

3.1 Economic environment ⁽¹⁾

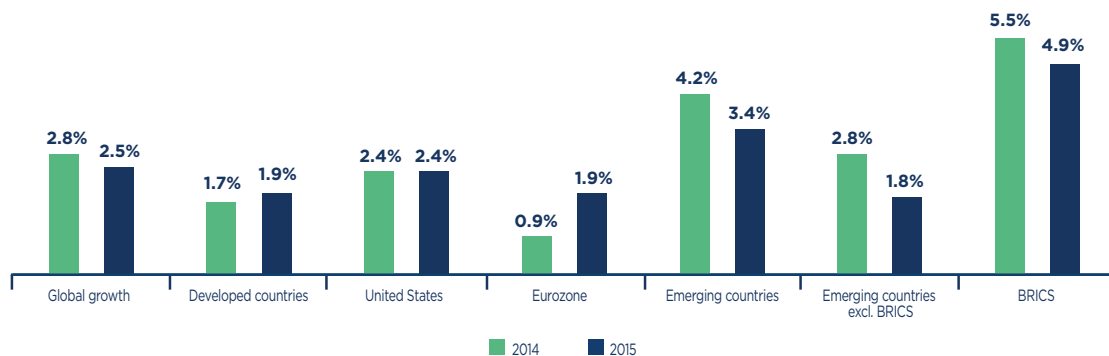
In 2015, global growth reached 2.5%, according to Coface, representing a slight downturn over the previous year's reported (2.8%). The business downturn continued and even worsened in emerging countries, while growth stabilised in advanced countries. Therefore, once again, the contribution of emerging countries to global growth dropped, falling to the lowest level since 2009.

Economic activity rallied in the eurozone, with GDP growth reaching 1.5% in 2015 (after 0.9% in 2014). This rally can be explained by several factors: (i) the decline of oil prices, (ii) the euro's depreciation against the dollar, (iii) less budget consolidation, and (iv) the easing of monetary policies, in particular through the launch in January 2015 by the European Central Bank of an asset purchase program (quantitative easing), and low deposit rates. Activity picked up in most of the major eurozone countries, even if growth continued to follow different paths. Growth stabilised in Germany (+1.4%), in the presence of conflicting forces: the extension of the minimum wage and exogenous factors (oil and foreign exchange) had a positive impact, while on the contrary, the business slowdown in emerging countries, the Russian embargo and the Volkswagen case generally had an adverse impact on business. In France, growth was mainly driven by private consumption (+1.1% in 2015). However, investment remains the missing ingredient for growth, specifically residential investment. Furthermore, in spite of higher margins, corporate investment grew at a slower pace than usually observed in an economic upturn. Italy came out of recession in 2015 with 0.6% of GDP growth thanks to restored investor and household confidence. Spain and Portugal also benefitted fully from exogenous factors and reaped the rewards of the internal devaluation policy implemented since the crisis (growth of 3.2% and 1.5% respectively). Nevertheless, the eurozone continued to be plagued by the slow deleveraging of private agents, mounting public debt and high unemployment rates. Lastly, Greece went back into recession (-0.3%) and appealed again to international creditors for a third bailout plan. The UK reported sluggish activity (+2.2%) owing to reduced public consumption and lacklustre investment. Growth

stabilised in the United States (+2.4%). Significant events in the year included the increase in the Fed's key interest rate in December 2015, which put an end to the expansionist monetary policy implemented since the crisis. Lastly, growth picked up in Japan (+0.5%), driven by public consumption and foreign trade (linked to the yen's depreciation against the dollar), against a background of an extremely accommodating monetary policy implemented by the BoJ (although not as effective as expected).

The economic downturn observed in emerging countries since 2010 worsened in 2015, with growth reaching only 3.4%. The slowdown in Chinese growth was confirmed (6.9%), while stock markets slumped in 2015 (partly correcting the bubble formed one year previously) and the yuan depreciated against the dollar. An important event was the inclusion of China's renminbi in the IMF's SDR basket of currencies, thus recognising China's important role in the global economy. Since China has become a key trading partner, its economic slowdown has impacted global trade, at varying levels according to the dependency of each economy, but has also played a key role in the collapse of commodities prices, which has destabilised commodities exporting countries. This factor therefore partly explains the diminished economic performance of major regions in 2015: Sub-Saharan Africa (3.1%), Emerging Asia (6.0%), Latin America (-0.4%) and CIS (-3.0%), except for North Africa and Middle East where growth was stable (1.6%). Among major emerging countries, Brazil (-3.8%) and Russia (-3.8%) were particularly affected by the drop in commodities prices, the sharp depreciation of their currency against the dollar and consequently, the increase in inflation (dragging down household consumption). Furthermore, the Petrobras scandal (deterioration of the business climate and weak investment) in Brazil, together with the European embargo on Russian products, combined with continued geopolitical tension further aggravated the economic situation in these countries. India, on the other hand, stood out with a robust 7.5% of growth, stable year on year, thanks in particular to the lower energy bill and the reforms implemented by the Modi government.

GDP GROWTH (as %): 2014 AND 2015 (source Coface)



(1) Group estimates updated March 24, 2016.

3.2 Significant events in the period

3.2.1 MODERNISATION OF THE FLAGSHIP OFFERING RENAMED TRADELINER

Coface has modernised its flagship offering and announced, on June 15, the launch of TradeLiner to address the changing needs of mid-market companies. This decision is an integral

part of Coface's current strategy to upgrade and tailor its credit insurance range to specific market segments. The new product is currently being rolled out in Group countries.

3.2.2 GEOGRAPHIC EXPANSION

Continuing its expansion process into new markets, in January 2015 Coface obtained a licence to operate as an insurer in Israel. A new sales representation office was also opened in Kazakhstan (January 2015).

3.2.3 MANAGEMENT OF PUBLIC EXPORT GUARANTEES

The French State announced on February 23, 2015, that it was examining the possibility of transferring the public procedures management business line, currently carried out by Coface, to the Bpifrance group.

After studying and discussing the project with Coface, the French State announced on July 29, 2015, its decision to implement the project, in line with its aim to consolidate under one establishment all the support arrangements offered to SMEs and mid-market companies.

Coface and the French State reached an agreement, signed on July 29, 2015, on the financial terms of such a transfer. The agreement entails compensation of €89.7 million before tax ⁽¹⁾.

This compensation will allow Coface to cope with immediate depreciation charges (estimated at €16.3 million before tax) and help absorb the margin loss (€12.6 million) and outstanding fixed costs (€20.3 million) payable by Coface (pre-tax amounts as at December 31, 2015).

The transfer is subject to an amendment of the legislative and regulatory framework applicable to the French State public procedures management, which will subsequently be enforced by decree ⁽²⁾. It will lead to the disposal of Bpifrance of the autonomous business segment of public credit insurance procedures management comprised of dedicated teams and resources (IT systems, contracts, etc.), as well as its corresponding assets and liabilities.

3.2.4 FINALISATION OF THE FINANCIAL AUTONOMY PROJECT AND DEVELOPMENTS OF THE REFINANCING PROGRAM

◆ Establishment of bilateral financing facilities

In line with its plan to become independent of Natixis, the Group wished to replace the historic financing facilities granted by Natixis as shareholder, in the amount of €500 million (€200 and €300 million respectively for Coface Finanz and Coface Factoring Poland). Accordingly, eight financing lines in the form of a multi-currency revolving credit facility were set up for a total amount of €500 million.

These financing lines are guaranteed by COFACE SA to ensure the lenders about the borrower's compliance with its obligations.

This development enabled the Group to strengthen its goal of diversifying its banking partners and to achieve complete financial autonomy for overall refinancing while extending the average maturity of the refinancing (the new facilities mature between 15 months and three years).

◆ Extension of the commercial paper program

Furthermore, in October 2015, the Group extended its commercial paper program issued to finance the factoring business of Coface Finanz from €500 to €600 million. The term was also extended.

(1) Compensation of €89.7 million comprised of a €77.2 million cash payment and a liability transfer estimated, at December 31, 2015, at €12.5 million.

(2) Article 103 of law no. 2015-1786 of December 29, 2015 of the 2015 Amending Finance Act.

◆ **Renewal of the securization program**

In December 2015, the securization program for the factoring receivables of Coface Finanz was renewed early for a maximum amount maintained at €1,195 million. In this

context, the Group reached an agreement with the banks in charge of financing in order to renew the financing on maturities of one year and three years for 23% and 77% of the overall maximum package.

3.2.5 CHANGES IN GOVERNANCE

◆ **Executive Committee**

Comprised of the members of the Group Management Board, the Group's strategy and operational control body, and of managers from the seven geographical regions, the Executive Committee has evolved in an effort to aid in the Group's development.

Carole Lytton was appointed Corporate Secretary on July 3, 2015. Her responsibilities include managing the legal, compliance and facility management functions in addition to CSR (corporate social responsibility), a function whose purpose is to place sustainable development issues within Coface's concerns.

Juan Saborido was appointed director of the North American region and accordingly joined the Executive Committee on April 15, 2015.

On November 2, 2015, the Board of Directors decided to appoint Carine Pichon as the Company's effective manager under the Solvency II Regulation. The Company now has two effective managers, the Chief Executive Officer and Carine Pichon, Chief Financial Officer for the Group.

Following the departure of Richard Burton, Pierre Hamille was appointed Group Audit Director on November 30, 2015. Since this new function is incompatible with his position as member of the Executive Committee, Pierre Hamille has resigned from the Executive Committee.

The Group Risk Management Department reports to Carine Pichon, Group CFO, since November 30, 2015.

◆ **Board of Directors**

At its meeting of May 5, 2015, the Board of Directors of COFACE SA co-opted two new directors: Linda Jackson, Chair of the Board of Directors and Chief Executive Officer (CEO) of Automobiles Citroën, member of the Executive Committee of PSA Peugeot Citroën, and Martine Odillard, Chair of Cinémas Gaumont Pathé (see paragraph 2.1.1).

The Board of Directors has thus acquired two new independent members. They bring their extensive experience, acquired in international corporations positioned in varied and innovative sectors, to the Board.

Mrs Clara-Christina Streit resigned from her directorship on May 1, 2015.

At December 31, 2015, the composition of the COFACE SA Board of Directors was as follows: Laurent Mignon (Chairman of the Board of Directors), BPCE, represented by Marguerite Berard-Andrieu, Jean Arondel, Jean-Paul Dumortier, Éric Hemar, Linda Jackson, Pascal Marchetti, Sharon MacBeath, Martine Odillard, Laurent Roubin and Olivier Zarrouati (see paragraph 2.1.1 "Board of Directors").

3.2.6 FINANCIAL STRENGTH CONFIRMED

On September 17 and then October 13, 2015, rating agencies Fitch and Moody's reconfirmed the Group's Insurer Financial Strength (IFS) Ratings at AA- and A2 (stable outlook), respectively.

3.2.7 EVENTS AFTER DECEMBER 31, 2015 (PURSUANT TO ITEM 20.9 OF ANNEX 1 OF EC REGULATION 809/2004)

There has been no significant change to the Group's financial or commercial position since December 31, 2015.

3.3 Key financial performance indicators

3.3.1 FINANCIAL INDICATORS

◆ Consolidated revenue

Composition of the Group's consolidated revenue by business line

The revenue from credit insurance and related services of the Group (representing 89% of the Coface Group's consolidated revenue in 2015, 88% in 2014 and 88% in 2013), combines the premiums from credit insurance policies and Single Risk policies ("Earned premiums net of cancellation"), the related service revenue ("Fee and commission income" and "Other related benefits and services"), and the revenue from management services for public coverage of export credit insurance carried out on behalf of the French State (see paragraph 1.2.1 "Credit insurance and management of public procedures").

It allows the revenue from this core business line to be presented and to distinguish the surety bond activity which, at the operational level, represents a different kind of risk (in terms of underlying factors and duration of risk), even though this activity is compensated by a premium, as with the credit insurance activity, and to that end meets the definitions for insurance contracts provided by IFRS 4.

The revenue from services in addition to the credit insurance business includes:

- the revenue from the factoring business, which primarily consists of factoring fees and net financing fees ("Net income from banking activities");
- the revenue from the Group's surety bond business; and
- the revenue from other services, which combines all revenue collected by the Group for the sale of services to access companies' solvency information, along with the marketing information ("Information and other services"), and the sale of debt collection services for receivables ("Receivables management"), for customers without credit insurance.

Composition of the Group's consolidated revenue by type of revenue

The Group's consolidated revenue, which is presented in its financial statements by type of revenue, in compliance with IFRS, consists of the following:

- premiums, corresponding to the amounts paid by the Group's policyholders as consideration for the Coface

Group's commitment to cover the risks provided for in their insurance policy: credit insurance (short-term), Single Risk (medium-term) and surety bond (medium term) which, in terms of the offer, is not a credit insurance product, although its compensation takes the form of a premium;

- revenue from services provided by the Group: services related to credit insurance (information services on debtors, oversight of credit limits, management and debt collection), services to manage public coverage of export credit insurance on behalf of the French and Brazilian States (the principle and terms of compensation of the French State are established in the "Financial Agreement" dated February 24, 2012 (see paragraph 1.2.1.2 "Public credit insurance procedures management"); and
- factoring fees which provide payment for the services related to management and debt collection of receivables, as well as the net fees from financing outstanding receivables (financing margin) and the fees for managing disputes that have been collected by the Group as part of its factoring activities in Germany and Poland (corresponding to "Net income from banking activities").

◆ Earned premiums net of cancellations

Earned premiums net of cancellations combine gross premiums earned (fraction of premium written during the accounting year or previously, corresponding to the coverage of risks covered during the accounting year concerned) within the context of direct business (premiums related to policies underwritten directly by a Group insurance company) and the premiums for inward reinsurance (premiums earned through partners within the context of fronting agreements in countries where the Group does not have a licence allowing it to work directly).

Premium refunds (corresponding to refunds to policyholders of a portion of the premiums they have paid when the loss experience of their insurance policy does not exceed a certain threshold (policyholders' bonuses and rebates) or is nil (no-claims bonus), as well as the provisions for unearned premiums (share of premiums issued during the accounting year which relate to the coverage of risks covered for the period between the closing date of the accounting period and the expiration date of the contracts) are deducted from

the premiums earned, thereby constituting the premiums earned net of cancellations.

◆ Fee and commission income

Fee and commission income consists of charges billed to policyholders for contracts for credit insurance related services, (such as information on debtors, fees for monitoring credit limits and receivables management and debt collection). In this respect, fee and commission income is calculated under credit insurance revenue.

◆ Net income from banking activities

This corresponds to revenue from factoring activities, and primarily consists of factoring fees (collected for management of receivables billed) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring clients, less interest paid for refinancing of the factoring debt). The premiums paid by the factoring companies to the insurance companies (for cover of the debtor risk and the ceding risk) are deducted from the net income from banking activities.

◆ Cost of risk

The "Cost of risk" corresponds to expenses and provisions linked to cover the ceding risk (inherent to the factoring business) and the credit risk, net of credit insurance cover.

◆ Revenue or income from other activities

This combines the other revenue of the Group with, on the one hand, the revenue from "Other related benefits and services", as well as the compensation collected by Coface for public credit insurance procedures management services, "remuneration of public credit insurance procedures", which are calculated under credit insurance revenue and, on the other hand, "Information and other services" revenue, consisting of revenue from the sale of advertising and marketing, and recovery of receivables ("Receivables management") for customers without credit insurance.

◆ Investment income, net of management expenses excluding finance costs

"Investment income, net of management expenses (excluding finance costs)" combines the result of the Group's investment portfolio (investment income, gains or losses from disposals and changes in provisions for depreciation), exchange rate differences and investment management expenses.

◆ Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, less changes from recoveries following Single Risk policies and surety bonds recourse (amounts

recovered from the debtor after paying the policyholder for the claim) during the year, and the change in claims provisions during the year, and the management expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring the recovery procedures (charges and provisions for internal and external debt collection fees).

The claims paid correspond to the compensation paid under the policies during the accounting year, net of collections received, plus the costs incurred to provide the management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less the amounts recovered during the year for the claims previously indemnified, regardless of the year during which the indemnification was paid.

Claims provisions are established for claims declared but not yet settled at year-end, as well as for claims that have not yet been declared, but which have been deemed probable by the Group, given the events that have arisen during the financial year (IBNR provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by recoveries made following the payment of compensation or the estimate of potential losses for declared or potential claims. The difference between the amount of provisions in a given year (established during the first year of underwriting a policy) and the amounts re-evaluated the following years are either a liquidation profit (revaluation downward) or loss (revaluation upward) (see Note 26 of Chapter 4 "Financial items").

◆ Expenses from banking activities, excluding cost of risk

The "Expenses from banking activities excluding cost of risk" correspond to the general operating expenses (payroll costs, IT costs, etc.), relating to factoring activities.

◆ Expenses from other activities

The "Expenses from other activities" correspond to general expenses related exclusively to information and debt collection for customers without credit insurance.

Following the elimination of the holding company in Germany as part of the conversion into branches, the Group reallocated all of its expenses according to a new methodology, which explains the bulk of changes in the entries "Contract acquisitions expenses", "Administrative expenses", and "Other operational charges" during the 2011-2013 period.

Total general expenses, excluding external acquisition costs (commissions), are analysed independently of the method for accounting for them by destination, in all of the Group's countries. This presentation enables a better understanding of the Group's economy and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

◆ **Income and expenses net of ceded reinsurance (reinsurance result)**

“Income and expenses net of ceded reinsurance” (reinsurance result) correspond to the amount of income from ceded reinsurance (claims ceded to reinsurers during the year for reinsurance treaties of the Group, net of the change in the provision for claims net of recourse that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and the charges from ceded reinsurance (premiums ceded to reinsurers during the year for reinsurance treaties of the Group, net of the change in provisions for premiums also ceded to reinsurers).

◆ **Underwriting income after reinsurance**

Underwriting income net of reinsurance is a key financial indicator used by the Coface Group to analyse the operational performance of all of its business lines (excluding income from the investment portfolio).

◆ **Policy acquisition costs**

“Policy acquisition costs”, consisting of external acquisition costs from policies, include all of the commissions paid to business finder insurance intermediaries (brokers and other intermediaries) based on the revenue contributed and the internal costs of acquiring the policies, essentially fixed costs corresponding to payroll costs related to policy acquisition (including services charged for establishing contracts) and the Group’s sales network fees. These costs primarily include the costs related to the credit insurance business. However, due to pooling, policy acquisition costs related to the Group’s other business lines are also included in this item (see Note 28 “Policy acquisition costs” in Chapter 4 “Financial items”).

◆ **Administrative costs**

“Administrative costs” correspond to the Group’s overheads, notably payroll expenses and IT management expenses related to policy administration. These costs primarily include the costs related to the credit insurance business. However, due to pooling, administrative costs related to the Group’s other business lines are also included in this item (see Note 28 “Policy acquisition costs” in Chapter 4 “Financial items”).

◆ **Other current operating expenses**

“Other current operating expenses” include charges that cannot be either directly allocated, or allocated through the application of a distribution key to one of the destinations defined by the accounting plan (primarily charges linked to the Group’s back-office functions).

◆ **Operating income**

Operating income corresponds to the “Underwriting income net of reinsurance”, “Net investment income excluding the cost of debt” (finance costs) and “Other operating income and expenses”.

In the presentation of the operating income by region, the amounts are represented before the revenue from interregional flows and holding costs not recharged to the regions have been eliminated.

◆ **Income tax expense**

Tax expenses include the tax payable and the deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described in Note 4.6 and Note 32 of Chapter 4 “Financial Elements”).

◆ **Net attributable income for the year**

Net attributable income corresponds to the amount of “Net income from continuing operations” (corresponding to the “Operating income”, net of “Finance costs”, the “Share in net income of associates” and “Income tax”), “Net income from discontinued operations” and “Non-controlling interests”.

◆ **Significant accounting principles and main estimates**

Significant accounting principles

A description of the Group’s accounting methods is presented in Note 4 to the Group’s consolidated financial statements, which are presented in paragraph 4.1 “Applicable standards”. In particular, the general principles which apply to the credit insurance activities, the services business and the factoring business, along with the distribution of income and expenses relating to the various businesses of the Group, are presented.

Main estimates

Preparing the consolidated financial statements in conformity with IFRS requires the Group or subsidiary management to make estimates and use certain assumptions which have an impact on the carrying amounts of assets and liabilities recorded in the consolidated balance sheet, the notes related to these assets and liabilities, the income and expense items in the income statement and the commitments relating to the period-end. Management is likewise forced to use its judgement when applying the Group’s accounting methods.

The accounting methods presented below, and more extensively described in Notes 4 and 5 of Chapter 4 “Financial items” are those requiring the most significant use of the estimates and the judgement of the Group’s management.

| ESTIMATES | CALCULATION BASIS |
|--|---|
| Goodwill impairment | Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate, loss ratio and cost ratio assumptions. |
| Provision for earned premiums not yet written | This provision is calculated based on the estimated amount of premiums expected in the period. This provision corresponds to the difference between this estimate and the premiums already recorded. |
| Provision for policyholders' bonuses and rebates | This provision is calculated based on the estimated amount of refunds and bonuses payable to policyholders in accordance with the terms and conditions of the policies written. |
| Provision for subrogation and salvage | This provision is calculated based on the estimated amount of potential recoveries for the claims settled. |
| Claims provision | This includes the estimated total cost of reported claims not settled at year-end. |
| IBNR* provision | The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any debt collection action has been taken. |
| Pension benefit obligations | Retirement commitments are evaluated in compliance with IAS 19 and are reviewed annually by actuaries, according to the actuarial assumptions of the Group. |

* *IBNR (Incurred But Not Reported): provision for unknown claims corresponding to claims that have already occurred, but which have not yet been reported to the insurer.*

Furthermore, the recording of deferred tax assets depends in part on estimates of the Group's future profits. The accounting methodology for deferred taxes is presented in Note 4.6 and Note 22 of Chapter 4 "Financial items".

3.3.2 OPERATING INDICATORS

In the course of its activities, and in addition to the financial information published in accordance with IFRS, the Group tracks certain key operating ratios that provide an understanding of the Coface Group's performance and profitability of its products (loss ratio, cost ratio and combined ratio).

◆ Production of new contracts

The production of new contracts corresponds to the annual value of the credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given year.

◆ Withholding rate

The withholding rate corresponds to the ratio between the annual value of the policies actually renewed and the annual value of the policies that were supposed to be renewed at the end of the preceding period. The annual value of the policies corresponds to the valuation of the credit insurance policies over a 12-month period according to an estimate of the volume of the sales relating thereto and the level of the rate conditions in effect at the time the policy is taken out.

◆ Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the contracts, calculated based on the rate conditions in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to the definitive revenue of the policyholders).

◆ Volume effect

The method for calculating premiums on the Group's revenue, which is described in paragraph 1.2.1.1 "Credit insurance and related services" - pricing of credit insurance offers, produces its effects throughout the life of the policies, and not for a single year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group's revenue for the following year.

◆ **Loss ratio**

This ratio allows the Coface Group to measure the underwriting profitability of insurance contracts during the financial year. By analyzing this ratio, it is also possible to price policies effectively by taking into account the amount of claims made by policyholders.

Loss ratio before reinsurance

The loss ratio before reinsurance is the ratio of claim expenses (as defined above) to gross earned premiums (the sum of the gross premiums issued and unearned premium provisions), net of premium rebates. Premium rebates are reimbursements made to policyholders of part of the premiums paid by them when claims under their insurance policies do not exceed a certain threshold (low claims bonus) or when there are no claims (no-claims bonus).

Loss ratio after reinsurance

Loss ratio after reinsurance corresponds to the ratio of claims expenses (net of claims ceded to reinsurers under reinsurance treaties entered into by the Group) to the gross earned premiums (net of premiums ceded to reinsurers).

◆ **Cost Ratio**

Cost ratio before reinsurance

The cost ratio before reinsurance is the ratio of general expenses (as defined below) to gross earned premiums (as described above).

The cost ratio before reinsurance is used by the Coface Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year.

The Coface Group's credit insurance business is supported by services activities such as corporate information and receivables recovery. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the general expenses of the Group. General expenses are also increased by complementary businesses such as factoring (in Germany and Poland) and management of public procedures on behalf of the French State. However, in order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additional businesses (non-insurance) described above is deducted from general expenses.

Cost ratio after reinsurance

The cost ratio after reinsurance is the ratio of general expenses (after deduction of reinsurance commission paid by reinsurers) to gross earned premiums (net of premiums ceded to reinsurers).

General expenses

General expenses accounted for in the cost ratio are the sum of:

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to

commissions paid to intermediaries which introduce business (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to departments in charge of writing contracts);

- administrative costs (including Group overheads, payroll costs, IT costs, etc., excluding profit-sharing and incentive schemes);
- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, including in particular management expenses);
- expenses from banking activities (general operating expenses, such as payroll costs, IT costs, etc., relating to factoring activities); and
- expenses from other activities (general expenses related exclusively to information and debt collection for customers without credit insurance), minus revenue related to:
 - fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as information on debtors, fees for monitoring credit limits of customers of policyholders and receivables management and recovery),
 - other related benefits and services (ancillary services, such as administrative fees for managing claims and invoiced receivables recovery fees),
 - information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance,
 - receivables management (fees charged for receivables debt collection services) provided to customers without credit insurance,
 - net income from banking activities relating to the factoring activities, and
 - remuneration for public procedures management services.

◆ **Combined Ratio**

Combined ratio measures the overall profitability of the Group's activities and its technical margin.

The combined ratio is the sum of the loss ratio and the cost ratio. It is tracked by the Group both before and after reinsurance (claims expenses net of those ceded to reinsurers under reinsurance treaties entered into by the Group and general expenses, less reinsurance commissions paid by the reinsurers over total gross earned premiums net of premiums ceded to reinsurers).

3.4 Comments on income at December 31, 2015

3.4.1 REVENUE

The Group's consolidated revenue was up 3.4%, from €1,440.5 million in 2014 to €1,489.5 million in 2015. Revenue was up 1.2% like-for-like.

The -0.2 percentage point impact on consolidation structure is linked to the cessation on June 30, 2014 of the public credit insurance procedures management business line

by SBCE based in Brazil. The positive foreign exchange impact of +2.3 points is mainly linked to revaluations of the US dollar, the Hong Kong dollar and the pound sterling.

The table below shows the changes in the Group's consolidated revenue by business line as of December 31, 2014 and 2015:

| CHANGE IN CONSOLIDATED REVENUE BY ACTIVITY (in millions of euros) | AS OF DECEMBER 31 | | CHANGE | | |
|--|-------------------|----------------|-------------|-------------|---|
| | 2015 | 2014 | (in €m) | (as a %) | (as a %: on a constant group structure and exchange rate basis) |
| Insurance | 1,418.9 | 1,369.9 | 49.0 | 3.6% | 1.3% |
| Gross earned premiums | 1,185.9 | 1,132.7 | 53.2 | 4.7% | 2.0% |
| Services* | 233.0 | 237.2 | -4.2 | -1.8% | -2.2% |
| Factoring | 70.6 | 70.6 | 0.0 | 0.0% | 0.0% |
| CONSOLIDATED REVENUE | 1,489.5 | 1,440.5 | 49.0 | 3.4% | 1.2% |

* Sum of revenue from services related to credit insurance ("Fees and commission income" and "Remuneration of public procedures management services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information ("Business information and other services") and receivables recovery ("Receivables management")).

◆ Insurance

Revenue for the insurance business line (including surety bonds and Single Risk insurance products) was up by 3.6% as reported (up 1.3% like-for-like) from €1,369.9 million in 2014 to €1,418.9 million in 2015.

Revenue for credit insurance products and related services amounted to €1,322 million, i.e. 89% of the Group's consolidated revenue. In 2014, revenue for credit insurance products and related services amounted to €1,266.7 million, i.e. 88% of the Group's consolidated revenue.

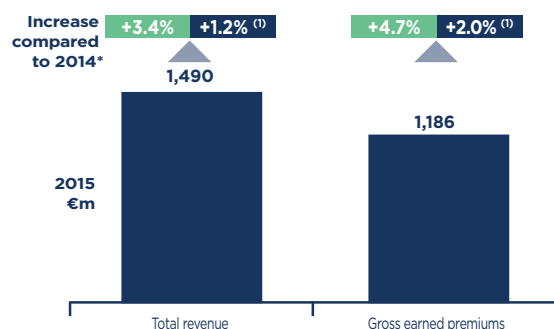
Gross earned premiums were up 4.7% (+2.0% like-for-like), jumping from €1,132.7 million in 2014 to €1,185.9 million in 2015.

The annual value of new contracts amounted to €132.7 million in 2015, representing a drop of 11% compared to 2014, primarily linked to the exceptional consolidation of a portfolio of agents in Italy in 2014, and lower production of new CGS (Coface Global Solutions) contracts for multinational clients.

Contract retention rate fell slightly, to 88.2% (versus 89.0% in 2014) at December 31, 2015. Net positive production was offset by a -2.4% drop in prices (versus -1.1% in 2014, seen in December 2015) against a backdrop of pressure on prices.

The revenue growth can be explained by a volume effect (revenue/policyholders' business) of +3.2% in 2015 (versus +3.0% in 2014).

The service business revenue was down €4.2 million, from €237.2 million in 2014 to €233.0 million in 2015, corresponding to a drop of -1.8% (-2.2% like-for-like, including a favourable exchange rate of 1.6 percentage points and an unfavourable scope effect of 1.1 percentage points) mainly linked to the drop in income from debt collection.



* Note: According to IFRIC 21, taxes must be entirely booked in the financial year in which they are incurred and not deferred over the year. This accounting recognition has a marginal impact on the annual income, however the quarterly vision has changed. Therefore, all data for 2014 has been restated.

(1) Like-for-like.

◆ **Factoring**

Revenue from the factoring business (exclusively in Germany and Poland) was stable at €70.6 million in 2015, against a backdrop of significant access to market liquidities and a drop in interest rates.

◆ **Changes in revenue by region***

The following table shows the changes in consolidated revenue (net of intra-group flows) within the Group's seven geographic regions for the periods ended December 31, 2014 and 2015:

| CONSOLIDATED REVENUE BY REGION OF INVOICING <i>(in millions of euros)</i> | AS OF DECEMBER 31 | | | CHANGE | | |
|---|-------------------|----------------|----------------|---------------|--|--|
| | 2015 | 2014 | <i>(in €m)</i> | <i>(in %)</i> | <i>(as a %: on a constant exchange rate basis)</i> | <i>(as a %: on a constant scope and exchange rate basis)</i> |
| Western Europe | 457.2 | 461.7 | -4.5 | -1.0% | -2.5% | -2.5% |
| Northern Europe | 334.9 | 352.0 | -17.1 | -4.9% | -3.8% | -3.8% |
| Mediterranean & Africa | 246.4 | 226.5 | 19.8 | 8.8% | 8.5% | 8.5% |
| North America | 131.3 | 113.7 | 17.6 | 15.4% | -0.6% | -0.6% |
| Central Europe | 114.9 | 113.3 | 1.6 | 1.4% | 2.2% | 1.4% |
| Asia-Pacific | 121.3 | 97.1 | 24.3 | 25.0% | 10.8% | 10.8% |
| Latin America | 83.5 | 76.1 | 7.3 | 9.6% | 12.6% | 16.7% |
| CONSOLIDATED REVENUE | 1,489.5 | 1,440.5 | 49.0 | 3.4% | 1.1% | 1.2% |

* The composition of the regions was modified on April 11, 2016 and led to certain adjustments. Portugal and Spain, which were initially included in Western European, were transferred to the Mediterranean and Africa. Russia, initially included in Northern Europe, was transferred to Central Europe.

In Western Europe, revenue was down 1.0% (-2.5% like-for-like due to a favourable exchange rate effect of €6.8 million including €4.8 million for the pound sterling and €1.9 million for the Swiss franc) owing to sluggish commercial activity and pressure on prices.

Northern Europe reported a -4.9% drop in revenue in 2015 (-3.8% like-for-like). The German clients policy portfolio lost some major accounts at the beginning of 2015. The development of commercial activity was stable on most markets but the economic and financial activity of customers slowed down. European markets reported a low level of business defaults, and constant pressure on prices. The commercial situation in Russia was impacted by an unfavourable exchange rate due to a very weak rouble and the slowdown of business activity in 2015. Factoring revenue (Germany) rose by 1% in 2015.

In Mediterranean & Africa, revenue was up 8.8% (+8.5% like-for-like) driven by the extremely robust commercial performance of credit insurance in Italy, the Emirates and Turkey.

In North America, revenue was up 15.4%. Adjusted for currency effect, revenue was down -0.6% (linked to the

revaluation of the dollar). The new geographic segmentation and the high turnover of agents resulted in lower commercial production.

In Central Europe, revenue was up 1.4% on a reported basis (up 1.4% like-for-like), driven by the commercial performance of credit insurance in Poland, Romania and the Czech Republic.

In the Asia-Pacific region, revenue grew by 25.0% (+10.8% like-for-like, due to a positive foreign exchange impact from the Japanese yen and to a lesser extent, the Singaporean dollar). Growth was driven by the progression of the commercial portfolio in most countries and a clear recovery in China.

In Latin America, revenue fell by -9.6% as reported (up 16.7% like-for-like) during the period. The unfavourable scope effect of €2.6 million, i.e. 3.47 percentage points, is linked to the exit from the SBCE Brazilian public procedures management activity on June 30, 2014. The adverse exchange effects of €2.3 million are linked to the devaluations of the Argentine peso and the Brazilian real.

3.4.2 UNDERWRITING INCOME

◆ **Underwriting Income before reinsurance**

Underwriting income before reinsurance fell by €40.0 million as reported, from €234.8 million in 2014 to €194.8 million in 2015. This change can be mainly explained by the increase in the loss ratio (+€66.6 million).

The combined ratio before reinsurance amounted to 82.5%, up by 4.1 percentage points, the loss ratio rose 3.5 percentage points together with the cost ratio

(+0.6 percentage point), primarily due to an increase in policy acquisition costs.

Loss experience

The loss ratio, before reinsurance, deteriorated by 3.5 percentage points, rising from 47.6% in 2014 to 51.0% in 2015. This deterioration can be explained by an increase in claims in the North America, Latin America and Asia-Pacific regions.

LOSS EXPERIENCE

| <i>(in millions of euros and %)</i> | AS OF DECEMBER 31 | | CHANGE | |
|---|-------------------|---------|----------------|-----------------|
| | 2015 | 2014 | <i>(in €m)</i> | <i>(as a %)</i> |
| Claims expenses incl. claims handling costs | 605.3 | 538.7 | 66.6 | 12.4% |
| Loss ratio before Reinsurance | 51.0% | 47.6% | - | 3.5 pts |
| Earned premiums | 1,185.9 | 1,132.7 | | |

In Western Europe, the loss ratio confirmed the contraction to 23.4% (-11.4 percentage points), primarily in France and Spain.

In Northern Europe, the loss ratio was contained at 47.6% (-4.6 percentage points) despite the deteriorated economic situation in Russia.

The loss ratio for the Mediterranean & Africa region fell by 11.1 percentage points to 48.6%. The action plans implemented in Turkey helped to improve the region's loss ratio. Italy's portfolio diversification policy also yielded positive results.

In North America, the loss ratio amounted to 56.3%, primarily due to the occurrence of two large claims on a regional scale in Canada in the retail sector in the second half of 2015.

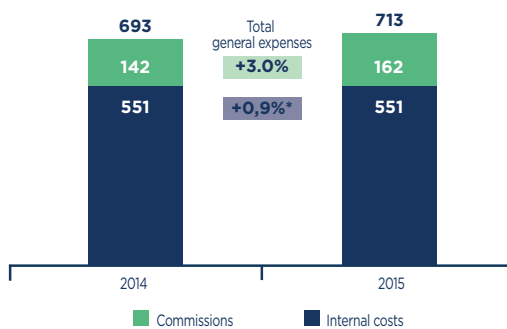
Central Europe presented a loss ratio down to 39.9%, a significant improvement over 2014 (-27.9 percentage points).

Asia-Pacific reported a loss ratio of 100.6%, primarily due to the recording of significant claims in China, Singapore and in Hong-Kong in the fourth quarter of 2015.

In Latin America, the loss ratio settled at 113.4%, primarily due to the deterioration of the economic situation and the loss experience of Brazil.

| CHANGE IN LOSS EXPERIENCE BY REGION OF INVOICING <i>(in %)</i> | AS OF DECEMBER 31 | | CHANGE |
|---|-------------------|--------------|-------------------|
| | 2015 | 2014 | <i>(% POINTS)</i> |
| Western Europe | 23.4% | 34.8% | -11.4 pts |
| Northern Europe | 47.6% | 52.2% | -4.6 pts |
| Mediterranean & Africa | 48.6% | 59.8% | -11.1 pts |
| North America | 56.3% | 24.1% | 32.1 pts |
| Central Europe | 39.9% | 67.8% | -27.9 pts |
| Asia-Pacific | 100.6% | 51.4% | 49.2 pts |
| Latin America | 113.4% | 59.9% | 53.5 pts |
| LOSS RATIO BEFORE REINSURANCE | 51.0% | 47.6% | 3.5 PTS |

GENERAL EXPENSES



* on a like-for-like basis.

| GENERAL EXPENSES <i>(in thousands of euros)</i> | AS OF DECEMBER 31, 2015 | AS OF DECEMBER 31, 2014 |
|---|-------------------------|-------------------------|
| Internal general expenses | 551.2 | 550.8 |
| <i>of which claims handling costs</i> | 26.5 | 25.7 |
| <i>of which investment management expenses</i> | 2.7 | 2.7 |
| Commissions | 162.0 | 141.9 |
| TOTAL GENERAL EXPENSES | 713.2 | 692.7 |

Policy acquisition commissions were up 14.2% (+9.1% like-for-like), jumping from €141.9 million in 2014 to €162 million in 2015. This change is primarily due to higher reinsurance commissions in Western Europe but also to commercial development in countries with brokerage-based commercial structures (Italy, Emirates, Spain and Asia).

Internal general expenses, including claims handling costs, were up +0.1% (-1.2% like-for-like), from €550.8 million in 2014 to €551.2 million in 2015, and down -1.8% excluding non-recurring items (recognised tax provision).

Pay roll expenses were up 2.0%, from €297.9 million in 2014 to €304 million in 2015 (+0.8% like-for-like), in line with the slight increase in average staff (FTE) over the year. IT costs are decreasing over the period at €53.8 million, down -2.5% like-for-like. Other expenses (indirect taxes, information purchases, rental expense, etc.) were down -2.3% from €197.9 million in 2014 to €193.4 million, especially on rental expense, travel and information purchases. General expenses were contained thanks to efforts implemented across all regions.

Cost ratio before reinsurance deteriorated by 0.6 percentage points, from 30.9% in 2014 to 31.5% in 2015. This change is primarily attributable to the increase in external policy acquisition costs (-1.8 percentage points) in addition to the drop in revenue from the service business (-0.5 percentage points), which was not offset by an increase in earned premiums (+1.4 percentage points).

In Western Europe, general expenses were down -1.9% (down 3.1% like-for-like).

In Northern Europe, general expenses were down 9.5% (down 9.5% like-for-like). This drop was observed on all types of expenses, in particular rents, IT expenses, information purchases and travel.

In Mediterranean and Africa, general expenses were up +6.8% (+5.7% like-for-like), mainly due to the consolidation of Coface Israel Insurance Company since 2015, the reinforcement of the teams in the region and the increase in information purchases linked to higher level of business.

In North America, general expenses rose by +17.2% (+0.5% like-for-like), primarily linked to the revaluation of the dollar.

In Central Europe, general expenses were contained at +0.3% (down 0.2% like-for-like).

In the Asia-Pacific region, general expenses rose by 7.3%. Like-for-like, general expenses are down -3.7%. This drop is due to other internal general expenses, in particular rents and fees.

In Latin America, general expenses were down -4.9% (up 7.0% like-for-like). The exit of the public credit insurance procedures entity SBCE on June 30, 2014 had a positive impact of €2.1 million. Foreign exchange (mainly the argentinian peso and Brazilian real) had an adverse impact of €0.6 million.

◆ Underwriting income after reinsurance

Underwriting income after reinsurance contracted by €22.9 million, from €166.3 million in 2014 to €143.4 million in 2015. This change follows the same trend as underwriting income before reinsurance (-€40.1 million) while benefitting from the amortisation produced by the Group's external reinsurance.

Reinsurance cost fell by 25.1%, down from -€68.7 million in 2014 to -€51.4 million in 2015.

| (in millions of euros and %) | AS AT DECEMBER 31 | | CHANGE | |
|--|-------------------|----------------|----------------|---------------|
| | 2015 | 2014* | (in €m) | (as a %) |
| Revenue | 1,489,531 | 1,440,536 | 48,995 | 3.4% |
| Claims expenses | -605,344 | -538,727 | -66,617 | 12.4% |
| Policy acquisition costs | -274,048 | -262,880 | -11,168 | 4.2% |
| Administrative costs | -269,956 | -269,119 | -837 | 0.3% |
| Other current operating expenses | -81,652 | -74,509 | -7,143 | 9.6% |
| Expenses from banking activities, excluding cost of risk | -14,094 | -11,066 | -3,028 | 27.4% |
| Cost of risk | -4,696 | -2,046 | -2,650 | 129.5% |
| Expenses from other activities | -44,892 | -47,338 | 2,445 | -5.2% |
| UNDERWRITING INCOME BEFORE REINSURANCE | 194,848 | 234,852 | -40,004 | -17.0% |
| Income and expenses from after reinsurance cessions | -51,410 | -68,660 | 17,250 | -25.1% |
| UNDERWRITING INCOME AFTER REINSURANCE | 143,438 | 166,192 | -22,754 | -13.7% |
| Combined ratio after reinsurance | 83.1% | 79.7% | - | - |

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

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

◆ Financial markets

In 2015, global growth maintained an annual rhythm of around 3%, similar to that of 2014. In major developed countries, the economic recovery continued gradually, buoyed in particular by the positive effect of low fuel price on consumption. In contrast, the economies of some major emerging countries clearly slowed down (China) or slid deeper into recession (Russia and Brazil).

The US economy rallied significantly after a brief downdraft in the first quarter, to achieve full-year growth close to 2014 figures. The triple shock of low oil prices, an expensive dollar and the downturn in emerging countries had a mixed effect on the US economy; industrial production and energy sector companies were adversely affected while consumption, services and real estate were boosted. In the light of these conditions, the Federal Reserve only raised its short-term rates at the end of the year and maintained a very prudent policy. The US 10-year yield rate barely rose, increasing from 2.17% to 2.28% for the year and the equities markets treaded water with an annual performance of 0.7%.

GDP probably grew by around 1.4% in 2015, significantly higher than in 2014 (0.9%) in particular thanks to the reflux of austerity policies, the recovery of the banking systems of peripheral countries and the launch by the European Central Bank (ECB) of a sovereign bond purchase program, starting from March. At first, the ECB purchases mostly benefitted bonds issued by peripheral countries, but the political uncertainties that emerged against a background of rising contesting parties at the end of the year cancelled this effect. Against this backdrop, European rates ended 2015 at levels slightly above those of year end 2014, with performance of 1.49%. German 10-year rates rose from 0.54% to 0.63%. Less advanced in the cycle than the US,

equities markets were driven by the expansionist monetary policy and a solid profits momentum despite tensions in the Chinese economy and tension peaks in Greece (+7.3% for the reinvested Eurostoxx dividend).

Divergences among emerging countries were aggravated once again in 2015 between oil exporting and oil importing countries. The fall in oil prices, combined with political, geopolitical and financial tensions, and in particular numerous monetary depreciations, had a strong adverse impact on the activity of exporting countries such as Brazil and Russia. In contrast, countries such as India were buoyed by these conditions. The lower growth in China was a strong source of concern during 2015 and even more so at the end of the year. Emerging bond markets were therefore highly volatile and bearish over the year with performance down -5%.

◆ Financial income

Against this economic backdrop, the Group, as part of its defined strategic allocation policy, raised its exposure to the sovereign debt of leading issuers on the financial markets, and to European equities and unlisted European real estate. All these investments were made within a strictly-defined risk framework; the quality of issuers, sensitivity of issues, dispersal of issuer positions and geographic areas are governed by strict rules defined in the different management mandates granted to the Group's dedicated managers.

The portfolio's market value fell in 2015, in spite of the positive return on the investment portfolio. Those amounts pending investment at December 31, 2015 have been reported under current account.

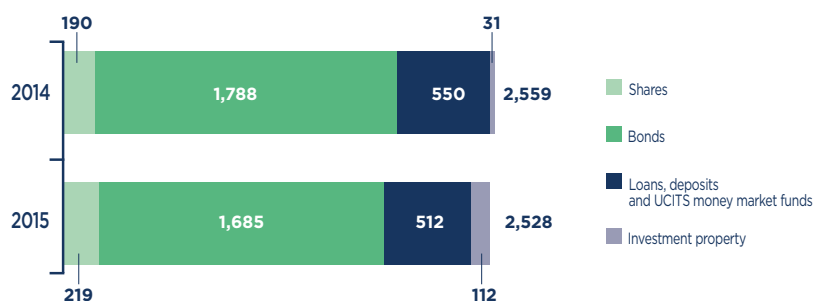
The following table shows the financial portfolio by main asset class:

MARKET VALUE

| (in millions of euros) | AS OF DECEMBER 31 | |
|--|-------------------|--------------|
| | 2015 | 2014 |
| Listed shares | 207 | 178 |
| Unlisted shares | 12 | 12 |
| Bonds | 1,685 | 1,788 |
| Loans, deposits and UCITS money-market funds | 512 | 550 |
| Property | 112 | 31 |
| TOTAL INVESTMENT PORTFOLIO | 2,527 | 2,558 |
| Associated and non-consolidated companies | 122 | 121 |
| TOTAL | 2,649 | 2,679 |

In 2015, diversification of the investment portfolio allowed the Group to maintain a stable accounting return, despite the persistent historically low rate of return. Investment income came off at €49.9 million (i.e. 2.0% of 2015 average outstanding) comparable with the €44.5 million in 2014 (1.9% of average outstanding in 2014).

INVESTMENT PORTFOLIO (in thousands of euros)



INVESTMENT PORTFOLIO INCOME

| (in millions of euros) | AS OF DECEMBER 31 | |
|---|-------------------|-------------|
| | 2015 | 2014 |
| Shares | 14.2 | 10.0 |
| Fixed-income instruments | 33.4 | 34.5 |
| Investment property | 2.3 | 0.0 |
| TOTAL INVESTMENT PORTFOLIO | 49.9 | 44.5 |
| <i>o/w realized gains</i> | 4.5 | 8.4 |
| Associated and non-consolidated companies | 7.0 | 3.5 |
| Net foreign exchange gains | -1.2 | -0.7 |
| Financial and investment charges | -2.7 | -4.6 |
| TOTAL | 53.1 | 42.8 |

After income from investments in companies, foreign exchange result, financial expense and investment costs, financial income for 2015 came off at €53.1 million.

The economic rate of return of financial assets came off at 1.4% in 2015 versus 3.2% for the same period in 2014. This fall in the economic rate of return is linked to the continuous increase during the year of volatility over all asset classes, leading to a negative performance.

3.4.4 OPERATING INCOME

| (in millions of euros) | AS OF DECEMBER 31 | | CHANGE | | |
|---|-------------------|--------------|--------------|--------------|---|
| | 2015 | 2014 * | (in €m) | (as a %) | (as a %: on a constant group structure and exchange rate basis) |
| OPERATING INCOME INCLUDING FINANCE COSTS | 173.8 | 184.0 | -10.2 | -5.6% | -6.1% |
| Other operating income and expenses | -4.2 | -9.9 | 5.7 | -57% | -52% |
| OPERATING INCOME INCLUDING FINANCIAL COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES | 178.0 | 194.0 | -15.9 | -8.2% | 0.0% |
| Realized gains | - | - | - | - | - |
| Interests costs | -16.1 | -12.1 | -4.0 | 33% | N/A |
| OPERATING INCOME INCLUDING FINANCING COSTS AND EXCLUDING NON-RECURRING COSTS | 194.2 | 206.1 | -11.9 | -5.8% | -6.1% |

* Restated for compliance with IFRIC 21 (see "Note 1 Reconciliation of published financial statements as of December 31, 2014 with the IFRIC 21 restated financial statements" in Chapter 4 "Financial items").

Current operating income, including finance costs and excluding restated items, fell by €11.9 million, *i.e.* by -5.8% (-6.1% at constant group structure and exchange rate, in line with forecasts), from €206.1 million in 2014 to €194.2 million in 2015.

Combined ratio after reinsurance, including non-recurring items, rose by 3.4 percentage points, from 79.7% in 2014 to 83.1% in 2015 of which +2.2 percentage points of net loss ratio and +0.5 percentage point of non-recurring cost for tax risks in Italy.

Other operating income and expenses totalled €4.2 million and are primarily comprised of restructuring fees and a provision for the compensation of American agents.

Interest expenses for the hybrid debt amounted to €16.1 million in 2015, up €4 million compared to 2014 (debt contracted on March 27, 2014).

The decline in the Group's operating income can be mainly explained by the deteriorated loss experience in Asia-Pacific, North America and Latin America. All regions contributed positively to operating income, except Asia-Pacific and Latin America, which were strongly impacted by an increase in loss experience in the last quarter of 2015.

| (in millions of euros) | AS OF DECEMBER 31 | | | SHARE OF ANNUAL TOTAL AT DECEMBER 31, 2015 |
|---|-------------------|--------------|------------|--|
| | 2015 | 2014* | CHANGE | |
| Western Europe | 135.7 | 103.9 | 31.8 | 57% |
| Northern Europe | 85.9 | 61.1 | 24.8 | 36% |
| Mediterranean & Africa | 46.3 | 20.7 | 25.6 | 19% |
| Central Europe | 42.1 | 22.7 | 19.4 | 18% |
| North America | 6.4 | 28.1 | -21.8 | 3% |
| Latin America | -21.6 | 4.7 | -26.3 | -9% |
| Asia-Pacific | -56.8 | -3.7 | -53.1 | -24% |
| TOTAL (EXCLUDING INTER-REGIONAL FLOWS AND HOLDING COST NOT REBILLED) | 237.9 | 237.5 | 0.4 | 100% |

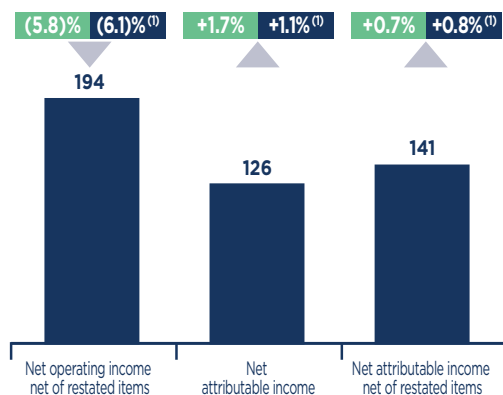
* The published 2014 results were restated to reflect the impacts linked to the application of IFRIC 21. 2014 annual results including IFRIC 21 are equivalent to those published in 2014.

3.4.5 NET ATTRIBUTABLE INCOME FOR THE YEAR

The Group's effective tax rate in 2015 came out at 28.1%, *i.e.*, 4.8 percentage points lower than in 2014 (32.8%).

Net income (attributable to Group shareholders) increased by 1.0%, from €125.0 million in 2014 to €126.2 million in 2015.

Restated from items related to the Group's hybrid debt issuance (interest cost), exceptional and non-recurring items (costs related to the stock market listing and the creation of Coface Re in 2014), net attributable income rose 0.8% to €140.9 million in 2015 from €139.9 million in 2014 at constant group structure and exchange rate.



(1) on a like-for-like basis.

3.4.6 PARENT COMPANY NET INCOME

The net income of COFACE SA amounted to €73.05 million, compared to -€2.78 million in 2014. This deficit mainly stems from the dividend payment by *la Compagnie*, the Group's operating subsidiary, for an amount of €75 million.

3.5 Group cash and capital

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 13 “Cash and cash equivalents” in the Company’s consolidated financial statements, as reported

in paragraph 4.1.1 “Consolidated Financial Statements of the Group for the period ended on December 31, 2015”. The cash flows presented below include the cash related to discontinued activities.

| (in millions of euros) | AS OF DECEMBER 31 | |
|---|-------------------|--------|
| | 2015 | 2014 |
| Net cash generated from operating activities | 280.9 | 273.4 |
| Net cash flows generated from investment activities | -56.2 | -400.3 |
| Net cash generated used in financing activities | 98.7 | 134.3 |

| (in millions of euros) | AS OF DECEMBER 31 | |
|--|-------------------|-------|
| | 2015 | 2014 |
| Cash and cash equivalents at beginning of year | 278.6 | 273.9 |
| Cash and cash equivalents at end of year | 396.8 | 278.6 |
| Net change in cash and cash equivalents | 118.2 | 4.7 |

3.5.1 GROUP DEBT AND SOURCES OF FINANCING

The Group’s debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of “Amounts due to banking sector companies” and “Debt securities”).

| (in millions of euros) | AS OF DECEMBER 31 | |
|---|-------------------|----------------|
| | 2015 | 2014 |
| Subordinated borrowings | 387.3 | 386.9 |
| Obligations under finance leases | 5.2 | 7.9 |
| Bank overdrafts and other borrowings | 0.1 | 0.3 |
| SUB-TOTAL FINANCIAL DEBT | 392.6 | 395.1 |
| Amounts due to banking sector companies | 352.4 | 300.7 |
| Debt securities | 1,613.1 | 1,538.1 |
| SUB-TOTAL OPERATING DEBT | 1,956.4 | 1,838.8 |

◆ Financial debt

For the period ended December 31, 2015, the Group’s financing liabilities, totalling €392.6 million, primarily include the subordinated borrowings issued for €387.3 million.

These fixed rate (4.125%) subordinated notes (maturing on March 27, 2024) were issued on March 27, 2014 by COFACE SA for a nominal amount of €380 million.

The issue allowed the Coface Group to optimise its capital structure, which had previously been characterised by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory equity.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by *la Compagnie*, the Group’s main operating entity.

◆ Operating debt linked to the factoring business

The Group’s operating debt is mainly linked to financing for its factoring business.

This debt, which includes the lines “Amounts due to banking sector companies” and “Amounts due to customers of banking sector companies” correspond to sources of refinancing for the Group’s factoring entities Coface Finanz (Germany) and Coface Factoring Poland.

Amounts due to banking sector companies, which corresponded to drawdowns on the bilateral credit lines (see below “bilateral credit lines”) set up with various banking partners of Coface Finanz and Coface Factoring Poland and the Group’s leading local banks, amounted to €352.4 million for the period ended on December 31, 2015.

The borrowings represented by the securities amounted to €1,613.1 million for the period ended on December 31, 2015, including:

- the Senior units issued by the Vega securitisation mutual fund under the factoring receivables securitisation programme (see paragraph below “Securitisation programme”) of Coface Finanz, in the amount of €1,195 million; and
- commercial paper issued by COFACE SA (see paragraph below “Commercial paper programme”) to finance the activity of Coface Finanz in the amount of €418.1 million.

◆ The Group’s main sources of operational financing

The Group’s main sources of operational financing are to date:

- a programme to securitise its trade factoring receivables in the maximum amount of €1,195 million;
- a commercial paper programme for a maximum amount of €600 million; and
- bilateral credit lines for a maximum total amount of €872.8 million.

Since 2011, the amount of the Group’s operational financing has fallen sharply. In 2012, the Group took a first step towards achieving financial autonomy by implementing in February a factoring receivables securitisation programme dedicated to financing the business of Coface Finanz (Germany) and implemented a commercial paper programme dedicated to factoring financing.

In 2013, the Group continued to move away from Natixis by extending its commercial paper programme.

In 2014, a structural addition was introduced into the securitisation programme, which allowed the maximum amount of the programme to be increased to €1,195 million (recall that the initial amount was €1,100 million). The securitisation programme was renewed early at the end of 2015 for an unchanged maximum amount.

In 2015, the Group decided to set up new bilateral lines to replace the historic financing lines with Natixis and extend its commercial paper programme.

At December 31, 2015, the amount of the Group’s debt linked to its factoring activities amounted to €1,965.4 million.

(a) Securitisation programme

In connection with the refinancing of its factoring business, the Group implemented, in February 2012, a securitisation programme for its factoring trade receivables for a

maximum total amount of €1,100 million, guaranteed by *la Compagnie*. The maximum amount of the programme increased by €95 million thanks to a structural addition set up in July 2014. The ceding entity was Coface Finanz, the German wholly-owned subsidiary of *la Compagnie*. The reinsurer for the receivables is a French securitisation mutual fund, Vega, governed by the stipulations of the French Monetary and Financial Code. The Group gained from this ceded reinsurance initial funding with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Group reached an agreement with the banks in charge of the funding, to renew the funding due in one year and extend the 3-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the share of financing at three years reached 77%. The securitisation programme was completely renewed early in December 2015, *i.e.* for a maximum total amount of €1,195 million and financing units of 23% and 77% respectively on maturities of one year and three years. The main monitoring indicators for the programme include the receivables default rate, the past due payment rate and the dilution ratio. The priority units issued by the Vega securitisation mutual fund were subscribed and refinanced by four undertakings which were issued in consideration for the short-term securities. The subordinated units were underwritten by Coface Factoring Poland.

At December 31, 2015, €1,195 million had been used under the programme.

This securitisation programme includes a number of usual early payment cases associated with securitisation programmes, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the reinsured receivables), and linked to the occurrence of various events, such as:

- payment default of Coface Finanz or of *la Compagnie* for any sum due under the securitisation mutual fund;
- the cross default of any Group entity pertaining to debt above €100 million;
- closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- liquidation proceedings against Coface Finanz, Coface Factoring Poland, the Company or *la Compagnie*;
- the discontinuance or substantial change to the activities practised by Coface Finanz or by *la Compagnie*;
- a downgrading of the financial rating of *la Compagnie* below BBB- for the main funding (maximum amount of €1,100 million) and to below A for additional funding (maximum amount of €95 million); as well as in cases of
- non-compliance with one of the covenants linked to the quality of the reinsured portfolio of factoring receivables.

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding the change of control in *la Compagnie* and the factoring companies resulting in their exit from the Group.

The three covenants set by the securitisation programme include:

| COVENANT | DEFINITION | TRIGGER THRESHOLD |
|--------------------------|---|-------------------|
| Receivables default rate | Moving average on 3 months of payment defaults beyond 60 days after their due date | > 2.24% |
| Past due payment rate | Moving average over 3 months of the rate of receivables outstanding beyond 30 days after their due date | > 5.21% |
| Dilution ratio | Sliding average over 3 months of the dilution ratio | > 9.71% |

At December 31, 2015, the Group had complied with all of these covenants.

(b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Group also introduced, mainly through its subsidiaries, a certain number of bilateral credit lines and bank overdrafts for a total maximum amount of €872.8 million:

- bilateral credit lines and bank overdrafts concluded with nine German banks (the “German credit lines”) and two Polish banks (the “Polish bank overdrafts”) for a maximum amount of €372.8 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one year. Some German credit lines contain the usual clauses, such as: borrower compliance with a specified net asset level; borrower change of control clause and benefit for the lender of the strictest financial covenant granted by the borrower to other financial institutions. The Polish Overdraft Facilities contain the standard commitments. At December 31, 2015, €30.6 million had been drawn down under the German credit lines and €7 million had been used under the Polish bank overdrafts;
- bilateral credit lines concluded with five relational banks of the Group:
 - five lines for a maximum total amount of €250 million for Coface Finanz (with maturities ranging between 15 months and three years), of which €99.3 million had been drawn down as of December 31, 2015,
 - three lines for a maximum total amount of €250 million for Coface Factoring Poland (with maturities ranging between 1.5 years and two years), of which €216 million had been drawn down as of December 31, 2015.

(c) Commercial paper programme

The Group also has a commercial paper issuance programme that was extended in October 2015 to reach a maximum amount of €600 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2015, the total amount of securities issued through this commercial paper programme stood at €418.1 million. Moody’s and Fitch have rated the commercial paper programme at P-2 and F1 respectively.

Should the commercial paper market shut down, the Coface Group has six lines of credit, currently unused and granted for a period of one year (due in October 2016) for a period of two years (due in October 2017) covering the maximum amount of the commercial paper issue programme (€600 million). The agreements regulating these bilateral credit lines contain the usual restrictive clauses (such as a negative pledge, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group’s business activities) and early repayment (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and liquidation procedure or downgrading of the Company’s credit rating below BBB+ (by Fitch) or Baa1 (by Moody’s)), in line with market practices.

3.5.2 SOLVENCY OF THE GROUP

In compliance with the Solvency I Regulations, the solvency margin corresponds to the required level of shareholder equity, taking into account the activity levels as measured by the premium revenue, weighted by the average loss ratio. The Group is required to maintain a solvency margin which is at a level that is higher than or equal to the level required by the regulations. The Group has calculated its solvency

margin in conformity with French regulations, resulting from Decree No. 2002-360 of March 14, 2002 relating to the additional oversight of insurance companies. As of December 31, 2015, the Group’s solvency margin represented approximately six times the minimum required (upon an estimate of the payment of dividends).

| POSITION AT DECEMBER 31, 2015 | POSITION AT DECEMBER 31, 2015 | | POSITION AT DECEMBER 31, 2014 | |
|--|-------------------------------|------------|-------------------------------|------------|
| | IN MILLIONS OF EUROS | HEDGE RATE | IN MILLIONS OF EUROS | HEDGE RATE |
| Own Funds (Group Share) IFRS | 1,761 | | 1,717 | |
| Restatement French GAAP | -493 | | -450 | |
| Own Funds (Group Share) French GAAP | 1,268 | | 1,267 | |
| Losses, unamortised incorporation expenses and other intangible assets | -183 | | -195 | |
| Capital gains resulting from undervalued assets | 135 | | 146 | |
| Issue of subordinated notes on March 27, 2014 (eligible for inclusion in solvency margin up to 25% of the margin requirements) | 44 | | 42 | |
| Estimated dividend distribution in 2015 | -75 | | -75 | |
| Equity interests held in a credit institution or investment company ⁽¹⁾ | -58 | | | |
| TOTAL AMOUNT OF ITEMS COMPRISING SOLVENCY I MARGIN | 1,130 | 6.5 | 1,186 | 7.1 |
| Margin requirement | 175 | | 167 | |

(1) In accordance with Article R.334-42 of the Insurance Code, the own funds of credit and financial institutions are not taken into account in calculating the Group's margin. Until Dec. 31, 2014, this restatement was not applied. The own funds of credit and financial institutions totalled €65 million at Dec. 31, 2014. Restated of this item, the margin would be €1,119 million (instead of €1,187 million) and the hedge rate 6.7 times (instead of 7.1 times).

The Group also measures its financial strength based on the capital requirement (amount of equity required to hedge its managed risks) according to the Solvency II Regulation standard formula for its insurance business and according to bank regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

For insurance activities, to prepare for the entry into force of Solvency II on January 1, 2016, the Group proceeded on December 31, 2015 with the calculation of the solvency capital requirement (SCR) under the standard formula introduced by European Directive No. 2009/138/EC. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operating risks. It takes account of frequency risks and severity risks. This calculation is calibrated to hedge the risk of loss corresponding to 99.5% quantile at a one-year horizon. As of December 31, 2015, the amount of the Group's capital requirement (including the SCR calculated according to the standard formula) amounted to €1,333 million.

The Group also calculates the capital requirement for the factoring business line. As of December 31, 2015, the capital requirement for the factoring business amounted to €185 million. It is estimated by applying a 9% rate to the risk-weighted assets (or RWA). RWAs are calculated on the basis of the factoring outstandings, by applying weighting as a function of the probability of default and the expected loss in case of default, determined according to the method in line with that used by Natixis. The Group intends to implement a conservative estimate, given that:

- the percentage applied by the Group (9%) is higher than the rate currently required by banking regulations (8%); and
- German and Polish local regulators (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital which totalled, as of December 31, 2015, €1,962 million.

At December 31, 2015, the hedge rate of the required capital (ratio between the Group's available capital and its required capital for insurance and factoring), therefore amounted to 147% (versus 144% at the end of 2014 estimated on the basis of the economic capital and after taking into account the subordinated debt issue of March 2014).

The economic capital model was developed by Coface to monitor its solvency in anticipation of the establishment of the Solvency II regulatory framework. As an intermediary approach between the internal model under discussion with the ACPR and the standard formula, this model made it possible to estimate the risk of loss with 99.5% probability and took into account the major risks associated with the Group's business (in the same way as the Solvency II standard formula): risks linked to pricing and establishment of provisions, market risks and operational risk. Unlike the Solvency II standard formula, the economic capital model was based on a certain number of approximations, and on parameters calibrated according to the history of the Coface Group's business and the "point in time" economic cycle. In 2015, Coface calculated its solvency ratio using the model applicable under Solvency II and no longer uses the economic capital model.

The table below presents the items for calculating the capital requirement hedge ratio in the Group's standard formula ⁽¹⁾:

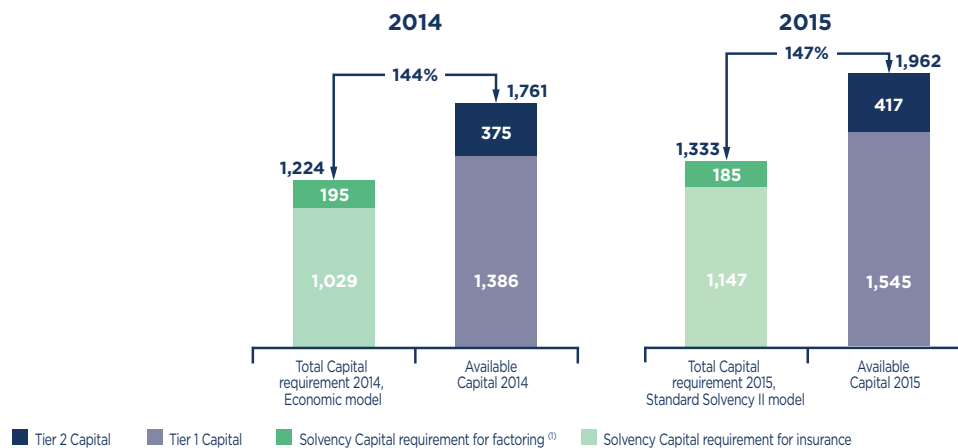
| (in millions of euros) | AS OF DECEMBER 31, 2015 |
|--|-------------------------|
| Total equity | 1,767 |
| - Goodwill and other intangible assets (net of deferred taxes) | -201 |
| + Revaluation of provisions using the best estimate method (net of deferred taxes) | +147 |
| - Consolidation under the equity method of non-consolidated subsidiaries (net of deferred taxes) | -76 |
| +/- Other adjustments* | -17 |
| - Estimation of dividend distribution in 2016 | -75 |
| + Subordinated debt (valued at market value) | 417 |
| = SOLVENCY II AVAILABLE OWN FUNDS (A) | 1,962 |
| Capital requirement - Insurance (SCR in standard formula) (B) | 1,147 |
| Capital requirement - Factoring (C) | 185 |
| STANDARD CAPITAL REQUIREMENT FORMULA (D)=(B)+(C) | 1,333 |
| HEDGE RATE (E)=(A)/(D) | 147% |

* Primarily related to the revaluation of certain balance sheet items.

Furthermore the Group is currently working on a partial internal model as part of the implementation of Solvency II. Talks are in progress with the ACPR to validate its partial internal model designed to calculate, depending on the

management of risks specific to Coface Group, its equity needs under Solvency II (see also paragraph 5.1.1.4 "Risks linked to the implementation of Solvency II").

Solvency II margin



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

3.5.3 RETURN ON EQUITY

The return on equity ratio is used to measure the return on the Group's invested capital. Return on average tangible equity (or **RoATE**) is the ratio between net attributable income and the average of attributable accounting equity excluding intangible items (intangible asset values).

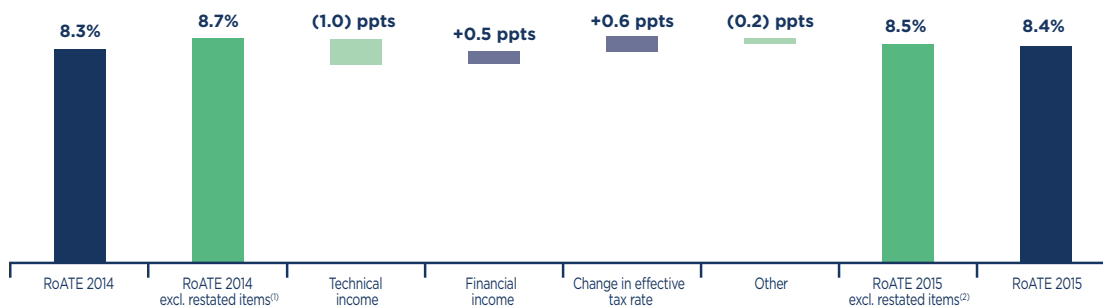
(1) As the Solvency II Standard formula is interpreted by Coface.

The table below presents the elements used to calculate the Coface Group's RoATE over the 2014-2015 period:

| <i>(in millions of euros)</i> | AS OF DECEMBER 31 | |
|--|-------------------|-------|
| | 2015 | 2014 |
| Accounting equity (attributable to owners of the parent) - A | 1,761 | 1,718 |
| Intangible assets - B | 224 | 232 |
| Tangible equity - C (A-B) | 1,537 | 1,486 |
| Average tangible equity - D $([C_n + C_{n-1}]/2)$ | 1,511 | 1,513 |
| Net attributable income for the year - E | 126 | 125 |
| RoATE - E/D | 8.4% | 8.3% |

In order to analyse the change in return on equity between 2014 and 2015, this ratio was recalculated based on the net income, excluding exceptional items:

| <i>(in millions of euros)</i> | AS OF DECEMBER 31 | |
|---|--------------------|--------------------|
| | 2015 | 2014 |
| Accounting equity (attributable to owners of the parent) - A | 1,761 | 1,718 |
| Intangible assets - B | 224 | 232 |
| Equity, net of intangible assets, recalculated based on the net income excluding exceptional items - C (A-B+F-E) | 1,540 | 1,493 |
| Average equity, net of intangible assets recalculated based on the net income excluding exceptional items - D $([C_n + C_{n-1}]/2)$ | 1,516 | 1,510 |
| Net attributable income for the year - E | 126 | 125 |
| Net attributable income for the year excluding exceptional items - F | 129 ⁽¹⁾ | 132 ⁽²⁾ |
| RoATE excluding exceptional items - F/D | 8.5% | 8.7% |



(1) 2014 net attributable income restated to take into account the cost of the stock market listing and other exceptional items.
 (2) 2015 net attributable income restated to take into account exceptional items.

3.5.4 OFF-BALANCE SHEET COMMITMENTS

Most of the Group's off-balance sheet commitments concern credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets. The table below presents the details of the Group's off-balance sheet commitments for the 2014-2015 period:

| <i>(in thousands of euros)</i> | DEC. 31, 2015 | RELATED TO SCOPE OF ENTITIES | RELATED TO FINANCING | RELATED TO ACTIVITY |
|--|------------------|------------------------------|----------------------|---------------------|
| COMMITMENTS GIVEN | 924,417 | 5,569 | 911,348 | 7,500 |
| Endorsements and letters of credit | 909,853 | | 909,853 | |
| Property guarantees | 7,500 | | | 7,500 |
| Financial commitments in respect of equity interests | 5,569 | 5,569 | | |
| Obligations under finance leases | 1,495 | | 1,495 | |
| COMMITMENTS RECEIVED | 1,228,810 | 2,776 | 958,900 | 267,134 |
| Endorsements and letters of credit | 121,146 | | | 121,146 |
| Guarantees | 145,989 | | | 145,989 |
| Credit lines linked to commercial paper | 600,000 | | 600,000 | |
| Credit lines linked to factoring | 358,900 | | 358,900 | |
| Financial commitments in respect of equity interests | 2,776 | 2,776 | | |
| GUARANTEES RECEIVED | 409,216 | 0 | 0 | 409,216 |
| Securities lodged as collateral by reinsurers | 409,216 | | | 409,216 |
| FINANCIAL MARKET TRANSACTIONS | 55,699 | | | 55,699 |

| <i>(in thousands of euros)</i> | DEC. 31, 2014 | RELATED TO SCOPE OF ENTITIES | RELATED TO FINANCING | RELATED TO ACTIVITY |
|--|------------------|------------------------------|----------------------|---------------------|
| COMMITMENTS GIVEN | 419,655 | 282 | 411,873 | 7,500 |
| Endorsements and letters of credit | 410,100 | | 410,100 | |
| Property guarantees | 7,500 | | | 7,500 |
| Financial commitments in respect of equity interests | 282 | 282 | | |
| Obligations under finance leases | 1,773 | | 1,773 | |
| COMMITMENTS RECEIVED | 1,086,961 | 2,500 | 834,000 | 250,461 |
| Endorsements and letters of credit | 115,737 | | | 115,737 |
| Guarantees | 134,724 | | | 134,724 |
| Credit lines linked to commercial paper | 500,000 | | 500,000 | |
| Credit lines linked to factoring | 334,000 | | 334,000 | |
| Financial commitments in respect of equity interests | 2,500 | 2,500 | | |
| GUARANTEES RECEIVED | 305,323 | 0 | 0 | 305,323 |
| Securities lodged as collateral by reinsurers | 305,323 | | | 305,323 |
| FINANCIAL MARKET TRANSACTIONS | 2,776 | | | 2,776 |

Guarantees and letters of credit totalling €909,853 thousand as of December 31, 2015, correspond primarily to:

- a joint guarantee for investors in COFACE SA subordinated bonds for €380,000 thousand (10-year maturity);
- as well as €500,000 thousand corresponding to the joint guarantee given to the banks financing the factoring business.

Collateral concerning Coface Ré for €104,639 thousand and Compagnie française pour le commerce extérieur for €304,577 thousand.

Credit lines amounted to €600 million for the year ended December 31, 2015, corresponding to the bilateral credit lines set up in the context of the Group's commercial paper issuance programme for €600 million (see paragraph 3.5.1 "Debt and sources of financing for the Group").

3.6 Events after December 31, 2015

The Coface Board meeting held on January 15, 2016 and chaired by Laurent Mignon decided to appoint Xavier Durand to the position of Chief Executive Officer (CEO). This appointment took effect after the Board meeting of February 9, 2016, held to approve the financial statements for 2015. Jean-Marc Pillu served as Chief Executive Officer until that date.

This announcement had no impact on Coface's financial statements for December 31, 2015.

On February 9, 2016, Coface established with BNP Paribas Arbitrage a contingent capital line of €100 million, for a

period of three years (that can be reduced to two years at the discretion of COFACE), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

The contingent capital line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to strengthen its financial robustness to protect its business against extreme risks.

3.7 Outlook

3.7.1 ECONOMIC ENVIRONMENT ⁽¹⁾

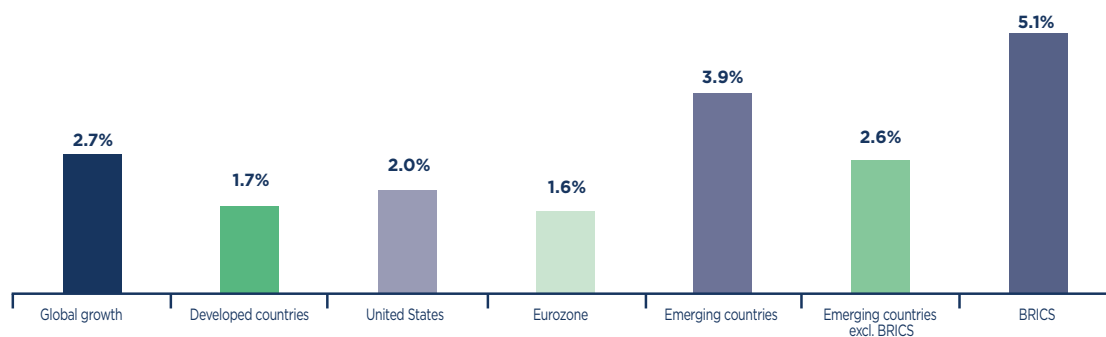
Global growth should be slightly higher in 2016 (2.7%) compared to 2015, thanks to the gradual business recovery in emerging economies (+3.9% after +3.4%) and moderate growth in leading countries (+1.7% after +1.9%).

In 2016, among advanced economies, the United States (2.0%) and the United Kingdom (1.8%) will perform better than the major eurozone economies (1.6%), excluding Spain. Vigorous domestic demand will continue to drive growth in both economies. However, political uncertainties loom over both countries in 2016: the presidential elections in the United States and the referendum on the UK's exit from the European Union (Brexit), which might adversely impact investor confidence. More robust growth is expected in the eurozone, spurred by consumption and investment. Exogenous factors (foreign exchange, interest rates and oil) will also continue to maintain buoyant activity. In France, growth is expected to be more dynamic (1.4%) as suggested by the decline in the number of defaults. In Germany, business should be slightly more dynamic (1.5%), thanks in particular to higher salaries and the budget spending on

hosting arrangements for the refugees. In Italy, restored investor and household confidence should continue to drive growth (1.1%).

Emerging countries should have more sustained growth in 2016 than in 2015, albeit below their pre-crisis levels. In China, business will continue to slow down (+6.5%), against a backdrop of rebalancing towards private consumption and gradual financial liberalisation as well as still pressing structural imbalances: high debt, the existence of overcapacities in many industrial sectors, and more. South Africa should record a less dynamic growth (+0.6%) compared to 2015, owing to higher interest rates and the political instability affecting business, while the infrastructure deficit persists. Growth outlook for Brazil and Russia is still very gloomy (-3.0% and -1.5% respectively) mainly due to low commodities prices, high inflation and political instability in Brazil. India will continue to benefit from the positive factors that supported growth in 2015. Lastly, in the Middle East, the recent spike in tensions between Iran and Saudi Arabia constitutes a destabilising factor for the region.

GDP GROWTH (as a %): 2016 (source Coface)



(1) Group estimates updated March 24, 2016

3.7.2 OUTLOOK FOR THE GROUP

The macro-economic context is demanding (sluggish growth in advanced countries, higher risks in emerging countries, and volatile financial markets). We do not expect any significant change to this situation in 2016. In the absence of a significant rebound in global activity, and considering the transfer of the public procedures management business, Coface is unlikely to achieve the growth and profitability goals set two years ago, by 2016.

However, we stand by the Coface business model, its financial strength and its earnings distribution outlook, at around 60%.

As such, the priorities will be as follows:

- regarding risks: we adjusted our risk exposures between 2014 and 2015, and will continue to do so whenever necessary; the effects of these adjustments will become evident over time;
- regarding costs: we will study and implement the structural adaptations necessary to improve the Group's operational efficiency; and lastly
- we will find the levers and identify the resources that will help to boost the Group's commercial activity.

After Xavier Durand, the new Chief Executive Officer (CEO) appointed on February 9, 2016, settles into his new position, he will launch a process to define the actions to be implemented to strengthen the profitable development of Coface in the long term.

3.8 Appendix – Operating indicators at December 31

In the course of its business, and in addition to the financial information published in accordance with IFRS, the Group tracks certain key operating ratios that provide an understanding of the Group's performance and profitability of its products. They are described at paragraph 3.3.2 "Operating indicators" of this registration document.

3.8.1 CALCULATION OF RATIOS AS OF DECEMBER 31

| (in thousands of euros) | NOTE | AS OF DECEMBER 31 | |
|--|------|-------------------|------------------|
| | | 2015 | 2014 * |
| Gross earned premiums excluding policyholders' bonuses and rebates | 25 | 1,267,433 | 1,231,036 |
| Premium refunds | 25 | -81,497 | -98,309 |
| Gross earned premiums | 25 | 1,185,936 | 1,132,727 |
| Fee and commission income | 25 | 135,679 | 134,014 |
| <i>of which Fees and commission income</i> | 25 | 125,550 | 124,756 |
| <i>of which Other insurance-related services</i> | 25 | 10,129 | 9,259 |
| Remuneration for public procedures management services | 25 | 59,969 | 62,541 |
| Services | 25 | 37,348 | 40,631 |
| <i>of which Information and other services</i> | 25 | 25,262 | 25,264 |
| <i>of which Receivables management</i> | 25 | 12,086 | 15,367 |
| Net income from banking activities (Factoring) | 25 | 70,599 | 70,623 |
| Revenue | 25 | 1,489,531 | 1,440,536 |
| Claims expenses | 26 | -605,344 | -538,727 |
| <i>of which Claims expenses</i> | | -605,344 | -538,727 |
| Income from ceded reinsurance | 29 | 214,300 | 198,013 |
| <i>of which Ceded claims</i> | 29 | 121,801 | 102,497 |
| <i>of which Commissions paid by reinsurers</i> | 29 | 92,499 | 95,515 |

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

| <i>(in thousands of euros)</i> | NOTE | AS OF DECEMBER 31 | |
|---|------|-------------------|-----------------|
| | | 2015 | 2014 * |
| Expenses from ceded reinsurance | 29 | -265,710 | -266,673 |
| <i>of which Ceded premiums</i> | 29 | -284,488 | -288,309 |
| <i>of which Ceded policyholders' bonuses and rebates</i> | 29 | 18,779 | 21,636 |
| Policy acquisition costs | 28 | -274,048 | -262,880 |
| Administrative costs | 28 | -269,956 | -269,118 |
| Other current operating expenses | 28 | -81,652 | -74,509 |
| Investment management expenses | 28 | -2,124 | -2,039 |
| <i>of which Insurance</i> | 28 | -2,124 | -2,039 |
| Claims handling expenses | 28 | -26,460 | -25,744 |
| <i>of which Insurance</i> | 28 | -26,460 | -25,744 |
| Expenses from banking activities, excluding cost of risk | 28 | -14,094 | -11,066 |
| Expenses from other activities | 28 | -44,892 | -47,338 |
| Overheads including expenses from other activities | 28 | -713,226 | -692,693 |
| <i>of which employee profit-sharing</i> | 28 | -7,439 | -7,497 |

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

RATIOS RELATING TO CREDIT INSURANCE AND SURETY BONDS GROSS EARNED PREMIUMS NET OF CANCELLATION

| | AS OF DECEMBER 31 | |
|-----------------------------------|-------------------|--------|
| | 2015 | 2014 * |
| Loss ratio before reinsurance | 51.0% | 47.6% |
| Loss ratio after reinsurance | 52.5% | 50.4% |
| Cost ratio before reinsurance | 31.5% | 30.9% |
| Cost ratio after reinsurance | 30.5% | 29.3% |
| Combined ratio before reinsurance | 82.5% | 78.4% |
| Combined ratio after reinsurance | 83.1% | 79.7% |

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

3.9 Appendix - investments outside the investment portfolio

Since 2012, the Group has mainly invested in property, plant and equipment relating to the organisation or refurbishment of the office properties used, as well as investments in IT equipment or licences. These investments, excluding deposits, surety bonds and the buildings used in the business, amounted to €10.4 million at December 31, 2012, and €20.5 million at December 31, 2013 (of which around €15 million linked to the refurbishment of the Group's head office). At December 31, 2014, the amounts were considered immaterial.

During the period ended December 31, 2015, the Group continued with one-off investments relating to its property, plant and equipment for in the amount of €7.9 million.