Consolidated financial statements

Preliminary version, unaudited financial statements – under audit

free translation

December, 31 2016

CONTENTS

Consolidated balance sheet ... 3
Consolidated income statement ... 5
Consolidated statement of comprehensive income ... 6
Statement of changes in equity ... 7
Consolidated statement of cash flows ... 8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT ... 9
Basis of preparation ... 9
Note 1. Significant events ... 10
Note 2. Scope of consolidation ... 12
Note 3. Accounting principles ... 18
NOTE TO THE CONSOLIDATION BALANCE SHEET ... 36
Note 4. Goodwill ... 36
Note 5. Other intangible assets ... 38
Note 6. Insurance business investments ... 39
Note 7. Receivables arising from banking and other activities ... 44
Note 8. Investments in associates ... 45
Note 9. Tangible assets ... 45
Note 10. Receivables arising from insurance and reinsurance operations ... 47
Note 11. Other assets ... 47
Note 12. Cash and cash equivalents ... 48
Note 13. Share capital ... 48
Note 14. Share-based payments ... 48
Note 15. Revaluation reserves ... 50
Note 16. Provisions for liabilities and charges ... 50
Note 17. Employee benefits ... 52
Note 18. Financing liabilities ... 56
Note 19. Liabilities relating to insurance contracts ... 58
Note 20. Payables arising from banking sector activities ... 58
Note 21. Deferred tax ... 58
Note 22. Payables arising from insurance and reinsurance ... 60
Note 23. Other liabilities ... 60
NOTE TO THE CONSOLIDATION PROFIT AND LOSS ... 61
Note 24. Consolidated revenue ... 61
Note 25. Claim expenses ... 62
Note 26. Expenses from banking activities ... 63
Note 27. Overheads by function ... 63
Note 28. Income and expenses from ceded reinsurance ... 64
Note 29. Investment income, net of management expenses (excluding finance costs) ... 64
Note 30. Other operating income and expenses ... 65
Note 31. Share in net income of associates ... 66
Note 32. Income tax expense ... 67
OTHER INFORMATION ... 68
Note 33. Breakdown of net income by segment ... 68
Note 34. Earnings per share ... 71
Note 35. Group's headcount ... 71
Note 36. Related parties ... 71
Note 37. Key management compensation ... 74
Note 38. Breakdown of audit fees ... 74
Note 39. Off-balance sheet commitments ... 75
Note 40. Operating leases ... 76
Note 41. Relationship between parent company and subsidiaries ... 76
Note 42. Operations carried out on behalf of the French government ... 77
Note 43. Events after the reporting period ... 77
Note 44. Risk management ... 78

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(in thousands of euros)

ASSETS	Notes	Dec. 31, 2016	Dec. 31, 2015
Intangible assets		**215,708**	**224,307**
Goodwill	**4**	156,214	155,467
Other intangible assets	**5**	59,494	68,840
Insurance business investments	**6**	**2,751,091**	**2,648,119**
Investment property	**6**	787	800
Held-to-maturity securities	**6**	2,740	3,721
Available-for-sale securities	**6**	2,593,953	2,512,526
Trading securities	**6**	69,696	55,468
Derivatives	**6**	2,975	6,123
Loans and receivables	**6**	80,940	69,481
Receivables arising from banking and other activities	**7**	**2,481,525**	**2,370,902**
Investments in associates	**8**	**13,411**	**20,258**
Reinsurers' share of insurance liabilities	**19**	**341,347**	**327,986**
Other assets		**926,344**	**894,121**
Buildings used in the business and other property, plant and equipment	**9**	57,484	65,107
Deferred acquisition costs	**11**	46,393	44,043
Deferred tax assets	**21**	71,973	57,538
Receivables arising from insurance and reinsurance operations	**10**	528,273	518,970
Trade receivables arising from other activities	**11**	14,849	14,238
Current tax receivables	**11**	69,126	68,937
Other receivables	**11**	138,246	125,288
Cash and cash equivalents	**12**	**332,071**	**396,837**
TOTAL ASSETS		**7,061,497**	**6,882,530**

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Dec. 31, 2016	Dec. 31, 2015
Equity attributable to owners of the parent		**1,755,177**	**1,760,954**
Share capital	**13**	314,496	786,241
Additional paid-in capital		810,420	347,371
Retained earnings		501,734	442,231
Other comprehensive income		86,996	58,872
Consolidated net income for the year		41,531	126,239
Non-controlling interests		**5,490**	**6,073**
Total equity		**1,760,667**	**1,767,027**
Provisions for liabilities and charges	**16**	**151,074**	**114,234**
Financing liabilities	**18**	**390,044**	**392,594**
Liabilities relating to insurance contracts	**19**	**1,678,249**	**1,514,862**
Payables arising from banking sector activities	**20**	**2,409,691**	**2,369,662**
Amounts due to banking sector companies	**20**	452,144	352,379
Amounts due to customers of banking sector companies	**20**	366,363	404,218
Debt securities	**20**	1,591,184	1,613,065
Other liabilities		**671,772**	**724,151**
Deferred tax liabilities	**21**	104,500	144,266
Payables arising from insurance and reinsurance operations	**22**	191,911	241,339
Current taxes payable	**23**	110,847	111,527
Derivative instruments with a negative fair value	**23**	7,508	6,752
Other payables	**23**	257,006	220,267
TOTAL EQUITY AND LIABILITIES		**7,061,497**	**6,882,530**

Consolidated income statement

(in thousands of euros)

	Notes	Dec. 31, 2016	Dec. 31, 2015
Revenue	**24**	**1,411,297**	**1,489,530**
Gross written premiums		1,202,440	1,269,082
Premium refunds		(92,876)	(81,497)
Net change in unearned premium provisions		5,576	(1,650)
Earned premiums	**24**	**1,115,140**	**1,185,935**
Fee and commission income	**24**	**128,795**	**125,550**
Net income from banking activities	**24**	**70,619**	**70,599**
Cost of risk	**26**	(4,222)	(4,696)
Revenue or income from other activities	**24**	**96,743**	**107,446**
Investment income, net of management expenses	**29**	*46,927*	*50,245*
Gains and losses on disposals of investments	**29**	*1,105*	*2,846*
Investment income, net of management expenses (excluding finance costs)	**29**	**48,032**	**53,091**
Total revenue and income from ordinary activities		**1,455,107**	**1,537,925**
Claims expenses	**25**	(705,655)	(605,344)
Expenses from banking activities, excluding cost of risk	**26 ; 27**	(13,193)	(14,094)
Expenses from other activities	**27**	(44,379)	(44,892)
Income from ceded reinsurance	**28**	*239,940*	*214,300*
Expenses from ceded reinsurance	**28**	*(257,539)*	*(265,710)*
Income and expenses from ceded reinsurance	**28**	(17,599)	(51,410)
Policy acquisition costs	**27**	(255,289)	(274,048)
Administrative costs	**27**	(275,095)	(269,956)
Other current operating expenses	**27**	(83,004)	(81,652)
Total current income and expenses		**(1,394,214)**	**(1,341,396)**
CURRENT OPERATING INCOME		**60,893**	**196,529**
Other operating expenses	**30**	(54,945)	(5,490)
Other operating income	**30**	108,441	1,258
OPERATING INCOME		**114,389**	**192,297**
Finance costs		(18,373)	(18,491)
Share in net income of associates	**31**	(5,838)	2,157
Income tax expense	**32**	(48,124)	(48,836)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**42,054**	**127,127**
Non-controlling interests		(523)	(888)
NET INCOME FOR THE YEAR		**41,531**	**126,239**
Earnings per share (€)	**34**	0,26	0,80
Diluted earnings per share (€)	**34**	0,26	0,80

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	Dec. 31, 2016	Dec. 31, 2015
Net income for the period		**41,531**	**126,239**
Non-controlling interests		523	888
Other comprehensive income			
Currency translation differences reclassifiable to income		**12,413**	**2,328**
Reclassified to income		0	0
Recognised in equity		12,413	2,328
Fair value adjustments on available-for-sale financial assets	**6 ; 15 ; 21**	**20,727**	**(13,901)**
Reclassified to income – gross		1,906	(4,490)
Reclassified to income – tax effect		(1,328)	1,525
Recognised in equity – reclassifiable to income – gross		29,751	(9,465)
Recognised in equity – reclassifiable to income – tax effect		(9,602)	(1,471)
Fair value adjustments on employee benefit obligations	**15 ; 17 ; 21**	**(5,378)**	**3,978**
Recognised in equity – not reclassifiable to income – gross		(7,811)	5,890
Recognised in equity – not reclassifiable to income – tax effect		2,433	(1,912)
Other comprehensive income for the period, net of tax		**27,762**	**(7,595)**
Total comprehensive income for the period		**69,816**	**119,532**
- attributable to owners of the parent		69,654	119,910
- attributable to non-controlling interests		162	(378)

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Primes	Réserves consolidées	Treasury shares	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
						Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2014 restated IFRIC 21		**786,241**	**422,831**	**319,208**	**(709)**	**(20,681)**	**107,264**	**(21,382)**	**125,025**	**1,717,797**	**6,737**	**1,724,534**
2014 net income to be appropriated				125 025					(125,025)			
Payment of 2014 dividends in 2015			(75,460)							(75,460)	(697)	(76,157)
Total transactions with owners		**(0)**	**(75,460)**	**125,025**	**(0)**	**(0)**	**(0)**	**(0)**	**(125,025)**	**(75,460)**	**(697)**	**(76,157)**
December 31, 2015 net income									126,239	126,239	888	127,127
Fair value adjustments on available-for-sale financial assets recognized in equity							(10,164)			(10,164)	(771)	(10,935)
Fair value adjustments on available-for-sale financial assets reclassified to income							(2,822)			(2,822)	(144)	(2,966)
Change in actuarial gains and losses (IAS 19R)								3,978		3,978	0	3,978
Currency translation differences						2,679				2,679	(351)	2,328
Treasury shares elimination					(1,934)					(1,934)		(1,934)
Free share plans expenses				641						641		641
Transactions with shareholders											411	411
Equity at December 31, 2015		**786,241**	**347,371**	**444,874**	**(2,643)**	**(18,002)**	**94,278**	**(17,404)**	**126,239**	**1,760,954**	**6,073**	**1,767,027**
Reduction of the value of shares		(471,745)	471,745									
2015 net income to be appropriated				126,239					(126,239)			
Payment of 2015 dividends in 2016			(8,696)	(66,616)						(75,312)	(771)	(76,083)
Total transactions with owners		**(471,745)**	**463,049**	**59,623**	**(0)**	**(0)**	**(0)**	**(0)**	**(126,239)**	**(75,312)**	**(771)**	**(76,083)**
December 31, 2016 net income									41 531	41,531	523	42,054
Fair value adjustments on available-for-sale financial assets recognized in equity	6 ; 15 ; 17 ; 21						20,745			20,745	(596)	20,149
Fair value adjustments on available-for-sale financial assets reclassified to income	6 ; 15 ; 17 ; 21						578			578		578
Change in actuarial gains and losses (IAS 19R)								(5,378)		(5,378)		(5,378)
Currency translation differences						12,179				12,179	234	12,413
Treasury shares elimination					(327)					(327)		(327)
Free share plans expenses				207						207		207
Transactions with shareholders											27	27
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**	**(5,823)**	**115,601**	**(22,782)**	**41,531**	**1,755,177**	**5,490**	**1,760,667**

Consolidated statement of cash flows

(in thousands of euros)	Notes	Dec. 31, 2016	Dec. 31, 2015
Net income for the period	**34**	**41,531**	**126,239**
Non-controlling interests		523	888
Income tax expense		48,124	48,837
+/- Share in net income of associates	8	5,838	(2,157)
Finance costs		18,373	18,491
Operating income (A)		**114,389**	**192,298**
+/- Depreciation, amortization and impairment losses	5 ; 6.1 ; 9 ; 16	51,148	21,030
+/- Net additions to/reversals from technical provisions	19	140,474	23,452
+ Dividends received from associates	8	1,008	900
+/- Unrealized foreign exchange income / loss		8,340	41,095
+/- Non-cash items		37,896	37,840
Total non-cash items (B)		***238,866***	***124,317***
Gross cash flows from operations (C) = (A) + (B)		***353,255***	***316,614***
Change in operating receivables and payables		(60,418)	12,615
Net taxes paid		(89,060)	(73,228)
Net cash related to operating activities (D)		***(149,478)***	***(60,612)***
Increase (decrease) in receivables arising from factoring operations		(117,473)	(127,616)
Increase (decrease) in payables arising from factoring operations		(59,736)	100,207
Increase (decrease) in factoring liabilities		106,219	52,281
Net cash generated from banking and factoring operations (E)	***7 - 20***	***(70,990)***	***24,873***
Net cash generated from operating activities (F) = (C+D+E)		**132,787**	**280,875**
Acquisitions of investments	6	(1,608,009)	(2,027,373)
Disposals of investments	6	1,510,745	1,976,835
Net cash used in movements in investments (G)		***(97,264)***	***(50,538)***
Acquisitions of consolidated subsidiaries, net of cash acquired			
Disposals of consolidated companies, net of cash transferred			
Net cash used in changes in scope of consolidation (H)			
Disposals of property, plant and equipment and intangible assets	5 ; 9	(8,210)	(7,931)
Acquisitions of property, plant and equipment and intangible assets	5 ; 9	250	2,253
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***(7,960)***	***(5,678)***
Net cash used in investing activities (J) = (G+H+I)		**(105,224)**	**(56,216)**
Proceeds from the issue of equity instruments			
Treasury share transactions		(327)	(1,781)
Dividends paid to owners of the parent		(75,312)	(75,460)
Dividends paid to non-controlling interests		(771)	(697)
Cash flows related to transactions with owners		***(76,410)***	***(77,938)***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments	18	(2,882)	(2,759)
Interests paid		(17,911)	(18,048)
Cash flows related to the financing of Group operations		***(20,793)***	***(20,807)***
Net cash generated from (used in) financing activities (K)		**(97,203)**	**(98,745)**

Impact of changes in exchange rates on cash and cash equivalents (L)		**4 874**	**(7,702)**

Net increase in cash and cash equivalents (F+J+K+L)		**(64,766)**	**118,213**
Net cash generated from operating activities (F)		132,787	280,875
Net cash used in investing activities (J)		(105,224)	(56,216)
Net cash generated from (used in) financing activities (K)		(97,203)	(98,745)
Impact of changes in exchange rates on cash and cash equivalents (L)		4,874	(7,702)

Cash and cash equivalents at beginning of period	**12**	**396,837**	**278,624**
Cash and cash equivalents at end of period	**12**	**332,071**	**396,837**
Net change in cash and cash equivalents		**(64,766)**	**118,213**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Basis of preparation

These IFRS consolidated financial statements of the Coface Group as at December 31, 2016 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union[1]. They are detailed in the note 3 "Applicable Accounting Standards" of the present consolidated financial statements as at December 31, 2016.

They are presented with comparative financial information at December 31, 2015.

These IFRS consolidated financial statements for the year ended December 31, 2016 have been reviewed by the Coface Group's Board of Directors on February 8, 2017 subject to the approval of the General shareholder assembly of May 17, 2017.

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

Note 1. Significant events

Governance evolution

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

The severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors of January 15th, 2016, amounts to €2,612 thousand and it is recorded on the financial statements of the year-end 2016.

New organization in Europe

Coface Group's Exec team decided to adjust the regional structure in Europe in order to rebalancing the regions and giving them greater geographic coherence.

The regional structure of Coface Group is adjusted as follows:

- Spain and Portugal, previously included in WER now are managed by MAR
- Russia, previously included in NER jointed CER

Contingent capital

Coface established with BNP Paribas Arbitrage, on February 9th, 2016, a contingent capital line of €100 million, for a period of three years (that can be reduced to two years at the discretion of COFACE), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

This 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.

Management of State export credit guarantees

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on 31st December 2016. The teams and IT systems dedicated to this activity were transferred to Bpifrance as of 2nd January 2017.

Management of French State export guarantees - or public guarantees - was a service that Coface carried out on behalf of the French State. In 2015, the activity represented 4% of Coface's consolidated turnover.

In consideration for this transfer, Coface received an indemnity payment corresponding to a non-recurring gain of a pre-tax amount of €75m recognized in the accounts of the year 2016.

Financial strength affirmed by rating agencies

Moody's and Fitch reaffirmed the financial strength ratings (IFS) of the Group, AA- and A2 respectively (stable outlook), on September, 29 and November, 28 2016.

Referendum of June 23rd 2016 : Brexit

The vote that took place on 23rd June 2016 in favour of the United Kingdom leaving the European Union , had for immediate consequence a fall of the exchange rate of the british pound and a rise of the uncertainties and the volatility on financial markets.

In the short term, the Group anticipates that this rise of the risks weakens more particularly certain sectors and took many adjustment measures of its exposures (construction, importers, intermediaries, recruitment). The Group also took adjustment measures of its exposures to financial risks.

In the medium term, Coface considers that the consequences of the referendum, in particular the negotiation of the trade agreement between the United Kingdom and the European Union, will be determining as for the future evolution of the risks;Coface adjust its monitoring of the risk accordingly.

Reduction of the value of shares

The Board of Directors' meeting of July 27, 2016 decided to reduce the par value of the share to €2 from €5. The purpose of this operation is to redefine the value of the share and bring it to a level comparable to that of most peer companies.

Accordingly, the share capital is reduced by €471,744,696 and has dropped from €786,241,160 to €314,496,464. This decision does not change the number of shares comprising the share capital, namely 157,248,232 shares.

Fit to Win strategic plan

The Group presented its new strategic plan called *Fit to Win* during its first Investor day organised in London on September 22,2016. *Fit to Win* aims at positioning Coface as the most agile global trade-credit partner in the industry, while evolving to a more capital efficient business model.

With a 3-year time horizon, *Fit to Win* aims to restore Coface financial performance through three operational transformation drivers:

(a) reinforcing our risk management expertise and infrastructure - especially in emerging markets

(b) driving operational efficiency under a client-centric business model and

(c) differentiating our approach to growth in each one of the markets we are operating in prioritizing value creation over growth for growth.

Once fully implemented, *Fit to Win* is targeting to position Coface to deliver a return on average tangible equity of above 9% across the cycle.

This objective is based on i) a combined ratio of 83% through the cycle; and, ii) cost savings of 30 million euros in 2018, to compensate the loss of the public guarantees activity. It also aims to pursue an attractive dividend policy for Coface's shareholders of at least 60% of its net income. This policy shall be supported by a robust financial situation characterized by (i) a solvency ratio between 140% -160%; and, (ii) a minimum A rating by Fitch and Moody's

The impacts of the *Fit to Win* strategic plan on the financial statements are presented in the note 30 Other operating income and expenses and in the note 16 Provisions for liabilities and charges.

Note 2. Scope of consolidation

Change in the scope of consolidation in 2016

First-time consolidation

Fonds Lausanne 2 Bis mutual fund (Fonds Communs de Placement or FCP) owned by Coface Ré has been created during the 3rd quarter 2016.

Exit from consolidation scope

Fonds Colombes 6 Bis mutual fund (Fonds Communs de Placement or FCP) owned by Coface Europe has been sold during the 4th quarter 2016.

Moreover, some changes in the affectation by geographical zone have been made during 2016 financial year: (Cf. Note 1 Significant events).
Coface Russia Insurance Company, a subsidiary hold by Compagnie Française d'Assurance pour le Commerce Extérieur, has been transferred from Northern Europe region to Central Europe region.
Coface Iberica and Coface Portugal, both branches of Compagnie Française d'Assurance pour le Commerce Extérieur as well as the Services entity Coface Servicios España have been also transferred from Western Europe region to Mediterranean and Africa region.

Special purpose entities

SPEs used for the credit insurance business
Coface's credit enhancement operations consist of insuring, via a special purpose entity (SPE), receivables securitised by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.
Coface does not sponsor securitisation arrangements. It plays the role of mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the financial statements at December 31, 2015.

SPEs used for financing operations
Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).
Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French SPV (special purpose vehicle), the FCT Vega securitisation fund. The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).
The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (asset-backed commercial paper) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the FCT.
The FCT Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations
The "Colombes" mutual funds were set up in 2013 to centralise the management of the Coface Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

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

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

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

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015

Northern Europe

Country	Entity	Consolidation Method	Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015
Germany	Coface Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 5 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Gmbh Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg Hauptstr. 131-137 65260 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation) 41 rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Country Bas	Coface Nederland Services Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 P.O. Box 3377 4800 DJ Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark Nygade 111 7430 Ikast	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Western Europe

Country	Entity	Consolidation Method	Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015
France	Coface SA (Ex-Coface Holding) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie Française d'Assurance pour le Commerce Extérieur (ex- Coface SA) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacredit Tour facto 18, rue Hoche 92988 Puteaux	Equity method	36.00%	36.00%	36.00%	36.00%
France	Cofinpar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015

Western Europe

Country	Entity	Consolidation Method	Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015
France	Fonds Colombes 2 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 2 bis 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 bis 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 ter 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 4 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 4 bis 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 5 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 5 bis 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 6 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 6 bis 90, Boulevard Pasteur 75015 Paris	Liquidated	NA	NA	100,00%	100,00%
Belgium	Coface Belgium Services Holding 100 Boulevard du Souverain 1170 Bruxelles	Full	100,00%	100,00%	100,00%	100,00%
Belgium	Coface Belgium 100, Boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Switzerland Rue Belle-Fontaine 18 ; CP 431 1001 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Ré Rue Belle-Fontaine 18 ; CP 431 1001 Lausanne	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 2 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 2 Bis 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 3 90, Boulevard Pasteur 75015 Paris	Full	100,00%	100,00%	100,00%	100,00%
UK	Coface UK Holding 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100,00%	100,00%	100,00%	100,00%
UK	Coface UK Services 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100,00%	100,00%	100,00%	100,00%

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015
Central Europe						
Austria	Coface Austria Services Stubenring 24 1011 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europ Holding Stubenring 24-2 A 1010 Vienna	Full	74.99%	74.99%	74.99%	74.99%
Austria	Coface Austria (ex- Coface Austria Holding AG) Stubenring 24 1011 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Coface Hungary Insurance Tűzoltó u. 57, H-1094 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland CMS Al.Jerozolimskie 136 PL-02-305 / Warszaw	Full	100.00%	74.99%	100.00%	74.99%
Poland	Coface Poland Factoring Al.Jerozolimskie 136 PL-02-305 / Warszaw	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Insurance Al. Jerozolimskie 136, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Czech Republic	Coface Czech Insurance I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Calea Floreasca 39, Et. 3 Sect.1 Bucharest	Full	100.00%	74.99%	100.00%	74.99%
Romania	Coface Romania Insurance Calea Floreasca 39, Et. 3 Sect.1, 014453, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Coface Slovakia Insurance Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuanie	LEID (Lithuania) Vilniaus str. 23 01402 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Coface Bulgaria Insurance 85/87, T. Alexandrov blvd 1303 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	Coface Russia Insurance Company Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str. 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Succursale) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	Business Data Information Coface (BDI Coface) 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Services Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B - 7º Piso, Fracção B.1 Edifício Europa 1070 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turquey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2016	Interest Dec. 31, 2016	Control Dec. 31, 2015	Interest Dec. 31, 2015
North America						
United States	Coface North America Holding Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumer Roadn Suite 910 Toronto - On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 México City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface Do Brasil Seguros De Credito Interno SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 - 12º Andar Brooklin Novo - Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile Nueva Tajamar 555. P17. Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Chile	Coface Chile SA Nueva Tajamar 555. Torre Costanera	Full	100.00%	100.00%	100.00%	100.00%
Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia Level 10, 68 York Street Sydney NSW 2000 GPO Box 129 Sydney NSW 2001	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong-Kong	Coface Hong Kong 29th Floor, No.169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japon Atago Green Hills MORI Tower 38F, 2-5-1 Atago, Minato-ku Tokyo 105-6238	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Singapore	Coface Singapour 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Taiwan	Coface Taiwan Room A5, 6F, N°16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Note 3. Accounting principles

3.1 Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union[2]. The same accounting principles and policies have been used for the financial statements of the year ended December 31, 2015 – apart from the following amendments applicable for the first time on or after January 1, 2016:

Legislation applicable since January 1, 2016

The amendment to IAS 19 “Employee Benefits” entitled “Defined Benefit Plans: Employee Contributions” adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment applies to the contributions paid by staff members or by third parties to defined benefit plans. The goal is to clarify and simplify the recognition of contributions that are independent of the employee’s years of service (*e.g.*: the contributions of staff members that are calculated by a fixed percentage of wages) which can be recognized as a reduction of cost of services provided for the period when the service is rendered, instead of being allocated to the services periods;

The amendment “Annual Improvements to IFRS 2010 – 2012 Cycle”, adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IAS 16 “Property, plant and equipment”, IAS 38 “Intangible Assets” and IAS 24 “Related-Party Disclosures” and IFRS 13 « Fair value measurement»;

The amendment to IFRS 11 “Joint Arrangements” entitled “Accounting for acquisitions of interests in joint operation” adopted by the European Commission on November 24, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarifies on how to account for the acquisition of an interest in a joint operation that constitute a business as defined under IFRS 3 “Business combinaison;

The amendment to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible assets” entitled “Clarification of acceptable methods of depreciation and amortization” adopted by the European Commission on December 2, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and is from now on forbidden for the tangible assets and intangible assets;

The amendment “Annual Improvements to IFRS 2012 – 2014 Cycle”, adopted by the European Commission on December 15, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits” and IAS 34 “Interim Financial Reporting”.

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

The amendment to IAS 1 “Presentation of Financial Statements” entitled “Initiative to improve presentation and disclosure in financial reports” adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendement is mainly designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

The amendment to IAS 27 “Consolidated and Separate Financial Statements” entitled “Equity method in separate financial statements” adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment reinstate the equity method, described in IAS 28 “Investments in Associates”, as an accounting option for investments in subsidiaries, joint ventures and associate’s in an entity’s separate financial statements.

The amendment to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 28 “Investments in Associates”, entitled “Investment Entities: Applying the Consolidation Exception” adopted by the European Commission on September 22, 2016 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. These amendments clarifies on how to account for the equity method to investments in associates and joint ventures.

Coface did not proceed to the early application of the texts adopted by the European Union at December 31, 2016 but not yet in force on that date. These include:

IFRS 15

The new standard IFRS 15 “Revenue from Contracts with Customers” adopted by the European Commission on September 22, 2016 and of mandatory application on or after January 1, 2018 according to transitional arrangements. IFRS 15 provides a framework that replaces existing revenue recognition guidance in IFRS. Under IFRS 15, an entity recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 applies to all contracts with customers except for, in particular, leases within the scope of IAS 17 Leases, insurance contracts within the scope of IFRS 4 Insurance Contracts, financial instruments within the scope of IFRS 9 Financial Instruments. If specific requirements regarding revenue or contract costs are provided by another standard, this one should be firstly applied. By default, IFRS 15 framework is to be applied. The IFRS 15 standard does not concern the insurance activity so it should have few impacts on the Group financial statements. The insurance activity will be impacted by the future standard IFRS 17.

IFRS 9

IFRS 9 standard “Financial Instruments”, was adopted by the European Commission on the 22nd of November, 2016 with mandatory application on the 1st of January 1, 2018. This new standard includes:

- For financial assets, a new approach of classification and assessment that reflects the economic model of management of the assets and the contractual cash flow characteristics. The standard provides 3 major financial asset classes: those measured at amortised cost, those measured at fair value through other components of comprehensive income and those measured at fair value through profit and loss. It removes the categories of IAS 39 (held until their maturity, loans and receivables, and available for sale)
- For debt instruments, the standard revises the distinction Amortized Cost / Fair Value using a logical approach driven by the business model and the contractual cash flow characteristics. The business model depends on way Coface manages its assets in order to generate cash flows and create value. Thus, only basic instruments which give rise, in specified dates, to the only flows of repayment of principal and payment of interests on the outstanding are eligible to the category amortized cost (if they are managed in a hold to collect contractual flows, or fair value throw other comprehensive income (OCI) if they are managed with the double aim to collect contractual flows and to sell. The

reserve of OCI is later recyclable in the income statement.

- For equity instruments, fair value throw profits and losses becomes the classification by default. A classification in fair value throw other comprehensive income remains possible on option and under certain conditions. The reserve of OCI is not recyclable in the income statement.
- A unique forward-looking impairment model, based, not on the occurred credit losses as under IAS 39, but on the expected credit losses (ECL) calculated on all the debt portfolios recorded at amortized cost or on the fair value by other comprehensive income (OCI recyclable). Within this new model, it will not be necessary anymore to identify an incurred defect to book an impairment. Generally, IFRS 9 standard requires booking expected losses over one year, and then secondly, if the credit risk increases significantly since the initial recognition, lifetime expected credit losses. Thirdly, if the credit risk downgrades to the point that the debt payment is threatened, expected losses are determined as the difference between the gross book value of the receivable and the future cash flows estimated discounted at the effective interest of origin of the asset.

Considering the importance of the changes brought by IFRS 9 standard, Coface leads works on implementation within a project organization bringing in all the businesses and the support functions concerned.

Works of analysis, conception and IT development have started on 2016, and should end during the year 2017. The end of the year 2017 will be then mainly dedicated to acceptance testing, finalization of models calibration, completion of documentation and adaptation of the processes required by the implementation of this new standard within the change management.

On the basis of the works led on the Classification and Measurement, it arises at this stage that the main part of the financial assets which were classified among available for sale category or among assets at fair value through profits and losses under IAS 39 will continue to be measured at fair value under IFRS 9. Also, financial assets which were booked at amortized cost under IAS 39 will continue to satisfy the conditions for a booking at amortized cost under IFRS 9.

The identified reclassifications, considering works led at this stage are the followings:

For portfolios of securities, reclassifications should concern mainly :

- Debt securities held within the liquidity reserve, which were booked under IAS 39 in assets available for sale, and which, being managed within the economic model of collect and sale will be reclassified to assets at the fair value through recyclable OCI;
- Parts of UCITS (Undertaking for Collective Investment in Transferable Securities) qualified as equity instruments under IAS 39 and classified in the category of assets available for sale, that are analyzed under IFRS 9 as debt instruments without basic characteristics , will be booked as financial assets at fair value through profits and losses ;
- Equity shares recorded among assets available for sale under IAS 39, that, as allowed by IFRS 9 standard, will be, on individualized option, either recorded as assets at fair value through profits and losses, or as assets at fair value though non recyclable OCI.

Reclassification between categories of financial assets at the amortized cost and financial assets at fair value should have a net impact on consolidated equity of Coface, because of the difference of measurement method of these assets. Calculations of impacts are being performed.

- Regarding the the new requirements on impairments:

Coface will use an impairment model based on the credit risk degradation measurement. Works on the implementation of the new process are being performed.

At the publication of Coface accounts at December 31s, 2017, information on first application of the standard will be known or reasonably estimated and can be precisely communicated and detailed.

Besides, information in appendices will respect IFRS 7 requirements amended by IFRS 9.

In application of the option allowed by IFRS 9, Coface does not plan to communicate comparative information for its financial statements.

IFRS 16

IFRS 16 “Leases” will supersede IAS 17 and currently existing leases guidance in IFRS. It is retrospectively effective for annual periods beginning on or after 1 January 2019 according to transitional arrangements, subject to its adoption by the European Commission. Under IFRS 16, the lease agreements definition implies identifying an asset on the one hand, and the lessee’s right to control the use of an identified asset, on the other. From the lessor’s point of view, the accounting remains substantially unchanged as compared with IAS 17. For the lessee, the standard requires to recognize the right-of-use lease asset at initial cost and the lease liability at present value of lease payments to be paid during lease agreement period. The right-of-use asset is to be depreciated and the lease liability is to be remeasured by discounting over the lease term. Interest on the lease liability is to be recognized in profit and loss and shown in “Interest expense”, whereas depreciation of the right-of-use asset is to be recorded in “Expenses from other activities”. In contrast, under current IAS 17, properties acquired under operating leases are not included in assets and associated lease payments are shown in “Expenses from other activities”.

Standard optional exceptions for short-term contracts or those on low value items. The Group did not take decision at this stage about its possible use of optional exceptions.

Coface, considering the significance of impact on “Other property, plant and equipment” and as a counterpart in the liabilities, is currently estimating the initial value of the right-of-use lease asset.

3.2 Consolidation methods used

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

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

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

IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” in relation to consolidated financial statements as well as SIC-12 on special purpose entities. The control of an entity must now be analysed through three aggregate criteria: the power on the relevant activities of the entity, exposure to the variable returns of the entity and the investor’s ability to affect the variable returns through its power over the entity. The analysis of Special Purpose Entities (SPE’s) from Coface Group is presented in the note 2 Scope of consolidation.

<u>Intercompany transactions</u>

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

3.3 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal

group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

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

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

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

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

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

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

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

3.4 Year-end and accounting period

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

3.5 Foreign currency translation

Translation of foreign currency transactions

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

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

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

Income statement items are translated using the average exchange rate for the year, which is considered as

approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

3.6 General principles

The insurance business

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

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

However, IFRS 4:

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

The services business

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

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

The factoring business

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

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

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

Breakdown by function of insurance company expenses

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

Public credit insurance procedures management

Until December 31, 2016, Compagnie française d'assurance pour le commerce extérieur managed the public credit insurance procedures for the French government. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the compensation received from the French government is reported under "Revenue or income from other activities". The corresponding costs are analysed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie française d'assurance pour le commerce

extérieur in connection with its private market insurance activities.

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

Factoring companies

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

Other companies outside the insurance business and factoring business

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

Revenue

Consolidated revenue includes:

- for the insurance business, earned premiums, net of cancellation, and premium refunds for direct business and inward reinsurance transactions, as well as fees for insurance-related services. This latter category covers fee and commission income for policies issued as well as fees for other services offered by insurance companies;
- the compensation received by Compagnie française d'assurance pour le commerce extérieur from the French government for its management of public credit insurance procedures. The terms and procedures applicable to the compensation paid by the French government are set out in the "Financial Agreement" signed between the French government and Compagnie française d'assurance pour le commerce extérieur. This agreement was terminated on 31 December, 2016 (see Note 1. Significant events);
- sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing customer access to credit and marketing information and debt collection services;
- factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and dispute management fees.

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

Insurance operations

Premiums

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

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

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

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

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms

designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

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

Reserves for unearned premiums

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

Deferred acquisition costs

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

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

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

Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

The provisions also include a provision for collection costs and claims handling expenses.

Specific provisions are also recorded for major claims based on the probability of default and level of risk exposure, estimated on a case-by-case basis.

In the guarantee business, local methods are applied. Provisions are only recorded for claims of which the Company concerned has been notified by the year-end. However, an additional provision is recorded when the risk that the guarantee will be called on is higher due to the principal (guaranteed) becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods.

The subrogation and salvage includes a provision for debt collection costs.

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

Reinsurance operations

All of the Group's inward and ceded reinsurance operations involve transfers of risks.

Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by

Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.

Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

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

Other operating income and expenses

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

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

Goodwill

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

- the fair value of the consideration transferred; plus
- the amount of any non-controlling interest in the acquiree; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; less
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

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

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

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

Impairment tests on goodwill and intangible assets

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

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely

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

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

The seven groups of CGUs are as follows:

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

Measuring groups of CGUs and performing goodwill impairment tests

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

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

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

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

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

Method used for measuring the value of Coface entities

Value in use: Discounted cash flow method

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

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

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

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

Fair value

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

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

Intangible assets: IT development costs

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

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

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

Property, plant and equipment: property assets

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

Coface has identified the following components of property assets:

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

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

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

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

Financial assets

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

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

Available-for-sale financial assets (AFS)

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

Financial assets held for trading

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

Held-to-maturity investments (HTM)

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included in this caption. These assets are recognised at amortised cost using the effective interest method.

Loans and receivables also include short-term deposits whose maturity at the date of purchase or deposit is more than three months but less than 12 months.

Fair value

The fair value of listed securities is their market price at the measurement date. For unlisted securities fair value is determined using the discounted cash flow method.

Impairment test

Available-for-sale financial assets are tested for impairment at each period-end. When there is objective evidence that such an asset is impaired and a decline in the fair value of that asset has previously been recognised directly in equity, the cumulative loss is reclassified from equity to income through "Investment income, net of management expenses".

A multi-criteria analysis is used to assess whether there is any objective indication of impairment. An independent expert is used for these analyses, particularly in the case of debt instruments.

Impairment indicators include the following:

- for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);
- for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity

instrument’s market price over a given period, or information relating to the issuer’s financial position. Where appropriate, an impairment loss is recognised based on the instrument’s market price at the period-end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period-end, or has represented an unrealised loss for more than 24 months;

- for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

If the fair value of an instrument classified as available-for-sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in:

- equity, for equity instruments;
- income, for debt instruments, in an amount corresponding to the previously-recognised impairment loss.

In accordance with IFRIC 10, impairment losses recognised on equity instruments in an interim reporting period are not reversed from income until the securities concerned are divested.

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

- whose value changes in response to the change in the interest rate or price of a product (known as the “underlying”);
- that requires no or a very low initial net investment; and
- that is settled at a future date.

A derivative is a contract between two parties – a buyer and a seller – under which future cash flows between the parties are based on the changes in the value of the underlying asset.

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognised depending on the underlying hedging relationship.

Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

- For fair value hedges, gains or losses from remeasuring the hedging instrument at fair value are systematically recognised in income. These amounts are partially offset by symmetrical gains or losses on changes in the fair value of the hedged items, which are also recognised in income. The net impact on the income statement therefore solely corresponds to the ineffective portion of the hedge.
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in income.

Coface’s derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the “Colombes” funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

Borrowings

Financing liabilities

This item mainly includes the subordinated debt and liabilities relating to financing agreements (finance leases).

Borrowings are initially recognised at fair value after taking account of directly-attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest method. Amortised cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortisation (calculated using the effective interest rate) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised cost of the financial liability.

Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, *i.e.,* that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- fees and commissions paid to agents, advisers, brokers and other intermediaries;
- levies by regulatory agencies and securities exchanges;
- and transfer taxes and duties.

Transaction costs do not include:

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

Payables arising from banking sector activities

This item includes:

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

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

Receivables arising from factoring operations

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax. When it appears probable that all or part of the amount receivable will not be collected, a provision is recorded by way of a charge to the income statement (under “Cost of risk”). The receivables shown in the balance sheet are stated net of provisions.

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under “Receivables arising from banking and other activities”.

Cash and cash equivalents

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money-market funds (SICAV) with maturities of less than three months.

Provisions for liabilities and charges

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include the provisions for fiscal risks, for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the company committed to pay until the end of the lease, from which are deducted the future income expected from potential subleases.

Employee benefits

In certain countries in which Coface operates, employees are awarded short-term benefits (such as paid leave), long-term benefits (including “long-service awards”) and post-employment benefits, such as statutory retirement benefits.

Short-term benefits are recognised as a liability in the accounts of the Coface companies that grant such benefits.

Other benefits, including long-term and post-employment benefits are subject to different coverage and are classified as follows:

- defined contribution plans: consequently, the Company’s legal or constructive obligation is limited to the amount that it agrees to pay to the fund, whichh will pay due amounts to the employees. These plans are generally state pension plans, which is the case in France;
- defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to employees.

In accordance with IAS 19, Coface records a provision to cover its liability, regarding primarily:

- statutory retirement benefits and termination benefits;
- early retirement and supplementary pension payments;
- employer contributions to post-employment health insurance schemes;
- long-service awards.

Based on the regulations specific to the plan and country concerned, independent actuaries calculate:

- the actuarial value of future benefits, corresponding to the present value of all benefits to be paid. The measurement of this present value is essentially based on:

    - demographic assumptions,
    - future benefit levels (statutory retirement benefits, long service awards, etc.),
    - the probability that the specified event will occur,
    - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases,
    - the interest rate used to discount future benefits at the measurement date;
- the actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

Stock options

In accordance with IFRS 2 "Share-based Payment", which defines the recognition and measurement rules concerning stock options, the options are measured at the grant date. The Group uses the Black and Scholes option pricing model for measuring stock options. Changes in fair value subsequent to the grant date do not impact their initial measurement.

The fair value of options takes into account their expected life, which the Group considers as corresponding to their compulsory holding period for tax purposes. This value is recorded in personnel costs on a straight-line basis from the grant date and over the vesting period of the options, with a corresponding adjustment directly in equity.

In connection with its stock market listing, the Coface Group awarded to certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (cf. Note 14).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7, 2002 and which had not vested at January 1, 2005 have been measured at fair value and recognised in personnel costs.

Income tax

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where the results are taxable.

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly by more than 95% (Compagnie française d'assurance pour le commerce extérieure, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts, and those used to determine the taxable income, give rise to the recording of deferred taxes.

Deferred taxes are recorded by the liability method for temporary differences between the carrying amount of assets and liabilities at each period-end and their tax base.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period-end.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.

Receivables and payables denominated in foreign currencies

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

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur (formerly

COFACE SA) and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

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

Segment information

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

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

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

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

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

Related parties

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

Estimates

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

Estimates	Notes	Type of information required
Goodwill impairment	4	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss *ratio assumptions*.
Provision for earned premiums not yet written	19	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	19 ; 24	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and

		conditions of the policies written.
Provision for subrogation and salvage	19 ; 25	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	19 ; 25 ; 44	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	19 ; 25 ; 44	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	17	Pension benefit obligations are measured in acordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

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

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

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

NOTE TO THE CONSOLIDATION BALANCE SHEET

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

Note 4. Goodwill

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at the year-end or whenever there is an impairment indicator.

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,397	8,402
Mediterranean & Africa	22,371	22,050
North America	6,598	6,407
Latin America	999	939
Total	**156,214**	**155,467**

The change in goodwill amounted to €747 thousand due to the fluctuation of the exchange rate.

Impairment testing methods

In compliance with IAS 36 "Impairment of Assets", goodwill and other non-financial assets were tested for impairment losses at December 31, 2016. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.
Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.
The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.
The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2016:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America	Asia Pacific
Cost of capital	10,5%	10,5%	10,5%	10,5%	10,5%	10,5%	10,5%
Perpetual growth rate	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Contribution to consolidated net assets	490,9	658,0	171,8	160,6	45,9	49,4	152,5

The assumptions used in 2015 were as follows:

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

The variation of the contribution to consolidated net assets per region between 2015 and 2016 is due to the new regional organisation :

- Spain and Portugal were part of the Western Europe region ; these countries are part of the Mediterranean and Africa region as of 31st of December 2016
- Russia was part of the Northern Europe region ; this country is part of the Central Europe region as of 31st of December 2016

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2016;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2016;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2020 and 2021): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have a significant impact on the outcome of the original impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2016.

For the Group’s main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table:

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America	Asia Pacific
Contribution to consolidated net assets	490,9	658,0	171,8	160,6	45,9	49,4	152,5
Sensitivity: Long-term growth rate -0.5 points	681,9	759,6	233,3	392,1	43,7	89,5	2,1
Sensitivity: WACC +0.5 point	673,9	747,9	230,0	386,2	42,0	87,7	2,2
Sensitivity: Loss Ratio 2020 +1 point	696,5	783,6	237,6	398,1	43,5	91,2	-1,5
Sensitivity: Loss Ratio 2020 +2 points	690,2	775,6	233,5	389,4	37,8	87,8	-5,6
Sensitivity: Cost Ratio 2020 +1 point	690,2	776,2	234,7	390,2	41,4	89,7	-4,9
Sensitivity: Cost Ratio 2020 +1 point	677,5	761,0	227,6	373,6	34,3	85,0	-12,5

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

Note 5. Other intangible assets

(in thousands of euros)	Dec. 31, 2016 Net value	Dec. 31, 2015 Net value
Development costs and software	56,336	65,270
Purchased goodwill	2,738	2,980
Other intangible assets	420	590
Total	**59,494**	**68,840**

(in thousands of euros)	Dec. 31, 2016		
	Cost	Accumulated amortisation and impairment	Net value
Development costs and software	183,821	(127,485)	56,336
Purchased goodwill	8,608	(5,870)	2,738
Other intangible assets	2,676	(2,256)	420
Total	**195,105**	**(135,609)**	**59,494**

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

Change in the gross amount of intangible assets

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2016
Development costs and software	184,790	6,255	(8,383)	1,159	183,821
Purchased goodwill	8,367			241	8,608
Other intangible assets	3,191	44	(177)	(382)	2,676
Total	**196,348**	**6,299**	**(8,560)**	**1,018**	**195,105**

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

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2016
Accumulated amortisation - development costs and software	(119,307)	(10,192)	6,490	(1,139)	(124,148)
Accumulated impairment - development costs and software	(213)	(3,337)	(0)	213	(3,337)
Total amortisation and impairment - development costs and software	**(119,520)**	**(13,529)**	**6,490**	**(926)**	**(127,485)**
Accumulated amortisation - purchased goodwill	(5,387)	(313)	(0)	(170)	(5,870)
Accumulated impairment - purchased goodwill	(0)	(0)	(0)	(0)	(0)
Total amortisation and impairment - purchased goodwill	**(5,387)**	**(313)**	**(0)**	**(170)**	**(5,870)**
Accumulated amortisation - other intangible assets	(2,581)	(78)	175	248	(2,236)
Accumulated impairment - other intangible assets	(20)	(0)	(0)	0	(20)
Total amortisation and impairment - other intangible assets	**(2,601)**	**(78)**	**175**	**248**	**(2,256)**
Total	**(127,508)**	**(13,920)**	**6,665**	**(848)**	**(135,611)**

Note 6. Insurance business investments

6.1 – Analysis by category

At December 31, 2016, the carrying amount of available-for-sale (AFS) securities totaled € 2,593,953 thousand, securities held for trading (“trading securities”) came to €69,696 thousand and held-to maturity (HTM) securities was € 2,740 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments. The distribution of the bonds portefolio by rating at December 31, 2016 was as follows:

- Bonds rated “AAA” 20%;
- Bonds rated “AA” and “A” 37%;
- Bonds rated “BBB” 32%;
- Bonds rated “BB” and lower 11%.

	Dec. 31, 2016					Dec. 31, 2015				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	**2,459,575**	**134,378**	**2,593,953**	**2,593,953**		**2,406,577**	**105,948**	**2,512,526**	**2,512,526**	
Equities and other variable-income securities	140,734	106,714	247,448	247,448		236,296	104,373	340,669	340,669	
Bonds and government securities	2,183,369	25,997	2,209,366	2,209,366		2,059,275	1,659	2,060,934	2,060,934	
o/w direct investments in securities	*1,768,986*	*24,414*	*1,793,400*	*1,793,400*		*1,675,626*	*4,595*	*1,680,221*	*1,680,221*	
o/w investments in UCITS	*414,383*	*1,583*	*415,966*	*415,966*		*383,649*	*(2,936)*	*380,714*	*380,714*	
Shares in non-trading property companies	135,472	1,667	137,139	137,139		111,006	(84)	110,922	110,922	
HTM securities										
Bonds	2,740		**2,740**	3,460	720	3,721		**3,721**	4,374	653
Fair value through income – trading securities										
Money market funds (UCITS)	69,696		**69,696**	69,696		55,468		**55,468**	55,468	
Derivatives (positive fair value)		2,975	**2,975**	2,975			6,123	**6,123**	6,123	
(derivatives negative fair value for information)		*(7,508)*	*(7,508)*	*(7,508)*			*(6,752)*	*(6,752)*	*(6,752)*	
Loans and receivables	80,940		**80,940**	80,940		69,481		**69,481**	69,481	
Investment property	716	71	**787**	787		716	84	**800**	800	
Total	**2,613,667**	**137,424**	**2,751,091**	**2,751,811**	**720**	**2,535,964**	**112,155**	**2,648,119**	**2,648,772**	**653**

(in thousands of euros)	Gross Dec. 31, 2016	Impairment	Net Dec. 31, 2016	Net Dec. 31, 2015
AFS securities	**2,624,463**	**(30,510)**	**2,593,953**	**2,512,526**
Equities and other variable-income securities	276,859	(29,411)	247,448	340,669
Bonds and government securities	2,210,457	(1,091)	2,209,366	2,060,934
o/w direct investments in securities	*1,793,400*		*1,793,400*	*1,680,221*
o/w investments in UCITS	*417,057*	*(1,091)*	*415,966*	*380,714*
Shares in non-trading property companies	137,147	(8)	137,139	110,922
HTM securities				
Bond	**2,740**		**2,740**	**3,721**
Fair value through income – trading securities				
Money market funds (UCITS)	**69,696**		**69,696**	**55,468**
Derivatives (positive fair value)	**2,975**		**2,975**	**6,123**
(for information, derivatives with a negative fair	*(7,508)*		*(7,508)*	*(6,752)*
Loans and receivables	**80,940**		**80,940**	**69,481**
Investment property	**787**		**787**	**800**
Total	**2,781,601**	**(30,510)**	**2,751,091**	**2,648,119**

Impairments

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2016
AFS securities	**29,696**	**3,422**	**(2,520)**	**(88)**	**30,510**
Equities and other variable-income securities	29,688	2,331	(2,520)	(88)	29,411
Bonds and government securities	(0)	1,091	(0)	(0)	1,091
Shares in non-trading property companies	8				8
Total	**29,696**	**3,422**	**(2,520)**	**(88)**	**30,510**

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

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2015 Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Dec. 31, 2016 Carrying amount
AFS securities	**2,512,526**	**899,171**	**(837,626)**	**31,658**	**(902)**	**(10,874)**	**2,593,953**
Equities and other variable-income securities	340,669	42,920	(138,391)	5,599	189	(3,538)	247,448
Bonds and government securities	2,060,934	812,690	(682,177)	24,309	(1,091)	(5,299)	2,209,366
Shares in non-trading property companies	110,922	43,561	(17,058)	1,751		(2,037)	137,139
HTM securities							
Bonds	3,721		(981)				2,740
Fair value through income – trading securities	55,468	651,150	(636,922)				69,696
Loans, receivables and other financial investments	76,404	53,567	(36,302)	(7,863)		(1,105)	84,702
Total	**2,648,119**	**1,603,888**	**(1,511,831)**	**23,796**	**(902)**	**(11,979)**	**2,751,091**

Derivatives

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During 2016, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

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

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

Derivatives also includes, from the first quarter of 2016, the fair value of the contingent capital instrument. This fair value corresponds to the fees due. This asset is shown in level 3.

6.2 – Financial instruments recognized at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorizes into three levels the inputs used to measure fair value. These levels are as follows:

Level 1: Quoted prices in active markets for an identical financial instrument.
Securities classified as level 1 represent 87% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organized markets, as well as units in dedicated mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- government bonds and bonds indexed to variable interest rates (HTM securities);
- French units money-market funds, SICAV (trading securities).

Level 2: Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).
Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

- unlisted equities;
- loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data.
Securities classified as level 3 represent 10% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Breakdown of financial instrument fair value measurements as at December 31, 2016 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	**Level 1** Fair value determined based on quoted prices in active markets	**Level 2** Fair value determined based on valuation techniques that use observable inputs	**Level 3** Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,593,953**	**2,593,953**	**2,324,335**	**23**	**269,595**
Equities and other variable-income securities	247,448	247,448	114,969	23	132,456
Bonds and government securities	2,209,366	2,209,366	2,209,366		
Shares in non-trading property companies	137,139	137,139			137,139
HTM securities					
Bonds	2,740	3,460	3,460		
Fair value through income – trading securities					
Money market funds (UCITS)	69,696	69,696	69,696		
Derivatives	2,975	2,975	993	860	1,122
Loans and receivables	80,940	80,940		80,940	
Investment property	787	787			787
TOTAL	**2,751,091**	**2,751,811**	**2,398,484**	**81,823**	**271,504**

The analysis of the breakdown of the portfolio by level allowed to detect that bonds and Government securities classified in level 2 on December 31st, 2015 were under the definition of level 1.
This reclassification from level 2 to level 1 has been realized during the 1st half-year 2016.

Movements in Level 3 securities as at December 31, 2016

(in thousands of euros)	At Dec. 31, 2015	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2016
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**240,219**	**445**	**5,178**	**46,411**	**(17,058)**	**(5,600)**	**269,595**
Equities and other variable-income securities	129,297	445	3,427	2,850		(3,563)	132,456
Shares in non-trading property companies	110,922		1,751	43,561	(17,058)	(2,037)	137,139
Derivatives				**1,122**			**1,122**
Investment property	**800**	**(13)**					**787**
TOTAL	**241,019**	**432**	**5,178**	**47,533**	**(17,058)**	**(5,600)**	**271,504**

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

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,512,526**	**2,512,526**	**2,096,980**	**175,326**	**240,219**
Equities and other variable-income securities	340,669	340,669	211,349	23	129,297
Bonds and government securities	2,060,934	2,060,934	1,885,631	175,303	(0)
Shares in non-trading property companies	110,922	110,922			110,922
HTM securities					
Bonds	3,721	4,374	4,374		
Fair value through income – trading securities					
Money market funds (UCITS)	55,468	55,468	55,468		
Derivatives	6,123	6,123		6,123	
Loans and receivables	69,481	69,481		69,481	
Investment property	800	800			800
TOTAL	**2,648,119**	**2,648,772**	**2,156,822**	**250,930**	**241,019**

Movements in Level 3 securities as at December 31, 2015

(in thousands of euros)	At Dec. 31, 2014	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2015
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**155,470**	**1,526**	**806**	**83,894**	**(0)**	**(1,478)**	**240,219**
Equities and other variable-income securities	125,469	1,526	890	2,718	(0)	(1,307)	129,297
Shares in non-trading property companies	30,001		(84)	81,176	(0)	(171)	110,922
Investment property	**923**	**(123)**					**800**
TOTAL	**156,393**	**1,403**	**806**	**83,894**	**(0)**	**(1,478)**	**241,019**

Note 7. Receivables arising from banking and other activities

Breakdown by nature

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Receivables arising from banking and other activities	2,412,543	2,312,352
Non-performing receivables arising from banking and other activities	86,579	78,961
Allowances for receivables arising from banking and other activities	(17,597)	(20,411)
Total	**2,481,525**	**2,370,902**

Breakdown by age

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

Where applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, it being specifi ed that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

(in thousands of euros)	Dec. 31, 2016					
		Due				
	Not due	- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	Total
Receivables arising from banking and other activities	1,895,174	517,369	(0)	(0)	(0)	**2,412,543**
Non-performing receivables arising from banking and other activities	(0)	(0)	10,285	64,474	11,820	**86,579**
Allowances for receivables arising from banking and other activities	(0)	(0)	(2,674)	(3,165)	(11,758)	**(17,597)**
Total receivables arising from banking and other activities	**1,895,174**	**517,369**	**7,611**	**61,309**	**62**	**2,481,525**
Claims reserves to cover factoring receivables	(0)	(0)	(7,611)	(61,309)	(62)	**(68,982)**
Total receivables arising from banking and other activities after claims reserves	**1,895,174**	**517,369**	**(0)**	**(0)**	**(0)**	**2,412,543**

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

Note 8. Investments in associates

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Investments in associates at January 1	20,258	19,001
Dividends paid	(1,009)	(900)
Share in net income of associates	(5,838)	2,157
Total investments in associates	**13,411**	**20,258**

The Company accounted for by the equity method is Cofacredit, entities owned for 36%. The variation of investment in associates fall by 6 847 thousand euros during the year 2016. It corresponds to the share of income from Cofacredit net of dividend payments. The result of the company is in sharp decline during the year 2016 because of a provision following the identification of significant risks.

Note 9. Tangible assets

(en milliers d'euros)	31/12/16 Valeur nette	31/12/15 Valeur nette
Immeubles d'exploitation	38 528	40 756
Immobilisations corporelles	18 956	24 351
Total	**57 484**	**65 107**

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

(in thousands of euros)	Dec. 31, 2016		
	Cost	**Accumulated amortisation and impairment**	**Net value**
Buildings used in the business	109,016	(70,488)	38,528
Other property, plant and equipment	57,434	(38,478)	18,956
Total	**166,450**	**(108,966)**	**57,484**

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

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2016
Land used in the business	14,010	(0)	(0)	(0)	14,010
Buildings used in the business	94,978	28	(0)	(0)	95,006
Total buildings used in the business	**108,988**	**28**	**(0)**	**(0)**	**109,016**
Operating guarantees and deposits	5,202	19	(31)	57	5,247
Other property, plant and equipment	54,175	1,864	(3,758)	(94)	52,187
Total other property, plant and equipment	**59,377**	**1,883**	**(3,789)**	**(37)**	**57,434**
Total	**168,365**	**1,911**	**(3,789)**	**(37)**	**166,450**

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

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

(in thousand of euros)	Dec. 31, 2015	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2016
Accumulated depreciation – Building used in the business	(68,232)	(2,256)	(0)	(0)	(70,488)
Accumulated impairment – Buildings used in the business	(0)	(0)	(0)	(0)	(0)
Buildings used in the business	**(68,232)**	**(2,256)**	**(0)**	**(0)**	**(70,488)**
Accumulated depreciation other property, plant & equipment	(34,858)	(3,496)	2,209	114	(36,031)
Accumulated impairment other property, plant & equipment	(168)	(2,233)	(1)	(45)	(2,447)
Other property, plant and equipment	**(35,026)**	**(5,729)**	**2,208**	**69**	**(38,478)**
Total	**(103,258)**	**(7,985)**	**2,208**	**69**	**(108,966)**

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

Market value of buildings used in the business

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Carrying amount	38,528	40,756
Market value	60,383	73,095
Unrealised gain	**21,855**	**32,339**

The buildings held by the Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2016.

Note 10. Receivables arising from insurance and reinsurance operations

Breakdown by nature

(in thousands of euros)	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	323,460	(31,114)	292,346	312,999	(30,298)	282,701
Earned premiums not written	127,962		127,962	123,003		123,003
Receivables arising from reinsurance operations, net	111,133	(3,168)	107,965	113,548	(282)	113,266
Total	**562,555**	**(34,282)**	**528,273**	**549,550**	**(30,580)**	**518,970**

Breakdown by age

(in thousands of euros)	Dec. 31, 2016					
	Not due	Due				Total
		-3 months	3 months to 1 year	1 to 5 years	+5 years	
Total receivables arising from insurance and reinsurance operations	385,919	68,846	55,268	12,035	6,205	**528,273**

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

The insurance business operates on a reverse production cycle: premiums are earned before claims are paid out. Furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to 3 months.
Consequently, the risk of liquidity linked to insurance receivables is considered to be marginal.

Note 11. Other assets

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Deferred acquisition costs	46,393	44,043
Trade receivables arising from other activities	14,849	14,238
Current tax receivbales	69,126	68,937
Other receivables	138,246	125,288
Total	**268,614**	**252,506**

Note 12. Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Cash at bank and in hand	289,434	358,326
Cash equivalents	42,637	38,511
Total	**332,071**	**396,837**

The management of the operationnal cash flow was optimized over the year 2016, leading to a decrease of the cash amounts and an increase in long term investments.

Note 13. Share capital

Ordinary shares	Number of shares	Par value	Share capital (in €)
At December 31, 2015	157,248,232	5	786,241,160
Nominal value decrease		(3)	(471,744,696)
At December 31, 2016	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	(334,010)	2	(688,020)
At September 30, 2016 (excluding treasury shares)	**156,904,222**	**2**	**313,808,444**

	Dec. 31, 2016		Dec. 31, 2015	
Shareholders	**Number of shares**	**%**	**Number of shares**	**%**
Natixis	64,853,881	41.33%	64,853,870	41.32%
Public	92,050,341	58.67%	92,097,771	58.68%
Total excluding treasury shares	**156,904,222**	**100.00%**	**156,951,641**	**100.00%**

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

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

Note 14. Share-based payments

Ongoing free share plans

In connection with its stock market listing, the Coface Group awarded free shares to certain beneficiaries (employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year (in thousands of euros)
Allotment of exceptional free shares	June 26, 2014	43,269	2 years	July 1, 2016	July 1, 2018	10.4	(320)
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	222
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	347
Long-term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2021	5.5	89

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2015	Number of new free share grants in 2016	Number of free shares cancelled in 2016	Number of free shares acquired in 2016	Number of shares to be acquired at Dec. 31, 2016
Allotment of exceptional free shares	43,269			(43,269)	
Long-term Incentive Plan 2014	78,842				**78,842**
Long-term Incentive Plan 2015	106,800				**106,800**
Long-term Incentive Plan 2016		302,196			**302,196**

The total number of shares allocated to the *Long-term Incentive Plan 2016* amounts to 399 932 shares; only 330 591 shares were affected nominatively to beneficiaries including 302 196 shares and 28 395 performance units.

Performance units are awarded instead of free shares as soon as the free shares implementation appears complex or irrelevant in terms of the number of beneficiaries. These units are indexed on the share price and subject to the same conditions of presence and performance that shares free but are valued and paid in cash at the end of the vesting period.

The settlement of the exceptional bonus shares is contingent on a presence requirement.
Thereby, the effect of the settlement of the exceptional bonus shares following the departure of M. Jean-Marc Pillu amounts to €320 thousand euros in the income statement at the end of December 31st, 2016.

The vesting of free shares under the *Long-term Incentive Plan* is contingent on a presence requirement and achieving of objectives.

Measurement of free shares

In accordance with IFRS 2 relating to "Share-based payments", the award of free shares to employees results in the recognition of an expense corresponding to the fair value of shares granted on the award date adjusted for unpaid dividends during the rights vesting period and transfer restrictions during the holding period, as well as the probability of the materialisation of the performance conditions.
The plans were measured on the assumptions below:

- discount rate corresponding to a risk-free rate on the plans' duration;
- income distribution rate set at 60%;
- the lock-in value, which is calculated in consideration of a risk-free interest rate and a two-year borrowing rate.

Based on these assumptions, a total of €338 thousand was expensed under the implemented plans at December 31, 2016.

Note 15. Revaluation reserves

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2016	**107,435**	**(25,294)**	**(5,267)**	**76,874**	**3,009**	**79,883**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,906		(1,328)	578		**578**
Fair value adjustments on available-for-sale financial assets recognised in equity	30,345		(9,601)	20,744	(594)	**20,150**
Change in reserves - gains and losses not reclassificable to income (IAS 19R)		(7,811)	2,433	(5,378)		**(5,378)**
At December 31, 2016	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2015	**120,329**	**(31,184)**	**(3,409)**	**85,736**	**3,924**	**89,660**
Fair value adjustments on available-for-sale financial assets reclassified to income	(4,347)		1,525	(2,822)	(144)	**(2,966)**
Fair value adjustments on available-for-sale financial assets recognised in equity	(8,693)		(1,471)	(10,164)	(771)	**(10,935)**
Change in reserves - gains and losses not reclassificable to income (IAS 19R)		5,890	(1,912)	3,978		**3,978**
Transactions with shareholders	146			146		**146**
At December 31, 2015	**107,435**	**(25,294)**	**(5,267)**	**76,874**	**3,009**	**79,883**

Note 16. Provisions for liabilities and charges

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Provisions for disputes	9,683	10,966
Provisions for pension and other post-employment benefit obligations	71,798	84,855
Other provisions for liabilities and charges	69,593	18,413
Total	**151,074**	**114,234**

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Exchange rate effects	Dec. 31, 2016
Provisions for technical								
Provisions for tax disputes	3,525			(177)	(3,346)		(2)	
Provisions for employee	5,683	4,059	(2,334)	(423)			20	7,005
Provisions for other disputes	1,758	728	(200)	(11)	(1)		404	2,678
Provisions for disputes	**10,966**	**4,787**	**(2,534)**	**(611)**	**(3,347)**		**422**	**9,683**
Provisions for pension	**84,855**	**9,220**	**(4,736)**	**(25,414)**	**1**	**7,815**	**57**	**71,798**
Provisions for liabilities	13,999	1,596		(164)			357	15,788
Provisions for restructuring	888	42,277	(220)	(42)			3	42,906
Provisions for taxes (excl. income taxes)		1,600			3,346		(15)	4,931
Other provisions for liabilities	3,527	2,580			(125)		(14)	5,968
Other provisions for liabilities and charges	**18,413**	**48,053**	**(220)**	**(206)**	**3,221**		**332**	**69,593**
Total	**114,234**	**62,060**	**(7,490)**	**(26,231)**	**(125)**	**7,815**	**811**	**151,074**

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

Provisions for liabilities and charges mainly includes provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

The increase in the provisions for restructuring for €42.3 million relates to the implementation of *Fit to Win* strategic plan for €36.3 million and a provision for vacant properties following the transfer of the State export guarantees for €6.0 million.

Implementation of *Fit to Win* strategic plan

French entities recognized provisions for restructuring to € 13,6 million :

- €7.2 million in provisions for the early retirement under a plan presented to the employees representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties.

German entities regognized provision for restructuring to €19,0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employees representative bodies on November 30, 2016.

The decrease in provisions for pension and other post-employment benefit obligation is mainly due to a recovery of €19.2 million caused by denunciation of Coface specific clauses in social agremeents linked to alignment with market agreements.

Note 17. Employee benefits

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Present value of benefit obligation at January 1st	**86,784**	**95,449**
Current service cost *	(18,665)	5,280
Interest cost	1,408	1,442
Actuarial (gains)/losses	9,219	(6,862)
Benefits paid	(4,949)	(4,974)
Other	67	(3,551)
Present value of benefit obligation at December 31st	**73,864**	**86,784**
<u>Change in plan assets</u>		
Fair value of plan assets at January 1st	**1,929**	**1,696**
Revaluation adjustments – Return on plan assets	135	42
Employee contributions	110	
Employer contributions	140	118
Benefits paid	(249)	(158)
Other		231
Fair value of plan assets at December 31st	**2,065**	**1,929**
<u>Reconciliation</u>		
Present value of benefit obligation at December 31st	**73,864**	**86,784**
Fair value of plan assets	2,065	1,929
(Liability)/Asset recognised in the balance sheet at December	**(71,799)**	**(84,855)**
<u>Income statement</u>		
Current service cost	6,532	5,480
Past service cost		(198)
Benefits paid including amounts paid in respect of settlements		
Interest cost	1,408	1,303
Interest income	(38)	(32)
Revaluation adjustments on other long-term benefits	1,306	(980)
Other	13	598
Expense/(income) recorded in the income statement	**9,221**	**6,171**
<u>Changes recognised directly in equity not reclassifiable to income</u>	0	
Revaluation adjustments arising in the year	7,815	(5,890)
Revaluation adjustments recognised in equity not reclassifiable to income	**7,815**	**(5,890)**

** The recovery of provisions for retirement benefits and long-service awards related to the transfer of the staff assigned to the activity of State export guarantees amounted €4.8 million*

(in thousands of euros) - Dec. 31, 2016	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1st	**38 208**	**25 111**	**18 458**	**2 436**	**2 570**	**86 783**
Current service cost	(22,379)	2,017	264	1,011	422	(18,665)
Interest cost	570	459	339	41	(0)	1,408
Actuarial (gains)/losses	3,475	3,617	1,757	349	20	9,219
Benefits paid	(1,543)	(2,103)	(1,065)	(171)	(66)	(4,949)
Other	(2)	(1)	4	(0)	65	66
Present value of benefit obligation at December 31st	**18,329**	**29,099**	**19,757**	**3,666**	**3,011**	**73,863**
Change in plan assets						
Fair value of plan assets at January 1st	**(0)**	**1,201**	**909**	**(0)**	**(181)**	**1,929**
Revaluation adjustments – Return on plan assets	(0)	128	7	(0)	(0)	135
Acquisitions/mergers/deconsolidations	(0)	(0)	(0)	(0)	(0)	(0)
Employee contributions	(0)	16	94	(0)	(0)	110
Employer contributions	(0)	139	1	(0)	(0)	140
Benefits paid	(0)	(145)	(103)	(0)	(0)	(249)
Other	(0)	(0)	(0)	(0)	(0)	(0)
Fair value of plan assets at December 31st	**(0)**	**1,339**	**907**	**(0)**	**(181)**	**2,065**
Reconciliation						
Present value of benefit obligation at December 31st	**18,329**	**29,099**	**19,757**	**3,666**	**3,011**	**73,862**
Fair value of plan assets	(0)	1,339	907	(0)	(181)	2,065
(Liability)/Asset recognised in the balance sheet at December	**(18,329)**	**(27,761)**	**(18,850)**	**(3,666)**	**(3,192)**	**(71,798)**
Income statement						
Current service cost	2,818	2,017	264	1,011	422	6,532
Past service cost	(0)	(0)	(0)	(0)	(0)	(0)
Benefits paid including amounts paid in respect of settlements	(0)	(0)	(0)	(0)	(0)	(0)
Interest cost	570	459	339	41	(0)	1,408
Interest income	(0)	(20)	(18)	(0)	(0)	(38)
Revaluation adjustments on other long-term benefits	(37)	1,263	(12)	91	(0)	1,306
Other	(0)	(0)	5	(0)	8	13
Expense/(income) recorded in the income statement	**3,351**	**3,718**	**578**	**1,143**	**430**	**9,220**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	3,511	2,247	1,780	258	19	7,815
Revaluation adjustments recognised in equity not reclassifiable to income	**3,511**	**2,247**	**1,780**	**258**	**19**	**7,815**

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

Actuarial assumptions

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

Actuarial assumptions - Dec. 31, 2016	France	Germany	Austria	Italy
Inflation rate	1,60%	1,90%	1,90%	1,90%
Discount rate				
Supplementary retirement and other plans	0,10%	0,85%	0,85%	0,85%
Statutory retirement benefits	0,75%	N/A	0,85%	0,85%
Long-service awards	0,45%	0,85%	0,85%	N/A
Other benefits	1,55%	0,85%	N/A	0,85%
Rate of salary increases (including inflation)	1,90%	2,40%	3,00%	1,90%
Rate of increase in medical costs (including inflation)	4,10%	N/A	N/A	4,40%
Average remaining working life until retirement				
Supplementary retirement and other plans	0,00	7,28	7,11	11,37
Statutory retirement benefits	15,68	N/A	8,42	13,37
Long-service awards	15,68	18,52	14,61	14,70
Other benefits	1,00	3,72	N/A	N/A
Term (years)				
Supplementary retirement and other plans	14,16	11,49	12,57	18,19
Statutory retirement benefits	10,40	N/A	8,31	9,98
Long-service awards	7,95	11,65	8,01	11,04
Other benefits	N/A	1,94	N/A	N/A

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

Sensitivity tests on the defined benefit obligation

Sensitivity tests on the defined benefit obligation	Dec. 31, 2016			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	-12,27%	-9,56%	-9,49%	-1,52%
-1% increase in the discount rate	15,20%	11,32%	11,17%	1,57%
1% increase in the inflation rate	1,30%	11,04%	11,53%	1,01%
-1% increase in the inflation rate	-1,17%	-9,49%	-10,31%	-1,00%
1% increase in rate of increase in medical costs	8,78%	8,52%	0,00%	1,01%
-1% increase in rate of increase in medical costs	-7,22%	-7,31%	0,00%	-1,00%
1% decrease in rate of salary increase (including inflation)	16,74%	0,00%	0,00%	0,00%
-1% decrease in rate of salary increase (including inflation)	-13,82%	0,00%	0,00%	0,00%

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

Note 18. Financing liabilities

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Subordinated debt	387,753	387,292
Obligations under finance leases	2,291	5,202
Bank overdrafts and other borrowings		100
Total	**390,044**	**392,594**

Due dates of financing liabilities:

(in thousands of euros)	Dec. 31, 2016	Dec. 31,2015
Due within one year		
- Obligations under finance leases	2,291	3,010
- Bank overdrafts and other borrowings		
Total	**2,291**	**3,010**
Due between one and five years		
- Obligations under finance leases		2,292
Total		**2,292**
Due beyond five years		
- Subordinated debt	387,753	387,292
Total	**387,753**	**387,292**
Total	**390,044**	**392,594**

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.
The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Coface Group's main operating entity.

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at December 31, 2016, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €387,753 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €4,003 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income as December 31, 2016 mainly includes the interest related to the period for €16,136 thousand.

Note 19. Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Provisions for unearned premiums	275,860	285,410
Claims reserves	1,275,230	1,122,211
Provisions for premium refunds	127,159	107,241
Liabilities relating to insurance contracts	**1,678,249**	**1,514,862**
Provisions for unearned premiums	(47,986)	(57,558)
Claims reserves	(266,756)	(247,147)
Provisions for premium refunds	(26,605)	(23,281)
Reinsurers' share of technical insurance liabilities	**(341,347)**	**(327,986)**
Net technical provisions	**1,336,902**	**1,186,876**

Note 20. Payables arising from banking sector activities

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Amounts due to banking sector companies	452,144	352,379
Amounts due to customers of banking sector companies	366,363	404,218
Debt securities	1,591,184	1,613,065
TOTAL	**2,409,691**	**2,369,662**

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

Note 21. Deferred tax

(in thousand of euros)	Dec. 31, 2016	Dec. 31, 2015
Deferred tax assets	(71,973)	(57,538)
Deferred tax liabilities	104,500	144,266
Net deferred tax - liabilities	**32,527**	**86,728**
Temporary differences	(23,510)	13,295
Provisions for pensions and other employment benefit obligations	(14,452)	(17,367)
Tax loss carry forwards	(9,348)	(1,609)
Cancellation of the claims equalization provision	79,837	92,409
Net deferred tax - liabilities	**32,527**	**86,728**

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

In France, the finance Act for 2017 projected a decline in the current tax rate from 34.43% to 28% progressively between 2017 and 2020 according to the size of the companies. This change of rate applies from 2020 for the French Coface Group entities. The Group continued the assessment of the taxes at the rate of 34.43% in France because they have mainly a maturity before 2020. The update of the taxes at the rate of 28% would have an impact of less than 100 thousand euros.

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

Changes in deferred tax balances by region

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

(in thousands of euros)	**Dec. 31, 2015 ***	**Change through income**	**Revaluation adjustment on AFS investments**	**Change in Currency impact**	**Other movements**	**Dec. 31, 2016**
Northern Europe	**114,897**	(46,115)	44		(706)	**68,120**
Western Europe	**(16,193)**	(1,925)	9,824	48	(1,210)	**(9,456)**
Central Europe	**(480)**	1,002	(29)	115	(445)	**164**
Mediterranean & Africa	**(5,587)**	(5,120)		(23)	(72)	**(10,802)**
North America	**902**	(3,625)	(116)	(40)		**(2,880)**
Latin America	**803**	(4,432)	1,209	(1,422)		**(3,842)**
Asia Pacific	**(7,614)**	(674)		(489)		**(8,777)**
Total	**86,728**	**(60,889)**	**10,932**	**(1,811)**	**(2,433)**	**32,527**

** Restated according to the new regional organization (see Note 1 – Significant events)*

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

The “Other movements” column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

Note 22. Payables arising from insurance and reinsurance

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Guarantee deposits received from policyholders and other	3,461	3,376
Amounts due to policyholders and agents	112,786	125,008
Payables arising from insurance and inward reinsurance operations	**116,247**	**128,384**
Amounts due to reinsurers	71,350	94,065
Deposits received from reinsurers	4,314	18,890
Payable arising from ceded reinsurance operations	**75,664**	**112,955**
Total	**191,911**	**241,339**

Note 23. Other liabilities

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Current tax payables	**110,847**	**111,527**
Derivatives and related liabilities	**7,508**	**6,752**
Accrued personnel costs	47,538	57,190
Sundry payables	171,023	135,550
Deferred income	7,908	7,740
Other accruals	30,537	19,787
Other payables	**257,006**	**220,267**
TOTAL	**375,361**	**338,546**

NOTE TO THE CONSOLIDATION PROFIT AND LOSS

Note 24. Consolidated revenue

(in thousands of euros)

a) By business line	Dec. 31, 2016	Dec. 31, 2015
Premiums – direct business	1,120,765	1,178,162
Premiums – inward reinsurance	81,675	90,920
Premium Refunds	(92,876)	(81,497)
Provisions for unearned premiums	5,576	(1,650)
Earned premiums net of cancellations c)	**1,115,140**	**1,185,935**
Fees and commission income	**128,795**	**125,550**
Net income from banking activities d)	**70,619**	**70,599**
Other insurance-related services	5,882	10,129
Remuneration of public procedures management services	53,361	59,969
Business information and other services	25,170	25,262
Receivables management	12,330	12,086
Revenue or income from other activities	**96,743**	**107,446**
Consolidated revenue	**1,411,297**	**1,489,530**

(in thousands of euros)

b) By region of invoicing	Dec. 31, 2016	Dec. 31, 2015*
Northern Europe	307,320	324,740
Western Europe	327,176	363,342
Central Europe	121,259	125,054
Mediterranean & Africa	331,864	340,253
North America	136,119	131,317
Latin America	77,743	83,484
Asia-Pacific	109,816	121,340
Consolidated revenue	**1,411,297**	**1,489,530**

** The consolidated turnover at December 31, 2015 has been restated according to the new regional organization (see Note 1 – Significant events).*

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

(in thousands of euros)

c) Insurance revenue by type of insurance	Dec. 31, 2016	Dec. 31, 2015
Credit insurance	1,039,916	1,103,152
Guarantees	50,773	50,668
Single risk	24,451	32,115
Total insurance revenue	**1,115,140**	**1,185,935**

(in thousands of euros)

d) Net income from banking activities	Dec. 31, 2016	Dec. 31, 2015
Financing fees	35,545	34,153
Factoring fees	35,557	36,831
Other	(483)	(385)
Total net income from banking activities	**70,619**	**70,599**

Note 25. Claim expenses

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Paid claims, net of recoveries	(535,995)	(548,609)
Claims handling expenses	(25,139)	(26,460)
Change in claims reserves	(144,521)	(30,275)
Total	**(705,655)**	**(605,344)**

Claims expenses by period of occurence

(in thousands of euros)	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(782,164)	167,717	(614,447)	(814,974)	165,188	(649,786)
Claims expenses – prior years	76,509	(23,514)	52,995	209,630	(43,387)	166,243
Total	**(705,655)**	**144,203**	**(561,452)**	**(605,344)**	**121,801**	**(483,543)**

Note 26. Expenses from banking activities

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Charges to allowances for receivables	(15,129)	(1,845)
Reversal of allowances for receivables	10,965	4,700
Losses on receivables not covered by allowances	(58)	(2,851)
Losses on receivables covered by allowances	(0)	(4,700)
Cost of risk	**(4,222)**	**(4,696)**
Operating expenses	**(13,193)**	**(14,094)**
Total expenses from banking activities	**(17,415)**	**(18,790)**

"Cost of risk" corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions, receivables written off during the year, and recoveries of amortised receivables.

Note 27. Overheads by function

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Commissions	*(153,357)*	*(162,016)*
Other acquisition costs	*(101,932)*	*(112,032)*
Total acquisition costs	(255,289)	(274,048)
Administrative costs	(275,095)	(269,956)
Other current operating expenses	(83,004)	(81,652)
Investment management expenses	(2,659)	(2,124)
Claims handling expenses	(25,139)	(26,460)
Total	**(641,186)**	**(654,240)**
of which employee profit-sharing	*(5,118)*	*(7,439)*

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Acquisition, administration costs and other current operating expenses	(641,186)	(654,240)
Expenses from banking activities, excluding cost of risk	(13,193)	(14,094)
Expenses from other activities	(44,379)	(44,892)
Total	**(698,758)**	**(713,226)**

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. It came out at €698,758 thousand at December 31, 2016 versus €713,226 thousand at December 31,2015.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown in "Investment income, net of management expenses (excluding finance costs)".

Note 28. Income and expenses from ceded reinsurance

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Ceded claims	124,553	123,389
Change in claims provisions net of recoveries	19,649	(1,588)
Commissions paid by reinsurers	95,738	92,499
Income from ceded reinsurance	**239,940**	**214,300**
Ceded premiums	(249,702)	(267,863)
Change in unearned premiums provisions	(7,837)	2,153
Expenses from ceded reinsurance	**(257,539)**	**(265,710)**
Total	**(17,599)**	**(51,410)**

Note 29. Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Investment income	43,780	51,421
Change in financial instruments at fair value though income	(7,850)	(41,095)
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds [(1)]	*(7,032)*	*(40,158)*
Net gains on disposals	1,105	2,846
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds[(1)]	*(63)*	*(417)*
Additions to/(reversals from) impairment	(2,294)	54
Net foreign exchange gains	16,472	42,569
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*2,584*	*39,830*
Investment management expenses	(3,180)	(2,704)
Total	**48,032**	**53,091**

1) The change of the EUR / USD and the EUR / GBP caused significant impacts on the accounts, despite the hedge of investments by foreign exchange derivatives. The net impact after hedge was + € 6,270 thousand.

Investment income by class

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Property	4,424	2,265
Equities	1,610	14,240
Fixed income	37,462	33,435
Derivatives	(10,202)	(43,730)
Sub-total	**33,294**	**6,210**
Management expenses	(3,180)	(2,704)
Net foreign exchange gains/(losses)	16,472	42,569
Dividends	4,192	4,887
Additions to provisions for investments in non-consolidated companies	(2,662)	975
Net gains/(losses) on investments in non-consolidated companies	(83)	1,154
Total	**48,032**	**53,091**

Note 30. Other operating income and expenses

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
State export guarantees management transfer	(13,693)	
Fit to Win restructuring charges	(38,626)	
Provision for the compensation of American agents	(1,678)	(1,889)
Stamp duty - Coface Re		(326)
Other operating expenses	(948)	(3,275)
Total other operating expenses	**(54,945)**	**(5,490)**
Gain on State export guarantees management transfer	77,200	
Transfer of liabilities related to State export guarantees management	11,450	
Gain linked to alignment of social benefits with market standards	19,209	
Other operating income	582	1,258
Total other operating income	**108 441**	**1 258**
Total	**53,496**	**(4,232)**

At December 31, 2016, other operating expenses concern mainly restructuration fees.

Other operating income and expenses include, on the year 2016, the transfer of the State export guarantees to BPI and other impacts which are maintly related to the strategic plan *Fit to Win*.

The transfer of State export guarantees generates a one-off gain of about €75 million before taxes, on the Group net income. It is divided into:

- compensation of €77.2 million and recovery of social liabilities to €11.4 million on transferred employees (reversal of provisions of retirement allowances, paid leave provisions); These amounts are classified as other operating income
- expenses of €13.6 million caused by the activity transfer classified in other operating expenses; These expenses include depreciations of assets partially or totally dedicated to the activity and provisions on the vacant properties

The other impact are mainly related to the implementation of the strategic plan *Fit to Win*:

reversal of €19.2 million of provisions caused by the denunciation of Coface specific clause in social agreements linked to alignment with market agreements (including €14 million in gross impact and €5.1 million euros of variation of the actuarial rate).

increase of other operating expenses of restructuring to €38.6 million mainly in France and in Germany.

French entities recognized provisions for restructuring to € 13,6 million :

- €7.2 million in provisions for the early retirement under a plan presented to the employees representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties.

German entities regognized provision for restructuring to €19,0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employees representative bodies on November 30, 2016.

The line *Fit to Win* restructuring charges is detailed as below:

(in thousand of euros)	**Expenses - cost already incurred**	**Expenses - restructuring provisions**	**TOTAL**
France	(2,328)	(13,583)	(15,911)
Germany		(18,968)	(18,968)
Austria		(1,418)	(1,418)
Italy		(806)	(806)
Other countries	(32)	(1,491)	(1,523)
Total *Fit to Win* restructuring charges	**(2,360)**	**(36,266)**	**(38,626)**

The previous year, the other operating income and expenses concerned mainly the compensations paid to sales representatives within the framework of the plan of restructuration and densification of the distribution network led in the United States.

Note 31. Share in net income of associates

(in thousands of euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Cofacredit	(5,838)	2,157
Total	**(5,838)**	**2,157**

The share of Coface in Cofacredit is a loss of 5,838 thousands of euros. The decrease in the share in net income of associates is due to a provision recorded following significant risks identification.

Note 32. Income tax expense

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Income tax	(109,123)	(59,762)
Deferred tax	60,999	10,926
Total	**(48,124)**	**(48,836)**

Tax proof

(in thousands of euros)	Dec. 31, 2016		Dec. 31, 2015	
Net income for the year	**41 531**		**126 239**	
Non-controlling interests	-523		-888	
Income tax expense for the year	-48 124		-48 836	
Share of net income of associates	-5 838		2 157	
Pre-tax income for the year and before share in net income of associates	**96 016**		**173 806**	
Tax rate		34,43%		34,43%
Theoretical tax	-33 058		-59 841	
Tax expense presented in the consolidation income statement	-48 124	50,12%	-48 836	28,10%
Difference	**15 066**	**15,69%**	**-11 005**	**-6,33%**
Impact of differences between Group tax rates and local tax rates	8 663	9,02%	11 601	6,67%
Specific local taxes	-3 167	-3,30%	-3 882	-2,23%
o/w French Corporate value added tax (CVAE)	*-2 132*	*-2,22%*	*-1 996*	*-1,15%*
Tax losses for which no deferred tax assets have been recognised	-14 065	-14,65%	-5 028	-2,89%
Utilisation of previously unrecognised tax loss carryforwards	681	0,71%	2 493	1,43%
Dividends paid in France non deductible for tax purposes (5%)	-466	-0,49%	-1 488	-0,86%
Tax on dividends paid by COFACE S.A (3%)	-1 999	-2,08%		
Other differences	-4 713	-4,91%	7 309	4,21%

The effective income tax rate increased from 28.1% at December 31,2015 to 50.1% at December 31, 2016. This variation of 22% is mainly driven by:

- The increase of unrecognized potential deferred tax assets for 12.5 points
- A one-off adjustment of the deferred tax assets in Italy in 2015 for 6.4 points
- Other items varying the rate of 3.1 points including a 3% tax on dividend distribution in 2016 in France for 2.1 points

OTHER INFORMATION

Note 33. Breakdown of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.
Geographic segmentation by billing location does not necessarily match the debtor's location.
Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur and Coface Re, has been reallocated at the level of each region.
Income taxes by segment have been calculated based on this monitoring framework.

Analysis of December 31, 2016 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**303,075**	**330,682**	**124,228**	**334,044**	**136,119**	**77,743**	**109,801**	**955,662**	**27,421**		**(987,479)**	**1,411,297**
o/w Earned Premium	*196,940*	*235,849*	*95,820*	*282,146*	*122,911*	*74,812*	*106,647*	*955,662*			*(955,647)*	*1,115,140*
o/w Factoring	*61,619*		*9,000*									*70,619*
o/w Other insurance-related services	*44,516*	*94,833*	*19,408*	*51,899*	*13,207*	*2,931*	*3,154*		*27,421*		*(31,832)*	*225,538*
Claims-related expenses (including claims handling costs)	(115,260)	(90,754)	(48,175)	(140,409)	(104,473)	(45,067)	(156,576)	(660,657)		(3,404)	659,122	(705,655)
Cost of risk	(4,040)		(183)									(4,222)
Commissions	(20,970)	(34,469)	(6,198)	(34,350)	(30,423)	(8,573)	(22,755)	(263,984)			268,318	(153,404)
Other internal general expenses	(118,426)	(134,123)	(40,212)	(97,951)	(30,553)	(21,506)	(31,964)		(27,654)	(45,359)	30,192	(517,557)
UNDERWRITING INCOME BEFORE REINSURANCE*	**44,379**	**71,337**	**29,459**	**61,333**	**(29,331)**	**2,597**	**(101,495)**	**31,020**	**(232)**	**(48,763)**	**(29,847)**	**30,459**
Income/(loss) on ceded reinsurance	5,479	(33,052)	(2,860)	(2,924)	718	(3,109)	17,512	(30,368)			31,005	(17,599)
Other operating income and expenses	(20,208)	78,069	(1,718)	(302)	(1,678)	(668)						53,496
Net financial income excluding finance costs	7,859	17,275	5,071	8,997	737	7,670	2,451		157	(1,043)	(1,141)	48,032
Finance costs	(458)	555	(175)	(407)	(1,029)	(337)	(207)		(162)	(16,136)	(17)	(18,373)
OPERATING INCOME including finance costs	**37,051**	**134,184**	**29,778**	**66,697**	**(30,583)**	**6,154**	**(81,739)**	**653**	**(237)**	**(65,942)**		**96,014**
Share in net income of associates		(5,838)										(5,838)
NET INCOME BEFORE TAX	**37,051**	**128,345**	**29,778**	**66,697**	**(30,583)**	**6,154**	**(81,739)**	**653**	**(237)**	**(65,940)**		**90,178**
Income tax expense	(12,212)	(47,740)	(5,848)	(20,985)	10,086	725	3,803	(225)	82	22,703	1,488	(48,124)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**24,839**	**80,605**	**23,930**	**45,712**	**(20,497)**	**6,878**	**(77,935)**	**428**	**(155)**	**(43,237)**	**1,488**	**42,054**
Non-controlling interests		(3)	(474)	(2)	1	(47)	4					(523)
NET INCOME FOR THE PERIOD	**24,838**	**80,602**	**23,456**	**45,710**	**(20,497)**	**6,831**	**(77,933)**	**428**	**(155)**	**(43,237)**	**1,488**	**41,531**

* Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from other activities.

Analysis of December 31, 2015 net income by segment restated according to the new regional organization

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**319,888**	**367,181**	**130,592**	**342,347**	**131,317**	**83,481**	**121,130**	**738,935**	**27,877**		**(773,216)**	**1,489,531**
o/w Earned Premium	*212,864*	*265,193*	*99,257*	*292,986*	*116,915*	*80,210*	*118,643*	*738,935*			*(739,067)*	*1,185,936*
o/w Factoring	*62,163*		*8,436*									*70,599*
o/w Other insurance-related services	*44,861*	*101,988*	*22,899*	*49,360*	*14,402*	*3,270*	*2,487*		*27,877*		*(34,149)*	*232,997*
Claims-related expenses (including claims handling costs)	(84,790)	(88,741)	(56,987)	(95,355)	(65,800)	(90,996)	(119,341)	(514,081)		(3,779)	514,525	(605,344)
Cost of risk	(4,480)		(216)									(4,696)
Commissions	(22,201)	(40,771)	(5,271)	(36,393)	(28,943)	(9,256)	(24,473)	(196,509)			201,802	(162,016)
Other internal general expenses	(121,471)	(143,038)	(40,582)	(99,428)	(29,736)	(22,966)	(30,828)		(27,343)	(36,476)	29,240	(522,627)
UNDERWRITING INCOME BEFORE REINSURANCE*	**86,946**	**94,631**	**27,536**	**111,171**	**6,838**	**(39,736)**	**(53,512)**	**28,344**	**534**	**(40,255)**	**(27,649)**	**194,848**
Income/(loss) on ceded reinsurance	(5,523)	(20,283)	(2,519)	(23,470)	19	4,749	3,874	(36,601)			28,344	(51,410)
Other operating income and expenses	(24)	(2,380)	(239)	(78)	(1,886)	558	9		(36)		(156)	(4,232)
Net financial income excluding finance costs	14,952	9,141	7,567	12,004	2,225	13,130	(6,883)		1,453	(1,148)	648	53,091
Finance costs	(642)	1,658	(70)	(488)	(846)	(212)	(313)		(273)	(16,117)	(1,187)	(18,491)
OPERATING INCOME including finance costs	**95,709**	**82,766**	**32,275**	**99,139**	**6,350**	**(21,511)**	**(56,824)**	**(8,256)**	**1,678**	**(57,520)**		**173,806**
Share in net income of associates		2,157										2,157
NET INCOME BEFORE TAX	**95,709**	**84,923**	**32,275**	**99,139**	**6,350**	**(21,511)**	**(56,824)**	**(8,256)**	**1,678**	**(57,520)**		**175,963**
Income tax expense	(29,963)	(27,942)	(6,410)	(19,179)	(1,991)	3,815	4,675	2,843	(578)	19,804	6,090	(48,837)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**65,747**	**56,981**	**25,865**	**79,960**	**4,359**	**(17,697)**	**(52,149)**	**(5,414)**	**1,100**	**(37,716)**	**6,090**	**127,127**
Non-controlling interests	(3)	1	(832)	(4)		(51)	2					(888)
NET INCOME FOR THE PERIOD	**65,744**	**56,982**	**25,033**	**79,956**	**4,359**	**(17,748)**	**(52,147)**	**(5,414)**	**1,100**	**(37,716)**	**6,090**	**126,239**

Note 34. Earnings per share

	Dec. 31, 2016		
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	156,927,932	41,531	0,26
Dilutive instruments	0	0	0
Diluted earnings per share	**156,927,932**	**41,531**	**0,26**

	Dec. 31, 2015		
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	157,059,527	126,238	0,80
Dilutive instruments	0	0	0
Diluted earnings per share	**157,059,527**	**126,238**	**0,80**

Note 35. Group's headcount

(in full time equivalent)	Dec. 31, 2016	Dec. 31, 2015*
Northern Europe	686	711
Western Europe	1,160	1,158
Central Europe	468	487
Mediterranean & Africa	607	593
North America	113	116
Latin America	217	229
Asia-Pacific	127	117
Total	**3,378**	**3,410**

** The Group's headcount per region at December 31, 2015 have been restated according to the new regional organisation (see Note 1. Significant events).*

At December 31, 2016, the number of employees of fully consolidated companies was 3,378 full-time equivalents *versus* 3,410 at December 31, 2015, down -0.94% (-32 FTEs) year-on-year.

Note 36. Related parties

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

	Number of shares	%
Natixis	64,853,881	41,33%
Public	92,050,341	58,67%
Total	**156,904,222**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

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

These transactions are broken down below:

Current operating income	**Dec. 31, 2016**		
(in thousands of euros)	Natixis SA	Natixis factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,220)		
Claims expenses		3	
Expenses from other activities			(175)
Policy acquisition costs	1	25	
Administrative costs	(24)	13	
Other current operating income and expenses		9	
Operating income/(loss)	**(2,243)**	**50**	**(175)**

Related-party receivables and payables	**Dec. 31, 2016**			
(in thousands of euros)	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	11,667	70,056		
Other assets			56	
Cash and cash equivalents		1,102		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		127,014		
Other liabilities		60		45

The €127,014 thousand in financing liabilities due to banking sector companies, at the end of December 2016, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income	**Dec. 31, 2015**			
(in thousands of euros)	Natixis group	Natixis Factor	Ellisphère	Altus GTS Inc.
Revenue (net banking income, after cost of risk)	(2,511)	1	(2)	
Claims expenses	(11)	6	(16)	(31)
Expenses from other activities			(137)	(4)
Policy acquisition costs	(90)	48	(125)	
Administrative costs	(53)	27	(112)	114
Other current operating income and expenses	(29)	15	(40)	
Current operating income/(loss)	**(2,694)**	**97**	**(432)**	**79**

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

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

Off balance sheet commitments – related parties

(in thousands of euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
	Natixis Group	**Natixis Group**
Commitments given	**152,196**	**151,753**
Endorsements and letters of credit	152,196	151,753
Commitments received	**210,102**	**203,119**
Endorsements and letters of credit	66,660	55,507
Credit lines linked to commercial paper	143,442	147,612

Note 37. Key management compensation

(in thousands of euros)	Dec. 31, 2016	Dec. 31, 2015
Short-term benefits	3,249	3,041
(gross salaries and wages, incentives, benefits in kind and annual bonus)		
Post-employment benefits		
Other long-term benefits	738	735
Statutory termination benefits	1,979	
Share-based payment	266	
Total	**6,232**	**3,776**

The Group Management Committee is composed of seven members at December 31, 2016 and seven members at December 31, 2015.
The line "Other long-term benefits" corresponds to the distribution of free share of performance to the seven members of the Group Management Committee at the allocation date (no pro-rata calculation).
The line " Statutory termination benefits " corresponds to the severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors of January 15th, 2016.
A total of €241.8 thousand was paid out in directors' fees to the members of the Board of Directors in 2016.

Note 38. Breakdown of audit fees

(in thousands of euros)	KPMG				Deloitte				Total			
	2016	**%**	**2015**	**%**	**2016**	**%**	**2015**	**%**	**2016**	**%**	**2015**	**%**
Auditor services												
COFACE SA	204	15%	239	18%	204	12%	239	14%	408	13%	478	16%
Subsidiaries	957	68%	980	74%	1 388	82%	1 137	67%	2 345	76%	2 117	70%
Services directly related to the Statutory Auditors' assignment												
COFACE SA	24	2%	38	3%					24	1%	38	1%
Subsidiaries			20	2%	71	4%	314	19%	71	2%	334	11%
Total audit fees	**1 185**	**85%**	**1 277**	**96%**	**1 663**	**98%**	**1 690**	**100%**	**2 848**	**92%**	**2 967**	**98%**
Legal, tax, social advice												
COFACE SA												
Subsidiaries	175	12%	17	1%					175	6%	17	1%
Other services												
COFACE SA												
Subsidiaries	41	3%	32	2%	30	2%			71	2%	32	1%
Total other services and advice	**216**	**15%**	**49**	**4%**	**30**	**2%**			**246**	**8%**	**49**	**2%**
Total	**1 401**	**100%**	**1 326**	**100%**	**1 693**	**100%**	**1 690**	**100%**	**3 094**	**100%**	**3 016**	**100%**

The important amount of services directly related to the statutory auditor's assignment in 2015 are mainly related to the independent review of the internal model for Solvency 2. Other services and advice in 2016 are mainly related to the tax litigation services for German entity Coface Deutschland (ex Coface Kreditversicherung).

Note 39. Off-balance sheet commitments

	Dec. 31, 2016		
(in thousands of euros)	TOTAL	Related to financing	Related to activity
Commitments given	**955,126**	**944,303**	**10,823**
Endorsements and letters of credit	944,303	944,303	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	3,323		3,323
Commitments received	**1,170,697**	**886,936**	**283,761**
Endorsements and letters of credit	136,964		136,964
Guarantees	143,997		143,997
Credit lines linked to commercial paper	600,000	600,000	
Credit lines linked to factoring	286,936	286,936	
Financial commitments in respect of equity interests	2,800		2,800
Guarantees received	**302,893**		**302,893**
Securities lodged as collateral by reinsurers	302,893		302,893
Financial market transactions	**58,533**		**58,533**

The endorsements and letters of credit correspond mainly to :

- a joint guarantee of €380,000 thousand in favor of COFACE SA subordinated notes' investors (10 year maturity)
- a joint guarantee of €523,000 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €191,138 thousand euros and Compagnie française pour le commerce extérieur for €111,755 thousand euros.

	Dec. 31, 2015			
(in thousands of euros)	TOTAL	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**			**409,216**
Securities lodged as collateral by reinsurers	409,216			409,216
Financial market transactions	**55,699**			**55,699**

Note 40. Operating leases

Leases commitments given consist of non-cancellable lease agreements. They are broken down as follow:

(in thousands of euros)	Dec. 31, 2016
Less than 1 year	23 557
Between 1 and 5 years	75 724
More than 5 years	408
Total	**99 689**

Note 41. Relationship between parent company and subsidiaries

The main operational subsidiary of the Coface Group is the Compagnie française d'assurance pour le commerce extérieur (la Compagnie). This subsidiary, which is wholly owned by the Company, is a public limited company (société anonyme) under French law, with share capital of €137,052,417.05, registered with the Nanterre Trade and Companies Registry under number 552 069 791.

The main flows between Coface SA, the listed parent company, and la Compagnie are as follows:

- Financing:
    - Coface SA and la Compagnie have granted each other two ten-year loans;
    - In net terms, Coface SA finances la Compagnie;
    - la Compagnie stands as surety for the bond issue floated by Coface SA;
    - A two-way cash flow agreement exists between COFACE SA and la Compagnie;
    - COFACE SA delegates to la Compagnie management of its commercial paper programme and of its cash management.
- Dividends:
    - la Compagnie pays dividends to Coface SA.
- Tax consolidation:
    - la Compagnie forms part of the tax consolidation group headed by Coface SA.

The table below summarises the interim balance of la Compagnie and its principal financial flows:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other entities	Eliminations	Total
Revenue	1 549	1 459 919	952 056	-1 002 227	1 411 297
Total current income and expenses	11 076	42 277	59 026	- 51 486	60 893
Net income	- 8 342	1 697	48 176		41 531
Fixed assets	1 820 345	4 483 889	957 551	-4 237 502	3 024 283
Indebtedness outside the group	387 753	-	2 291		390 044
Cash and cash equivalent	194	224 891	106 986		332 071
Net cash generated from operting activities	3 962	33 645	95 180		132 787
Dividends paid to the quoted company	-	87 020	-		87 020

Note 42. Operations carried out on behalf of the French government

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

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on 31st December 2016 *(see Note 1 – Significant events).*

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

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

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

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

Note 43. Events after the reporting period

Compagnie française d'assurance pour le commerce extérieur received a notice of a tax review, dated January 10, 2017 issued by la Direction des verifications nationales et internationales. The review will cover fiscal years 2014 and 2015.

Note 44. Risk management

Within the framework of the Group's activity, the risk taking translates the search for business opportunities and the will to develop the Company in an environment intrinsically submitted to possible unexpected events. The essential goal of the risk management function is to identify the risks facing the Group and to set up an effective internal control system to create value.

To address these risks, the Group has established a risk management structure which aims to ensure i) the proper functioning of all of its internal processes, ii) compliance with the laws and regulations in all of the countries where it is present, iii) control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations and optimising its effectiveness.

The Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations. These mechanisms seek to ensure that i) risks of any kind are identified, assessed and controlled; ii) operations and behaviours are in accordance with the decisions made by the corporate bodies, and comply with the laws, regulations, values and internal rules of the Group; as concerns more specifically financial information and management, they aim to ensure that they accurately reflect the Group's position and business; and that iii) these operations are carried out with a concern for effectiveness and efficient use of resources.

Lastly, this system provides managers with access to information and tools –required for the proper analysis and management of these risks. It also ensures the accuracy and relevance of the Group's financial statements as well as the information disclosed to financial markets.

1. Structure of the mechanism

The internal control and risk management mechanism consists of:

- a governance structure, designed to allow supervision and appropriate management of the Group's activities; and,
- management structures and control mechanisms, designed to allow the Group's managers to separately apprehend the main risks facing the Group and to have the right tools for analysing and preventing them.

Governance structure

Coface Group has implemented a risk management and control system which revolves around a clear governance supported by a dedicated organisation based on key functions. It has developed its governance by relying on the Board of Directors and its specialised committees and on the three general management specialised committees which define the Group's strategy, the risk appetite limits and indicators and their control, review and approve policies, identify, measure and manage identified risks.

Governance revolves around level one operational committees and level two control committees. The Coface Group Risk Committee (CGRC) is the second level backbone which relies on specialised sub-committees covering different risk scopes or categories as described by the diagram below.

In 2016, the regional risk committees of Coface's seven global regions were strengthened. They meet every quarter, are chaired by the regional risk manager and fulfil the same missions as the CGRC.

2. Management structures and control mechanisms

The management structures and control mechanisms are based on the CGRC. The Committee meets at least every quarter and is presided over by the Chief Executive Officer (CEO); the members of the Group Management Board–the strategic and operational control Board of the Group-, the Group Risk Director, the Group Corporate Secretary, the Group Compliance Director, as do, where applicable, the representatives of the operational or functional departments concerned, who are likewise represented according to the matters at hand.

The CGRC is tasked with:

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

In 2016, specific sessions were organised to review the Group's risk mapping, by involving each Group entity, regional directors and the regional risk managers.

3. Risk management system

The Group's risk management system seeks to ensure the proper functioning of all of the company's activities and processes, by controlling and monitoring identified risks. This system is based on the CGRC.

Identification of risks

The Group has identified five main types of risks: strategic risks, credit risks, financial risks, operational and non-compliance risks and lastly reinsurance risks.

Strategic risks

Strategic risk stems from Coface businesses and business lines worldwide. It can be defined as the risk affecting our results and our solvency due to changes in market conditions, poor strategic decisions or poor application of these decisions aimed at addressing the changes to market conditions.
Changes to market conditions may, for example, be linked to regulatory or prudential developments or to the brokerage model implemented within Coface.

Credit risks

Credit risk is defined as the risk of loss, owing to non-payment by a debtor, of a receivable owed to Coface or insured by Coface.
The credit risk may be aggravated due to the concentration of our exposures (countries, sectors, debtors, etc.) and is modelled as a premium risk, reserve risk and catastrophe risk.
As part of our factoring business lines, the risk of dilution will be handled as an operational risk.

Financial risks

Financial risks cover all risks linked to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, real estate risk, spread risk, equity risk and counterparty risk:
interest rate risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the interest rate curve or the volatility of interest rates;
foreign exchange risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of exchange rates;
liquidity risk materialises through the impossibility of dealing with contract or contingent payment obligations;
equity risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of the value of equity markets;
real estate risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of the value of real estate markets;
spread risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of credit spreads with respect to the curve of risk-free interest rates;
counterparty risk materialises through the unexpected default, or credit quality deterioration, of the company's counterparties and debtors.

Operational and non-compliance risks

Operational risk is a risk of losses due to an inadequacy or to a default that is attributable to procedures and people in all areas of business, to the internal systems or to outside events, including the risks of internal and external fraud.

Operational risk also includes the notion of legal risk, including the risk of a dependency situation. The Coface Group does not consider its business or profitability to be dependent on any trademarks, patents or licenses. Indeed, within the context of its activity selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by a filed trademark, notably in France. Lastly, the Group has filed a certain number of trademarks, logos and domain names worldwide within the context of its business.

Non-compliance risk is an operational risk, in the same way as model risk and dilution risk:

- non-compliance risk is defined as the risk of judicial, administrative or disciplinary sanctions, a significant financial loss or impact on reputation, which arises out of a failure to comply with the specific provisions on insurance, sale of information, debt collection, or factoring business lines, whether they are legislative or regulatory in nature, or concern professional and ethical standards, or instructions from the executive body. The main areas of non-compliance are: legislations on the fight against financial delinquency (anti-money laundering or terrorism financing legislation, personal data protection, the professional rules of ethics and the regulation applicable to the insurance business;
- model risk is defined as a risk on a result arising from unsuitable or poorly-used models, owing to poor design, poor monitoring or poor use;
- dilution risk is included in operational risks for the factoring business (resulting in particular from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the debtor solvency: disputes, compensations, prepaid invoices, double cession for example.

Reinsurance risk

Considering its risk appetite, COFACE is reinsured against potential extreme risks.
Reinsurance generates four types of risks:

- residual insurance risk that may stem from discrepancies between the reinsurance needs and the actual cover specified in the treaty;
- the counterparty risk resulting from the incapacity or potential refusal of the reinsurer, or a stakeholder to the treaty, to meet its obligations to the ceding insurer;
- the liquidity risk arising from the possible time period between the payment of the benefit by the insurer to its insured and the receipt of the reinsurance benefit;
- operational risk linked to the execution of the treaty.

Organisation of risk management

In order to ensure risk management and prevention, and in accordance with the Solvency II regulation, the Group has set up an effective governance system, which guarantees sound and prudent management of the business line. This governance system is built on a clear separation of responsibilities and should be proportional to the nature, magnitude and complexity of the Group's operations.

The Solvency II regulation grants the Chief Executive Officer (CEO) and the Deputy CEO if existing, the status of effective directors of a Group. It authorises the appointment by the Board of Directors of one or several other effective directors. It also defines the following four key functions:

- the risk management function, which consists of defining the risk policies and monitoring their application, validating the risk indicators and monitoring them, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping. This function is assumed by the Group risk director;

- the internal control and compliance function, which is specifically in charge of implementing the procedures ensuring that the company follows at all times the legislation applicable to it, of checking its actual application. In this respect, it ensures that the level 1 controls are effectively implemented by the businesses, it defines and applies level 2 controls and issues recommendations to correct any insufficiencies revealed during the said controls. It provides advice on all issues relating to compliance with legislative, regulatory and administrative measures linked to access to insurance business lines and their exercise. It is exercised by the department in charge of Group compliance;

- the internal audit function, which is particularly in charge of assessing the adequacy and efficacy of the Group's internal control system and the other elements of the Group's governance system. This function is exercised objectively and independently of operational functions by the Group audit director; and,

- the actuarial function, which is specifically in charge of coordinating the calculation of technical provisions and the methodology used, evaluating the quality of the data used in the calculation and comparing the best estimates to reality, informing the Board of Directors of the reliability and appropriateness of the calculation of technical provisions, issuing an opinion on the provisions linked to reinsurance and on the comprehensive subscription policy, modelling the risks linked to the calculation of capital requirements and contributing to the internal assessment of risks and solvency. This function is assumed by the Group actuarial department.

Each key function is under the authority of the Chief Executive Officer or the effective manager and operates under the ultimate responsibility of the Board of Directors. It has direct access to the Board for reporting any major problem in their area of responsibility. This right is enshrined in the internal rules of the Board of Directors.

The professional qualifications, knowledge and experience of persons with key functions should be adequate to enable sound and prudent management, and they must be of good repute and integrity.
Key functions are free of influences that may compromise their capacity to carry out the tasks assigned to them in an objective, loyal and independent manner. In 2016, the actuarial function was separated from the risk management function, with these two functions reporting directly to an effective director.

In December 2016, in order to strengthen the control sectors, it was decided that regional managers of audit, risk and compliance functions would report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same chain of command is established between managers at regional level and those at country level.

Risk management function

The risk management function is designed to cover all of the Group's risks and consists in defining risk policies and monitoring their application, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping.

The risk management function:
- implements and monitors the risk management system;
- monitors the Group's overall risk profile, identifies and assesses emerging risks;
- reports on risk exposures and advises the Board of Directors on risk management issues;
- defines and monitors the Group's appetite(3) towards these risks: risk appetite takes five dimensions into account through 14 indicators.

The risk management function is in charge of rolling out and coordinating Solvency II at the Group level. It reports on its activity to the CGRC which meets every quarter. It cooperates closely with the actuarial function, which is in charge of tests, documentary monitoring and the analysis of the performances of the partial internal model. It communicates the results of the model with users and informs the Board of Directors on the improvements to be made.

The Group's risk department leads a network of seven regional risk managers for each region. The latter are in charge of leading a network of correspondents in the countries within their geographic scope. These correspondents are in charge of performing the centrally established level two controls at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

Pursuant to regulations, the risk policies are reviewed annually by the Group risk department, and then approved by the Board of Directors. These policies are then communicated to all the Group's entities, contributing to forging a common culture of risk.

Internal control and compliance function

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

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

a) Internal control function

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

The Group risk department has established a Group control program. The regional and local managers are in charge of performing the centrally established level two control programs at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

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

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

3 Risk appetite represents the risk levels which the Group wants and can accept, with the purpose of reaching its strategic objectives and achieving its Business Plan.

b) Compliance function

Non-compliance risk is defined as the risk of judicial, administrative or disciplinary sanction, a significant financial loss or impact on reputation, which arises out of a failure to comply with the specific provisions on banking and financial activities, whether they are legislative or regulatory in nature, or concern professional and ethical standards, or mandatory rules in the company. It is ensured by the compliance department transformed in 2016 into an independent department from the legal department. The compliance department regularly informs the Coface Group's management bodies of the status of non-compliance risk; quarterly, within the context of the CGRC, and occasionally directly to Coface Group's general management in case of major incidents.

Internal audit function

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

- the quality of the financial position;
- the level of risks effectively incurred;
- the quality of organisation and management;
- the consistency, adequacy and proper functioning of the risk assessment and control mechanisms, and their compliance with regulatory requirements;
- the reliability and integrity of accounting and management information, including information related to Solvency II problems;
- compliance with laws, regulations and Group rules (compliance). The audit function ensures the quality and suitability of procedures set up to ensure compliance with laws, regulations and professional standards applicable to the audited activities, both in France and abroad, in addition to policies, decisions of Coface's corporate bodies and internal rules;
- the quality, efficacy and proper functioning of the permanent control mechanism set up and other elements of the governance system
- the quality and level of security offered by the information systems;
- effective implementation of the recommendations of prior audit engagements, whether it concerns those from the work of the Coface Group's audit sector, the General Inspections of the BPCE and Natixis, in addition to external controls from the supervisory authority.

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

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

Internal audit cannot be refused access to any area, be it theme-based or organic. Consequently it includes all the risks, all the companies and all activities including, as applicable, those that are outsourced (in particular according to the definition of the November 3, 2014 decree).

The Group audit department is independent and reports directly to the general management.

Actuarial function

The actuarial function is performed by the head of the actuarial department, who reports to the Chief Financial Officer since July 1st, 2016. Its mission is to advise the executive management or the supervisory body and to support its efforts to ensure the solvency and profitability of the Group over the long term and

to ensure compliance with the requirements of Solvency II including on reserving. To fulfil its mission, the actuarial function has direct access to Board meetings.

The actuarial function is the contact of numerous Group departments (Finance, Information, Commercial or Debt Collection), entities of the Group on actuarial subjects, and informs the Board of Directors on the adequacy of the calculation of technical provisions.

The actuarial function:

- coordinates the calculation of technical provisions and the methodology used, evaluates the quality of the data used in the calculation and compares the best estimates to reality;
- Informs the Board of Directors of the reliability and appropriateness of the calculation of technical provisions;
- Issues an opinion on the provisions linked to reinsurance and on the comprehensive subscription policy;
- Models the risks linked to the calculation of capital requirements;
- Issues once a year, an actuarial report on the work that it conducts;
- Reviews DRA ratings and the price-setting model;
- Contributes to the internal assessment of risks and solvency.

The actuarial function works in the following committees in particular: CGRC, DRA provisioning committee, new products committee, economic anticipations committee and pricing committee.

Risk measuring: quantitative and qualitative annexes

For each of the five major types of risk mentioned before, Coface has developed risk metrics, used to assess the risks and to determine the appropriate resources for controlling them.

Measuring strategic risk

Strategic risk is the risk that the strategic plan defined by the Group might be inefficient, not properly implemented or not suitable for changes in the economic and commercial environment.

The Group's strategy and development department, created in 2016, manages the strategic planning process by working with the general management committee. They meet on a regular basis in order to assess the effectiveness of the plan and determine any modifications that might be necessary. The Board of Directors is definitively responsible for monitoring strategic risk, by adopting a strategic planning process and by determining any necessary modifications.

Measuring credit risk

Credit risk may be aggravated due to the concentration of our exposures (countries, sectors, debtors, etc.) and is modelled as a premium risk, reserve risk and disaster risk. Classically, there is a distinction between frequency risk and peak risk:
frequency risk represents the risk of a sudden and significant increase in outstanding payments for a multitude of debtors;
peak risk represents the risk of abnormally high losses being recorded for a single debtor or Group of debtors, or of an accumulation of losses for a given country.

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

portfolio diversification.

Control and follow-up of products

- Approval of new products: the Group relies on a Group product committee to ensure that the product offer is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offer in each region. It combines the marketing, sales, organisation, compliance, actuarial risk, and any other function according to the projects.
- Validation of product developments: any product development, whether in terms of the policy, pricing method, retail method, target (insured, country), must be conveyed to the Group's marketing department and to the Group compliance department.
- Sales delegations: in order to ensure the profitability of the policies, the contractual parameters thereof that have a strong influence on the policy's performance or on risk management are covered by a delegation system with eight levels of responsibility.
- Pricing: the Group uses a common pricing tool, allowing its users to create pricing projects with the help of simulation tools and to formulate pricing proposals that are consistent with the Group's profitability objectives.

Centralised credit risk management

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

Frequency risk is covered by technical provisions which are established using a statistical loss experience, which simulates the loss ratios using the developments observed and current loss experience data. This risk is measured for each region and country by tracking the instantaneous loss ratio (4) and the monthly indicator which determines changes in domestic/export credit by DRA by acceptance rate in the DRA scale, or by product line (bond, Single Risk). With respect to the monitoring of exposures and portfolios, the Group has developed a more refined management of its risks through 38 sectors and five country risk levels (150 risk levels in total). Therefore, outstanding payments are analysed weekly by the Group risk underwriting Committee, and monthly by the Group Committee. The loss ratios of the various underwriting regions are likewise tracked at the consolidated level of the underwriting.

Peak risk is covered by Coface Re reinsurance. In addition to the weekly and monthly monitoring by each region and country, a mechanism is established at the Group level, which relies on:

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

Diversification of the credit risk portfolio

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

Debtor risk exposure

The Group insures the risk of payment defaults for nearly 2.71 million debtors worldwide. As of

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

December 31, 2016, the average debtor risk was nearly €181.7 thousand. More than 80% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and the United Kingdom, and the United States.

The great majority of debtors, considered individually, constitute an insignificant risk with regard to the Group's total portfolio, since no debtor represents more than 1% of the Group's outstandings.
The total outstanding covered by the Group was €492.6 billion, up by more than €17 billion against a background of increasingly high sensitivity of emerging countries and of specific sectors such as construction, metallurgy and the oil sector. The risks selectivity level was strengthened for a finer granularity.

The charts below analyse the debtor distribution (5) as of December 31, 2014, 2015 and 2016 as a function of the outstanding amounts of cumulative credit risk outstanding(6) carried by the Group for them. The analysis of the number of debtors by segment of outstandings demonstrates a weak risk concentration profile.

Segments of outstanding total debtor	Outstandings in millions of euros		
	2014	**2015**	**2016**
€1 - €100 thousand	39,985	39,169	39,581
€101 - €200 thousand	24,578	24,714	25,404
€201 - €400 thousand	33,727	33,836	34,833
€401 - €800 thousand	43,282	42,771	44,100
€801 - €1,500 thousand	45,696	43,894	45,778
€1,500 - €5 million	97,953	93,341	94,959
€5 million - €50 million	159,713	144,363	149,443
€50 million - €200 million	42,078	35,974	37,374
€200 million and more	21,025	17,358	21,185
Total	**508,037**	**475,419**	**492,657**

Geographical distribution of risks

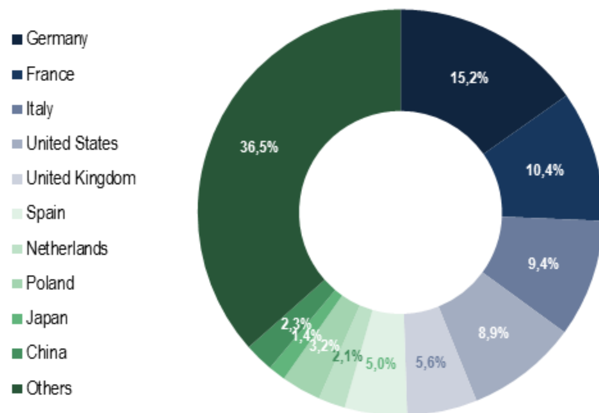
The debtors covered by the Group's credit insurance policies are essentially located in Western Europe. In the medium term, the Group considers that the consequences of Brexit, in particular the negotiation of the trade agreement between the UK and the European Union, will be decisive with respect to the future development of risks and is adjusting its risk monitoring accordingly.

As of December 31, 2014, 2015 and 2016, the 10 most important countries represented respectively 63.0%, 64.2% and 64.3% of the Group's total exposure (€492,657 million), arising from its credit insurance activities:

AS OF DECEMBER 31, 2016 (7)

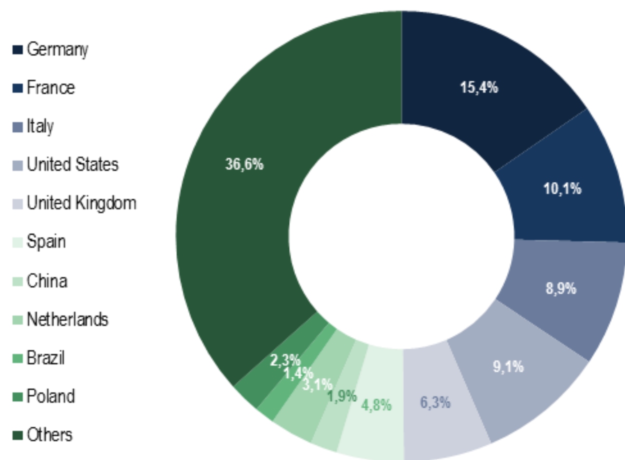
5 The debtors mentioned above are the clients of the Group's insureds.
6 The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Group for its insureds. They do not correspond to the effective use thereof by the policyholders.
7 Belgium (1.9%) no longer forms part of the 10 countries in terms of exposure. While China has returned to the top 10.

2016

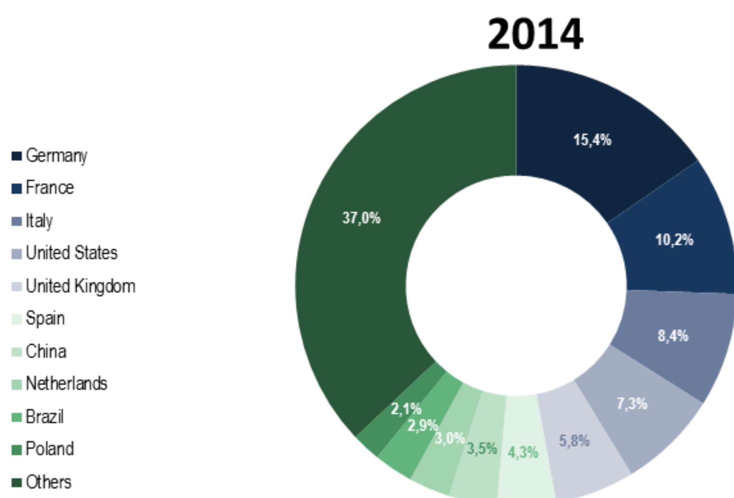


AS OF DECEMBER 31, 2015

2015



AS OF DECEMBER 31, 2014



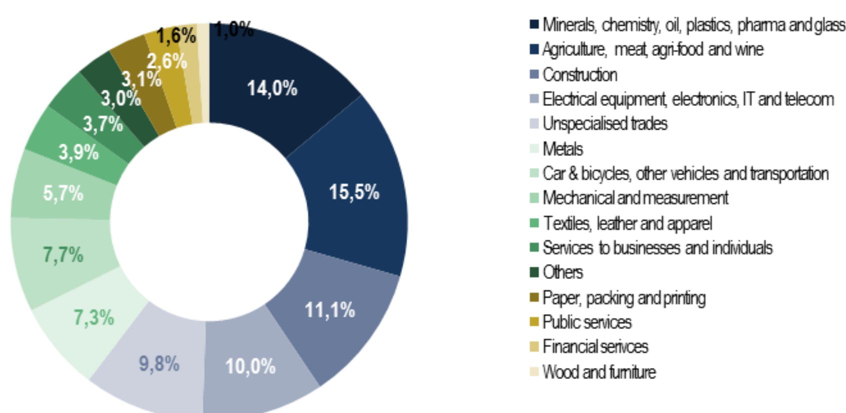
The charts(8) below show the distribution as of December 31, 2014, 2015 and 2016 of the Group's debtor outstandings, grouped by geographical region:

Group Region	Outstandings (*) in millions of euros		
	2014	**2015**	**2016**
Western Europe	147,145	142,401	103,010
Northern Europe	95,362	88,362	104,324
Asia-Pacific	73,733	61,905	63,734
Mediterranean and Africa	70,657	67,410	98,938
North America	43,234	49,806	50,626
Latin America	40,569	28,865	30,711
Central Europe	37,336	36,670	41,314
Total	**508,036**	**475,419**	**492,657**

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

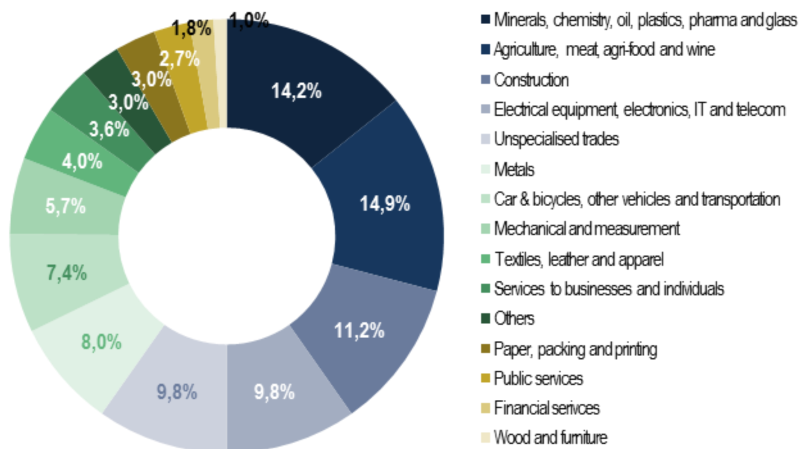
Exposure by sector of business of the debtor

AS OF DECEMBER 31, 2016

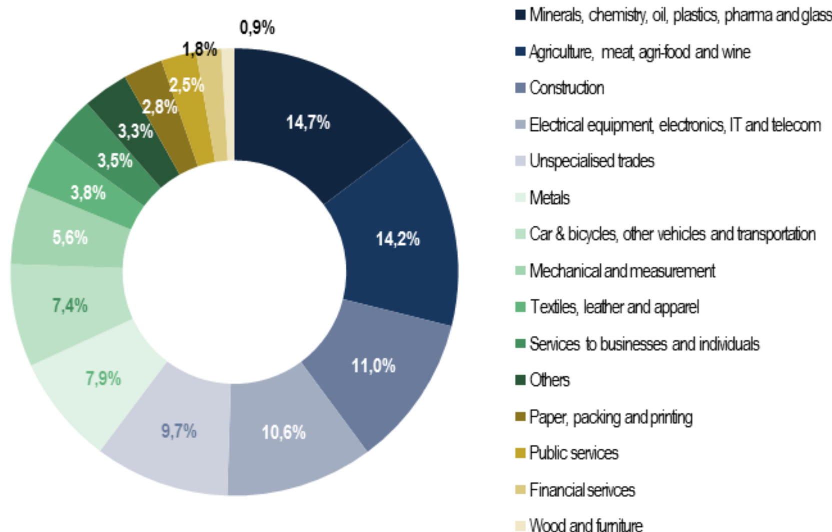


8 The breakdown was modified with respect to the previous year: Spain and Portugal have been placed in the Mediterranean & Africa region instead of Western Europe and Russia has been moved from the Northern Europe region to Central Europe.

AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



Duration of risks

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

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

Common interests with policyholders

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

Decision-making

The principle for the insurer is to approve, for each new debtor that is presented by the insured, the maximum amount of risks that the insurer is ready to accept for that debtor. The insurer likewise

determines the maximum amount that it is ready to accept for a given debtor, for all of its policyholders.

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

Consideration of risk quality for establishing the premium

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

Sharing of risk between the Group and the insured

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

Recovery management by the Group

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

A fine-tuned risk underwriting system: ATLAS

Underwriting decisions are made by groups of risk underwriters in various underwriting centres, who work in real time and in network thanks to ATLAS. These risk underwriting decisions address the risk underwriting rules that are defined for the Group as a whole.
The Group risk underwriting department is responsible for establishing a global risk underwriting policy. Moreover, the Group risk underwriting committee has the goal of defining the risk policy by country, setting budgets and following the global risk underwriting activity within the context of the objectives set.
The accepted reinsurance (in other words the reinsurance of policies sold by the Coface Partners network which have been accepted for reinsurance) is underwritten according to the same procedures as those used for direct insurance. The Group provides reinsurance which is contingent upon the prior approval in ATLAS for each type of risk ceded.

Evaluation of provisions

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

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

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

The technical provisions for credit insurance are not updated.
The estimated IBNR provisions are based on an estimate of a most recent loss experience through periodic actuarial analyses which are performed by the entities and controlled by the Group actuarial department.
The Group actuarial department also has the role of ensuring that the overall level of provisions of the Group is sufficient to cover future indemnifications, to establish and verify the correct implementation of actuarial principles, for which the calculations on estimated reserve must respect.

To date, the actuarial methods used by the Group and its entities are methods based on claims triangles (Chain Ladder and Bornhuetter-Fergusson actuarial methods). These methods are completed by an estimation of the variability of the technical reserves at one year by the Merz and Wuthrich method which aims to determine a reasonable estimate range in which the Group risk department recommends choosing an ultimate loss ratio.
Based on this range calculated by the actuaries, their recommendations and other actuarial or non-actuarial analyses, management decides, through a committee (Loss Reserving Committee) on the level of reserves to be withheld for each quarter's closing. This committee is formed for each entity, and at the Group level. It meets at least quarterly, but may be convened in case of a major event which requires a significant revision of the reserves level (in particular in the event of a significant claim). The estimates are likewise refined based on economic information, risk underwriting information, and information on the recovery of receivables, evaluated during a quarterly Committee meeting on "economic expectations".

Loss ratio

The Group measures the loss experience, notably as a function of the loss ratio (total of claims charges compared to the total gross premiums earned). This ratio, which was determined using figures from the consolidated financial statements, totalled 63.3% in 2016.

The table below shows the evolution of the average loss ratio recorded for a given year between 2011 and 2016:

YEAR	2011	2012	2013	2014	2015	2016
Loss ratio	51.7%	51.5%	51.1%	47.6%	51.0%	63.3%

The Group conducts its risk management policy thanks to its capacity to reduce or cancel its credit-insurance cover, a corrective measure aimed at reducing its exposure in certain countries in response to the deterioration of the economic situation.
The variation of +/- one percentage point[9] of the gross accounting loss ratio at December 31, 2016, would have had an impact of +/- €11 million on the claims expenses net of reinsurance, of +/-€6 million on the net income and of +/- €6 million on equity. The Group believes that a variation of one percentage point in the gross accounting loss ratio is reasonable as compared to the loss ratio recorded in previous years.

Claims expenses recorded at the Group level

In the table below, the gross operations represent the claims expenses recorded in the Group's financial

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

statements for direct business and inward. The cessions and retrocession represent the portion ceded for external reinsurance.

(in millions of euros)	AS OF DECEMBER 31								
	2016			2015			2014		
	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses – current year	- 782	168	- 614	- 815	165	- 650	- 787	164	- 623
Claims expenses – prior years	76	- 24	52	210	- 44	166	248	- 61	188
CLAIMS EXPENSES	- 706	144	- 562	- 605	121	- 484	- 539	104	- 435

Status of technical provisions established at the Group level

In the table below, the provisions for unearned premiums corresponds to the portion of written premiums relating to the period between the year-end and the next premium payment date. They are calculated *prorata temporis* for each insurance contract. The provisions for profit sharing correspond to an estimate of the cost of the profit sharing not paid at the closing date. The profit sharing is a contractual stipulation which consists of refunding a portion of the benefit, which the savings on the contract could generate, to the policyholder at the end of a defined period.

	AS OF DECEMBER 31		
(in millions of euros)	2016	2015	2014
Provisions for unearned premiums	276	286	286
Claims provisions	1,275	1,122	1,092
Provisions for profit sharing	127	107	94
Liabilities relating to insurance contracts	**1,678**	**1,515**	**1,472**
Provisions for unearned premiums	- 48	- 58	- 57
Claims provisions	- 267	- 247	- 249
Provisions for profit sharing	- 26	- 23	- 23
Reinsurers' share of technical insurance liabilities	**- 341**	**- 328**	**- 329**
NET TECHNICAL PROVISIONS	1,337	1,187	1,143

Roll-out of claims provisions

The roll-out of claims provisions indicates the evolution of claims provisions for the last decade.
The following triangle, which presents the development of the ultimate loss ratios, details, for a given line N, the vision for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies as a function of the increasing reliability of information relating to claims still pending.
The discrepancy between the initial loss ratio and the final loss ratio measures the excess or insufficiency of the provisions recorded at the source.

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

OCCURRENCE YEAR/DEVELOPMENT YEAR (AS %)	1	2	3	4	5	6	7	8	9
2007	62.0	61.1	66.6	66.8	66.9	63.7	64.3	63.7	63.8
2008	93.8	113.5	114.5	112.6	108.0	105.5	104.4	104.4	102.3
2009	77.1	65.9	60.3	61.8	57.8	56.5	55.8	56.3	
2010	58.2	44.3	37.9	35.6	35.0	34.9	34.7		
2011	73.6	61.1	54.9	54.3	53.2	52.2			
2012	77.3	67.5	61.0	58.7	59.9				
2013	72.6	56.9	51.1	49.2					
2014	72.5	61.8	62.9						
2015	70.2	65.4							
2016	70.0								

The claims provisions estimate model used by the Group is based on a history of data which notably includes 2008. This year is characterised by an 8.5-point insufficiency of provisions (between 93.8% estimated in 2008, compared to 102.3% re-evaluated in 2016). Consequently, this provision model has historically led the Group to estimate, out of prudence, higher loss ratios than the loss ratios actually recorded. Given the Group's proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2013-2016 period:

PERIOD	LATEST LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES OF EACH YEAR FOLLOWING THE FIRST YEAR OF DEVELOPMENT	ACCOUNTING LOSS RATIO BEFORE REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES (AS %)	PROFIT *(as %)*
2013	72.6	48.4	- 24.1
2014	72.5	45.3	- 27.2
2015	70.2	48.8	- 21.4
2016	70.0	61.0	- 9.0

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

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

OCCURRENCE YEAR/DEVELOPMENT YEAR *(in millions of euros)*	1	2	3	4	5	6	7	8	9	10
2007	77	382	514	551	560	583	589	592	593	595
2008	122	798	973	1,013	1,034	1,035	1,039	1,043	1,042	
2009	164	453	517	533	538	545	545	547		
2010	60	274	345	359	366	370	379			
2011	67	458	566	597	626	608				
2012	118	447	564	577	582					
2013	83	400	492	523						
2014	74	417	572							
2015	62	370								
2016	55									

2.4.2.2.3.3 Measuring financial risks

Financial risks cover all risks linked to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, real estate risk, spread risk, equity risk and counterparty risk.

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

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

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

Internal investment management control mechanism

Since May 2013, Coface has centralised management of its investments, and delegates a large portion of the management to various delegates under the aegis of a sole investment provider, the Amundi management company. The Group's reinsurance captive Coface RE, created in September 2014, has also delegated the management of its investments to various agents under the aegis of the management company Amundi.

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

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

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

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

Management of risks related to asset allocation

Investment assets

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

	AS OF DECEMBER 31					
	2016		2015		2014	
INVESTMENT PORTFOLIO (FAIR VALUE) [1]	(in €m)	(as a %)	(in €m)	(as %)	(in €m)	(as %)
Shares	126	4.8	219	8.7	189	7.4
Bonds	1,797	68.3	1,685	66.7	1,788	69.9
Loans, deposits and other financial investments	570	21.7	512	20.3	550	21.5
Real estate investment	138	5.2	112	4.4	31	1.2
TOTAL	2,631	100	2,527	100	2,558	100

(1) Excluding unconsolidated subsidiaries.

As of December 31, 2016, bonds represented 68.3% of the total investment portfolio.

Within the framework of the defined strategic allocation, the Group increased its exposure to the sovereign debt of leading issuers of the financial markets, as well as to European unlisted real estate while reducing

its exposure to European equities.

DISTRIBUTION BY TYPE OF DEBT IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as %)*	*(in €m)*	*(as %)*	*(in €m)*	*(as %)*
Sovereign and assimilated	923	51.3	815	48.4	763	42.7
Non-sovereign	874	48.7	870	51.6	1,025	57.3
TOTAL	1,797	100	1,685	100	1,788	100

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

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

As of December 31, 2014, 2015 and 2016, the main characteristics of the bond portfolio were as follows:

DISTRIBUTION BY GEOGRAPHIC ZONE OF THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as %)*	*(in €m)*	*(as %)*	*(in €m)*	*(as %)*
Asia - Developed countries	259	14.4	154	9.1	73	4.1
Emerging countries [(1)]	164	9.1	159	9.4	135	7.5
Eurozone	821	45.7	788	46.8	1,036	58.0
Europe outside the Eurozone [(2)]	145	8.1	136	8.1	151	8.4
North America	408	22.7	448	26.6	393	22.0
TOTAL	1,797	100	1,685	100	1,788	100

(1) Countries in which the Group is present, primarily Brazil, Mexico. / (2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is primarily exposed to areas in developed countries of the Eurozone and North America. The risk related to sovereign issuers of the Eurozone was significant in 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. The continuous improvement of the economic situations of Spain, Ireland and Italy has allowed us to improve our investments in the sovereign securities of these countries since 2014, however exposures remain limited

due in particular to the significant political risk. Conversely, exposures to the sovereign debt of Portugal and Greece are still null. In 2015 and 2016, the Group increased the international diversification of its bond portfolio, particularly in developed countries in Asia, in order to benefit from higher rates of return and follow the various interest rate rises.

The bond portfolio remains essentially invested in companies and countries that have been rated as investment grade*(8)*.

DISTRIBUTION BY RATING [1] OF THE BONDS IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as %)*	*(in €m)*	*(as %)*	*(in €m)*	*(as %)*
AAA	354	19.7	329	19.5	227	12.7
AA – A	675	37.6	540	32.1	636	35.6
BBB	576	32.1	558	33.1	576	32.2
BB – B	186	10.3	256	15.2	347	19.4
CCC and less	6	0.3	2	0.1	2	0.1
TOTAL	1,797	100	1,685	100	1,788	100

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

Incidentally, investments in company bonds represent 48.7% of the bond portfolio and are more than 85% concentrated on investment grade companies*(10)*. These investments were made within the context of a strictly defined risk policy, and particular care was given to the quality of the issuers, the sensitivity of the issues, the dispersal of the issuers' positions and the geographical zones in the various management mandates granted to the Group's dedicated managers.
The rate risk carried by the Group on its financial portfolio is limited, the maximum authorised sensitivity for the bond asset class being deliberately capped at 4(11). The sensitivity of the bond portfolio was 3.6 as of December 31, 2016.
Lastly, the semi-annual Risk Committee systematically reviews the spread and liquidity risks of the portfolio.

Coverage policy

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

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

As of December 31, 2016, only Compagnie française d'assurance pour le commerce extérieur and Coface

[10] According to the Standard & Poor's rating agency scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of less than or equal to BB+ are considered to be high yield.
[11] The sensitivity of a bond measures its loss in value in the event that interest rates rise. Thus, a bond with a sensitivity of 4 will have its market value decrease by 4% if the interest rates increase by 1%.

Re had developed a hedging strategy for the equity exposure of the investment portfolio, by using out-of-the-money long-term maturity put options. The level and control of this hedging strategy on Eurozone-listed equities are defined and reviewed according to the market circumstances and the control of the levels of unrealised gains and losses during the monthly Investment Committees between the Group and the Amundi investment platform manager.

Foreign exchange risk

As of December 31, 2016, 36.7% of the Group's consolidated revenue was earned outside of the Eurozone, and thus subject to exchange rate risk.

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

The great majority of the Group's investment instruments are denominated in euros. Exposure to the exchange rate risk is limited for investment portfolios: as of December 31, 2016, 69% of investments were thus denominated in euros.

DISTRIBUTION BY CURRENCY OF THE INVESTMENT PORTFOLIO	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as %)*	*(in €m)*	*(as %)*	*(in €m)*	*(as %)*
EUR	1,833	69.6	1,743	69.0	1,791	70.0
USD	410	15.6	514	20.3	504	19.7
Other [1]	388	14.8	270	10.7	263	10.3
TOTAL	2,631	100	2,527	100	2,558	100

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

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Group, the exchange rate risk is systematically covered for investments in foreign currency which departs from the matching principle. Therefore, as of December 31, 2016, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

Sensitivity to exchange rate risks of net income of entities denominated in foreign currencies

	Average exchange rate (December 2016)	Net income for the year (attributable to equity holders of the parent) in thousands of euros as of December 31, 2016	Net income for the year (attributable to equity holders of the parent) in thousands of foreign currency as of December 31, 2016	Assumption - 10% variation of the exchange rate	Net income for the year (attributable to equity holders of the parent) in thousands of euros after change in exchange rate	Rate variance between actual exchange rate, varying 10%
Brazilian real	0.2589	-817	-3,155	0.2848	-899	-82
Canadian dollar	0.6820	-3,374	-4,947	0.7502	-3,712	-337
Swiss franc	0.9175	1,664	1,814	1.0092	1,830	166
Pound sterling	1.2207	8,969	7,348	1.3428	9,866	897
Hong Kong dollar	0.1164	-10,257	-88,082	0.1281	-11,283	-1,026
Mexican peso	0.0484	749	15,485	0.0532	824	75
Polish zloty	0.2291	7,357	32,107	0.2521	8,093	736
Romanian leu	0.2227	2,211	9,929	0.2449	2,432	221
Russian rouble	0.0135	2,936	217,857	0.0148	3,229	294
Singapore dollar	0.6547	-43,893	-67,043	0.7202	-48,282	-4,389
US dollar	0.9039	-9,069	-10,033	0.9943	-9,976	-907
Others		-2,101			-2,311	-210
Euro		87,156			87,156	
Total		**41,531**			**36,968**	**-4,563**

Equity risk

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

To that end, the Group has reviewed its equity exposure in 2016 through its work reviewing its strategic allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and concentrated in the Eurozone, in line with its core business. The Group has no specific concentration of its equity risk in one or more specific economic sectors. Management is benchmarked according to the MSCI

EMU [12] reference index. These investments are moreover the subject of discretionary coverage established to mitigate any extreme shocks. The hedging strategy is dynamic: its level, scope and size are defined by the Investment department in line with the asset manager that is in charge of the asset management platform.

As of December31, 2016, stocks represent 4.8% of the investment portfolio, 4.3% of which are stocks listed on a market in the Eurozone. These investments were the subject of a hedge on 50% of the portfolio that was invested through the purchase of put options maturing in June 2018 at an exercise price of approximately 20% out of the money on the Eurostoxx index. These hedges may be adjusted according to investments and the amount of the unrealised losses or gains on the shares held.

Risk of concentration/default of a counterparty

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

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

As of December 31, 2016, the 10 main exposures of the bond portfolio were €668 million, or 37% of the fair value of the bond portfolio.
More generally, the Group implemented rules imposing geographic and sector-specific risk diversification within its investment portfolio and for all asset classes, in an effort to protect itself or mitigate any default.

Real estate risks

Within the context of the Group's strategic allocation, property represents a limited portion of the Group's assets, less than 7% due to the low liquidity of this asset class. The Group's current portfolio consists of property used within the context of its operating activities, as well as underlying real estate funds.
The real estate risk materialises due to a reduction in market value, thereby impacting the unrealised profits recorded for this property, or even recording unrealised losses.
As of December 31, 2016, the Group had real estate exposure with a fair value of €198.3 million, consisting of €60.4 million in operating property and €137.9 million in non-listed real estate.

Sensitivity testing

Monthly simulations are moreover performed on the portfolio invested, and presented during the Investment Committee meetings. They cover the maximum loss anticipated in terms of economic performance over various periods, from asset class to asset class, devoting particular attention to the spread risk.
These sensitivity tests cover all asset classes in which the Group has invested, and allow the overall risk to which the portfolio is exposed in case of an adverse scenario to be assessed each month, and potential measures to be taken to reduce this risk, as applicable (reduction of exposure to certain risk factors, hedging strategies, protection of economic result for a given period, etc.).
It is hoped that the results will represent the various risks linked to investments made, and that they will also present, as with any quantitative analysis, limited related to the data and models used.

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

Risk on stocks and bonds in the portfolio as of December 31, 2014, 2015 and 2016.

The tables below show that the portfolio, excluding hedging effect on shares, is, as of December 31, 2016, more sensitive to the combined effects of a 100 basis point rise in the bond rates and to a 10% drop in the stock market than it was as of December 31, 2014. This can be explained, despite the significant drop in our equity exposure, by the Group's higher exposure to bond markets and the slight increase in sensitivity.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2016

(in millions of euros)	MARKET VALUE AT DECEMBER 31, 2016	IMPACT FROM THE 100 BASIS POINT RISE IN RATE [(1)]	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS [(2)]	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS [(2)]
Bonds	1,797	- 64.7	-	-
Shares	126	-	- 12.7	- 25.3
TOTAL	1,923	- 64.7	- 12.7	- 25.3

(1) Average bond portfolio sensitivity in late 2016: 3.6
(2) Excluding any hedge effect.

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

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2015	IMPACT FROM THE 100 BASIS POINT RISE IN RATE [(1)]	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS [(2)]	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS [(2)]
Bonds	1,685	- 54.3	-	-
Shares	219	-	- 21.9	- 43.8
TOTAL	1,903	- 54.3	- 21.9	- 43.8

(1) Average bond portfolio sensitivity in late 2015: 3.2
(2) Excluding any hedge effect.

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

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

(1) Average bond portfolio sensitivity in late 2014: 3.0
(2) Excluding any hedge effect.

To the extent that the stocks and bonds are recorded in the available-for-sale category, sensitivity would have an effect on the "other elements of comprehensive income", to which shareholder's equity is

sensitive. Unrealized gains and losses on these financial instruments had no effect on net income, with the exception of any depreciation recorded. In case of sale, the resulting profit or loss would have an effect on the operating income in the income statement.

Liquidity and capital risks

Management of the liquidity risk related to credit insurance activities

The insurance activity functions with a reverse production cycle: premiums are cashed before payment of claims. Moreover, the liquidation term for a provision is less than three years, and the total of these provisions is covered by liquid assets. Consequently, the risk of liquidity linked to insurance activity is considered to be marginal.
The liquidity risk is monitored through an analysis by the Group's Treasury Department of the available assets and cash flow projections of the various entities for the entire scope of consolidation. This data is consistently analysed, which allows liquid assets to be managed for monetary or financial investment needs, in cases of recurring excess liquidity.

The majority of the other fixed income instruments and all of the Group's portfolio stocks are listed on OECD markets and present a liquidity risk which has been deemed to be weak at this time.
The liquidity of the portfolio with OECD credit bonds, and sovereign bonds of emerging countries, is monitored on a regular basis via market indicators (evolution of flows, spreads, purchase and sale spreads) and the manager performs regular analyses on the time limits and liquidation costs of the lines in portfolios (term of partial and complete liquidation, cost of instantaneous liquidity and under market stress conditions, etc.).

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

DISTRIBUTION BY MATURITY OF BOND PORTFOLIO	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	(as %)	(in €m)	(as %)	(in €m)	(as %)
< 1 year	452	25.1	368	21.9	418	23.4
1 year < >3 years	480	26.7	547	32.5	646	36.1
3 years < >5 years	374	20.9	423	25.1	356	19.9
5 years < >10 years	444	24.7	312	18.5	344	19.3
>10 years	47	2.6	34	2.0	24	1.3
TOTAL	1,797	100	1,685	100	1,788	100

More than 52% of the bond portfolio instruments have a maturity of less than three years as of December 31, 2015.
The position of an insurance company, in terms of liquidity, is evaluated by standards which measure the Company's capacity to confront its financial commitments.

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

risk related to factoring activities.
In order to ensure the refinancing of the factoring business, the Group has established several financing programs: a securitization program of its factoring trade receivables, for a maximum amount of €1,195 million in bilateral credit lines with various partners, for a maximum amount of €740.5 million, as well as a commercial paper program in the maximum amount of €600 million.

Management of the interest rate risk related to factoring activities

The Group, through its factoring activity, purchases and finances the trade receivables of its clients. These essentially concern short-term credit risks of a commercial nature (less than six months). The rate risk linked to factoring receivables is limited.
In order to ensure the refinancing of this activity, the Group has established several programs: a securitization program for its factoring trade receivables, a commercial paper program and bilateral credit lines with various partners, as described above.

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

2.4.2.2.3.4 Measuring operational and non-compliance risks

Mapping of operational risks

In an effort to improve knowledge of its operational risks, the Group has set up a risk mapping according to a qualitative methodology. In 2016, the risk department launched an overhaul of this mapping and developed a dedicated tool integrating effective reporting functionalities. This allows the roll-out of a homogeneous level two control programme for all entities.
For each business or support process, a list was set up for situations that could affect such business or support process.
The risk assessment, performed by each entity, is based on the assessment of its frequency and the intensity of its impact and on the effectiveness of level one controls. A four-level assessment scale was used (weak, average, significant, high).
Each risk situation is covered in a detailed description including the assessment of the inherent risk (i.e. before level one controls), describing and assessing level one controls, assessing residual risk and any action plans.

Collection of incidents and losses

An incident is the occurrence of an operational risk which could lead to or could have led to a financial loss, unjustified profit, or to other non-financial consequences.
An inventory of the operational incidents and losses is carried out. A summary is made each month and released at the Group risks committee (CGRC).
The incidents compiled are the subject of corrective measures, and are considered when updating the operational risk mapping.

Action plans and reporting

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

The Group risk department is in charge of reporting to the CGRC and the Group's management Board.

Business continuity

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

The BCP is prepared based on Group rules, and supplemented by rules on mutual assistance between entities and remote work, and for which three tests were performed in 2016. These rules provide a concrete example of the Group business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified within a business impact analysis.

The overall process is in line with the standard principles on business continuity. The main operating elements of the BCP are the crisis management plan and the professional continuity plans. The back-up of the main data and IT applications used by the Group is ensured by two separate data processing centres located in the Paris region, which function in "active-active" mode.

Risks linked to cybersecurity

Coface has developed Information Systems security standards, which contain a set of policies, rules, procedures and standards prepared to the different levels of the organisation.

To minimise the risk of malicious acts, data theft, hacking on the information system, deletion of corporate websites, alteration of information, premature interruption of services (distributed denial of service DDOS) by saturation of networks or websites, several measures have been implemented:

- General maintenance of the infrastructure at the latest software version
- Distribution of security patches according to a recurring process
- Search for weaknesses on our infrastructures by implementing a permanent process of vulnerability management
- Assessment of the robustness of our infrastructures by specialised firms through implementation of attack simulations
- Assessment of the resilience of our internal applications to attacks by specialised firms through implementation of a code audit
- Reduction of the human risk through awareness raising campaigns on information systems security in the form of e-learning, communication by email or distribution of posters or brochures
- Implementation of a control program aimed at preventing the risks
- Management of the information systems security by a quarterly committee.

Non-compliance risk

This risk is managed by the Group compliance department, as relayed at the regional and country level by the compliance correspondents. This department also provides regulatory oversight, prepares and coordinates the level two controls performed in the areas of its expertise, which notably include, in addition to the regulations applicable to the insurance business, legislation relating to anti-money laundering, corruption prevention, and more generally to fight against financial delinquency.

2.4.2.2.3.5 Measuring reinsurance risk

Sharing of intra-group and reinsurance risks

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

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

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

to compliance with various conditions indicated by the regulator.

The purpose of establishing Coface Re SA was to isolate the Group's flows of reinsurance within a dedicated entity, to pursue the streamlining of the coverage schemes of the Group's entities and partners, and to increase the range of services available to its international clients.
The external reinsurance programs for the 2016 underwriting years are comprised as follows:

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

In 2007, the external reinsurance programme for the commercial underwriting year is comprised as follows:

- a quota-share treaty for which the cession rate is 26%; and
- two excess loss treaties, one by risk and the other by country (solely on Single Risk), protecting the Group's retained risks following cessions made under the quota-share treaty, such that no unitary claim represents, after taxes, more than 3% of the Group's equity, and
- a stop loss treaty that covers the Group retention, after quota-share and excess loss treaties, against a serious deviation of the frequency risk.

The 2017 reinsurance treaty of the Group was entered into with a pool of 22 reinsurance companies. All of the reinsurance companies presented in the 2017 panel are rated between A- and AA by one of the main international rating agencies.

The Group continues to require systematic collateral securities from its reinsurers (cash, securities, letters of credit) on all proportional treaties, including "IBNRs". This objective was met 100% as of December 31, 2016 for all counterparties of its master treaty. The collateral requirements concern excess losses, on a case-by-case basis, according to the Group's assessment, and are updated every year. For the 2017 reinsurance treaty, the top three reinsurers of the Group represent a quota share of 39.50% of the reinsured risks.
The Group has never had to face a claim which surpassed an excess loss reinsurance treaty since these treaties were established in 1990.

Since 2015, as concerns entities of the Group and members of the Coface Partner network, Coface Re is a reinsurer, and transmits the externally purchased coverage through the programs described below. It likewise sees to it that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

- Global coverage of entities through the establishment of:
  - proportional protection on gross underwriting, which takes the form of a quota share treaty and aims to absorb frequency claims;
  - the retention after quota-share of the Group's entities is protected by an excess loss treaty and a stop loss treaty in the wake of the Group's programme.
- Specific coverage of certain entities:
  - In order to meet the ad-hoc regulatory needs of certain subsidiaries and branches of the Group, Compagnie française d'assurance pour le commerce extérieur likewise underwrites stop-loss treaties. This coverage aims to protect these entities against what is considered abnormal rises in their claims expenses by transferring any additional loss experience above the threshold set in the treaty to the reinsurer.
- Accepted reinsurance of the Coface Partner network

There are acceptance schemes only in the countries where the Group conducts its business through fronters, in other words in countries where it has no license to perform its credit insurance activities. In this context, risk underwriting and management and provisioning rules are the same as those applied for directly-underwritten policies.

Measuring risks linked to the factoring business

The risks are covered by guarantee funds or reserves. These guarantees represent a retention rate linked to the determination of two elements: the assessment of the potential technical risk of non-payment by the debtors of the invoices purchased by the factor, for different reasons than the debtor insolvency; the assessment of the ceding risk: potential expected loss on the client in case the client becomes affected by an insolvency proceeding with the aim to cover all amounts the client owes to the Factor as a result of an undervaluation of the technical risk noted above and/or of invoices financed without credit insurance cover in cases of a debtor's payment default. An exceptional reserve rate related to elements of seasonal dilution (for example to face up to end-of-year discounts and refunds negotiated by the client with its debtors) may be specifically added to this permanent contractual retention rate.

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

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

When negotiating the contract, the type of product, the analysis of the client solvency and/or buyer, as well as the conditions and the applied pricing determine the credit risk taken by the Group.
During the life of the contract, the acceptance of invoices through a solvency analysis of the buyers is similar to credit insurance risk underwriting. The financing of the receivables determines the credit risk and fixes the risk exposure of the Group. In cases of a factoring contract without recourse, an underwriting risk is assumed by the Group on the buyers of the assignor.
As for all of the Group's sensitive activities, the factoring business is framed by specific Group rules.

Only two companies of the Group are authorised to distribute and manage factoring products: Coface Finanz in Germany and Coface Factoring Poland in Poland.
Only certain products are authorised to be sold by these two entities:

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

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

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

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

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

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

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

3. Internal control system

As an insurance company with a banking Group as its reference shareholder, Coface implements an internal control system compliant with the provisions of the Solvency II Directive and the decree of November 3, 2014 on the internal control of banking sector companies, payment services and investment services subject to the oversight of the ACPR.

The risk control mechanism implemented in the Group revolves around three levels of control:

1. Level one operational controls managed by businesses,
2. Permanent level two controls managed by the Group risk department and Group compliance department,
3. Periodic level three controls managed by the Group audit department.

The internal control system relies on the same functions as the risk management system (see section 2.4.2.2.2.2), it allows the application of the rules and principles defined within the context of the risk management system.

These controls are applicable inside Compagnie française d'assurance pour le commerce extérieur and within all Group entities, specifically with respect to:

- the integration in the organisation: internal control procedures are integrated into the organisation, either induced by the distribution of the functions itself, or through the control actions specified in the different processes;
- universality: no field is excluded. All processes, activities and structures are involved.

Similarly, within the risk department, the IS security manager manages a regional correspondents mechanism, conducts level 2 on-site controls to ensure compliance with the IT security policy.

Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the Chief Financial Officers (CFOs) of each region.

In principle, the local CFOs are responsible for their scope: i) for the local accounting system (compliance with local regulation and with the Group's rules); their IFRS accounts as reported in the Group's consolidation tool CACIS (compliance with IFRS regulation and Group rules); financial risks, specifically compliance with the principle of congruity between assets and liabilities in order to limit the financial risks on their balance sheet.
The Group CFO is responsible, at Group level, for i) the quality of financial reporting, ii) the definition and monitoring of the investment policy, iii) management of financial risks and the implementation of control rules for other risks, with the support of the risk department, and iv) the management of solvency, with Solvency II in particular.

The Group's accounting and tax department provides regions with a control and reporting tool which allows oversight of proper reconciliations between management applications and the accounting tool.
Each entity sends at each closing date the controls and reconciliations performed, which allow the quality and integrity of the consolidated data to be validated. A reporting file, identifying the controls to be performed as well as the instructions on the details and supporting documentation requested is sent to them each quarter.
This file, along with the supporting documentation, is sent to the regional CFO (or to the person appointed by the regional CFO to collect this data), who oversees the proper completion of all of these comparisons. A summary of these controls must then be sent to the Group's technical accounting department.

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

Processing of accounting and financial information

The Group's accounting and tax department, which reports to the financial department, guarantees the quality of financial reporting and is in charge of producing and controlling accounting information for the entire Coface Group (consolidated financial statements; financial statements of the parent company COFACE SA and of its daughters Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogeri; tax related declarations and controls).

Its detailed tasks are broken down into:

- maintaining the general and ancillary accounts of these entities (France only): recording operations, control and justification of operations, closing the quarterly accounts, producing consolidated financial statements (accounting treatment of interests, reciprocal operations, etc.);
- producing regulatory and presentation of accounts reports: producing periodic regulatory statements in compliance with scheduling constraints (declarations to the supervisory, tax and corporate administrations), relations with the supervisory authorities and Statutory Auditors;
- preparing Group standards, regulatory oversight and strategic projects: definition of rules and writing of Group accounting rules, writing and following up of accounting procedures in conjunction with Natixis' Finance Department in the case of IFRS, overseeing the development of the accounting and tax regulations, assisting, training and providing technical support to subsidiaries and branches, analyses and impact studies on modifications in scope for the consolidated financial statements;
- the control system: tracking the proper application of the standards and procedures in the Group;
- Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles,

delegating certain responsibilities to entities of the various countries with regard to their scope. To that end, the consolidated entities are responsible for producing, according to their local standards and IFRS: i) accounting information; ii) tax information; iii) regulatory information; iv) corporation information.
They also monitor the production of consolidation bundles according to the Group's standards and procedures.

Common tool for general accounting, consolidation and management control

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

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

Within the context of the consolidation operations, comprehensive controls are performed: analytical review of the balance sheet and income statement, consolidated statement of changes in Group equity, verifications on consistency between the most significant entities and line items, consolidated statement of changes in net position for all consolidated entities; the verification of intraGroup operations and their proper reconciliation, specific checks on reinsurance income, specific checks on the breakdown of charges by destination, analytical review allowing for a comprehensive control on consistency.
The reinsurance operations accepted within the Group are subject to a particular accounting control, which consists of verifying the exhaustiveness and conformity of the detailed accounts entered in the Reinsurance Department, and of the source data until they are properly integrated into the accounting.

Disclosure requirements for financial and accounting information

The financial communications department, under the authority of the Group financial department, produces with the support of other departments, the financial information released to financial markets, analysts and investors. The departments concerned help the department, in particular through their contributions and reviews, to control risks of material errors or release of erroneous information, delays in release and breach of confidentiality or equality between shareholders. This department is the special correspondent of the Autorité des Marchés Financiers (French Financial Markets Authority).

4. Conclusion

The Group applies a continuous improvement process for its risk management and internal control systems. In 2016, the process led to the clarification of the role of the different committees and the creation of new control committees, the separation of actuarial and risk management functions and the placing of regional risk managers under the authority of the Group risk director. Lastly, the process also led to the review of risk appetite to make it consistent with the new strategic plan Fit to Win.