characteristics of the securities that COFACE SA plans on acquiring

Securities concerned

The Company's ordinary shares listed for trading on Euronext Paris:

Market profile	
Trading	Euronext Paris (Compartment A), eligible for deferred settlement service (SRD)
ISIN code	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP

Maximum share of the capital

The Board of Directors may authorise, with the power to further delegate under the legal and regulatory conditions, in compliance with the provisions of Article L.225-209 *et seq*. of the French Commercial Code, to purchase, in one or more instances and at the times to be determined by it, a number of the Company's shares that may not exceed:

- 10% of the total number of shares composing the share capital at any time whatsoever; or
- 5% of the total number of shares composing the share capital, if they are shares acquired by the Company with a view to holding them and transferring them as payment or exchange within the context of a merger, spin-off or contribution.

These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to the Shareholders' Meeting of May 16, 2018.

Maximum number

As required by law, COFACE SA undertakes not to exceed the holding limit of 10% of its capital; for information purposes, this corresponds to 15,389,926 shares at December 31, 2018.

Maximum purchase price

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 16, 2018, the maximum purchase price per unit cannot exceed €15 per share, excluding costs.

The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock.

Other information

The acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by the current regulations, on a regulated market, multi-lateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine.

The Board of Directors shall have all powers, which it may, in turn, delegate in compliance with legal and regulatory conditions, to proceed with the allocation and, if applicable, permitted reallocation of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

Duration of the Buyback Programme

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 16, 2018, this Programme will have a maximum duration of eighteen (18) months as from said meeting and may therefore be continued up to November 15, 2019 (inclusive) at the latest or until the date of its renewal by an Annual Shareholders' Meeting held before that date.

This authorisation ends the authorisation granted by the fifth (5th) resolution adopted by the Annual Shareholders' Meeting of May 17, 2017.

Liquidity Agreement

The liquidity agreement dated July 2, 2014, concluded with Natixis, was transferred as of July 2, 2018 to the company ODDO BHF (for a term of twelve (12) months, automatically renewable). To implement the agreement, the following resources were provided to ODDO BHF and allocated to the liquidity account on the settlement date of June 29, 2018: 76,542 COFACE SA securities - €2,161,049.81.

Under this agreement, in financial year 2018 the Company purchased 1,949,688 treasury shares and sold 1,949,480 treasury shares. At December 31, 2018, the balance on the liquidity account comprised: 126,637 COFACE SA securities and €1,767,879.97.

The table below shows the changes in share purchases and sales in 2018:

	Liquidity Agreement				
Date	**Number of shares purchased**	**Average purchase price** *(in €)*	**Number of shares sold**	**Average sale price** *(in €)*	**Total**
Jan. 31, 2018	190,924	€9.31	207,746	€9.31	109,607
Feb. 28, 2018	186,877	€8.99	230,240	€9.17	66,244
Mar. 31, 2018	255,897	€9.59	196,792	€9.72	125,349
Apr. 30, 2018	95,994	€9.84	194,195	€9.89	27,148
May 31, 2018	188,960	€9.78	75,150	€9.97	140,958
Jun. 30, 2018	108,548	€9.28	172,964	€9.36	76,542
Jul. 31, 2018	225,347	€8.72	145,632	€8.81	156,257
Aug. 31, 2018	107,513	€8.02	176,194	€8.04	87,576
Sep. 30, 2018	151,389	€7.97	148,431	€8.02	90,534
Oct. 31, 2018	131,530	€7.77	188,519	€8.01	33,545
Nov. 30, 2018	105,510	€8.50	53,821	€8.68	85,234
Dec. 31, 2018	201,199	€7.62	159,796	€7.69	126,637
TOTAL	**1,949,688**	**€8.82**	**1,949,480**	**€8.90**	

Treasury share transactions

For financial year 2018, the Company bought 5,416,408 treasury shares, corresponding to 3.44% of its share capital. Share purchase mandates for 2018 were entered into with:

1) Kepler Cheuvreux, to buy shares under a share buyback programme for a target amount of €30 million between February 15, 2018 and October 15, 2018 (inclusive);
2) Kepler Cheuvreux, to buy shares in connection with their allocation under the bonus share allocation plan referred to as the Long-Term Incentive Plan (LTIP) – see Section 2.3.1 "Compensation policy";
3) Exane BNP Paribas, to buy shares under an additional share buyback programme for a target maximum amount of €15 million between October 26 and February 10, 2019;

In 2018, the total amount of transaction fees in the treasury share buyback was €175,678, *i.e.*, €167,436 for Kepler and €8,242 for Exane. The history of bonus share allocations under the LTIPs put in place by the Company since 2014 is presented in Section 2.3.12.

The table below shows the change in treasury share purchase mandates:

Buyback Programme	Treasury share purchase mandate			Number of shares purchased	Average purchase price *(in €)*	Total *(in €)*
	Yes/No	Service provider	Date			
2014-2015	No	N/A	N/A	-	-	-
2015-2016	Yes	Natixis	Jul. 31, 2015 to Sep. 15, 2015	235,220	€8.98	2,112,468.45
2016-2017	No	N/A	N/A	-	-	-
2017-2018	Yes	Kepler Cheuvreux	i) Jul. 31, 2017 to Sep. 30, 2017 ii) Nov. 17, 2017 to Jan. 17, 2018	81,409 132,806*	€7.94 €8.97	€646,061.31 €1,191,254.71
2018-2019	Yes	Kepler Cheuvreux	i) Feb. 16, 2018 to Oct. 15, 2018 ii) Aug. 6, 2018 to Aug. 15, 2018	3,348,971 358,702	€8.96 €7.96	29,999,996.03 2,853,559.17
	Yes	Exane BNP Paribas	iii) Oct. 26, 2018 to Jan. 8, 2019	1,867,312**	€8.03	14,999,994.75

* *204,449 shares at €8.56 were purchased at December 31, 2017. At the finalisation of the mandate (January 17, 2018), 9,766 additional shares at €8.98 were purchased.*

** *1,708,735 shares at €8.04 were purchased at December 31, 2018. At the finalisation of the mandate (January 8, 2019), 158,577 additional shares at €7.97 were purchased.*

The table below shows the change in treasury share distributions:

Plan	LTIP		
	2016	**2017**	**2018**
Chief Executive Officer (CEO)	50,000	60,000	65,000
Executive Committee	141,977	179,628	132,603
Other beneficiaries	107,020	126,518	100,529
TOTAL NUMBER OF BONUS SHARES ALLOCATED	**298,997**	**366,146**	**298,132**
OVERALL SHARE PACKAGE	**399,932**	**405,318**	**382,869**
◆ Non-allocated shares	69,341	4,772	55,737
◆ Performance units [(1)]	31,594	34,400	29,000
Date of Shareholders' Meeting	*May 19, 2016*	*May 19, 2016*	*May 19, 2016*
Date of the Board of Directors' meeting (delegation)	*Nov. 3, 2016*	*Feb. 8, 2017*	*Feb. 12, 2018*
Allocation date	*Nov. 3, 2016*	*Feb. 8, 2017*	*Feb. 12, 2018*
Share vesting date	*Nov. 4, 2019*	*Feb. 9, 2020*	*Feb. 15, 2021*
End-date of retention period (availability)	*N/A*	*N/A*	*N/A*
Shares vested and to be held	*N/A*	*N/A*	*N/A*
Shares to be cancelled	*N/A*	*N/A*	*N/A*
Date of Shareholders' Meeting	*May 19, 2016*	*May 17, 2017*	*May 16, 2018*
Date of the Board of Directors' meeting (delegation)	*Jul. 27, 2016*	*Jul. 27, 2017*	*Jul. 25, 2018*
Date of purchase mandate 1	*N/A*	*Jul. 31, 2017*	*Aug. 6, 2018*
Number of shares	*N/A*	*81,409*	*358,702*
Date of purchase mandate 2	*N/A*	*Nov. 17, 2017*	
Number of shares	*N/A*	*132,806*	

(1) The Company awards performance units instead of bonus shares if the arrangement of bonus share awards appears complex or non-relevant with regard to the applicable legislation in the beneficiary country. These units are indexed on the share price and subject to the same presence and performance conditions as the bonus shares, but are valued and paid in cash at the end of the vesting period.

Treasury shares – Summary

The Shareholders' Meeting authorised the 2018-2019 buyback programme on May 16, 2018, and the implementation was decided by the Board of Directors on July 25, 2018.

The treasury shares represent a total of 1.69% of the Company's capital, *i.e.*, 2,600,240 shares at December 31, 2018 versus 522,829 shares at December 31, 2017. The aggregate par value totalled €5,200,480 (the share has a par value of €2 – see Section 7.2.8 "History of capital").

Date	Total Liquidity Agreement	Total LTIP	Buy-back (cancellation)	Total treasury shares		
				Total shares	% Number of capital shares*	Voting rights
Dec. 31, 2018	126,637	764,868	1,708,735	2,600,240	1.69%	151,299,021

* *Number of equity shares = 153,899,261.*

7.2.4 Other instruments giving access to equity

Issuance of share subscription warrants:

On February 9, 2016, by virtue of the use of the delegations of authority granted by the Shareholders' Meeting approved by the Board of Directors on December 15, 2015, Coface arranged with BNP Paribas Arbitrage a contingent capital line of €100 million, for a three-year term (which may be reduced to two years at the discretion of Coface), available in one tranche and which can be exercised should certain extreme events occur.

This line of contingent capital matured on December 31, 2018 (inclusive). The Company has decided not to renew it.

7.2.5 Conditions governing any right of acquisition and/or any obligation attached to the subscribed, but not paid-up capital

None.

7.2.6 Share capital of any company in the Group that is the subject of an option or agreement providing that it is placed under an option

None.

7.2.7 Pledge, guarantees and sureties granted on the Company's share capital

At the date of this registration document, the shares comprising the Company's capital are not the subject of any pledge, guarantee or surety.

7.2.8 History of capital

The changes below occurred in the Company's share capital in the last four years:

- in 2016, the share capital was reduced from €471,744,696 to €314,496,464 by lowering the par value of each share from €5 to €2. The sum of €471,744,696, corresponding to the amount of the capital reduction, was allocated to a non-distributable "share premium" sub-account;
- in 2018, the share capital was reduced to €307,798,522 divided into 153,899,261 shares with a par value of €2 each following the cancellation of 3,348,971 shares redeemed under the share buyback programme of February 12, 2018.

7.2.9 Transactions carried out by persons with executive responsibilities

Executives, the persons acting on their behalf, and persons related to them, are required by regulation to disclose to the AMF any transactions in excess of a cumulative amount of €20,000 per calendar year that they make involving COFACE SA shares and debt securities and financial instruments linked to them, and to provide a copy of this disclosure to the Company.

In all, Xavier Durand acquired 36,000 company shares in financial year 2016, 2017 and 2018.

The table below presents a summary of the transactions mentioned in Article L.621-18-2 of the French Monetary and Financial Code carried out by Xavier Durand in 2018.

Date of the transaction	Number of shares purchased	Unit purchase price of the share *(in €)*	Total amount *(in €)*
Jun. 4, 2018	1,000	€9.35	€9,350.00
Jun. 5, 2018	1,000	€9.42	€9,416.00
Jun. 7, 2018	500	€9.25	€4,625.00
Jun. 12, 2018	500	€9.33	€4,665.00
Jul. 26, 2018	600	€8.46	€5,076.00
Aug. 1, 2018	1,500	€7.78	€11,670.00
Aug. 1, 2018	1,000	€7.70	€7,700.00
Aug. 7, 2018	500	€8.04	€4,020.00
Oct. 25, 2018	1,000	€7.39	€7,390.00
Nov. 1, 2018	1,000	€8.65	€8,650.00
Nov. 16, 2018	1,000	€8.34	€8,340.00
TOTAL	**9,600**	**€8.43***	**80,902**

* *Average purchase price in euros.*

7.3 DISTRIBUTION OF CAPITAL AND VOTING RIGHTS

7.3.1 Distribution of capital

The table below breaks down the evolution of the Company's capital and voting rights over the last three years:

	Dec. 31, 2018				Dec. 31, 2017		Dec. 31, 2016	
	Equities	%	Voting rights	%	Equities	Voting rights	Equities	Voting rights
Natixis	64,853,881	42.14%	64,853,881	42.86%	64,853,881	64,853,881	64,853,881	64,853,881
Employees	382,256	0.25%	382,256	0.25%	376,537	376,537	383,618	383,618
Public	86,062,884	55.92%	86,062,884	56.88%	91,494,985	91,494,985	91,666,723	91,666,723
Independent holding (liquidity agreement and treasury share transactions)	2,600,240	1.69%	0	0%	522,829	0	344,010	0
Other					0	0	0	0
TOTAL	**153,899,261**	**100%**	**151,299,021**	**100%**	**157,248,232**	**156,725,403**	**157,248,232**	**156,904,222**

7.3.2 Voting rights of the majority shareholder

Natixis does not have any specific voting rights.

7.3.3 Declaration relating to the Company's control by the majority shareholder

At the date of this registration document, the Company is controlled by Natixis.

In an effort to maintain transparency and inform the public, the Company established a set of measures which are in particular motivated by the recommendations of the AFEP-MEDEF Code.

The Company in particular established an Audit Committee and a Nominations and Compensation Committee, mainly composed of independent directors, in order to prevent conflicts of interest and to ensure that control by the controlling shareholder is not abusive (see Section 2.1.8 "Specialised committees, emanations of the Board of Directors").

7.3.4 Crossing of threshold

The Company presents below the declarations of threshold crossing reported in 2018 and as of the date of this document:

i) crossing of the regulatory threshold, reported to the AMF (Articles L.233-7 of the French Commercial Code); and

ii) crossing of the statutory threshold, reported by registered letter by the major shareholders (Article 10 of the Articles of Association).

The Company is not responsible for checking the completeness of these declarations.

Year	Date of receipt of declaration	Date limit exceeded	Legal or statutory threshold	Increase Decrease	Investor	Country	Number of shares	% of capital
2018	Jan. 5	Jan. 3	statutory	↓	Wellington Management Company LLP	United States	3,131,723	1.99%
2018	Jan. 11	Jan. 10	statutory	↓	OppenheimerFunds, Inc.	United States	3,126,565	1.99%
2018	Feb. 23	Feb. 22	statutory	↑	Schroders plc	United Kingdom	9,291,348	5.91%
2018	Mar. 21	Mar. 30	statutory	↓	Aviva Investors Global Services Limited	United Kingdom	2,768,803	1.76%
2018	Apr. 10	Apr. 9	statutory	↓	Allianz Global Investors GmbH	Germany	3,077,561	1.96%
2018	Jun. 26	Jun. 25	statutory	↑	Silchester International Investor LLP	United Kingdom	9,440,495	6.00%
2018	Jul. 27	Jul. 26	statutory	↑	Allianz Global Investors GmbH	Germany	3,275,488	2.08%
2018	Aug. 20	Aug. 16	legal (AMF)	↓	Schroders plc	United Kingdom	8,052,432	5.12%
2018	Oct. 2	Oct. 2	statutory	↑	CIAM SAS	France	3,445,574	2.19%
2018	Oct. 30	Oct. 29	legal (AMF)	↓	Schroders plc	United Kingdom	7,861,573	5.00%
2018	Nov. 2	Nov. 1	legal (AMF)	↑	Schroders plc	United Kingdom	8,018,538	5.10%
2018	Nov. 29	Nov. 28	legal (AMF)	↑	Schroders plc	United Kingdom	8,069,574	5.13%
2018	Dec. 4	Dec. 3	statutory	↓	Allianz Global Investors GmbH	Germany	3,144,019	2.00%
2018	Jan. 28 19	Dec. 19	statutory	↑	Natixis	France	64,853,881	42.14%
2019	Mar. 5	Mar. 5	statutory	↓	Natixis	France	64,616,218	41.99%

7.3.5 Employee profit-sharing

As of December 31, 2018, the Group's employees held 382,256 shares, 191,350 of which were held in France through the Coface Actionnariat mutual fund. In total, employees (France & International) hold a 0.25% interest in the Company's capital.

7.4 FACTORS THAT MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

In application of Article L.225-37-5 of the French Commercial Code, we specify to you the following points, which are likely to have an impact on a public offer:

- the Company's capital structure as well as its known direct or indirect interests and all the corresponding information are described in Section 7.3;
- there is no statutory restriction on the exercise of voting rights, with the exception of the elimination of voting rights, as concerns shares which exceed the portion that should have been declared, which is likely to be requested by one or more shareholders holding an interest which is at least equal to 2% of the capital or voting rights, in the event of a failure to declare that the statutory threshold was exceeded;
- to the Company's knowledge, there are no agreements or other commitments that have been signed between shareholders;
- there are no instruments entailing special control rights;
- the voting rights attached to the shares of the Company held by staff through the Company's Coface Actionnariat mutual fund are exercised by an authorised representative designated by the fund's Supervisory Board to represent it at the Annual Shareholders' Meeting;
- the rules on appointment and revocation of members of the Board of Directors are the legal and statutory rules described in Section 7.1.5;
- the Company's Articles of Association are amended in compliance with legal and regulatory provisions;
- there is no significant agreement entered into by the Company that would be amended or terminated in the event of a change in the Company's control.

7.5 MATERIAL CONTRACTS

No contract (other than those entered into in the normal course of business) has been signed by any entity of the Group that contains a significant obligation or commitment for the Group as a whole.

7.6 DRAFT REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

The purpose of this draft report is to present the draft resolutions to be submitted by the Board of Directors to your Combined Shareholders' Meeting of May 16, 2019.

The presentation of Coface's financial situation, activity and results for the financial year ended, in addition to the information required by current legal and regulatory provisions, is set forth in this 2018 registration document, to which you are invited to refer (available on the Coface website: www.coface.com).

These resolutions can be broken down into two groups:

- the first thirteen resolutions (from the 1st to the 13th resolution), which fall under the authority of the Ordinary Shareholders' Meeting;
- the next three resolutions (from the 14th to the 16th resolution), which fall under the authority of the Extraordinary Shareholders' Meeting.

7.6.1 Ordinary resolutions

Approval of the 2018 financial statements *(1st and 2nd resolutions)*

In the first two resolutions, the Ordinary Shareholders' Meeting is asked to approve the financial statements (1st resolution), followed by the consolidated financial statements (2nd resolution) of COFACE SA for 2018.

Comments on the individual and consolidated financial statements of COFACE SA are set out in detail in the COFACE SA 2018 registration document.

Appropriation of 2018 earnings and dividend payment *(3rd resolution)*

The purpose of the third resolution is to allocate COFACE SA's corporate results and approve the payment of the dividend.

COFACE SA's financial statements as of December 31, 2018 showed net income of €122,604,984. Given retained earnings of €22,903,107 and the fact that the legal reserve is above the legal requirements, the distributable profit stands at €145,508,091.

The third resolution therefore proposes to distribute to shareholders a total amount of €122,332,846, which represents a payment per share of €0.79.

For beneficiaries who are natural persons with their tax residence in France, this dividend will be automatically subject to the single lump-sum payment provided in Article 200 A of the French General Tax Code, except for the overall option for the progressive scale. The paying institution will deduct the flat rate withholding tax set out under Article 117 *quater* of the French General Tax Code, except for beneficiaries who are private individuals residing in France for tax purposes, who have applied for exoneration under the conditions of Article 242 *quater* of the French General Tax Code.

All shareholders, and in particular those domiciled or established outside of France, as concerns regulations applicable in the country of residence or establishment, are asked to contact their usual adviser to determine, through a detailed analysis, the tax consequences to be drawn in consideration of the amounts collected for this distribution.

In compliance with the legal provisions, we specify that the dividends distributed for the three preceding financial years were as follows:

Financial year	Number of remuneration shares (1)	Total amount *(in €)*
2015	156,900,438	75,312,210
2016	156,905,819	20,397,756
2017	155,574,817	52,895,437

(1) The number of remuneration shares does not include treasury shares.

The ex-dividend date will be May 22, 2019. Payment will start on May 24, 2019.

◆ Determination of the amount of directors' fees allocated to members of the Board of Directors *(4th resolution)*

The Shareholders´ Meeting is asked to retain the total amount for the 2018 financial year, namely €450,000.

It is noted that the Board decided during financial year 2018 to increase by €1,000 per session the variable component of the compensation of the directors and members of the Board's committees, in order to make said Board more attractive.

For the 2018 financial year, payment was made of an amount of €304,500 as directors' fees for meetings of the Board and its committees.

◆ Authorisation given to the Board of Directors to trade its own shares *(5th resolution of the ordinary meeting)*

In this fifth resolution, the Board of Directors requests the Shareholders' Meeting to authorise it to purchase or arrange for the purchase of a number of shares in the Company that may not exceed 10% of the total number of shares composing the share capital or 5% of the total number of shares subsequently composing the share capital if they are shares acquired by the Company with a view to holding them and transferring them as payment or exchange within the context of a merger, spin-off or contribution, noting that acquisitions made by the Company may under no circumstances result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Shares may be purchased in order to: a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity agreement in compliance with market practice accepted by the Autorité des marchés financiers dated July 2, 2018, b) allocate shares to corporate officers and to employees of the Company and other Group entities, and in particular within the context of (i) profit-sharing, (ii) any stock option plan of the Company, pursuant to the provisions of Article L.225-177 *et seq*. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 *et seq*. of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 *et seq*. of the French Commercial Code, as well as perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting upon its delegation, c) transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors, d) keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations, e) cancel all or part of the securities thus purchased (in particular, under the fourteenth resolution of the Shareholders' Meeting of May 16, 2018 authorising the Board of Directors to reduce the share capital) or f) implement all market practices accepted by the Autorité des marchés financiers and, more generally, execute all transactions in compliance with current regulations.

The maximum purchase price per unit may not exceed €12 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the Company's stock.

The acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by current regulations, on a regulated market, multi-lateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at times that the Board of Directors will determine.

It is specified that, unless authorised by your Shareholders' Meeting, the Board of Directors may not use this delegation once a third party has filed a public offer for the Company's shares, and until the end of the offer period.

Ratification of the co-opting of a director *(6th resolution)*

In the sixth resolution, the Shareholders' Meeting is asked to ratify the co-opting of Mr François Riahi, voted by the Board meeting of June 15, 2018 to replace Mr Laurent Mignon, who has resigned.

Regulated commitments and agreements *(7th resolution)*

The seventh resolution concerns the approval of regulated commitments and agreements pursuant to Articles L. 225-38 *et seq*. of the French Commercial Code which were authorised by the Board of Directors during the 2018 financial year. These commitments and agreements are presented in the Statutory Auditors' special report, in addition to those concluded prior to 2018 which remain valid and which do not require further approval by the Shareholders' Meeting (see Section 7.2.1 of the 2018 registration document).

Approval of components of the compensation due or allocated for the financial year ended December 31, 2018 to Xavier Durand, Chief Executive Officer (CEO) *(8th resolution)*

Pursuant to the provisions of the Sapin II Act as set out in Article L.225-100-II of the French Commercial Code, your Shareholders' Meeting is asked to approve the fixed, variable and extraordinary compensation and benefits of all kinds paid or allocated to the Chief Executive Officer for the previous financial year.

All these components are set out in detail in the report on COFACE SA's corporate governance appended to the management report and mentioned again in Chapter 2 of the registration document.

Approval of the principles and criteria for determining, distributing and allocating the components of compensation of Xavier Durand, Chief Executive Officer, for financial year 2019 *(9th resolution)*

Pursuant to the provisions of the Sapin II Act as set out in Article L.225-37-2 of the French Commercial Code, you are being asked, in the ninth resolution, to approve the principles and criteria for determining, distributing and allocating variable and extraordinary elements comprising the total compensation and benefits of all kinds attributable to Xavier Durand in his capacity as CEO for the 2019 financial year, as described in the report on COFACE SA's corporate governance appended to the management report and set out in Chapter 2 of the registration document.

The compensation due or allocated for the financial year ended December 31, 2019 will be subject to the approval of your Shareholders' Meeting in 2020.

Appointment of two directors *(10th and 11th resolutions)*

In the tenth resolution, the Shareholders' Meeting is asked to appoint Mr Nicolas Moreau as an independent director, for a period of four (4) years which will expire at the close of the Shareholders' Meeting called in 2023 to approve the financial statements for the financial year ending December 31, 2022. Nicolas Moreau spent the majority of his career at the AXA group. He was Chairman and Chief Executive Officer of AXA France between 2010 and 2016.

In the eleventh resolution, the Shareholders' Meeting is asked to appoint Ms Nathalie Bricker as a director, for a period of four (4) years which will expire at the close of the Shareholders' Meeting called in 2023 to approve the financial statements for the financial year ending December 31, 2022. Nathalie Bricker is Natixis' Finance Director. She will be appointed as a non-independent director.

The purpose of these appointments is to extend the expertise within the Board.

The Appointments and Compensation Committee is in favour of these appointments.

If the Shareholders' Meeting approves these two appointments, the balance within the Board will be maintained in both terms of the percentage of female directors and the percentage of independent and non-independent directors.

Renewal of a permanent Statutory Auditor - Observation of the expiry of the term of office of an alternate Statutory Auditor *(12th and 13th résolutions)*

In the twelfth resolution, since Deloitte & Associés' term of office expires at the end of the May 16, 2019 meeting, you are asked to approve the renewal of its term of office, for the 2019 to 2024 financial years.

You are also asked, in the thirteenth resolution, to note the expiry of the term of office of the alternate auditors BEAS at the end of this meeting and to resolve not to renew the term of office or replace it. Pursuant to the law, it is no longer mandatory to appoint an alternate auditor, unless the company appoints an individual or a one-person company as its Statutory Auditor.

7.6.2 Extraordinary resolutions

Capital increases reserved for employees *(14th and 15th resolutions)*

As a continuation of the fourteenth resolution, we propose that you delegate to the Board of Directors, for a period of 18 months, which may in turn delegate this authority, under the conditions provided for by law, your authority to make one or more capital increases reserved for (i) employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; (ii) one or more mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons described in paragraph (i) above, and (iii) one or more financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France.

This decision would mean waiving of the preferential subscription rights of shareholders to the shares issued under this fourteenth resolution, for the benefit of the category of beneficiary defined above.

Such a capital increase would have the aim of allowing employees, former employees and corporate officers of the Group who reside in various countries to benefit, taking into account any regulatory or tax restrictions that might exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the use of the fifteenth resolution.

The nominal amount of the capital increase likely to be issued in the context of this delegation would be limited to three million, one hundred thousand euros (€3,100,000 or 1% of the Company's share capital) on the understanding that the nominal amount of any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases described in the sixteenth resolution of the Shareholders' Meeting of May 16, 2018, and that the cap for this resolution would be the same as that of the fifteenth resolution of your Shareholders' Meeting.

The subscription price of the shares issued in application of this delegation may not fall more than 20% below the average price of the listed share during the 20 trading sessions prior to the decision determining the opening date of the subscription, nor may it exceed this average. The Board of Directors may reduce or cancel the 20% discount mentioned above if it deems it appropriate in order to, in particular, take into account the legal, accounting, tax and corporate schemes applicable in the countries of residence of some beneficiaries. Furthermore, in the event of a transaction carried out under this resolution at the same time as an operation carried out in application of the fifteenth resolution of your Shareholders' Meeting, the subscription price of the shares issued under this resolution may be identical to the subscription price of the shares issued on the basis of the fifteenth resolution.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the twenty-third resolution of the Shareholders' Meeting of May 16,2018, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

As a continuation of the fourteenth resolution, we propose in the 15th resolution that you delegate your authority to the Board of Directors, for a period of twenty-six (26) months, who may in turn delegate this authority, for the purpose of increasing the share capital by issuing the Company's shares reserved for the members of a company savings plan, within the limit of a maximum nominal amount of three million, one hundred thousand euros (€3,100,000), on the understanding that the nominal amount for any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases set out in the sixteenth resolution of the Shareholders' Meeting of May 16, 2018, and that the cap for this delegation would be the same as that of the 15th resolution of your Shareholders' Meeting.

This decision would result in cancellation of the preferential subscription right of shareholders in favour of said employees, former employees and corporate officers eligible for the shares thus issued, allocated free of charge, as appropriate.

The subscription price of the issued shares shall be determined under the conditions specified by the provisions of Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last 20 sessions preceding the decision setting the opening date of the subscription may therefore not exceed 20%. The Board of Directors may reduce or cancel the aforementioned discount, in particular if it considers it necessary in order to take into account the legal, accounting, tax and social treatments applicable in the country of residence of some beneficiaries. The Board of Directors may likewise decide to allocate bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer contribution.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the 22nd resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

Powers *(16th resolution)*

This resolution is intended to grant the powers required to complete the formalities consecutive to your Shareholders' Meeting.

7.6.3 Extract of the COFACE SA corporate governance report (appendix relating to the 8th and 9th resolutions)

Principles and components of compensation of the Chief Executive Officer (CEO)

Principles of the compensation of the Chief Executive Officer (CEO)

At the start of each financial year, the Board of Directors, at the proposal of the Nominations and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. This includes a fixed portion, an annual variable portion and a long-term variable portion in the form of free performance shares of the Company. The Nominations and Compensation Committee proposes the compensation policy for the Chief Executive Officer in compliance with the rules laid down by the Solvency II Directive.

Thus, it guarantees respect for the principles of balance, external competitiveness, consistency and internal equity in determining the elements comprising the compensation. It ensures a correlation between the responsibilities exercised, the results obtained and the level of compensation over a performance year.

It also ensures that compensation practices contribute to effective risk management within the Company and particularly to:

- strict compliance with legal and regulatory provisions applicable to insurance companies;
- prevention of conflicts of interest and the management of risk-taking within the limits of risk tolerance for the Company;
- consistency with the Company's strategy, interests and long-term results.

In order to do this, the objectives, practices and governance in terms of compensation are clearly established and communicated within the Company, and the compensation components of the Chief Executive Officer are reported transparently.

Components of the compensation of the Chief Executive Officer

a. Target total compensation for 2018

For 2018, on the recommendation of the Nominations and Compensation Committee, with the consent of the Board of Directors and based on the thirteenth resolution approved by the Shareholders' Meeting of May 16, 2018, the target compensation of Mr Xavier Durand has been defined as follows:

<table>
<tr><th>Compensation components</th><th>Target amount</th><th>Comments</th></tr>
<tr><td>Fixed compensation</td><td>€575,000</td><td>Gross annual compensation has been set at €575,000 since February 9, 2016, the date of the beginning of his term of office.</td></tr>
<tr><td>Target annual variable compensation ("bonus")</td><td>€575,000</td><td>The target annual variable compensation is set at 100% of fixed compensation, i.e., €575,000. It comprises 60% financial objectives and 40% strategic and managerial objectives defined as follows for 2018:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th></tr>
<tr><td>Turnover</td><td>20%</td></tr>
<tr><td>Net income</td><td>20%</td></tr>
<tr><td>Internal general overheads excluding extraordinary items</td><td>10%</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td></tr>
<tr><td>TOTAL (A)</td><td>60%</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th></tr>
<tr><td>Fit to Win strategic plan</td><td>15%</td></tr>
<tr><td>Reinforcement of employee commitment</td><td>5%</td></tr>
<tr><td>Development of the internal model</td><td>5%</td></tr>
<tr><td>Reinforcement of sales dynamic</td><td>15%</td></tr>
<tr><td>TOTAL (B)</td><td>40%</td></tr>
<tr><td>TOTAL (A+B)</td><td>100%</td></tr>
</table>
The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives).
The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3. A penalty system is introduced in the event of dismissal for serious misconduct or gross negligence or observed losses prior to the payment date.</td></tr>
<tr><td>Long-term variable compensation (allocation of free performance shares)</td><td>€594,198</td><td>65,000 shares are allocated under the Long-Term Incentive Plan 2018 (LTIP 2018), representing a value of €594,198 for the allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting.
Final vesting is subject to achieving the following performance conditions:
◆ 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2020;
◆ 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.
The share vesting period is set at three years starting from February 12, 2018.
The plan does not include a retention period.
The Board decided that 30% of the CEO's shares vested under the LTIP 2018 should be retained until the end of his corporate term or of any other function that he might hold within Coface.
It is specified that all risk hedging transactions are prohibited.</td></tr>
<tr><td>Other benefits</td><td>€14,647</td><td>Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC).
He benefits from the group healthcare and retirement schemes in force for all employees and has no additional retirement scheme.</td></tr>
<tr><td>TARGET TOTAL COMPENSATION 2018</td><td>€1,758,845</td><td></td></tr>
</table>

The total rate of deferred variable compensation will therefore represent more than 50% of total variable compensation.

b. Total compensation allocated and paid in 2018

- Compensation allocated to Mr Durand for 2018, **comprising the assessment of the 2018 bonus**, is in line with the proposal of the Nominations and Compensation Committee meeting of January 16, 2019, validated by the Board of Directors on February 11, 2019 and submitted for the approval of the Ordinary Shareholders' Meeting that follows the close of the 2018 financial year.
- Compensation paid to Mr Durand in 2018 is in line with the proposal by the Nominations and Compensation Committee meeting of February 6, 2018, which was approved by the Board of Directors on February 12, 2018 and by the Shareholders' Meeting of May 16, 2018 in its twelfth and thirteenth resolutions.

Compensation components	Amount allocated	Amount paid	Comments
Fixed compensation	€575,000	€575,000	Gross annual compensation set at €575,000 since February 9, 2016, the date of the beginning of his term.
Annual variable compensation allocated ("2018 bonus")	€907,532		The achievement rate of 2018 objectives proposed by the Nominations and Compensation Committee meeting of January 16, 2019, approved by the Board of Directors at the meeting of February 11, 2019 and submitted for approval of the Shareholders' Meeting that closed the 2018 accounts was 157.832%, broken down as follows:

Financial objectives	Allocation key	Achievement rate	Amount of variable compensation *(in €)*
Turnover	20%	134%	153,852
Net income	20%	250%	287,500
Internal general overheads excluding extraordinary items	10%	178%	102,206
Gross loss ratio excluding claims handling expenses	10%	208%	119,600
TOTAL (A)		**115.33%**	**663,157**

Strategic and managerial objectives	Allocation key	Achievement rate	Amount of variable compensation *(in €)*
Fit to Win strategic plan	15%	125%	107,813
Reinforcement of employee commitment	5%	75%	21,563
Development of the internal model	5%	100%	28,750
Reinforcement of sales dynamic	15%	100%	86,250
TOTAL (B)		**42.50%**	**244,375**
TOTAL (A + B)		**157.83%**	**907,532**

The bonus due for financial year 2018 is therefore €907,532 and will be paid as follows:
- **70% of the total amount paid in 2019, *i.e.*, €635,272;**
- 15% of the total amount deferred in 2020, *i.e.*, €136,130;
- 15% of the total amount deferred in 2021, *i.e.*, €136,130.

Compensation components	Amount allocated	Amount paid	Comments
Annual variable compensation paid ("2017 bonus")		€611,840	The achievement rate for 2017 objectives is 152.01%, broken down as follows:

Financial objectives	Allocation key	Achievement rate	Amount of variable compensation *(in €)*
Turnover	20%	85%	97,750
Net income	20%	250%	287,500
Internal general overheads excluding extraordinary items	10%	131%	75,383
Gross loss ratio excluding claims handling expenses	10%	244%	140,300
TOTAL (A)		**104.51%**	**600,933**

Strategic and managerial objectives	Allocation key	Achievement rate	Amount of variable compensation *(in €)*
Fit to Win strategic plan	20%	125%	143,750
Talent management	10%	125%	71,875
Solvency 2 project	5%	125%	35,938
Commercial plan	5%	75%	21,563
TOTAL (B)		**47.50%**	**273,125**
TOTAL (A + B)		**152.01%**	**874,058**

The bonus due for financial year 2017 is therefore €874,058 paid as follows:
- **70% of the total amount paid in 2018, *i.e.*, €611,840;**
- 15% of the total amount deferred in 2019, *i.e.*, €131,109;
- 15% of the total amount deferred in 2020, *i.e.*, €131,109.

Compensation components	Amount allocated	Amount paid	Comments
Deferred variable compensation (2016 bonus)		€69,000	Mr Xavier Durand's 2016 bonus was €460,000, paid as follows: ◆ 70% of the total amount paid in 2017, *i.e.*, €322,000; ◆ 15% of the total amount deferred in 2018, *i.e.*, €69,000; ◆ 15% of the total amount deferred in 2019, *i.e.*, €69,000.
Long-term variable compensation (allocation of free performance shares)	€594,198		65,000 shares are allocated under the Long-Term Incentive Plan 2018 (LTIP 2018), representing a value of €594,198 on the allocation date, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting. Final vesting is subject to achieving the performance conditions defined above.
Other benefits	€14,647	€14,647	Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC). He benefits from the group healthcare and retirement schemes in force for all employees and has no additional retirement scheme.
TOTAL COMPENSATION	**€2,091,377**	**€1,270,487**	

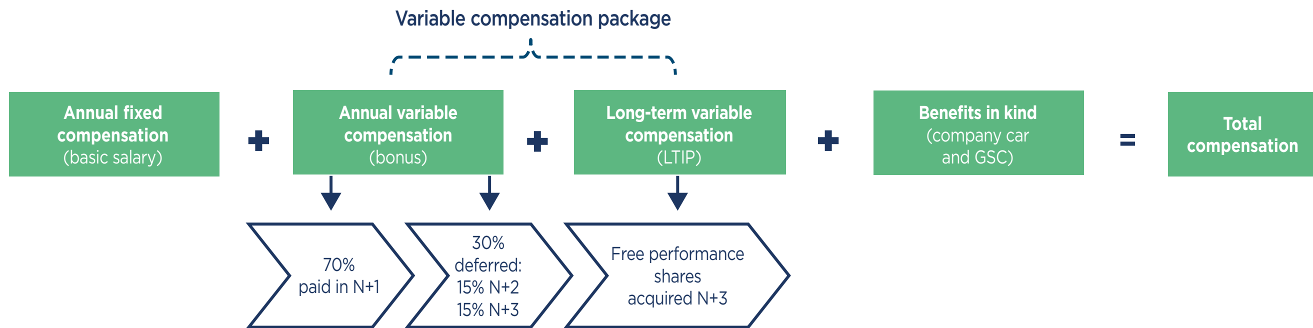
Note that the payment of the "2018 bonus" is conditional on the approval of the Ordinary Shareholders' Meeting that follows the closing of financial year 2018.

c. Structure of compensation of the Chief Executive Officer for financial year 2019

For 2019, at the proposal of the Nominations and Compensation Committee, after agreement from the Board of Directors and subject to approval by the Shareholders' Meeting, the compensation for Xavier Durand will comprise the following elements:

Compensation components	Target amount	Comments
Fixed compensation	€575,000	Gross annual compensation is maintained at €575,000 since February 9, 2016, the date of the beginning of his term.
Target annual variable compensation ("bonus")	€575,000	Target variable compensation is maintained at 100% of fixed compensation, *i.e.*, €575,000. Its structure remains unchanged. It therefore comprises 60% financial objectives and 40% strategic and managerial objectives defined as follows for 2018: **Financial objectives** — **Allocation key** Turnover: 20% Net income: 20% Internal general overheads excluding extraordinary items: 10% Gross loss ratio excluding claims handling expenses: 10% **TOTAL (A): 60%** **Strategic and managerial objectives** — **Allocation key** New strategic plan: 15% Internal model: 15% Strengthening of the succession plan of the Executive Committee: 5% Continuation of the cultural transformation, commercial processes and projects: 5% **TOTAL (B): 40%** **TOTAL (A + B): 100%** The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives). **The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3**. A penalty system is introduced in the event of dismissal for serious misconduct or gross negligence or observed losses prior to the payment date.
Long-term variable compensation (allocation of free performance shares)	€564,445	It is proposed that 70,000 shares be allocated to the CEO under the Long-Term Incentive Plan 2019 (LTIP 2019) for a value of €564,445 for the allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting. Final vesting is subject to achieving the following performance conditions: ◆ 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2021; ◆ 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period. The share vesting period is set at three years starting from February 11, 2019. The plan does not include a retention period. The Board decided that 30% of the CEO's shares vested under the LTIP 2019 should be retained until the end of his corporate term or of any other function that he might hold within Coface. It is specified that all risk hedging transactions are prohibited.
Other benefits	€14,647 (estimate)	Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC). He benefits from the group healthcare and retirement schemes in force for all employees and has no additional retirement scheme.
TARGET TOTAL COMPENSATION 2019	**€1,729,092**	Subject to the approval of the Shareholders' Meeting

The total rate of deferred variable compensation will therefore represent more than 50% of the total variable compensation.



Note: deferred compensation is not paid when a loss is observed on the date of payment or in case of dismissal for serious misconduct or gross negligence.

The Chief Executive Officer's compensation has been subject to a comparative analysis of the market each year by a compensation consultancy firm in order to guarantee its competitiveness on the market, its internal consistency and the structural balance.

Severance pay

Xavier Durand benefits, in the event his corporate term ends, from severance pay in an amount equal to two years' (fixed and variable) salary. The reference amount used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference amount for the variable portion will be the average of the variable compensation received for the three financial years preceding the termination date of his duties.

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

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

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

Xavier Durand does not have an employment contract and does not benefit from any indemnity relating to a non-compete clause.

7.7 RESOLUTIONS SUBJECT TO THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF MAY 16, 2019

7.7.1 Draft agenda

For details of this draft, please refer to Section 7.6 "Draft report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting" of this registration document.

Within the authority of the Ordinary Shareholders' Meeting

- Reports of the Board of Directors and the Statutory Auditors on the Company's operations during the financial year ended December 31, 2018.
- Approval of the parent company financial statements for 2018.
- Approval of the consolidated financial statements for 2018.
- Allocation of earnings and dividend payment.
- Determination of the annual directors' fees package allocated to members of the Board of Directors.
- Authorisation given to the Board of Directors to trade the Company's shares.
- Ratification of the co-opting of one director.
- Approval of the special report of the Statutory Auditors on the agreements and commitments mentioned in Articles L.225-38 et seq. of the French Commercial Code.
- Approval of the compensation components paid or allocated to Xavier Durand, Chief Executive Officer for financial year 2018.
- Approval of the principles and criteria for determining, distributing and allocating the components of compensation of the Chief Executive Officer for financial year 2019.
- Appointment of two directors.
- Renewal of a permanent Statutory Auditor.
- Noting the expiry of the term of office of an alternate Statutory Auditor and decision not to replace it.

Within the authority of the Extraordinary Shareholders' Meeting

- Delegation of authority to the Board of Directors to increase share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries.
- Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan.
- Powers to carry out formalities.

7.7.2 Draft resolutions to be submitted to the Combined Shareholders' Meeting

Ordinary resolutions

First resolution *(Approval of the parent company financial statements for 2018)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the financial statements for the financial year ended December 31, 2018, approves the financial statements for said financial year as they have been presented, as well as the operations reflected in these financial statements and summarised in these reports.

Second resolution *(Approval of the consolidated financial statements for 2018)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the consolidated financial statements for the financial year ended December 31, 2018, approves the consolidated financial statements of said financial year as they have been presented, as well as the operations reflected in these financial statements and summarised in these reports.

Third resolution *(Allocation of earnings and dividend payment)*

The Shareholders' Meeting, deliberating according to the quorum and majority conditions for Ordinary Shareholders' Meetings:

- duly notes that the Company financial statements for the financial year ending December 31, 2018 show a net profit of €122,604,984;
- duly notes that the legal reserve, amounting to €31,449,646 as of December 31, 2018, is above the legal requirements;
- duly notes that the retained earnings as of December 31, 2018 amount to €22,903,107;
- duly notes that the distributable profit amounts to €145,508,091;
- decides to distribute to shareholders a total amount of €122,332,846, which represents a payment of €0.79 per share.

After distribution, the retained earnings account will stand at €23,175,245.

For beneficiaries who are natural persons with their tax residence in France, this dividend will be automatically subject to the single lump-sum payment provided in Article 200 A of the French General Tax Code, except for the overall option for the progressive scale. The paying institution will deduct the flat rate withholding tax set out under Article 117 *quater* of the French General Tax Code, except for beneficiaries who are private individuals residing in France for tax purposes, who have applied for exoneration under the conditions of Article 242 *quater* of the French General Tax Code.

The Shareholders' Meeting notes, in compliance with the legal provisions, that the dividends distributed for the three preceding financial years were as follows:

Financial year	Number of remuneration shares (1)	Total amount *(in €)*
2015	156,900,438	75,312,210
2016	156,905,819	20,397,756
2017	155,574,817	52,895,437

(1) The number of remuneration shares does not include treasury shares.

The ex-dividend date shall be May 22, 2019 and payment will occur on May 24, 2019. The shares held by the Company on May 22, 2019 are not entitled to dividends.

The Shareholders' Meeting grants full authority to the Board of Directors to determine the final overall amount of the distributed sums according to the number of treasury shares held by the Company as of May 22, 2019, to proceed with the necessary adjustments, based on the dividends actually paid out and, more generally, take all necessary steps to ensure successful completion of the operations included in this resolution.

Fourth resolution *(Directors' fees)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, has decided to set the amount of directors' fees to be allocated to the Board of Directors at €450,000, and entrusts the Board with distributing this amount among its members.

Fifth resolution *(Authorisation given to the Board of Directors to trade the Company's shares)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report:

1. authorises the Board of Directors, which may in turn delegate this authority under the legal and regulatory conditions, in compliance with the provisions of Article L.225-209 *et seq*. of the French Commercial Code, to purchase or arrange for the purchase, in one or more instances and at the times to be determined by it, a number of the Company's shares that may not exceed:
   i. 10% of the total number of shares composing the share capital at any time whatsoever, or
   ii. 5% of the total number of shares composing the share capital, if they are shares acquired by the Company with a view to keeping them and subsequently transferring them as payment or exchange within the context of a merger, spin-off or contribution.

   These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to this Shareholders' Meeting.

   The acquisitions made by the Company may, under no circumstances, lead it to hold more than 10% of the shares composing its share capital at any time;
2. decides that this authorisation may be used to:
   i. ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity agreement, in compliance with the market practice accepted by the Autorité des marchés financiers on July 2, 2018,
   ii. allocate shares to the corporate officers and employees of the Company and of other Group entities, in particular within the context of (i) employee profit sharing, (ii) any stock option plan of the Company, pursuant to Article L.225-177 *et seq*. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 *et seq*. of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 *et seq*. of the French Commercial Code, as well as perform all hedging operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation thereof,
   iii. transfer the Company's shares transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors,
   iv. keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations,
   v. cancel all or part of the stock thus purchased,
   vi. implement all market practices accepted by the Autorité des marchés financiers and, more generally, execute all transactions in compliance with current regulations;
3. decides that the maximum purchase price per unit may not exceed €12 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock;
4. decides that the acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by the current regulations, on a regulated market, multi-lateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine;
5. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
6. decides that the Board of Directors shall have all powers, which it may, in turn delegate in compliance with legal and regulatory conditions, in order to, in accordance with applicable legal and regulatory provisions, to proceed with the allocation and, if applicable, permitted reallocation of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

   All powers are consequently granted to the Board of Directors, which it may in turn delegate, in accordance with legal and regulatory provisions, to implement this authorisation and specify, if necessary, the conditions and set the procedures in compliance with legal conditions and pursuant to this resolution, and in particular to issue all stock market orders, enter into all agreements, in particular for maintaining registers of purchases and sales of shares, complete all declarations with the Autorité des marchés financiers or any other competent authority, prepare all documents, specifically informational documentation, complete all formalities and, generally, do whatever is necessary.

   The Board of Directors must inform the Shareholders' Meeting, in accordance with legal conditions, of the operations performed by virtue of this authorisation;
7. decides that this authorisation, which cancels and replaces the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ **Sixth resolution** *(Ratification of the co-opting of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the co-opting of Mr François Riahi on June 15, 2018, to replace Mr Laurent Mignon, who has resigned, until the expiry of the directorship of Mr Mignon, *i.e.*, until the end of the Shareholders' Meeting convened in 2021 to approve the financial statements for the financial year ending December 31, 2020.

◆ **Seventh resolution** *(Approval of agreements and commitments specified by Article L.225-38 et seq. of the French Commercial Code)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the special report of the Statutory Auditors on the agreements and commitments subject to the provisions of Article L.225-38 *et seq*. of the French Commercial Code, approves this report in all its provisions as well as the new agreements mentioned therein, having been authorised by the Board of Directors during the financial year ended December 31, 2018.

◆ **Eighth resolution** *(Approval of components of the compensation paid or allocated for the financial year ended December 31, 2018 to Xavier Durand, Chief Executive Officer (CEO))*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the report of the Board of Directors appended to the report mentioned in Articles L.225-100 and L.225-102 of the French Commercial Code, approves the components of the total compensation and benefits of all kinds paid or allocated to Mr Xavier Durand, Chief Executive Officer, for the financial year ended December 31, 2018 and notes, in consequence, that the variable and extraordinary compensation components allocated to Mr Durand, Chief Executive Officer, for the financial year ended December 31, 2018 will be paid to him.

◆ **Ninth resolution** *(Approval of the principles and criteria for determining, distributing and allocating the components of compensation of the Chief Executive Officer (CEO) for financial year 2019)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the report of the Board of Directors appended to the report mentioned in Articles L.225-100 and L.225-102 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable and extraordinary compensation components of all kinds due to Mr Xavier Durand for 2019 in his capacity as Chief Executive Officer as described in the appendix to the report of the Board of Directors on the draft resolutions presented for the approval of the Shareholders' Meeting.

◆ **Tenth resolution** *(Appointment of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, appoints Mr Nicolas Moreau as a director, for a period of four years expiring at the end of the Shareholder's Meeting convened in 2023 to approve the financial statements for the financial year ending December 31, 2022.

◆ **Eleventh resolution** *(Appointment of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, appoints Mrs Nathalie Bricker as a director, for a period of four years expiring at the end of the Shareholder's Meeting convened in 2023 to approve the financial statements for the financial year ending December 31, 2022.

◆ **Twelfth resolution** *(Renewal of a Statutory Auditor)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renew the firm Deloitte, 6 place de la Pyramide, Paris-La Défense, as Statutory Auditor for financial years 2019 to 2024 inclusive, i.e. until the Shareholder's Meeting convened in 2025 to approve the financial statements for the financial year ending December 31, 2024.

◆ **Thirteenth resolution** *(Noting the expiry of the term of office of an alternate Statutory Auditor and decision not to replace it)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, noting the expiry of the term of office of the alternate Statutory Auditor BEAS at the end of this meeting, decides not to replace or renew it

Extraordinary resolutions

◆ **Fourteenth resolution** *(Delegation of authority to the Board of Directors to increase the share capital by issuing shares without preferential subscription rights, to a specific category of beneficiaries)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129 *et seq*. and L.225-138 of the French Commercial Code:

1. delegates its authority, which may be further delegated in accordance with legal and regulatory provisions, to issue, in one or several instances, at its sole discretion, in the proportions and the times that it shall determine, both in France and abroad, new shares reserved for one or more categories of beneficiaries corresponding to the characteristics below: (i) employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; (ii) one or more mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons designated in paragraph (i) above, and (iii) one or more financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France;
2. cancels, in favour of said beneficiaries, the preferential subscription right of shareholders to the shares issued by virtue of this authorisation;
3. decides that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed three million, one hundred thousand euros (€3,100,000), or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that

the nominal amount of any capital increase carried out in application of this delegation shall be charged against the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of the Shareholders' Meeting of May 16, 2018 and that the cap of this resolution shall be the same as that of the 15th resolution of this Shareholders' Meeting. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;

4. decides that the price of the securities issued in application of this delegation may not be more than 20% lower than the average price of the listed share in the last 20 trading sessions preceding the decision establishing the opening date of subscription, nor may it exceed that average. However, when this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. Furthermore, in the case of a transaction carried out under this resolution at the same time as a transaction carried out in application of the 13th resolution of this Shareholders' Meeting, the subscription price of the shares issued under this resolution may be identical to the subscription price of the shares issued on the basis of the 15th resolution;
5. decides that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:
   i. set the list of beneficiaries, within the categories of beneficiaries defined above, of each issue and the number of shares to be subscribed by each of them, pursuant to this delegation of authority,
   ii. set the amounts of these issues and determine the subscription prices and dates, methods for each issue and the conditions for subscription, payment and delivery of the shares issued by virtue of this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,
   iii. set the period granted to subscribers for full payment of their securities,
   iv. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,
   v. at its sole initiative, allocate the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
   vi. generally, take any and all measures and perform any and all formalities that are necessary for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;
6. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
7. decides that this delegation, which cancels and replaces the authorisation granted by the twenty-third resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ Fifteenth resolution *(Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129-2, L.225-129-6, L.225-138 and L.225-138-1 of the French Commercial Code and those of Articles L.3332-18 *et seq*. of the French Labour Code:

1. delegates, with the option to further delegate in accordance with legal and regulatory provisions, its authority to issue, in one or more instances, at its sole discretion, in the proportions and at the times determined by it, both in France and abroad, new shares reserved for employees, former employees and eligible corporate officers of the Company and/or companies related to the Company within the meaning of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, who are members of a company saving plan;
2. cancels, for the benefit of the said members, the preferential subscription right of shareholders to any shares that may be issued by virtue of this authorisation and waives any rights to any bonus shares that may be allocated based on this resolution;
3. decides that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed three million, one hundred thousand euros (€3,100,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that the nominal amount of any capital increase carried out in application of this delegation shall be charged against the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of the Shareholders' Meeting of May 16, 2018 and that the cap of this resolution shall be the same as that of the 14th resolution. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;

4. decides that the price of the shares issued in application of this delegation shall be determined under the conditions specified in Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last 20 trading sessions preceding the decision setting the opening date of the subscription may not exceed 20%. However, where this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. The Board of Directors may likewise decide to allocate bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer contribution;
5. decides that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:
   i. compile the list of companies whose employees, former employees and eligible corporate officers may benefit from the issuance and set the conditions to be fulfilled by beneficiaries, in order to subscribe, directly or via a mutual investment fund, to the shares issued based on this delegation of authority,
   ii. set the amounts of these issues and determine the subscription prices and dates, methods for each issue and the conditions for subscription, payment and delivery of the shares issued by virtue of this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,
   iii. decide, in application of Article L.3332-21 of the French Labour Code, on the allocation, free of charge, of shares to be issued or already issued, as an employer matching contribution and/or, as applicable, for the discount, provided that the recognition of their equivalent pecuniary value, valued at the subscription price, does not result in exceeding the limits specified in Article L.3332-11 of the French Labour Code,
   iv. set the period granted to subscribers for full payment of their securities,
   v. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,
   vi. at its sole initiative, allocate the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
   vii. generally, take any and all measures and perform any and all formalities that are necessary for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;
6. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
7. decides that this authorisation, which cancels and replaces the authorisation granted by the 22nd resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Sixteenth resolution** *(Powers to carry out formalities)*

The Annual Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary and Extraordinary Shareholders' Meetings, gives full powers to the bearer of copies or extracts of these minutes to fulfil all formalities required by law.

7.8 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of COFACE S.A.,

In our capacity as statutory auditors of your company, we present to you our report on regulated agreements and commitments.

Our responsibility is to report to the shareholders, based on the information provided to us, the main terms and conditions as well as the reasons justifying the appropriateness for your company of the agreements and commitments that have been disclosed to us or that have been identified while carrying out our work. We are neither required to comment on whether they are relevant or justified nor to seek to identify any undisclosed agreements or commitments. According to the provisions of Article R.225-31 of the French Commercial Code *(Code de commerce)*, it is the responsibility of Shareholders to determine whether the agreements and commitments are appropriate and should be approved.

In addition, it is our responsibility, where applicable, to report to the information required by Article R.225-31 of the French Commercial Code relating to the performance, during the year under review, of the agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body *(Compagnie nationale des commissaires aux comptes)* relating to the type of engagement. These procedures consisted of verifying the information provided to us was consistent with the relevant documents.

Agreements and commitments to be submitted for approval to the shareholder's meeting

Agreements and commitments authorized during the last financial year

Pursuant to Article L.225-40 of the French Commercial Code, we were advised of the following agreements and commitments, entered into during the year under review, which received the prior authorization of your Board of Directors.

Issuance of guarantees as part of the factoring business

Nature and purpose:

Coface Finanz GmbH and Coface Poland Factoring Sp.z.o.o benefit from multi-currency credit lines with several banks including Natixis. COFACE S.A. is a joint guarantor for its factoring subsidiaries and thus guarantees the repayment of these lines of credit.

As the issuance dates of these guarantees are not aligned with those of the Boards of Directors, it seemed preferable to request the Board of Directors to authorize COFACE S.A. to issue guarantees within the limit of a global ceiling rather than to seek authorization on a case-by-case basis.

This authorization was granted by the Board of Directors at its meeting of December 19, 2017 for an amount of €452,000,000, of which €150,000,000 to Natixis.

This amount was increased by €100,000,000 at the Board meeting on July 25, 2018.

To cope with the unexpected increase in subsidiaries' liquidity needs in the coming year; the guarantee envelope was raised to €784 million at the Board of Directors meeting on December 18, 2018, of which €150 million was allocated to Natixis.

Terms and conditions:

Guarantors are paid by Coface Poland Factoring Sp.z.o.o. and Coface Finanz GmbH up to 0.20% of the guaranteed amount. As at December 31, 2018, the commitments did not result in any financial flows between COFACE S.A. and Natixis.

Reasons for his interest in the company:

In the interest of autonomy from Natixis, and with the aim of diversifying the sources of financing of the factoring activity in Germany and Poland, COFACE S.A. wished to replace a number of bilateral lines with both financing lines historically provided by Natixis.

Persons concerned:

Natixis is a shareholder of COFACE S.A. and holds 42.14% of the capital of the company as of December 31, 2018.

In addition, Natixis and COFACE S.A. have a common corporate officer in the person of François Riahi (Chairman of the Board of COFACE S.A. and Chief Executive Officer of Natixis).

Tripartite liquidity agreement with Oddo BHF and Natixis on June 28, 2018

Nature and purpose:

As part of the authorization given by the shareholders' meeting on June 2, 2014 and renewed on May 18, 2015, May 19, 2016, May 17, 2017 and May 16, 2018, for consecutive periods of eighteen months, the Board of Directors of COFACE S.A. has decided to authorize the purchase by the company of its own shares.

Terms and conditions:

A liquidity agreement was signed on June 26, 2014 with Natixis, for a period of one-year renewable by tacit agreement. In this context, Coface authorizes Natixis to purchase COFACE S.A. shares for €5 million against the payment of an annual fee of €40,000 excluding taxes. This contract was renewed in 2015, 2016 and 2017 and the amount was reduced to €3 million in November 2017.

As part of its partnership with Oddo BHF, Natixis transferred equity intermediation activities to Oddo BHF, while maintaining the commercial relationship and the responsibility for market surveillance services. In this context, COFACE S.A. has signed a tripartite liquidity agreement with Oddo BHF and Natixis on 28 June 2018. The financial conditions remain unchanged. The remuneration is collected by Natixis on behalf of Oddo BHF, to whom it is entirely repaid.

The expense for COFACE S.A. for the 2018 financial year is €40,000

Reasons justifying its appropriateness for the company:

This agreement is intended to animate the market, to ensure the liquidity of the security and / or to allocate shares to staff members in particular.

Persons concerned:

Natixis is a shareholder of COFACE S.A. and holds 41.24% of the capital of the company at December 31, 2018. In addition, Natixis and COFACE S.A. have a common corporate officer in the person of François Riahi (Chairman of the Board of Directors of COFACE S.A. and Chief Executive Officer of Natixis).

As this agreement has been tacitly renewed and given the time constraints of the directors, this agreement was approved by the Board of Directors of COFACE S.A. on July 25, 2018.

Agreements and commitments already approved by the shareholder's meeting

Agreements and commitments authorised in prior years that continued to be implemented during the year under review

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the Shareholders' Meeting in previous financial years, has continued during of the past financial year.

"Club deal" syndicated loan for back-up lines to finance the factoring business with commercial paper

Nature and purpose:

Coface Finanz GmbH has a commercial paper program of €650,000,000 to refinance its factoring business. Until July 2017, Coface Finanz GmbH also benefited from six bilateral back-up credit lines for an aggregate amount of €650,000,000. These lines were granted by BNP, BRED, CACIB, HSBC, Société Générale and Natixis, in favor of COFACE S.A.

In July 2017, these bilateral credit lines in "back-up" were replaced by a simplified syndicated loan in «club deal» format for a total amount of €700,000,000 from that date, with the same six banks than when setting up the previous bilateral back-up credit lines. As a result, the commercial paper program has been raised to €650,000,000 in June 2018.

Terms and conditions:

The credit of €700.000.000 has a maturity of 3 years, renewable twice for a period of one year.

Natixis participates in these credit lines for €150,000,000, and its remuneration is as follows:

- €183,750 of estimated annual cost of non-use of the line of credit, giving rise to an expense recorded in respect of the 2018 financial year of €1,875,792, this amount being the same for the four lenders in the Tier1 category at the convention;

At the express request of the banks, to the extent that Natixis participates in the credit of €150,000,000, the agreement has been treated as a regulated agreement. It was authorized by the Board of Directors on July 27, 2017. This agreement replaced the one previously authorized for the implementation of a back-up line by Natixis signed on October 3, 2015.

Reasons justifying its appropriateness for the company:

- Centralise the management of these "back-up" lines.
- Introduce an additional line in the event of a liquidity crisis.

Persons concerned:

Natixis is a shareholder of COFACE S.A. and holds 42.14% of the capital of the company as of December 31, 2018.

Compagnie Française d'Assurance pour le Commerce Extérieur's guarantee for COFACE S.A. of payment of the suborinated debt

Nature, purpose and reasons justifying its appropriateness for the company:

On March 27, 2014, COFACE S.A. issued a subordinated debt in the form of bonds for a nominal amount of €380,000,000.

In order to improve the rating of COFACE S.A.'s subordinated debt issuance and thus its price, Compagnie Française d'Assurance pour le Commerce Extérieur issued a guarantee that improved the rating of the issuance by 2 grades (As a reminder, the issuance was rated Baa1 / A by Moody's and Fitch while without this guarantee, the rating would have been Baa3 / BBB).

This guarantee was authorized by the Board of Directors on February 14, 2014.

Terms and conditions:

The price of the guarantee was thus set at 0.2% based on the total amount, representing a financial expense of €760,000 in respect of the 2018 financial year for COFACE S.A.

Persons concerned:

COFACE S.A. holds 99.99% of the capital of Compagnie Française d'Assurance pour le Commerce Extérieur at December 31, 2018.

COFACE S.A. and Compagnie Française d'Assurance pour le Commerce Extérieur have a joint representative in the person of Xavier Durand (Chief Executive Officer of COFACE S.A. and Chairman and Chief Executive Officer of Compagnie Française d'Assurance pour le Commerce Extérieur).

Severance pay for Mr. Xavier Durand

Nature and purpose:

Mr. Xavier Durand would benefit, in the event of termination of his term of office, from severance pay of an amount equal to two years' salary (fixed and variable compensation).

The reference salary used for the fixed portion would be the salary for the current year at the date of termination of his position.

The reference salary for the variable portion would be the average of the variable shares received for the last three years preceding the termination date (or of the two years concerned since taking office in case of departure before December 31, 2018).

Terms and conditions:

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

1. Achievement of at least 75% of the average annual objectives during the three financial years preceding the departure; and
2. The Group's combined ratio after reinsurance is at most 95% on the average for the three financial years preceding the departure.

If only one of the two conditions above have been met, 50% of the compensation shall be due. If none of the above conditions have been fulfilled, no compensation shall be due.

No compensation shall be paid by the Company if the corporate term is ended at Mr. Durand's initiative or in the event of termination for serious misconduct or gross negligence.

Persons concerned:

Mr. Xavier Durand, Chief Executive Officer of COFACE S.A.

Paris-La Défense, on April 2, 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	KPMG S.A.
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

7.9 STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE RESERVED FOR EMPLOYEES ENROLLED IN A COMPANY SAVINGS PLAN

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(Combined Shareholders' Meeting of May 16, 2019 – 15th resolution)

To the Extraordinary Shareholders' meeting of COFACE S.A.,

In our capacity as Statutory Auditors of your company and in execution of the mission provided for by Articles L.225-135 and following of the French Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to approve a capital increase by issuing ordinary shares with cancellation of preferential subscription rights, reserved for current employees or former employees eligible corporate officers of the Company and / or companies related to the Company within the meaning of the provisions of the Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, members of a company savings plan, for a maximum nominal amount of three million one hundred thousand euros (€3.100.000) or the equivalent in any other currency or monetary unit pegged to several currencies, operation on which you asked to vote. It is hereby specified that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal ceiling set for capital increases in paragraph 2 of the sixteenth resolution of the general meeting of May 16, 2018 and that the ceiling of this resolution will be common with that of the fourteenth resolution of this General Meeting. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of the holders of securities or other rights conferring entitlement to the company's share capital, pursuant to applicable laws and regulations and, contractual provisions, where appropriate. At the same time, the proposed increase in capital in the fourteenth resolution would allow current, former employees and corporate officers of the Group residing in certain countries, to benefit from plans similar to those offered to other Group employees, sharing the same economic profile and while taking into account the laws and regulations constraints that may exist locally.

This capital increase is subject to your approval in accordance with the provisions of Articles L.225-129-6 of the French Commercial Code and L.3332-18 et seq. of the French Labor Code.

On the basis of its report, your Board of Directors proposes that you delegate it the authority with the liability to further delegate such authority as provided by legal and statutory provisions, for a period of twenty-six months to approve a capital increase and to waive preferential subscription rights to the ordinary shares to be issued, being specified that this authorization would cancel and replace the one granted by the twenty-second resolution of the general meeting of May 16, 2018. Where appropriate, the board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information taken from the financial statements, on the proposal to cancel the preferential subscription right and on certain other information concerning the issue that is provided in this report.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body *(Compagnie nationale des commissaires aux comptes)* relating to the type of engagement. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of shares to be issued.

Subject to the subsequent review of the terms and conditions of the capital increase that would be decided, we have no comments to make on the methods for determining the issue price of the ordinary shares to be issued as outlined in the Board's report.

As the final terms and conditions under which the capital increase would be carried out are not yet determined, we do not express any opinion on these or, consequently, on the proposal to waive the preferential subscription right made to you.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when this delegation is used by your Board of Directors.

Paris-La Défense, on April 2, 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	KPMG S.A.
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

7.10 STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE WITH WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS, RESERVED FOR A SPECIFIC CATEGORY OF BENEFICIARY

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(Combined Shareholders' Meeting of May 16, 2019 – 14th resolution)

To the extraordinary Shareholders' meeting of COFACE S.A.,

our capacity as Statutory Auditors of your company and in execution of the mission provided for by Articles L.225-135 and following of the French Commercial Code *(Code de commerce)*, we hereby present to you our report on the proposal to delegate authority to the Board of Directors, with the liability to further delegate such authority as provided by legal and statutory provisions, to approve one or more capital increases via the issuance of shares, with waiver of preferential subscription rights, reserved for one or more categories of beneficiary meeting the following: (i) employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office outside France; (ii) one or more mutual fund or other entity, whether or not having legal personality, subscribing on behalf of persons referred in paragraph (i) above, and (iii) one or more financial institutions authorized by the company to propose to the persons referred in paragraph (i) above, a savings or shareholding scheme comparable to those proposed to the Company's employees in France, for a maximum amount of three million one hundred thousand euros (€3,100,000) or the equivalent in any other currency or monetary unit pegged to several currencies, based on the understanding that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal limit specified for capital increases in paragraph 2 of the sixteenth resolution of the General Meeting of May 16, 2018 and that the limit of this resolution will be that of the 15th resolution of this General Meeting, an operation on which you are called upon to pronounce. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring entitlement to the company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate. Through such an increase in share capital, current and former employees and corporate officers of the Group residing in certain countries would benefit from plans similar to those offered to other Group employees as part of the 13th resolution, sharing the same economic profile and while taking into account the laws and regulations constraints that may exist locally.

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the liability to further delegate such authority as provided by legal and statutory provisions, for a period of eighteen months to approve one or more capital increases and to waive preferential subscription rights to the ordinary shares to be issued, being specified that this authorization would cancel and replace the one granted by the twenty-second resolution of the general meeting of May 16, 2018. Where appropriate, the board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to express on opinion on the fairness of the quantified information derived from the financial statements, on the proposal to waive the preferential subscription rights, and on certain other information concerning the issue that is provided in this report.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body *(Compagnie nationale des commissaires aux comptes)* relating to the type of engagement. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of shares to be issued.

Subject to the subsequent review of the terms and conditions of the capital increase that would be decided, we have no comments to make on the methods for determining the issue price of the ordinary shares to be issued as outlined in the Board's report.

As the final terms and conditions under which the capital increase would be carried out are not yet determined, we do not express any opinion on these or, consequently, on the proposal to waive the preferential subscription right made to you.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when this delegation is used by your Board of Directors..

Paris-La Défense, on April 2, 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	KPMG S.A.
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

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8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

8.1.1 Name and title of the person responsible for the registration document

Xavier Durand, Chief Executive Officer of COFACE SA.

8.1.2 Statement of the person responsible for the registration document

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this registration document, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and results of the Company and all consolidated companies, and that the management report in this registration document presents an accurate picture of events, results and the financial position of the Company and all consolidated companies, and describes the principal risks and uncertainties that they face.

I have received a work completion letter from the Statutory Auditors indicating that they have verified the information about the financial position and the financial statements provided in this registration document and have read the full document.

Paris, April 3, 2019

Mr Xavier Durand

Chief Executive Officer (CEO)

8.2 NAME OF THE PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION AND NAME OF THE PERSON RESPONSIBLE FOR FINANCIAL COMMUNICATION

8.2.1 Name of the person responsible for the financial information

Carine Pichon
Chief Financial Officer

8.2.2 Name of the person responsible for financial communication

Thomas Jacquet
Head of Group Financial Communication

8.3 STATUTORY AUDITORS

8.3.1 Principal Statutory Auditors

Deloitte & Associés
6 place de la pyramide
92908 Paris-La Défense Cedex

Represented by Jérôme Lemierre

Deloitte & Associés was appointed by the Company's Annual Shareholders' Meeting of May 14, 2013 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2018.

Deloitte & Associés is a member of Compagnie régionale des commissaires aux comptes de Versailles.

KMPG SA
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris-La Défense cedex

Represented by Régis Tribout

KPMG SA was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2019.

KPMG SA is a member of Compagnie régionale des commissaires aux comptes de Versailles.

8.3.2 Alternate Statutory Auditors

BEAS
195, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Represented by Mireille Berthelot

BEAS was appointed by the Company's Annual Shareholders' Meeting of May 14, 2013 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2018.

BEAS is a member of Compagnie régionale des commissaires aux comptes de Versailles.

KPMG AUDIT FS I
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris-La Défense cedex

Represented by Isabelle Goalec

KPMG AUDIT FS I was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2019.

KPMG AUDIT FS I is a member of Compagnie régionale des commissaires aux comptes de Versailles.

8.4 SELECTED THREE-YEAR FINANCIAL INFORMATION

The tables below present extracts of income statements and consolidated financial statements for the financial years ended December 31, 2018, December 31, 2017 and December 31, 2016.

The financial information selected below must be read in conjunction with the consolidated financial statements in Chapter 4 and with the examination of the Group's financial position and results presented in Chapter 3 of this registration document.

Consolidated income statement

(in thousands of euros)	2018	2017	2016
Gross premiums issued	**1,263,364**	**1,219,612**	**1,202,440**
Policyholders' bonuses and rebates	(106,516)	(98,954)	(92,876)
Provisions for unwritten earned premiums	(14,240)	(10,961)	5,576
Gross earned premiums	**1,142,608**	**1,109,697**	**1,115,140**
Fees and commission income	132,419	128,914	128,795
Net income from banking activities	66,713	72,043	70,619
Income from other activities	42,995	44,279	96,743
Revenue or income from other activities	**242,127**	**245,236**	**296,157**
Turnover	**1,384,735**	**1,354,933**	**1,411,297**
Claims expenses	**(504,509)**	**(570,863)**	**(705,655)**
Policy acquisition costs	*(243,236)*	*(262,607)*	*(255,289)*
Administrative costs	*(241,136)*	*(253,532)*	*(275,095)*
Other expenses from insurance activities	*(82,556)*	*(70,816)*	*(83,004)*
Expenses from banking activities, excluding cost of risk	*(13,552)*	*(13,779)*	*(13,193)*
Expenses from other activities	*(77,739)*	*(53,130)*	*(44,379)*
Operating expenses	**(658,219)**	**(653,864)**	**(670,960)**
Cost of risk of banking activities	(2,122)	(4,483)	(4,222)
Underwriting income before reinsurance	**219,886**	**125,723**	**30,460**
Income/(loss) on ceded reinsurance	(62,128)	(25,970)	(17,599)
Underwriting income after reinsurance	**157,758**	**99,753**	**12,860**
Investment income, net of management expenses (excluding finance costs)	51,123	55,281	48,032
CURRENT OPERATING INCOME	**208,881**	**155,034**	**60,893**
Other operating income and expenses	(4,974)	(589)	53,496
OPERATING INCOME	**203,907**	**154,445**	**114,389**
Finance costs	(17,681)	(18,109)	(18,373)
Share in net income of associates	592	2,369	(5,838)
Income tax	(64,132)	(55,651)	(48,124)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**122,686**	**83,054**	**42,054**
Non-controlling interests	(353)	159	(523)
NET INCOME (GROUP SHARE)	**122,333**	**83,213**	**41,531**
Earnings per share *(in €)*	0.79	0.53	0.26
Diluted earnings per share *(in €)*	0.79	0.53	0.26

Simplified consolidated balance sheet

	As of Dec. 31		
(in thousands of euros)	**2018**	**2017**	**2016**
Assets			
Intangible assets	220,675	217,230	215,708
Insurance business investments	2,833,613	2,876,380	2,751,091
Receivables arising from banking and other activities	2,509,047	2,523,549	2,481,525
Investments in associates	0	15,780	13,411
Reinsurers' share of insurance and financial liabilities	425,398	405,178	341,347
Other assets	927,888	920,776	926,344
Cash and cash equivalents	302,419	264,325	332,071
TOTAL ASSETS	**7,219,040**	**7,223,218**	**7,061,497**

	As of Dec. 31		
(in thousands of euros)	**2018**	**2017**	**2016**
Liabilities			
Group equity	1,806,249	1,802,621	1,755,177
Non-controlling interests	148	160	5,490
Total equity	1,806,397	1,802,781	1,760,667
Provisions for risks and charges	94,344	121,716	151,074
Financing liabilities	388,729	388,234	390,044
Liabilities relating to insurance contracts	1,746,379	1,682,258	1,678,249
Resources from banking sector activities	2,544,716	2,527,716	2,409,691
Other liabilities	638,475	700,513	671,772
TOTAL LIABILITIES	**7,219,040**	**7,223,218**	**7,061,497**

▶ Revenue by business line as at December 31, 2018

Consolidated revenue by business line *(in thousands of euros and as a % of the Group total)*	See also Section	Dec. 31, 2018 *(in €k)*	Dec. 31, 2017 *(in €k)*	At Dec. 31, 2016 *(in €k)*
Gross earned premiums – Credit		*1,068,404*	*1,029,499*	*1,039,916*
Gross earned premiums – Single Risk		*26,779*	*27,190*	*24,451*
Gross earned premiums – credit insurance		**1,095,183**	**1,056,689**	**1,064,367**
Fee and commission income[1]		**132,418**	**128,914**	**128,795**
Other related benefits and services[2]		**3,637**	**4,382**	**5,882**
Compensation of public procedures management services		**0**	**574**	**53,361**
Revenue from credit insurance business line	**1.3.1/1.5.1**	**1,231,238**	**1,190,559**	**1,252,405**
Gross earned premiums – Guarantees	**1.3.3/1.5.3**	**47,425**	**53,008**	**50,773**
Financing fees		35,295	39,472	35,545
Factoring fees		32,416	33,884	35,557
Other		(998)	(1,314)	(483)
Net income from banking activities (factoring)	**1.3.2/1.5.2**	**66,713**	**72,043**	**70,619**
Information and other services		28,550	27,436	25,170
Receivables management		10,809	11,886	12,330
Revenue from information and other services	**1.5.4**	**39,359**	**39,322**	**37,500**
CONSOLIDATED REVENUE	**NOTE 21**	**1,384,735**	**1,354,933**	**1,411,297**

(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

▶ Revenue by region as of December 31, 2018[3][4]

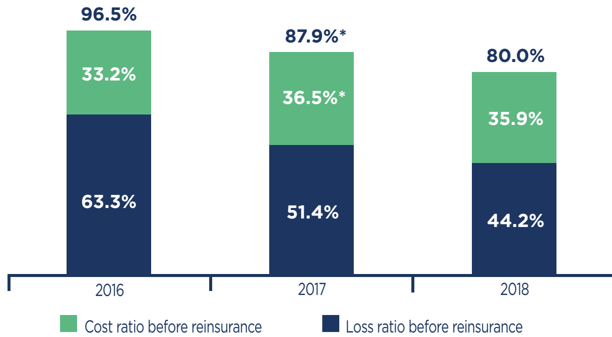
(in thousands of euros)	2018	2017	2016
Northern Europe	303,071	303,872	307,320
Western Europe	283,975	280,785	327,176
Central Europe	133,843	127,708	121,259
Mediterranean & Africa	370,371	348,021	331,864
North Africa	126,502	121,894	136,119
Latin America	71,528	75,715	77,743
Asia-Pacific	95,447	96,938	109,816
TOTAL	**1,384,737**	**1,354,933**	**1,411,297**

(3) See details in Note 21.
(4) The composition of the regions was modified on April 11, 2016 and led to certain adjustments. Portugal and Spain, which were initially included in Western Europe, were transferred to the Mediterranean & Africa region. Russia, initially included in Northern Europe, was transferred to Central Europe.

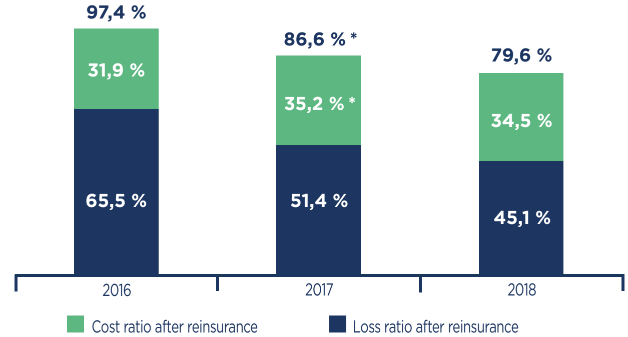
Performance indicators

These operating ratios and the methodology for calculating them are defined in Section 3.7 "Key financial performance indicators".

Combined ratio before reinsurance (as a %)

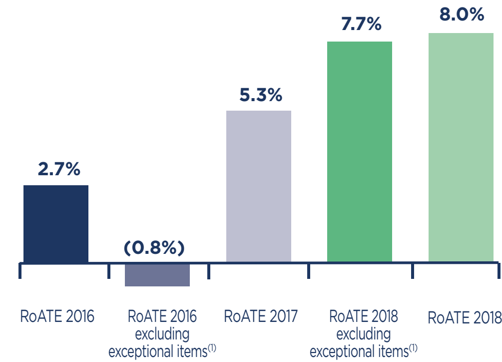


Combined ratio after reinsurance (as a %)



** Excluding the contribution from the public guarantee business in 2017 (€0.6 million).*

RoATE (as a %)

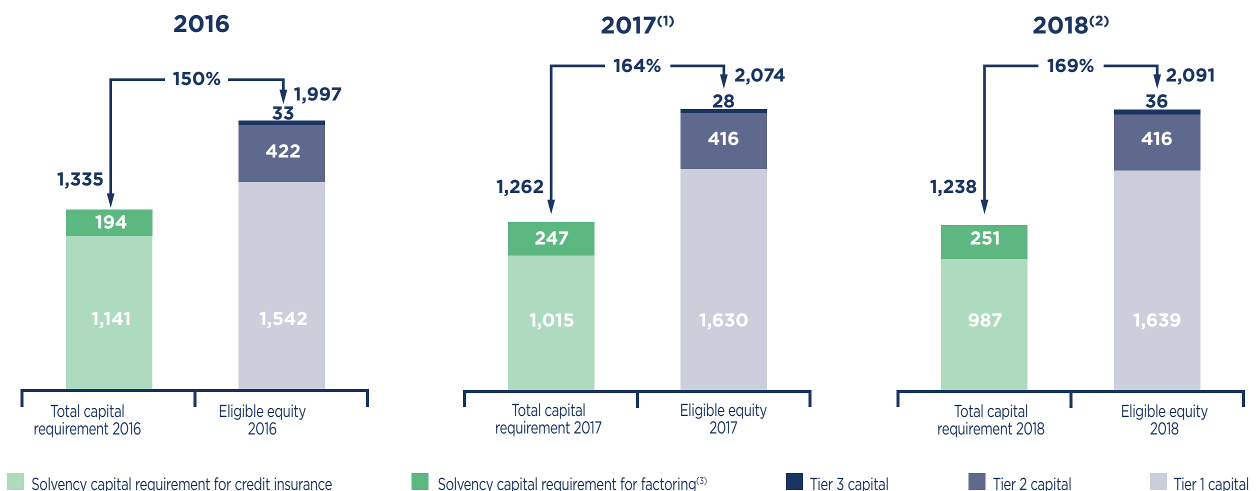


(1) Net income (Group share) restated for extraordinary items and the contribution of the State guarantees business line to net income: 2015 (€107 million) and 2016 (-€12 million).

(2) Net income (Group share) restated for non-recurring items (see Chapter 4 "c) Alternative performance measures related to net income").

Return on average tangible equity (RoATE) is computed as net income (Group share)/average book equity (Group share) net of intangible assets – see Section 3.4.3 "Return on equity".

Solvency ratio (as a %)



(1) The final solvency ratio at the end of 2017 was 164% (based on Coface's interpretation of Solvency and including a stricter estimate of SCR factoring in anticipation of the changes in the regulation). Not audited.

(2) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II Regulation. The result of the final calculation could be different from this preliminary calculation. The estimated Solvency ratio is not audited. It also includes a stricter estimate of SCR factoring. See also 3.4.2 "Solvency of the COFACE Group".

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

8.5 DOCUMENTS ACCESSIBLE TO THE PUBLIC

The documents relating to the Coface Group (constituent documents, Articles of Association, charter, financial report, Board of Directors' reports, thresholds crossed, letters and other documents, individual and consolidated historical financial information for each of the two financial years preceding publication of this document) are partly included in this document and can be freely consulted at its head office, preferably by appointment.

In addition, under Solvency II, the SFCR for financial year 2017 which is aimed at the public, was filed with the ACPR on May 5, 2018 and published in the "Investor" section of the Company website www.coface.com. The next SFCR report, based on financial year 2018, will be published on April 19, 2019 (subject to modification).

This registration document is available in the "Investors" section of the Company website www.coface.com.

Copies of this document are available free of charge at the Company's head office.

Pursuant to Article 221-3 of the General Regulation of the AMF, regulated information (defined in Article 221-1 of the General Regulation of the AMF) is published on the Company's website at www.coface.com.

Any person wishing to obtain additional information on the Group may request the documents without appointment and free of charge:

- **by post:**

Coface
Financial Communications - Investor Relations
1, place Costes et Bellonte, 92270 Bois-Colombes, France

- **by email**: investors@coface.com

Thomas Jacquet / Director of Investor Relations and Rating Agencies
Benoît Chastel / Investor Relations Officer

8.6 MAIN RATINGS OF THE COFACE GROUP AT MARCH 31, 2019

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

At March 31, 2019, the main ratings for the Company and its principal operational subsidiary are as follows:

Insurer financial strength rating	Agency	Rating	Outlook
Compagnie française d'assurance pour le commerce extérieur and its branches	Fitch Moody's	AA- A2	Stable
Coface North America Insurance company (CNAIC)	AM Best	A (Excellent)	Stable

Rating for the COFACE SA debt			
Long-term counterparty risk rating	Fitch Moody's	A+ Baa1	Stable
Subordinated hybrid debt	Fitch Moody's	A- Baa1	Stable
Short-term counterparty risk rating (commercial paper)	Fitch Moody's	F1 P-2	Stable

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

8.7 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

In order to facilitate reading of this document, the following cross-reference table refers to the main sections required by Annex 1 of EC Regulation No. 809/2004 of April 29, 2004 applied from the “Prospectus” Directive.

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8.9 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

(Article L.225-100-1 *et seq*. of the French Commercial Code, amended by Order No. 2017-1162 of July 12, 2017)

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8.10 CROSS-REFERENCE TABLE FOR THE REPORT ON CORPORATE GOVERNANCE

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8.11 CROSS-REFERENCE TABLE FOR THE ANNUAL SHAREHOLDERS' MEETING

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Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report (Articles L.225-102-1 and R.225-105 of the French Commercial Code)	279-281

8.12 CROSS-REFERENCE TABLE FOR THE INFORMATION REQUIRED BY ARTICLE L.225-102-1 AND ARTICLE R.225-105 OF THE FRENCH COMMERCIAL CODE

This registration document contains the information required by Articles L.225-102-1 and R.225-105 of the French Commercial Code. The following cross-reference table refers to the sections of the registration document corresponding to the non-financial performance declaration.

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	◆ the amount of provisions and guarantees for environmental risks, provided this information does not cause serious prejudice to the Company in any current litigation	n/a
	◆ the amount of provisions and guarantees for environmental risks, provided this information does not cause serious prejudice to the Company in any current litigation	n/a
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8.13 INCORPORATION BY REFERENCE

The 2018 registration document, by reference to the 2017 registration document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 5, 2018 under number D.18-0267, incorporates the following items:

- "Overview of Coface" (all): pages 2 to 18;
- Chapter 3 (all): pages 91 to 125;
- Chapter 4 (all): pages 126 to 228.

The 2017 registration document, by reference to the 2016 registration document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 12, 2017 under number R.17-016, incorporates the following items:

- "Overview of Coface" (all): pages 2 to 10;
- Chapter 3 (all): pages 107 to 140;
- Chapter 4 (all): pages 141 to 225.

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COFACE SA
1, PLACE COSTES ET BELLONTE
92270 BOIS-COLOMBES - FRANCE
SA (FRENCH LIMITED COMPANY)
WITH CAPITAL OF €307,798,522
NANTERRE REGISTRY OF TRADE
AND COMPANIES NO. 432 413 599

coface
FOR TRADE