

2.3 Potential conflicts of interest

To the best of the Company's knowledge there are not, as at 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 best of the Company's knowledge, no pact or agreement has been entered into with any shareholders, customers, suppliers or other parties by virtue of which any member of the Board of Directors or executive officers of the Company has been appointed in such capacity.

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

2.4 Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures

This report from the Chairman of the Board of Directors, established in conformity with Article L.225-37 of the Commercial Code, must be approved by the Board of Directors. It is attached to the Board of Directors' report and presented at the Annual Shareholders' Meeting.

The subject of this report is to report on the composition and functioning of the Board of Directors and its committees, any limitation in powers of general management, the application of a corporate governance code prepared by the organizations representing the companies and the rules

for determining compensation of corporate officers. It also takes into account the internal control and risk management procedures implemented by the Company, particularly those relating to preparation and processing of the accounting and financial information within the Company. This report is established in close collaboration with the Group Risk Department and the Group Financial Department, with the support of the Group Legal and Compliance Department.

This report was approved by the Board of Directors on February 17, 2015.

2.4.1 CORPORATE GOVERNANCE

◆ 2.4.1.1 Composition and operations of the Board of Directors

Composition

At the date of this report, the Board of Directors is composed of ten members:

- Mr Laurent Mignon, Chairman;
- Mr Jean Arondel;
- BPCE represented by Ms. Marguerite Bérard-Andrieu;
- Mr Jean-Paul Dumortier;
- Mr Éric Hémar;
- Ms Sharon MacBeath;
- Mr Pascal Marchetti;
- Mr Laurent Roubin;
- Ms Clara-Christina Streit;
- Mr Olivier Zarrouati.

Of the ten members of the Board of Directors, three are women, or approximately 33.33%.

Operations

The Board of Directors has articles of association. It established an Audit Committee and an Appointments and Compensation Committee.

(i) Extract from the Board's Articles of association

Convening notice of the Board of Directors'

The Board of Directors meets as often as the Company's interests require, and at least once per quarter.

It meets upon a convening notice from the Chairman. Furthermore, directors representing at least one third of the Board members may, by indicating the session's agenda, convening notice, if one has not been convened for more than two months. If the role of Chief Executive Officer (CEO) is not performed by the Chairman, the Chief Executive Officer (CEO) may likewise ask the Chairman to convene the Board of Directors for a specific agenda.

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

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

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

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

- (i) first sent notice to the directors providing the basis for the Urgency per the definition above; and
- (ii) sent all directors, with the convening notice for said Board, all elements needed for their analysis.

Holding of the Board of Directors' meetings

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

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

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

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

(ii) Composition and operations of the Audit Committee

At the date of this report, and since July 15, 2014, the Audit Committee has been composed of Mr Éric Hémar (Chairman), Ms Clara-Christina Streit and Mr Pascal Marchetti.

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

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

a. Members

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

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

b. Chairmanship

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

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

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

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

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

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

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

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

a. Monitoring of the preparation of financial information

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

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

The examination of the financial statements should be accompanied by a presentation by the Statutory

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

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

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

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

The Audit Committee will oversee the existence, effectiveness, deployment and implementation of corrective action, in the case of material weaknesses or anomalies in the internal control and risk management systems.

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

The Audit Committee should keep itself informed of, and 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.

The Audit Committee should have regular discussions with the Statutory Auditors, including with and without the presence of the executives. The Audit Committee should in particular have such discussions with the Statutory Auditors during the Audit Committee meetings dealing with the review of the procedures for preparing financial information and the review of the financial statements in order to report of their performance and the conclusions of their work.

- d.** Monitoring the independence of the Statutory Auditors

The Audit Committee must oversee the selection and renewal of the Statutory Auditors, and must submit the result of this selection to the Board of Directors. Upon expiration of the term of the Statutory Auditors, the selection or the renewal of the Statutory Auditors may

be preceded, upon proposal of the Audit Committee and decision of the Board of Directors, by a call for tenders supervised by the Audit Committee that will approve the specifications and choice of firms consulted, and ensure the selection of the "best bidder" and not the "lowest bidder".

To enable the Audit Committee to monitor the rules for independence of the Statutory Auditors and guarantee their objectivity, throughout the duration of their term, the Audit Committee should 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.

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

The assignment of the Statutory Auditors should be exclusive of any other tasks not related to this mission in terms of the professional code of conduct of the Statutory Auditors and of professional auditing standards. The Statutory selected Auditors should refrain, on their behalf and on behalf of the network to which they belong, from any consulting activity (legal, tax, IT or other) provided directly or indirectly for the benefit of the Company. With regard to companies controlled by the Company or the controlling company, the Statutory Auditors should refer more specifically to the professional code of conduct for Statutory Auditors. However, upon prior approval from the Audit Committee, services that are accessory or directly complementary to auditing may be performed, such as acquisition or post-acquisition audits, but to the exclusion of valuation or advisory services.

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

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

- a.** Frequency of meetings and procedures for convening meetings

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

- Ordinary convening of meeting:

The Audit Committee meets upon a written convening notice issued by its Secretary under the conditions

provided for in 1 b) clause 3 of these articles of association, which is sent to each of the members. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Audit Committee and ask him to meet with said committee to discuss a specific agenda.

■ Extraordinary convening of meeting:

Two members of the Audit Committee may ask its Chairman to convene a meeting of the Committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Audit Committee does not grant this request within a period of 15 days, the two members may convene the Audit Committee and set the agenda thereof. The Company's Statutory Auditors may, if they consider there is an event which exposes the Company or its subsidiaries to a significant risk, ask the Chairman of the Audit Committee to convene a meeting of said committee.

■ Form and timing of the convening of meeting:

The convening notice of the Audit Committee is sent to the members of the Audit Committee with reasonable prior notice, and contains the detailed agenda for the meeting. The information allowing the members of the Audit Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, within a sufficient period prior to the meeting. In the event of urgency, the Audit Committee may be convened at any time by its Chairman, acting within the context of an exceptional procedure. In this case, the Audit Committee meeting does not need to comply with the time limits for the above convening notice insofar as the urgency declared in the convening notice and the information allowing the members of the Audit Committee to issue informed advice has been sent prior to the meeting.

b. Attendance at Audit Committee Meetings

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

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

At the Chairman's proposal, the Audit Committee may, if it is considered appropriate and after having informed the Chairman of the Board of Directors thereof, invite any executive of the Company (including an executive of any of the principal subsidiaries), as well as the Statutory Auditors of the Company to attend any of its meetings, capable of having a bearing upon the work of the Audit Committee.

c. Quorum and Majority Rule

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

No member of the Audit Committee may represent another member.

The opinions and recommendations of the Audit Committee will be adopted if the Chairman and the

majority of members present at the meeting vote in favor of such opinions and recommendations.

d. Secretariat and Minutes of Meetings

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

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

Activity of the Audit Committee

The Audit Committee met 4 times in 2014. The average participation rate was 91.5%.

The main work completed:

- Examination of the 2013 financial statements;
- Examination and approval of the audit plan;
- Examination of the consolidated financial statements of the first half of 2014;
- Examination of the financial statements as of September 30, 2014;
- Examination of the investment policy.

(iii) Composition and functioning of the Appointments and Compensation Committee

The principle of an Appointments and Compensation Committee was decided by the Board of Directors during its meeting of May 13, 2014.

The Board of Directors of the Company established an Appointments and Compensation Committee during its meeting of May 13, 2014. Since July 15, 2014, and at the date of this report, the Appointments and Compensation Committee consists of Mr Olivier Zarrouati (Chairman), Ms. Sharon MacBeath and Mr Laurent Mignon.

The Appointments and Compensation Committee consists of two thirds' members who are independent of the Board of Directors. The recommendation of the AFEP-MEDEF Code, according to which this committee must have a majority of independent members, has thus been respected.

The Appointments and Compensation Committee did not meet during 2014 because the decisions of Board of Directors within its remit, particularly the appointment of new independent directors and determination of the compensation of corporate officers, were taken before the Company was listed on the stock market.

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

a. 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 analyze compensation related policies and practices, including the Company's risk policy.

b. 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 notices for the meetings will be sent by the Nominations and Compensation Committee Secretary.

The Chairman will (i) 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 and (ii) ensure the continuity 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 by-laws)**a. 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:

(i) 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 the compensation of the Chairman of the Company's Board of Directors, including benefits in kind, retirement plans and pension contributions, when these benefits are to be provided, as well as potential grants of stock options, if applicable;
- the level and terms of compensation of the Chief Executive Officer (CEO), and, as the case may be, the deputy Chief Executive Officer (CEO), including benefits in kind, retirement plans and pension contributions, as well as the potential grants of stock options;
- the rules for the distribution of directors' attendance fees to be allocated to the Company's directors and the total amount to be submitted to the approval of the Company's shareholders; and
- an annual review of the compensation policy of the main non-executive directors.

(ii) Conditions for Appointment

The Nominations and Compensation Committee:

- makes proposals to the Board of Directors regarding the appointment of members of the Board of Directors and of the members of the General Management;

- establishes and maintains an up-to-date succession plan of members of the Board of Directors as well as of the principle executives of the Company and of the Group, in order to be able to rapidly propose succession solutions to the Board of Directors in case of an unforeseen vacancy.

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 evolutions of the Company's ownership; (ii) the desired number of independent Board members; (iii) the proportion of men and women required by current regulations; (iv) the opportunity for 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 qualifications of independent member of the Board of Directors will be debated by the Nominations and Compensation Committee which issue a report to the Board on this subject. Each year, the Board of Directors will review, in the light of this report, prior to the publication of the annual report of directors, the situation of each of the directors with regard to the criteria of independence as defined by the rules of procedure of the Board of Directors.

b. Resources and Prerogatives of the Nominations and Compensation Committee

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

Operations (Article 2 of the Nominations and Compensation Committee by-laws)**a. 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 assignment and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

■ Ordinary convening of meeting:

The Nominations and Compensation 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 Nominations and Compensation Committee and ask him to meet with said committee to discuss a specific agenda.

■ Extraordinary convening of meeting:

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 meeting:

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 the event of urgency, 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 insofar as the urgency 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.

b. Attendance at meetings of the Appointments and Compensation Committee

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

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

c. Quorum and Majority rule

The Nominations and Compensation Committee cannot validly express its opinions and proposals unless 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 and the Chairman vote in favor of adopting them.

d. Secretariat and Minutes of Meetings

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

The opinions and proposals of the Nominations and Compensation Committee will be noted in a minute, a 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.

Limitations to the powers of the general management

The Board of Directors has established specific procedures in its articles of association 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 Director's articles of association, the following are subject to the prior authorisation from said Board, ruling by a simple majority of the members present or represented:

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

◆ 2.4.1.2 Code of corporate governance

The Company voluntarily refers to all recommendations of the Corporate Governance Code for listed companies of the AFEP and MEDEF (the "AFEP-MEDEF Code") ⁽¹⁾.

Within the context of the rule to "apply or explain" provided for by Article L. 225-37 of the Commercial Code, and by Article 25.1 of the AFEP-MEDEF Code, the Company believes that its practices conform to the recommendations of the AFEP-MEDEF Code. However, certain recommendations are not applied, for the reasons presented in the following table:

Once a year, the Board of Directors must devote one point on its agenda to a discussion of its operations (Article 10.3 of the AFEP-MEDEF).	The Board of Directors has only had its current composition for six months. It was considered that the recent nature of this Board did not allow for an effective evaluation of its operations to be performed in 2014. An evaluation shall be conducted in 2015.
The time limits for the Audit Committee to review the financial statements must be sufficient (at least two days before the Board's review) (Article 16.2 of the AFEP-MEDEF Code).	Given the presence, within the Audit Committee, of a director residing abroad, it is not always possible, from a practical perspective, to respect this obligation. However, the period of two days has been respected for sending documents.
The Compensation Committee must not contain any managing corporate officer (Article 18.1 of the AFEP-MEDEF Code)	The Chairman of the Board of Directors is a member of the Compensation Committee. The Chairman of the Board of Directors has no executive role. Furthermore, there is no risk of a conflict of interest, to the extent that the role of Chairman is not compensated, and that Mr Laurent Mignon does not collect directors fees either as Chairman or as a member of the Compensation Committee.
The allocation of shares to managers who are corporate officers must provide for performance conditions (Article 23.2.4 of the AFEP-MEDEF Code).	The allocation of 43,269 bonus shares to the Chief Executive Officer (CEO) falls within the context of the Company's stock market listing.

The Company has ongoing access to copies of this Code for the members of its corporate bodies.

◆ 2.4.1.3 Terms of participation at the Shareholders' Meeting

The conditions for shareholder participation at the Annual Shareholders' Meetings are governed by Article 23 of the Company's articles of association, and by the current regulations.

- Fixed portion: €17,000 per year (*pro rata temporis* of the term of mandate),
- Variable portion: €2,000 per meeting, capped at six meetings.

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

These factors are published in Paragraph 7.4 "Elements likely to have an impact in the event of a public offering" of this registration document.

- Members of the Audit Committee
 - Fixed portion: €5,000 per year (*pro rata temporis* of the term of mandate),
 - Variable portion: €1,000 per meeting, capped at six meetings.

◆ 2.4.1.5 Rules for determining the compensation of corporate officers

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

a. Members of the Board of Directors

The amount allocated to the Board of Directors is €300,000 for 2014.

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

- For members of the Board of Directors:
 - Fixed portion: €8,000 per year (*pro rata temporis* of the term of mandate),
 - Variable portion: €2,000 per meeting, capped at six meetings.
- For members of the Audit Committee:
 - Chairman

- For members of the Appointments and Compensation Committee
 - Chairman
 - Fixed portion: €8,000 per year (*pro rata temporis* of the term of mandate),
 - Variable portion: €2,000 per meeting, capped at five meetings.
 - Members of the Appointments and Compensation Committee
 - Fixed portion: €3,000 per year (*pro rata temporis* of the term of mandate),
 - Variable portion: €1,000 per meeting, capped at five meetings.

b. Chief Executive Officer (CEO)

At the start of each year, the Board of Directors, at the proposal of the Appointments and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. This includes a fixed and a variable portion, based on a certain number of objectives which are determined on an annual basis.

(1) This code may be consulted at the website www.medef.com.

2.4.2 INTERNAL CONTROL PROCEDURES

◆ 2.4.2.1 Internal control

The Coface 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 generally aim to ensure that:

- risks of any kind are identified, assessed and controlled;
- operations and behaviours are in accordance with the decisions made by the corporate bodies, and comply with the laws, regulations, values and internal rules of the Group; as concerns more specifically financial information and management, they aim to ensure that they accurately reflect the Group's position and business;
- that these operations are conducted to ensure efficacy and the efficient use of resources.

The internal control system relies on the same functions as the risk management system; it allows the application of the rules and principles defined within the context of the risk management system to be verified (see paragraph 2.4.3.1 - Organization of risk oversight). This system includes, at a minimum, administrative and accounting procedures, an internal control framework, appropriate provisions in terms of information at all levels of the business, and a compliance verification function.

◆ 2.4.2.2 Processing of accounting and financial information

Organisation and field of action

The organisational principles allow the responsibilities and accounting control system to be structured. In principle, the local Chief Financial Officers (CFOs) are responsible for:

- their local accounting system: compliance with local regulations and Group rules;
- financial risks regarding their scope, in particular compliance with the asset and liability matching principle, in an effort to limit the financial risks on their balance sheet.

The Group's Finance Department is responsible for:

- the quality of the Group's financial information, and in particular:
 - for writing and providing access to the Group's accounting standards,
 - producing the Group's regulatory and financial statements,
 - implementing the accounting control system,
 - complying with the French accounting standards and IFRS, and the French regulations;

- managing the financial and solvency risks at the Group level:
 - defining and tracking the investment policy,
 - defining and implementing the rules for controlling other financial risks,
 - controlling Group solvency, in particular in view of Solvency II,
 - managing interests: entity solvency, dividend policy, impairment testing, strategic projects;
- financial control: budget/reforecasting, medium-term planning, oversight and reporting of performance in relation to the budget, etc.;
- reinsurance: external and internal reinsurance, partner reinsurance;
- coordinating various flows between the shared platforms and local accounting, in particular in terms of tools and production process;
- Group taxation: centralization of calculations of entities' taxes, control of calculations of deferred taxes.

For the Compagnie française du commerce extérieur entity, the Group's Finance Department acts as a subcontractor for the following accounting duties:

- production of statutory financial and regulatory statements (in particular calculating the Solvency 1 margin) for Compagnie française du commerce extérieur;
- management of relations with the French tax authorities and dispute management at the Group and corporate level.

To that end, it has the responsibilities of CFO for the France entity for this scope.

The Group's Finance Department combines accounting, Group management control, taxation, investment and financing operations, and reinsurance.

The Group's accounting and taxation department is in charge of producing and checking the accounting information for the entire Coface Group:

- consolidated financial statements;
- individual financial statements of the parent company, COFACE SA and its subsidiary "Compagnie Française du Commerce extérieur";
- declarations and controls in the tax domain;
- and management of interests.

It guarantees the quality of the financial information. Its detailed tasks are broken down into:

- maintaining the Group's general and ancillary accounting
 - recording operations, control and justification of operations,
 - closing the quarterly accounts,
 - producing consolidated financial statements (accounting treatment of interests, reciprocal operations, etc.),

- producing regulatory and presentation of accounts reports
 - producing internal and external reports (financial analysts, shareholders),
 - producing periodic regulatory statements in compliance with scheduling constraints (declarations to the supervisory, tax and corporate administrations),
 - relations with the supervisory authorities and Statutory Auditors,
- preparing Group's rules, regulatory oversight and strategic projects
 - defining rules and drafting Group accounting procedures,
 - writing and following up accounting procedures in conjunction with Natixis' Finance Department,
 - 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 accounting control system: tracking the proper application of the standards and procedures in the Group,
- Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles, delegating certain responsibilities to entities of the various countries with regard to their scope. To that end, the consolidated entities are responsible for producing, according to their local standards:

- accounting information;
- tax information;
- regulatory information; and
- corporate information.

Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the CFOs of each region. The Group's Accounting Department provides regions with a control and reporting tool which allows oversight of proper reconciliations between management applications and the accounting tool.

Each entity sends at each closing date the controls and reconciliations performed, which allow the quality and integrity of the consolidated data to be validated. A

reporting Excel file, identifying the controls to be performed as well as the instructions on the details and supporting documentation requested is sent to them each quarter.

This file, along with the supporting documentation, is sent to the regional administrative and financial director (or to the person put in charge of collecting this data by the regional financial and administrative director), who oversees the proper completion of all of these comparisons. A summary of these controls must then be sent to the Group's Technical Accounting Department.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group.

CACIS tool common to general accounting, consolidation and management control

Since January 2014, the monthly reporting on management control, the French GAAPS and quarterly IFRS bundles have been entered into a common tool which allows for automatic comparison statements to be developed, and for the quality of information received to be improved.

Within the context of the quarterly inventory operations, supplementary controls are performed, in particular using account analyses and comparisons to management data. Consistency controls are performed with the data coming from the reporting on management control.

Within the context of the consolidation operations, comprehensive controls are performed:

- an analytical review of the balance sheet and income statement;
- consolidated statement of changes in equity;
- verifications on consistency between the most significant entities and line items;
- consolidated statement of changes in net position for all consolidated entities;
- specific checks on reinsurance income;
- specific checks on the breakdown of charges by destination;
- analytical review allowing for a comprehensive control on consistency

The reinsurance operations accepted within the Group are subject to a particular accounting control, which consists of verifying the exhaustiveness and conformity of the detailed accounts entered in the Reinsurance Department, and of the source data until they are properly integrated into the accounting.

2.4.3 RISK MANAGEMENT

In order to address these risk factors, which are both endogenous and exogenous, the Coface Group has established a risk control structure which aims to ensure the proper functioning of all of its internal processes, compliance with the laws and regulations in all of the countries where it is present, control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations and optimising their effectiveness.

◆ 2.4.3.1 Organisation of risk oversight

Type of risks

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

CREDIT RISKS

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

FINANCIAL RISKS

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

OPERATIONAL RISKS

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

OTHER RISKS

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

Governance

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

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

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

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

General risk control mechanism

The Coface Group has implemented a risk control system according to the provisions of the Solvency II Directive and the order of November 3, 2014 relating to internal control.

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

(iii) Actuarial function

The actuarial section of the Group Risk Department, which is in charge of the actuarial function, manages the modelling, review of the DRA (Debtor Risk Assessment) ratings, reserving methodology, control of capital requirements, model on price setting as well as the internal evaluation of risks and solvency.

(iv) Internal control and compliance function

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

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

a. Internal control function

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

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

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

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

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

b. Compliance function

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

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

The risks of non-compliance are controlled by the DJCG, within which the compliance function is more specifically in charge of:

- rolling out Group rules on compliance at the various entities of the Coface Group;
- establishing level two controls which allow the proper application of the local and group rules to be ensured;
- reporting to the Group Risk Committee on the results of the level two controls and on incidents of non-compliance that have been detected during these controls or outside of them.

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

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

◆ 2.4.3.2 Credit risk management

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

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

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

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

Control and follow-up of products

- *Approval of new products:* the Coface Group relies on a Group Product Committee to ensure that the product offer is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offer in each region. It combines the marketing, sales, organisation, compliance, risk, and any other function according to the projects.
- *Validation of product developments:* any product development, whether in terms of the policy, pricing method, retail method, target (insured, country), must be conveyed to the Group's Marketing Department and to the DJCG.
- *Sales delegations:* in order to ensure the profitability of the policies, the contractual parameters thereof that have a strong influence on the policy's performance or on risk management are covered by a delegation system with eight levels of responsibility.
- *Pricing:* The Coface 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 Coface Group's profitability objectives.

Centralised credit risk management

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

The frequency risk is covered by technical provisions which are established using a statistical loss experience, which simulates the loss ratios using the developments observed and current loss experience data. This risk is measured for each region and country by tracking the instantaneous loss ratio ⁽¹⁾ and the monthly indicator which determines changes in domestic/export credit by DRA (Debtor Risk Assessment) (see paragraph 1.2 "Presentation of Group activities" of this registration document) and business sectors, by acceptance rate in the DRA scale, or by product line (bond, Single Risk).

Therefore, outstanding payments are analysed weekly by the Group risk underwriting Committee, and monthly by the Group Committee. The loss ratios of the various underwriting regions are likewise tracked at the consolidated level of the underwriting.

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

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

Diversification of the credit risk portfolio

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

DEBTOR RISK EXPOSURE

The Coface Group insures the risk of payment defaults for nearly 2.54 million debtors worldwide. As of December 31, 2014, the average debtor risk was nearly €200 thousand. 78.1% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and the United Kingdom, and the United States.

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

The total outstanding covered by the Coface Group was €508 billion, up from €55.51 billion compared to December 31, 2013. This progression included a negative foreign exchange impact of €9 billion.

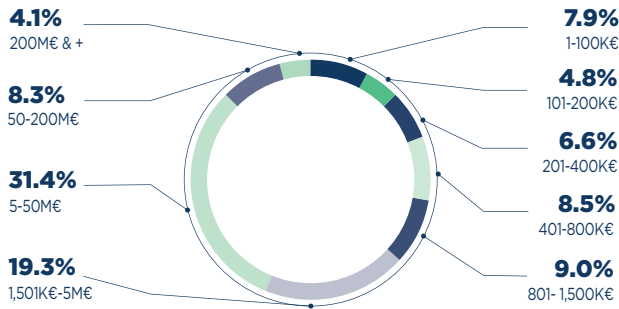
(1) *The instantaneous loss ratio is a weekly indicator which allows the evolution of the loss ratio to be reconstituted. It is tracked for each region and each country, and is included in weekly reports within the Coface Group, notably allowing the risk underwriters to track the evolution of their portfolio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

The charts below analyse the debtor distribution ⁽¹⁾ as of December 31, 2012, 2013 and 2014 as a function of the outstanding amounts of cumulative credit risk ⁽²⁾ carried by the Coface Group for them. The analysis of the number of debtors by segment of outstandings demonstrates a weak risk concentration profile.

GEOGRAPHICAL DISTRIBUTION OF RISKS

The debtors covered by the Coface Group's credit insurance policies are essentially located in Western Europe. As of December 31, 2012, 2013 and 2014, the 10 most important countries represented respectively 65.2%, 64.1% and 63% of the Coface Group's total exposure, arising from its credit insurance activities:

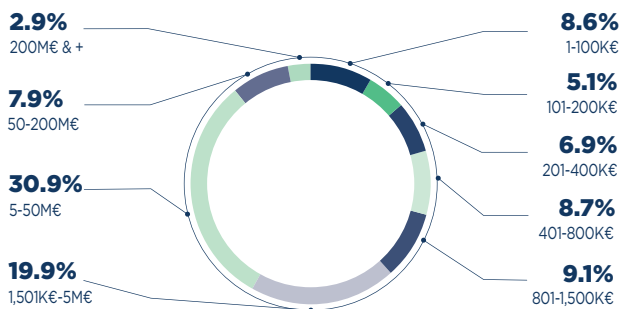
AS OF DECEMBER 31, 2014



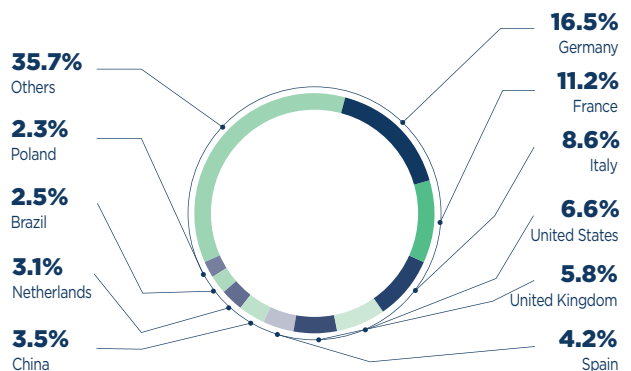
AS OF DECEMBER 31, 2014



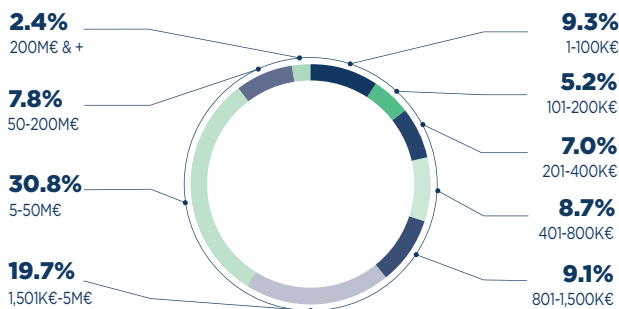
AS OF DECEMBER 31, 2013



AS OF DECEMBER 31, 2013



AS OF DECEMBER 31, 2012



AS OF DECEMBER 31, 2012

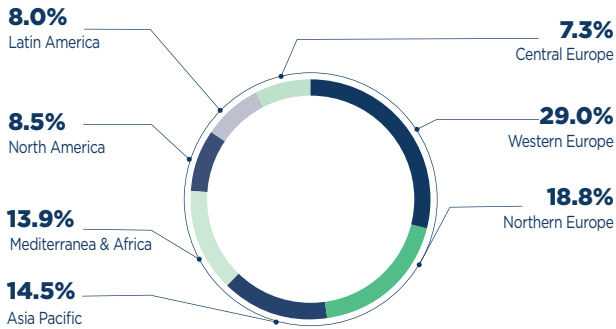


(1) The debtors mentioned above are the clients of the Coface Group's insureds.

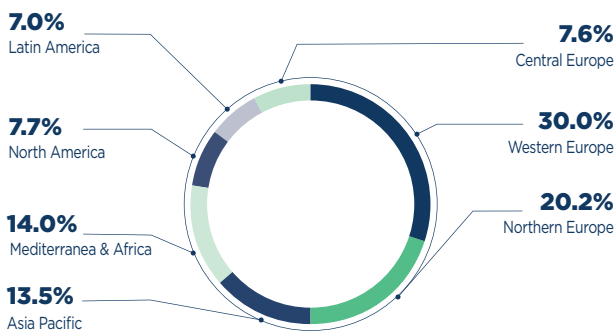
(2) The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Coface Group for its insureds. They do not correspond to the effective use thereof by the insureds.

The charts below shows the distribution as of December 31, 2012, 2013 and 2014 of the Coface Group's debtor outstandings, grouped by geographical region:

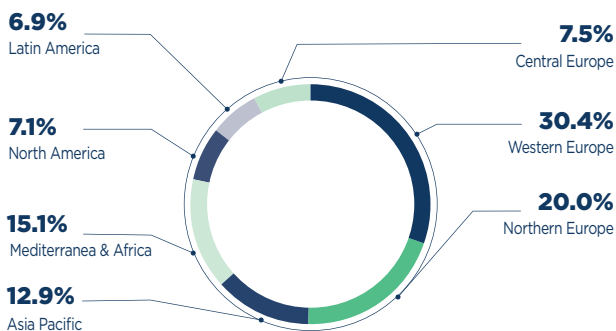
AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013

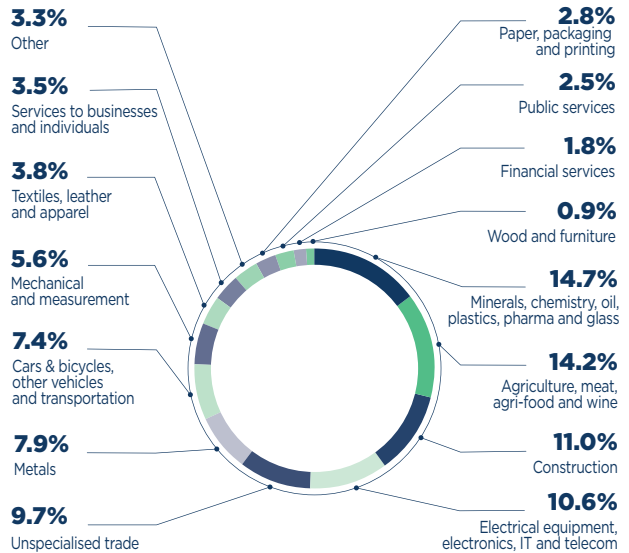


AS OF DECEMBER 31, 2012

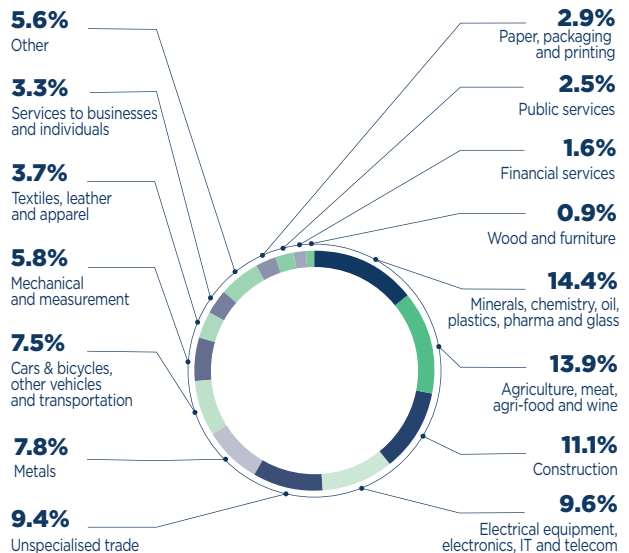


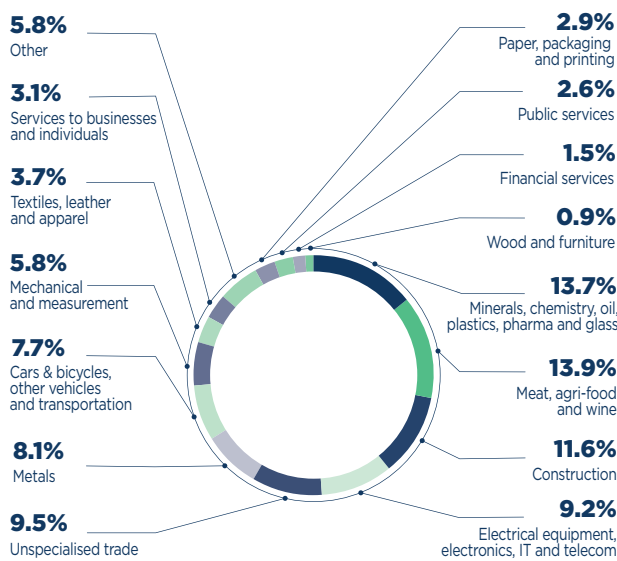
EXPOSURE BY SECTOR OF BUSINESS OF THE DEBTOR

AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013



AS OF DECEMBER 31, 2012**Duration of risks**

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

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

Common interests with insureds

The purpose of credit insurance is to prevent losses as much as possible, in the common interests of insureds and the insurer. The service offered to the insured is not only an indemnification of the losses suffered, but also claims prevention and assistance in developing a profitable clientele. These common interests contribute to maintaining prudent management of credit risks, and are found in various aspects of the Coface Group's management policy, as described below.

DECISION-MAKING

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

The credit risks are primarily underwritten based on global policies under which the insureds entrust all of their revenue to the insurer in order to avoid the risks of adverse selection. The credit insurer may reduce or cancel its credit insurance coverage for new sales to the debtor concerned at any

time. As an exception to this rule, and according to the insured's expertise, the Coface Group may grant certain insureds a degree of autonomy in setting the credit limits for receivables not exceeding an amount as established in the contract.

CONSIDERATION OF RISK QUALITY FOR ESTABLISHING THE PREMIUM

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

SHARING OF RISK BETWEEN THE COFACE GROUP AND THE INSURED

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

RECOVERY MANAGEMENT BY THE COFACE GROUP

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

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

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

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

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

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

EVALUATION OF PROVISIONS

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

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

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

The technical provisions for credit insurance are not updated.

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

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

To date, the main actuarial methods used by the entities of the Coface Group are methods based on claims triangles (Chain Ladder, Bootstrapping Method, etc.) or other methods (Bornhuetter-Fergusson, etc.). These methods aim to determine a reasonable estimate range in which the Group Risk Department recommends choosing an ultimate loss ratio.

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

LOSS RATIO

The Coface Group measures the loss experience, notably as a function of the loss ratio (total of claims charges compared to the total gross premiums acquired). This ratio, which was determined using figures from the consolidated financial statements, totalled 47.6% in 2014. The table below shows the evolution of the average loss ratio recorded for a given year between 2009 and 2014:

YEAR	2009	2010	2011	2012	2013	2014
Loss Ratio	102.5%	53.6%	51.7%	51.5%	51.1%	47.6%

The loss ratios were directly impacted by defaults of companies which were related to the consequences of the economic and financial crisis of 2008-2010. In an economic environment which was still difficult for the 2011-2014 period, the Coface Group strengthened its policy on anticipating and preventing risks. Thanks to its capacity to reduce or cancel its credit insurance coverage at any time, the Coface Group knew how to effectively conduct its risk management policy by implementing certain necessary corrective measures aimed at reducing its exposure in certain countries

in response to the worsening of the economic situation (in particular in Italy).

As of December 31, 2014, the variation of +/- one percentage point⁽¹⁾ of the gross accounting loss ratio would have had an impact of +/- €11 million on the claims expenses net of reinsurance, of +/-€6 million on the net income and of +/- €6 million on equity. The Coface Group believes that a variation of one percentage point in the gross accounting loss ratio is reasonable as compared to the loss ratio recorded in previous years.

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

CLAIMS EXPENSES RECORDED AT THE COFACE GROUP LEVEL

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

(in millions of euros)	AS OF DECEMBER 31,								
	2014			2013			2012		
	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses - current year		-787	164		-623	-812		203	-609
Claims expenses - prior years	248	-61	188	236	-62	175	256	-2	254
CLAIMS EXPENSES	-539	104	-435	-576	142	-435	-598	156	-442

STATUS OF TECHNICAL PROVISIONS ESTABLISHED AT THE COFACE GROUP LEVEL

In the table below, the provisions for unearned premiums corresponds to the portion of written premiums relating to the period between the year-end and the next premium payment date. They are calculated *pro rata temporis*

for each insurance contract. The provisions for profit sharing correspond to an estimate of the cost of the profit sharing not paid at the closing date. The profit sharing is a contractual stipulation which consists of refunding a portion of the benefit, which the savings on the contract could generate, to the insured at the end of a defined period.

(in millions of euros)	AS OF DECEMBER 31,		
	2014	2013	2012
Provisions for unearned premiums	286	267	275
Claims provisions	1,092	1,121	1,153
Provisions for profit sharing	94	63	56
Liabilities relating to insurance contracts	1,472	1,450	1,484
Provisions for unearned premiums	-57	-42	-43
Claims provisions	-249	-289	-295
Provisions for profit sharing	-23	-16	-15
Reinsurers' share of technical insurance liabilities	-329	-347	-353
NET TECHNICAL PROVISIONS	1,143	1,103	1,131

ROLL-OUT OF CLAIMS PROVISIONS

The roll-out of claims provisions indicates the evolution of claims provisions from 2005 to 2014, which is determined based on the accounting standards previously applied in conformity with IFRS 4.

The first triangles, which present the development of the ultimate loss ratios, detail, for a given line N, the vision

for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies as a function of the increasing reliability of information relating to claims still pending.

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

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

OCCURRENCE YEAR/ DEVELOPMENT YEAR (en %)	1	2	3	4	5	6	7	8	9
2005	54.3	47.8	46.2	44.7	43.9	44.0	43.1	42.3	42.2
2006	57.9	48.1	49.1	47.5	46.2	47.1	46.3	45.9	46.4
2007	61.5	60.7	66.2	66.4	66.4	63.3	63.8	63.2	
2008	93.5	114.4	115.4	113.5	108.8	106.4	105.3		
2009	74.7	63.8	58.2	59.7	55.7	54.4			
2010	57.7	43.9	37.5	35.2	34.6				
2011	73.8	60.9	54.8	54.2					
2012	77.4	67.6	61.0						
2013	72.6	56.8							
2014	72.5								

The model on estimated claims provisions used by the Coface Group is based on a history of data which notably includes 2008, which is characterised by an 11-point insufficiency of provisions (between 93% estimated in 2008, compared to 105% revaluated in 2014). Consequently, this provision model has historically led the Coface Group to estimate, out of prudence, higher loss ratios than the loss

ratios actually recorded. Given the Coface Group's proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2011-2014 period:

PERIOD	LATEST LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES OF EACH YEAR FOLLOWING THE FIRST YEAR OF DEVELOPMENT	ACCOUNTING LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES	PROFIT
2011	73.8%	49.4%	(24.4%)
2012	77.4%	49.2%	(28.2%)
2013	72.6%	48.4%	(24.1%)
2014	72.5%	45.3%	(27.2%)

The second table, entitled "Triangle of development of cumulative claims paid, net of recourse (gross of reinsurance)", details, for each year of occurrence, the cumulative amount of payments relating to years of

occurrence N and prior which have occurred since December 31. The process of declaring claims, indemnifying them and any recourse is often extended over several years, which requires tracking the claims per insurance period.

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

OCCURRENCE YEAR/ DEVELOPMENT YEAR IN MILLIONS EUROS	1	2	3	4	5	6	7	8	9	10
2005	73	269	321	332	338	340	340	340	339	339
2006	69	312	372	394	396	399	400	406	407	
2007	74	378	510	546	556	578	585	588		
2008	120	808	982	1 022	1 043	1 044	1 048			
2009	145	432	495	512	517	523				
2010	56	270	341	355	362					
2011	67	458	566	597						
2012	118	446	563							
2013	83	400								
2014	73									

Sharing of intra-group and reinsurance risks

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

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

This company, located in Lausanne, Switzerland, was formed in late September 2014. In late December 2014, it obtained a license from the Swiss Regulator to conduct business as a reinsurer, subject to compliance with various conditions indicated by the regulator.

The purpose of establishing Coface Re SA was to isolate the Group's flows of reinsurance within a dedicated entity, to pursue the streamlining of the coverage schemes of the Group's entities and partners, and to increase the range of services available to its international clients.

The external reinsurance programs for the 2013, 2014 and 2015 underwriting years are comprised as follows:

The 2013 reinsurance program

It consists of:

- a quota-share treaty for which the cession rate was 25%; and
- two excess loss treaties, one by risk, and the other by country, protecting the Coface Group's retained risks following cessions made under the quota-share treaty. Coverage of the country risk was restored in 2013, recovering from the 2012 liquidation. In other words covering, by exception to the usual functioning of reinsurance, the cover underwritten in 2012. This solely concerns Single Risk.

The 2014 reinsurance program

It consists of:

- a quota-share treaty for which the cession rate changed from 25% to 20%; and
- two excess loss treaties, one by risk, and the other by country (solely on Single Risk), protecting the Coface Group's retained risks following cessions made under the quota-share treaty.

The 2015 reinsurance program

It consists of:

- a quota-share treaty for which the cession rate is 20%; and
- two excess loss treaties, one by risk and the other by country (solely on Single Risk), protecting the Coface Group's retained risks following cessions made under the quota-share treaty, such that no unitary claim represents, after taxes, more than 3% of the Group's equity.

The 2015 reinsurance treaty of the Coface Group was entered into with a pool of 22 reinsurance companies. All of the reinsurance companies presented in the 2015 panel are rated between A- and AA by one of the main international rating agencies.

The Coface Group continues to require systematic collateral securities from its reinsurers (cash, securities, letters of credit) on all proportional treaties, including "IBNRs". This objective was met 100% as of December 31, 2014 for all counterparties of its master treaty. The collateral requirement concern excess losses, on a case-by-case basis, according to the Coface Group's assessment, and are updated every year. For the 2015 reinsurance treaty, the top three reinsurers of the Coface Group represent a quota share of 42% of the reinsured risks.

The Coface Group has never had to face a claim which surpassed an excess loss reinsurance treaty since these treaties were established in 1990.

In 2014, as concerns entities of the Coface Group and members of the Coface Partner network, Compagnie française d'assurance pour le commerce extérieur is a reinsurer, and transmits the externally purchased coverage through the programs described below. It likewise sees to it that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

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

- Specific coverage of certain entities:

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

- Accepted reinsurance of the Coface Partner network

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

◆ 2.4.3.3 Internal investment management control mechanism

Since May 2013, Coface has centralised management of its investments, and delegates a large portion of the management to various delegates under the aegis of a sole investment provider, the Amundi management company.

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

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

This platform allows the Coface Group's global portfolio to be managed according to a targeted distribution of various asset classes, determined by integrating (i) the constraints on risk and liquidity, (ii) the regulatory and insurance-

specific constraints, (iii) the cost in capital and adequacy of investments, in terms of risk and duration, with the Coface Group's liabilities.

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

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

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

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

- the monthly Investment Committee: addresses the evolution of the financial markets and reviews the Coface Group's investments in detail. Macroeconomic scenarios and underlying risks are presented by the asset manager, along with an analysis of the investment strategies and any tactical recommendations;
- the semi-annual Risk Committee: has the purpose of monitoring the hedging and control of risks, relating to asset management services. It thus covers the investment risks (market risk, spread risk (including the counterparties and derivatives), liquidity risk) and operational risks. These risks are in particular considered in terms of the meaning ascribed to them by the Solvency II Directive.

◆ 2.4.3.4 Financial risk management

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

The Coface Group's investment policy, which is reviewed twice a year, notably covers the strategic allocation of assets, asset classes and products eligible for investment, the target portfolio maturity, management of potential hedging and the income control policy of the Coface Group. The allocation that is defined each year relies on an analysis of the liabilities, simulations and stress on performance/risk

behaviours of various asset classes of the portfolio, and on compliance with the defined parameters linked to the Coface Group's business and commitments: target sensitivity, consumption of equity, maximum loss as a function of the behaviour of financial markets, quality and liquidity of the investment portfolio.

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

Management of risks related to asset allocation

INVESTMENT ASSETS

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

INVESTMENT PORTFOLIO (FAIR VALUE) ⁽¹⁾	AS OF DECEMBER 31,					
	2014		2013		2012	
	in €m	%	in €m	%	in €m	%
Shares	189	7.4	100	4.7	24	1.1
Bonds	1,788	69.9	1,343	63.8	1,352	64.1
Loans, deposits and other financial investments	550	21.5	662	31.4	731	34.7
Real estate investment	31	1.2	1	0.1	1	0.1
TOTAL	2,558	100	2,106	100	2,109	100

(1) Excluding unconsolidated subsidiaries.

As of December 31, 2014, bonds represented 69.9% of the total investment portfolio.

During the first half of 2014, the Coface Group, within the context of the defined strategic allocation, increased its

exposure to the sovereign debt of the leading issuers of the financial markets, and continued its exposure to the asset class of stocks. In the second half of 2014, the Coface Group began indirect exposure to unlisted European real estate through the underwriting of collective vehicles of that sector.

DISTRIBUTION BY TYPE OF DEBT IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2014		2013		2012	
	in €m	%	in €m	%	in €m	%
Sovereign and assimilated	763	42.7	420	31.3	819	60.6
Non-sovereign	1,025	57.3	923	68.7	533	39.4
TOTAL	1,788	100	1,343	100	1,352	100

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

Specific limits applying to the entire investment portfolio are moreover defined in terms of portfolio pricing, and

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

As of December 31, 2012, 2013 and 2014, the main characteristics of the bond portfolio were as follows:

DISTRIBUTION BY GEOGRAPHIC ZONE OF THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2014		2013		2012	
	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>
Asia	73	4.1	37	2.7	18	1.3
Emerging countries ⁽¹⁾	135	7.5	60	4.5	53	3.9
Euro zone	1,036	58	894	66.5	1,053	77.9
Europe outside the euro zone ⁽²⁾	151	8.4	112	8.4	121	8.9
North America	393	22	240	17.9	108	8.0
TOTAL	1,788	100	1,343	100	1,352	100

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

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

The investment portfolio is primarily exposed to areas in developed countries of the Euro area and North America. The risk related to sovereign issuers of the euro area was significant in 2012 and 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. Furthermore, the improvement of the economic situations

of Spain, Ireland and Italy allowed us to improve our investments in the sovereign securities of these countries. Conversely, exposures to the sovereign debt of Portugal and Greece are still null.

The bond portfolio remain essentially invested in companies and countries that have been rated as investment grade ⁽¹⁾.

DISTRIBUTION BY RATING ⁽¹⁾ OF THE BONDS IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2014		2013		2012	
	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>
AAA	227	12.7	109	8.1	398	29.4
AA - A	636	35.6	722	53.7	755	55.8
BBB	576	32.2	330	24.6	197	14.6
BB - B	347	19.4	181	13.5	2	0.2
CCC and less	2	0.1	0	0.0	0	0.0
TOTAL	1,788	100	1,343	100	1,352	100

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

Incidentally, the investments in company bonds represent 57.3% of the total portfolio and are more than 68% concentrated on quality investment grade companies. The high yield securities are exclusively invested in European and American companies rated BB and BB, which average sensitivity strictly less than 2.5 years. During the 2014 year, the Coface Group pursued its strategy to diversify its investment portfolio in a rate context that was historically very low. The very weak default environment and the search for return led the Group to increase the proportion of short-term maturity high yield securities in its portfolio. These investments were made within the context of a strictly defined risk policy, and particular care was placed on the quality of the issuers, the sensitivity of the issues, the dispersal of the issuers' positions and the geographical zones in the various management mandates granted to the Coface Group's dedicated managers.

The rate risk carried by the Coface Group on its financial portfolio is limited, the maximum authorised sensitivity for the bond asset class being deliberately capped at 4 ⁽²⁾. The sensitivity of the bond portfolio was 3.0 as of December 31, 2014.

The semi-annual Risk Committee lastly systematically reviews the spread and liquidity risks of the portfolio.

COVERAGE POLICY

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

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

(2) The sensitivity of a bond measures its loss in value in the event that interest rates rise. Thus, a bond with a sensitivity of 4 will have its market value decrease by 4% if the interest rates increase by 1%.

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

As of December 31, 2014, only Compagnie française d'assurance pour le commerce extérieur held long-term maturity put options, and out of the money for the shares listed on the euro zone market. This hedging strategy is established on the exposure of shares of the investment portfolio; its level and control are defined and reviewed according to the market circumstances and the control of the levels of unrealised gains and losses during the monthly Investment Committee between the Coface Group and the Amundi investment platform manager.

Foreign exchange risk

As of December 31, 2014, 32.1% of the Coface Group's consolidated revenue was earned outside of the euro area, and thus subject to exchange rate risk.

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

The great majority of the Coface Group's investment instruments are denominated in euros. Exposure to the exchange rate risk is limited for investment portfolios: as of December 31, 2014, 70% of investments were thus denominated in euros.

DISTRIBUTION BY CURRENCY OF THE BOND PORTFOLIO	AS OF DECEMBER 31,					
	2014		2013		2012	
	in €m	%	in €m	%	in €m	%
EUR	1,791	70	1,580	75.0	1,629	77.2
USD	504	19.7	294	14.0	178	8.5
Other ⁽¹⁾	263	10.3	232	11.0	302	14.3
TOTAL	2,558	100	2,106	100	2,109	100

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

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Coface Group, the exchange rate risk is systematically covered for investments in foreign currency which depart from the matching principle. Therefore, as of December 31, 2014, investments in

bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

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

	AVERAGE EXCHANGE RATE (DECEMBER 2014)	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS (DECEMBER 2014)	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, IN LOCAL CURRENCY AS OF DECEMBER 31, 2014	ASSUMPTION - 10% VARIATION OF THE EXCHANGE RATE	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS, AFTER CHANGE IN EXCHANGE RATE	RATE VARIANCE BETWEEN ACTUAL EXCHANGE RATE, VARYING +10%
Brazilian real	0.3204	4,179	13,044	0.3524	4,597	418
Canadian dollar	0.6821	4,546	6,666	0.7503	5,001	455
Swiss franc	0.8233	-4,308	-5,232	0.9056	-4,739	-431
Pound sterling	1.2405	8,289	6,682	1.3646	9,118	829
Hong Kong dollar	0.0971	3,143	32,383	0.1068	3,458	314
Mexican peso	0.0566	-2,458	-43,395	0.0623	-2,704	-246
Romanian leu	0.2250	2,531	11,245	0.2475	2,784	253
Russian rouble	0.0196	4,585	233,620	0.0216	5,044	459
Singapore dollar	0.5944	-1,412	-2,375	0.6538	-1,553	-141
US dollar	0.7527	18,474	24,543	0.8280	20,321	1,847
Other		4,070			4,477	
Euro		83,452			83,452	
TOTAL		125,092			129,255	4,164

Equity risk

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

To that end, the Coface Group has reviewed its equity exposure in 2014 through its work reviewing its strategic allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and concentrated in the euro area, in line with its core business. The Coface Group has no specific concentration of its equity risk in one or more specific economic sectors. Management is benchmarked according to the MSCI EMU⁽¹⁾ reference index. These investments are moreover the subject of discretionary coverage established to mitigate any extreme shocks. The hedging strategy is dynamic: its level, scope and size are defined by the Investment department in line with the asset manager that is in charge of the asset management platform.

As of December 31, 2014, stocks represent 7.4% of the investment portfolio, 6.9% of which are stocks listed on a market in the euro area. These investments were the subject of a hedge on 50% of the portfolio that was invested through the purchase of put options on the Eurostoxx index maturing in March 2015 and December 2015, and an exercise price of approximately 20% out of the money. These hedges may be adjusted according to investments and the amount of the unrealised losses or gains on the shares held.

Risk of concentration/default of a counterparty

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

A maximum limit of exposure for a single counterparty has thus been determined as a percentage of the investment

portfolio. This is set at 5% of outstandings managed with possible, temporary exceptions to be made on individual exposures which are linked to short-term investments.

As of December 31, 2014, the 10 main sovereign and non-sovereign exposures of the bond portfolio were €554 million, or 30.4% of the fair value of the bond portfolio.

More generally, the Coface Group implemented rules imposing geographic and sector-specific risk diversification within its investment portfolio and for all asset classes, in an effort to protect itself or mitigate any default.

Sensitivity testing

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

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

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

RISK ON STOCKS AND BONDS IN THE PORTFOLIO AS OF DECEMBER 31, 2012, 2013 AND 2014.

The tables below show that the portfolio is, as of December 31, 2014, more sensitive to the combined effects of a 100 basis point rise in the bond rates and to a 10% drop in the stock market than it was as of December 31, 2013. This is explained by the increase in the bond portfolio's sensitivity, as well as by the new investments made on the European stock markets.

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

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2014	IMPACT FROM THE 100 BASIS POINT RISE IN RATE ⁽¹⁾	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS ⁽²⁾	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS ⁽²⁾
Bonds	1,788	-54.4	-	-
Shares	189	-	-18.9	-37.8
TOTAL	1,977	-54.4	-18.9	-37.8

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

(2) Excluding any hedge effect.

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

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

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2013	IMPACT FROM THE 100 BASIS POINT RISE IN RATE ⁽¹⁾	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS ⁽²⁾	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS ⁽²⁾
Bonds	1,343	-28.2	-	-
Shares	100	-	-10	-20
TOTAL	1,443	-28.2	-10	-20

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

(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2012

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2012	IMPACT FROM THE 100 BASIS POINT RISE IN RATE ⁽¹⁾	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS ⁽²⁾	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS ⁽²⁾
Bonds	1,352	-38.7	-	-
Shares	24	-	-2.4	-4.8
TOTAL	1,376	-38.7	-2.4	-4.8

(1) Average bond portfolio sensitivity in late 2012: 2.9.

(2) Excluding any hedge effect.

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

Real estate risks

Within the context of the Coface Group's strategic allocation, property represents a limited portion of the Coface Group's assets, less than 5% due to the low liquidity of this asset class. The Coface Group's current portfolio consists of property used within the context of its operating activities, as well as underlying real estate funds.

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

As of December 31, 2014, the Coface Group had real estate exposure with a fair value of €92 million, consisting of €61 million in operating property and €31 million in non listed real estate.

◆ 2.4.3.5 Management of risks related to factoring

The risks inherent to the factoring activity are credit risks, as defined in the banking standard or counterparty risk as defined in the Solvency II Directive, given the "prefinancing" aspect of the client receivables.

The risk can arise in various manners:

- invoice quality: risk of invoice dilution (notably resulting from disputes or falsified invoices). This risk consists

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

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

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

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

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

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

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

As with all of the Coface Group's sensitive activities, the factoring business is framed by specific Group rules.

Only two companies of the Coface Group are authorised to distribute and manage factoring products: Coface Finanz in Germany and Coface Factoring Poland in Poland.

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

- in-house factoring with or without recourse;
- full factoring;
- maturity factoring and reverse factoring.

The limits on buyers for factoring activities are approved and managed by the risk underwriting departments according to the same rules and delegations as within the context of the credit insurance activities. These procedures allow the management of the Coface Group's total exposure for its factoring activities and provide an identical level of expertise.

A single tool (Magellan) structures the factoring activity. It is already operational in Germany and is currently being rolled-out in Poland. It contains all of the data relating to the life of the contracts: data on clients, buyers, invoices, contracts. The factoring exposure is recorded in ATLAS, which allows the Coface Group to have a consolidated management of its exposure on a buyer or group of buyers.

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

- late payments of the debtors are managed by the claims department for factoring contracts that are accompanied by this cover, including for the claims phase. In the absence of credit insurance, unpaid invoices are returned to the client (assignor) by debit from its current account;

- in the case of ceding risk (amounts to be collected from the factoring client), the recovery, including through litigation if needed, is provided by the credit insurance claim management department, in close cooperation with the factoring company.

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

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

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

◆ 2.4.3.6 Liquidity and capital risks

Management of the liquidity risk related to credit insurance activities

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

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

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

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

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

DISTRIBUTION BY MATURITY OF THE BOND PORTFOLIO	AS OF DECEMBER 31,					
	2014		2013		2012	
	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>	<i>in €m</i>	<i>% (reported)</i>
< 1 year	418	23.4	502	37.4	481	35.6
1 year < >3 years	646	36.1	385	28.7	460	34.0
3 years < >5 years	356	19.9	255	19.0	128	9.5
5 years < >10 years	344	19.3	190	14.2	228	16.9
>10 years	24	1.3	10	0.8	54	4.0
TOTAL	1,788	100	1,343	100	1,352	100

More than 59% of the bond portfolio instruments have a maturity of less than three years as of December 31, 2014.

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

Management of the liquidity risk related to factoring activity.

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

In order to ensure the refinancing of the factoring activity, the Coface Group has established several financing programs: a program to securitize its factoring trade receivables, for a maximum amount of €1,195 million in bilateral credit lines with various partners, for a maximum amount of €884 million, as well as a plan to issue treasury bills in the maximum amount of €500 million.

Management of the interest rate risk related to factoring activities

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

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

The cost of the sources of financing depends on the evolution of short-term rates, in particular the 1-month Euribor rate, with the exception of negotiable credit instruments which are between one and three months. This cost essentially consists of the 1-month Euribor rate increased by a fixed margin. In terms of assets, the Coface Group collects from its factoring clients compensation which consists of two parts: on the one hand, a factoring commission based on outstanding receivables throughout

the term of the contract and, on the other hand, a financing cost which is indexed to the 3-month Euribor rate. Furthermore, it should be noted that, as for other activities of the Coface Group, there is a principle for matching foreign currency matching principle between the needs and sources of financing.

Solvency margin

SOLVENCY I

In compliance with the Solvency I Regulations, the solvency margin corresponds to the required level of shareholder equity, taking into account the activity levels as measured by the premium revenue, weighted by the average loss ratio. The Coface Group is required to maintain a solvency margin which is at a level that is higher or equal to the level required by the regulations. The Coface Group has calculated its solvency margin in conformity with the French regulations, resulting from Decree No. 2002-360 of March 14, 2002 relating to the additional oversight of insurance companies. As of December 31, 2014, the Coface Group's solvency margin represented approximately seven times the minimum required (upon an estimate of the payment of dividends).

SOLVENCY II

After a period of uncertainty and debate, the trilogue (European Commission, European Council and European Parliament) made the effective date of Solvency II official on November 14, 2013. Therefore, as of January 1, 2016, the European insurers will have to apply the new procedures for calculation in terms of shareholders equity requirements. This will require the insurer being able to quantify its risk exposure, and then to compare the result obtained in terms of shareholder equity at the available level of own funds (pillar 1). Insurers will likewise have to prove that the organisation used is able to allow for sound, prudent and effective management of the body (pillar 2). Lastly, expanded regulatory reporting, issuing information which is simultaneously quantitative and qualitative, will likewise be produced, in an effort to attest to the quality of the organisation and financial soundness of the company (pillar 3).

The Coface Group is actively preparing for the establishment of these new regulations. Within the context of pillar 1, as previously indicated, the Coface Group develops a partial internal model which concerns the credit risk of non-life insurance, which is the subject of a preliminary authorisation procedure with the ACPR. In this context, regular discussions have been held in view of approving this model. The Coface Group is likewise structuring its organisation in terms of governance and risk management to conform to the requirements of pillar 2 of the Solvency II Directive. Lastly, for the pillar 3, the Coface Group is finalising an integrated process for producing regulatory statements, in an effort to issue in 2015 the reports expected by the regulator.

Indeed, even though all of the final texts have not yet been published, the ACPR, under the authority of the European regulator, has defined measures for the 2014/2015 transitional period in an effort to prepare the French market and allow responsibility to be gradually assumed. Therefore, per the ACPR's requests, an additional set of regulatory reports, and a report based on the internal assessment of risks and solvency (ORSA - Own Risk and Solvency Assessment) were submitted to the regulator in September 2014.

◆ 2.4.3.7 Management of operational risks

Mapping of operational risks

In an effort to improve knowledge of its operational risks, the Coface Group has set up a risk mapping according a qualitative methodology. This risk mapping was updated by all of the Coface Group's entities in the fourth quarter of 2014.

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

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

Collection of incidents and losses

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

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

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

Action plans and reporting

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

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

Business continuity

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

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

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

◆ 2.4.3.8 Management of legal and compliance risks

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

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

Legal and risk underwriting proceedings

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

Situation of dependency

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

Indeed, within the context of its activity selling credit insurance solutions and additional services, the Coface Group does not participate in any research and development activity, and does not hold any patent.

The name Coface is protected by a filed trademark, notably in France.

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