coface

FOR SAFER TRADE

# REGISTRATION DOCUMENT **2014**

Including the annual financial report

# CONTENT


**OVERVIEW OF COFACE /** 2

## 1/ PRESENTATION OF THE COFACE GROUP 9

- **1.1** History 10
- **1.2** Presentation of group activities 12
- **1.3** Group organisation 43
- **1.4** Information systems 46

## 2/ CORPORATE GOVERNANCE 49

- **2.1** Composition and Operations of the Board of Directors and management bodies 50
- **2.2** Compensation and benefits paid to managers and corporate officers 61
- **2.3** Potential conflicts of interest 69
- **2.4** Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures 69
- **2.5** Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors 98

## 3/ COMMENTS ON THE FINANCIAL YEAR 99

- **3.1** Economic environment 100
- **3.2** Significant events in the period 101
- **3.3** Key financial performance indicators 104
- **3.4** Comments on income at December 31, 2014 109
- **3.5** Group cash and capital 116
- **3.6** Events after December 31, 2014 122
- **3.7** Outlook 123
- **3.8** Appendix – Operating indicators at December 31 124
- **3.9** Appendix - investments outside the investment portfolio 125

## 4/ FINANCIAL ITEMS 127

- **4.1** Consolidated financial statements 128
- **4.2** Notes to the consolidated financial statements 136
- **4.3** Parent company financial statements 200
- **4.4** Notes to the parent company financial statements 203
- **4.5** Five-year summary of Company results 210
- **4.6** Other information 210
- **4.7** Statutory Auditors' report on the consolidated financial statements 211
- **4.8** Statutory Auditors' report on the Company's annual financial statements 212

## 5/ MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP 213

- **5.1** Risk factors 214
- **5.2** Insurance policy 225

## 6/ CORPORATE, ENVIRONMENTAL AND SOCIETAL INFORMATION 227

- **6.1** Reporting standards and methods 228
- **6.2** Corporate information 229
- **6.3** Environmental information 234
- **6.4** Societal information 237
- **6.5** Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report 240

## 7/ INFORMATION REGARDING COFACE SA AND ITS CAPITAL 243

- **7.1** Incorporating documents and Articles of Association 244
- **7.2** General information concerning the capital of COFACE SA 249
- **7.3** Distribution of capital and voting rights 252
- **7.4** Elements likely to have an impact in the event of a public offer 253
- **7.5** Important contracts 253
- **7.6** Report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting 254
- **7.7** Resolutions subject to the approval of the Combined Shareholders' Meeting of May 18, 2015. 257
- **7.8** Special report of the Statutory Auditors on the agreements entered for the year ended December 31, 2014 261

## 8/ ADDITIONAL INFORMATION 265

- **8.1** Person responsible for the registration document and statement of the person responsible for the registration document 266
- **8.2** Name of the person responsible for the financial information 266
- **8.3** Statutory Auditors 267
- **8.4** Documents accessible to the public 267
- **8.5** Cross-reference table for the registration document 268
- **8.6** Cross-reference table for the annual financial report 271
- **8.7** Cross-reference table for the management report 271
- **8.8** Cross-reference table for the Shareholders' Meeting 272
- **8.9** Cross-reference table on corporate, environmental and societal information 273
- **8.10** Incorporation by reference 275

# REGISTRATION **DOCUMENT**

Including the annual financial report

2014

In application of its General Regulations, notably Article 212-23, the French Financial Markets Authority (*Autorité des marchés financiers*) filed this registration document on April 13, 2015 under the number R.15-019. This document may only be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority. It was prepared by the issuer and its signatories assume responsibility for it.

It was registered in compliance with the provisions of Article L.621-8-1-I of the French Monetary and Financial Code (*Code monétaire et financier*) after the French Financial Markets Authority verified that the document was complete and comprehensible, and that the information it contained was consistent. This did not entail the French Financial Markets Authority authenticating the accounting and financial items presented therein.

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

This document is a free translation of the Coface Group's *Document de référence* ("registration document") filed with the French Financial Markets Authority (*Autorité des marchés financiers*) on April 13, 2015 under the number R.15-019. The registration document, in its original French version, is publicly available at www.coface.com. This free translation is provided for the convenience of English-speaking readers only.

# OVERVIEW OF COFACE /

The Coface Group is a global leader in credit insurance and a recognised expert in commercial risk management.
It provides businesses worldwide with solutions to protect them against the risk of client insolvency on their domestic and export markets.

**4,602**
—
*employees [(1)]*

**40,000**
—
*companies using Coface's services and cover*

**98**
—
*countries in which we operate either directly or indirectly*

**1,441**€M
—
*in revenue up 1.6% [(2)]*

**206**€M
—
*in current operating income [(3)] up 20.7% [(4)]*

**140**€M
—
*net income [(5)]*

—

**AA-, outlook stable by Fitch Ratings, and A2, outlook stable by Moody's**

(1) Consolidated scope. Registered (active and inactive) employees under an open-ended or fixed term contract.
(2) Constant scope and exchange rate basis.
(3) Current operating income including finance costs and excluding restated items.
(4) Change on constant scope and exchange rate basis. The current operating income, including finance costs, was restated to account for the following items: relocation cost (€8.3 million) and realised gains (€27.8 million) as of December 31, 2013, and the cost of interest on the hybrid debt (€12.1 million) as of December 31, 2014.
(5) The net attributable income was restated to account for the following items: relocation cost (€8.3 million) and realised gains (€27.8 million) as of December 31, 2013, the cost of interest on the hybrid debt (€12.1 million), costs related to the stock market listing (€8.1 million) and costs related to the formation of Coface Re (€1.8 million) as of December 31, 2014. A standardised tax rate for 2014 was applied to these items.

| *(in thousands of euros)* | AS OF DECEMBER 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| **Revenue** | **1,440,536** | **1,440,330** | **1,487,040** |
| Gross written premiums | 1,242,676 | 1,206,690 | 1,257,525 |
| Policyholders' bonuses and rebates | -98,309 | -75,564 | -91,472 |
| Net change in unearned premium provisions | -11,640 | -2,583 | -6,134 |
| **Gross earned premiums** | **1,132,727** | **1,128,543** | **1,159,919** |
| Fees and commission income | 124,756 | 123,410 | 127,212 |
| Net banking income, net of cost of risk | 68,577 | 66,678 | 76,011 |
| Revenue or income from other activities | 112,431 | 119,167 | 122,880 |
| Investment income, net of management expenses (excluding finance costs) | 42,769 | 67,516 | 36,968 |
| **TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES** | **1,481,259** | **1,505,313** | **1,522,989** |
| Claims expenses | -538,721 | -576,263 | -597,506 |
| Expenses from banking activities, excluding cost of risk | -11,066 | -11,884 | -14,672 |
| Expenses from other activities | -47,338 | -51,884 | -71,516 |
| Income and expenses from ceded reinsurance | -68,660 | -66,202 | -56,447 |
| Policy acquisition costs | -262,854 | -256,867 | -232,327 |
| Administrative costs | -269,106 | -263,891 | -218,099 |
| Other current operating expenses | -74,455 | -83,112 | -135,476 |
| **TOTAL CURRENT INCOME AND EXPENSES** | **-1,272,200** | **-1,310,104** | **-1,326,044** |
| Other operating income and expenses | -9,937 | 1,721 | -198 |
| **OPERATING INCOME** | **199,122** | **196,931** | **196,747** |
| Finance costs | -14,975 | -3,035 | -2,974 |
| Share in net income of associates | 2,136 | 1,493 | 1,371 |
| Income tax | -60,367 | -67,380 | -64,689 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **125,916** | **128,008** | **130,455** |
| Net income/(loss) from discontinued operations | 0 | 0 | -5,142 |
| **CONSOLIDATED NET INCOME/(LOSS) BEFORE NON- CONTROLLING INTERESTS** | **125,916** | **128,008** | **125,313** |
| Non-controlling interests | -825 | -569 | -1,226 |
| **NET ATTRIBUTABLE INCOME FOR THE YEAR** | **125,092** | **127,439** | **124,087** |

### SIMPLIFIED CONSOLIDATED BALANCE SHEET

| | AS OF DECEMBER 31 | | |
|---|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 | 2012 |
| **ASSETS** | | | |
| Intangible assets | 231,968 | 240,441 | 250,810 |
| Insurance business investments | 2,677,731 | 2,208,633 | 2,221,123 |
| Receivables arising from banking and other activities | 2,244,262 | 2,120,516 | 2,109,405 |
| Investments in associates | 19,001 | 17,621 | 16,812 |
| Reinsurers' share of insurance liabilities | 329,163 | 347,221 | 352,562 |
| Other assets | 806,468 | 784,667 | 874,560 |
| Cash and cash equivalents | 278,624 | 273,920 | 257,010 |
| **TOTAL ASSETS** | **6,587,217** | **5,993,019** | **6,082,282** |

| | AS OF DECEMBER 31 | | |
|---|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 | 2012 |
| **Equity and liabilities** | | | |
| Equity attributable to owners of the parent | 1,717,427 | 1,780,238 | 1,762,593 |
| Non-controlling interests | 6,737 | 13,089 | 13,648 |
| Total equity | 1,724,164 | 1 ,793,327 | 1,776,241 |
| Provisions for liabilities and charges | 117,792 | 112,056 | 117,236 |
| Financing liabilities | 395,123 | 15,133 | 13,159 |
| Liabilities relating to insurance contracts | 1,472,180 | 1,450,499 | 1,483,575 |
| Payables arising from banking sector activities | 2,217,782 | 2,109,297 | 2,081,241 |
| Other liabilities | 660,175 | 512,708 | 610,831 |
| **TOTAL EQUITY AND LIABILITIES** | **6,587,217** | **5,993,019** | **6,082,282** |

## KEY FIGURES

### REVENUE BY BUSINESS LINE AS OF DECEMBER 31, 2014

| *(en milliers d'euros)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Credit insurance and related services** | **1,275** | **1,269** | **1,305** |
| Credit Insurance - gross earned premiums excluding premiums | 1,078 | 1,071 | 1,100 |
| Related Services | 134 | 133 | 136 |
| Public Procedures Management | 63 | 66 | 69 |
| **Additional Services** | **166** | **171** | **182** |
| Net income from banking activities | 71 | 69 | 77 |
| Surety bonds – Gross earned premiums net of cancellation | 54 | 58 | 60 |
| Services | 41 | 44 | 45 |
| **TOTAL** | **1,441** | **1,440** | **1,487** |

### REVENUE BY REGION AS OF DECEMBER 31, 2014

| *(en milliers d'euros)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Northern Europe | 352 | 367 | 347 |
| Western Europe | 462 | 469 | 505 |
| Central Europe | 113 | 110 | 111 |
| Mediterranean & Africa | 227 | 217 | 213 |
| North America | 114 | 102 | 113 |
| Latin America | 76 | 81 | 85 |
| Asia-Pacific | 97 | 95 | 113 |
| **TOTAL** | **1,441** | **1,440** | **1,487** |

## MAIN RATINGS OF THE COFACE GROUP AT MARCH 20, 2015

The Company and some of its subsidiaries are valued by well-known ratings agencies. The company rating can vary from agency to agency.

At March 20, 2015, the main ratings for the Company and its principal operational subsidiary are as follows:

| | AGENCY | RATING | OUTLOOK |
|---|---|---|---|
| **INSURER FINANCIAL STRENGTH RATING** | | | |
| Compagnie française d'assurance pour le commerce extérieur and its branches | Fitch<br>Moody's | AA-<br>A2 | Stable |
| **RATING FOR THE COFACE SA DEBT** | | | |
| Long-term counterparty risk rating | Fitch<br>Moody's | A<br>Baa2 | Stable |
| Subordinated hybrid debt | Fitch<br>Moody's | A-<br>Baa1 | Stable |
| Short-term counterparty risk rating (commercial paper) | Fitch<br>Moody's | F1<br>P-2 | Stable |

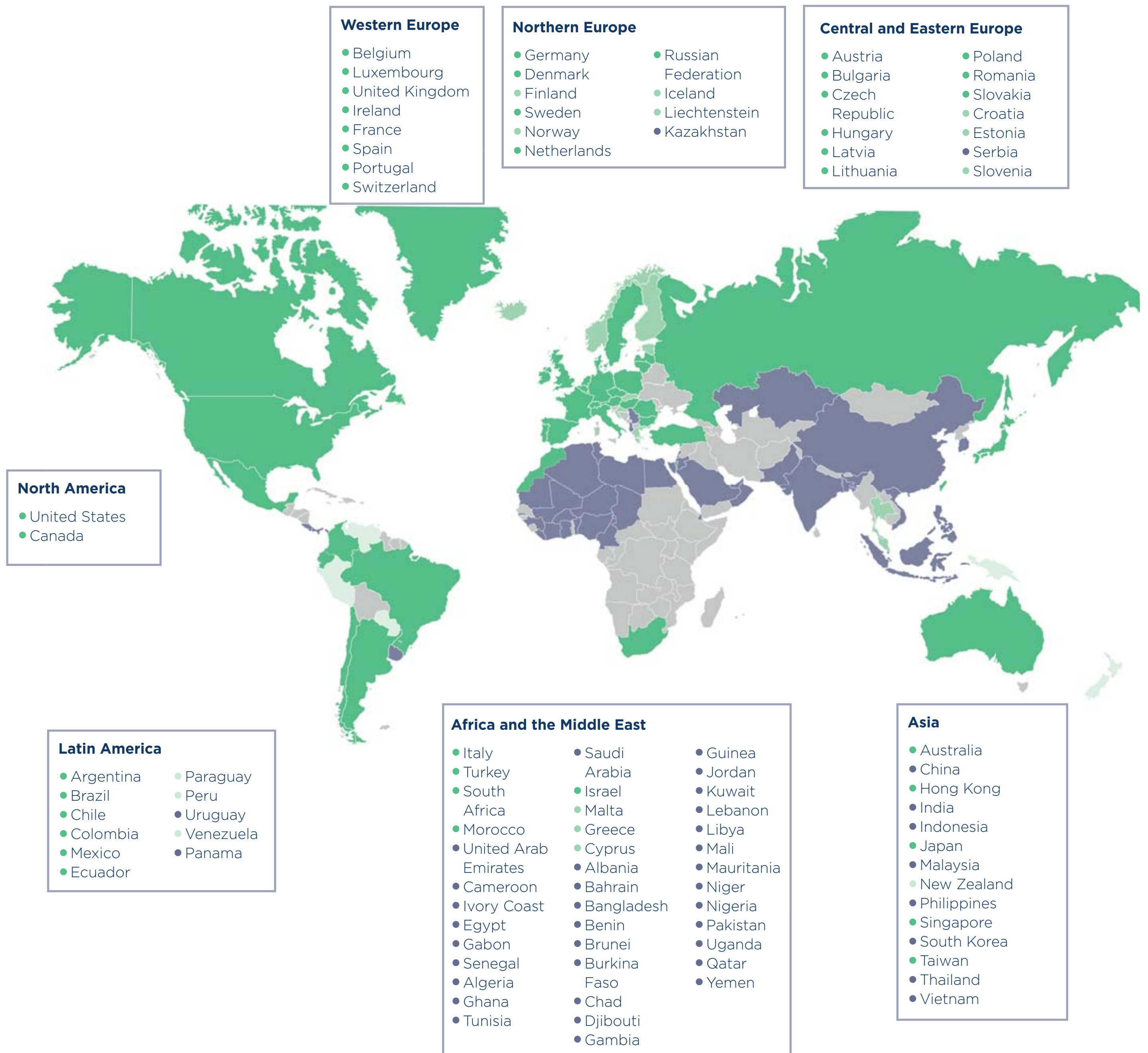
The ratings shown above can be subject to revision or be withdrawn at any moment by the ratings agencies awarding them. None of these ratings represent an indication of past or future performance of COFA shares or debt issued by the Company and should not be used as part of an investment decision. The Company is not responsible for the accuracy and reliability of these ratings.

## MARKET PROFILE

| | 2014 |
|---|---|
| Trading | Euronext Paris (compartment A), eligible for deferred settlement service (SRD) |
| ISIN CODE | FR0010667147 |
| Reuters Code | COFA.PA |
| Bloomberg Code | COFA FP |
| Stock Market Indexes | SBF 120, CAC Mid 60, CAC Mid and Small, CAC All-tradable, CAC Financials, Next 150, MSCI Global Small Cap |
| Share capital | €786,241,160 |
| Number of shares | 157,248,232 |
| Market capitalization (retained price as of December 31, 2014: €10.98) | €1,726,585,587 |
| Earnings per share | €0.80 |
| Cash dividend per share[1] | €0.48 |
| Pay-out ratio | 60% |
| Stock market listing price | €10.40 |
| Highest price | €11.55 |
| Lowest price | €9.55 |

*(1) Special dividend deducted from "issue premium," subject to the approval of the Annual General Shareholders' Meeting on May 18, 2015.*

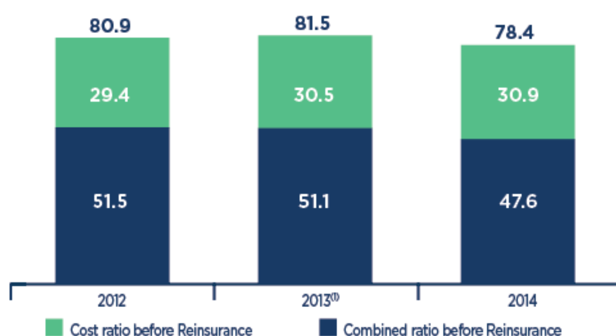
## AVAILABILITY OF THE COFACE GROUP CREDIT INSURANCE OFFER WORLDWIDE



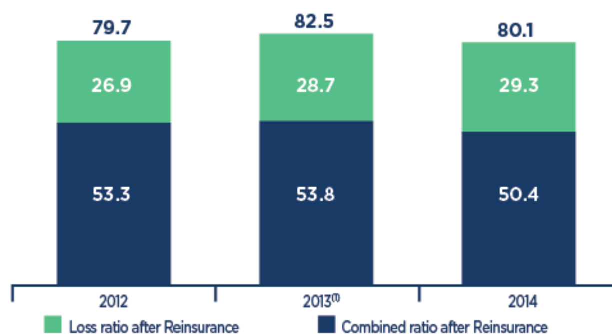

- **Direct:** Coface has a portfolio of licenses which allow it to directly issue credit insurance contracts.
- **Freedom of Services:** Coface issue contracts from another European country where it has a license thanks to the UE principle of free movement of services.
- **Offshore:** Coface occasionaly issues contracts from abroad, and according to the conditions of the country concerned.
- **Coface Partner:** Coface may use an insurer that has a license in the country concerned, which issues the contract and retrocedes all or part of the Coface Group's risks, according to the principle of "fronting".

## PERFORMANCE INDICATORS

### COMBINED RATIO BEFORE REINSURANCE *(in %)*



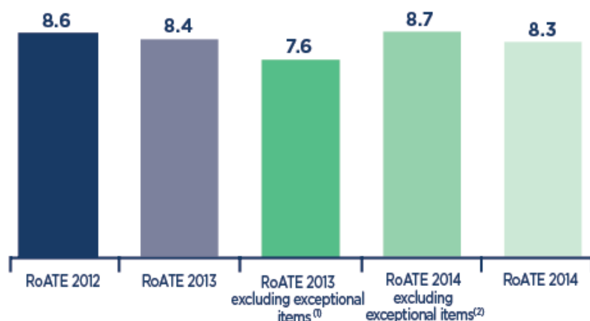

### COMBINED RATIO AFTER REINSURANCE *(in %)*



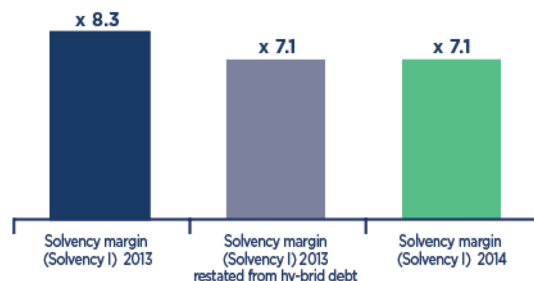

*(1) Excluding relocation costs of the Coface Group's head office (-€8.3 million)*

These operating ratios and the methodology for calculating them are defined in paragraph 3.3.2 "General presentation – Operating indicators".

### RoATE (AS A %)




### SOLVENCY MARGIN 1




*(1) Net income (Group Share) for 2013 restated for relocation costs and gains realised on disposals of financial assets from the establishment of the centralised investment management platform (115 millions d'euros).*

*(2) Net income (Group Share) for 2014, restated for "IPO costs" (initial public offer) and other exceptional items (132 millions d'euros).*

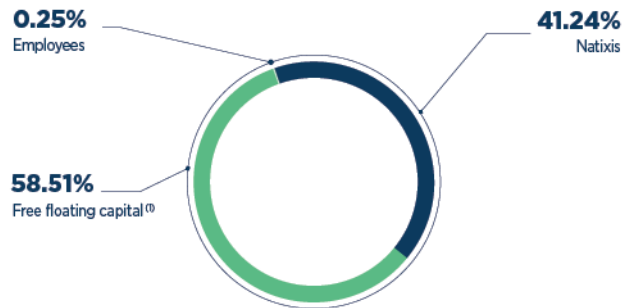
Return on Average Tangible Equity (RoATE) computed as: Net income (Group Share) (N) / Average Tangible IFRS Equity net of goodwill and intangible (N-1).

### ECONOMIC CAPITAL

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

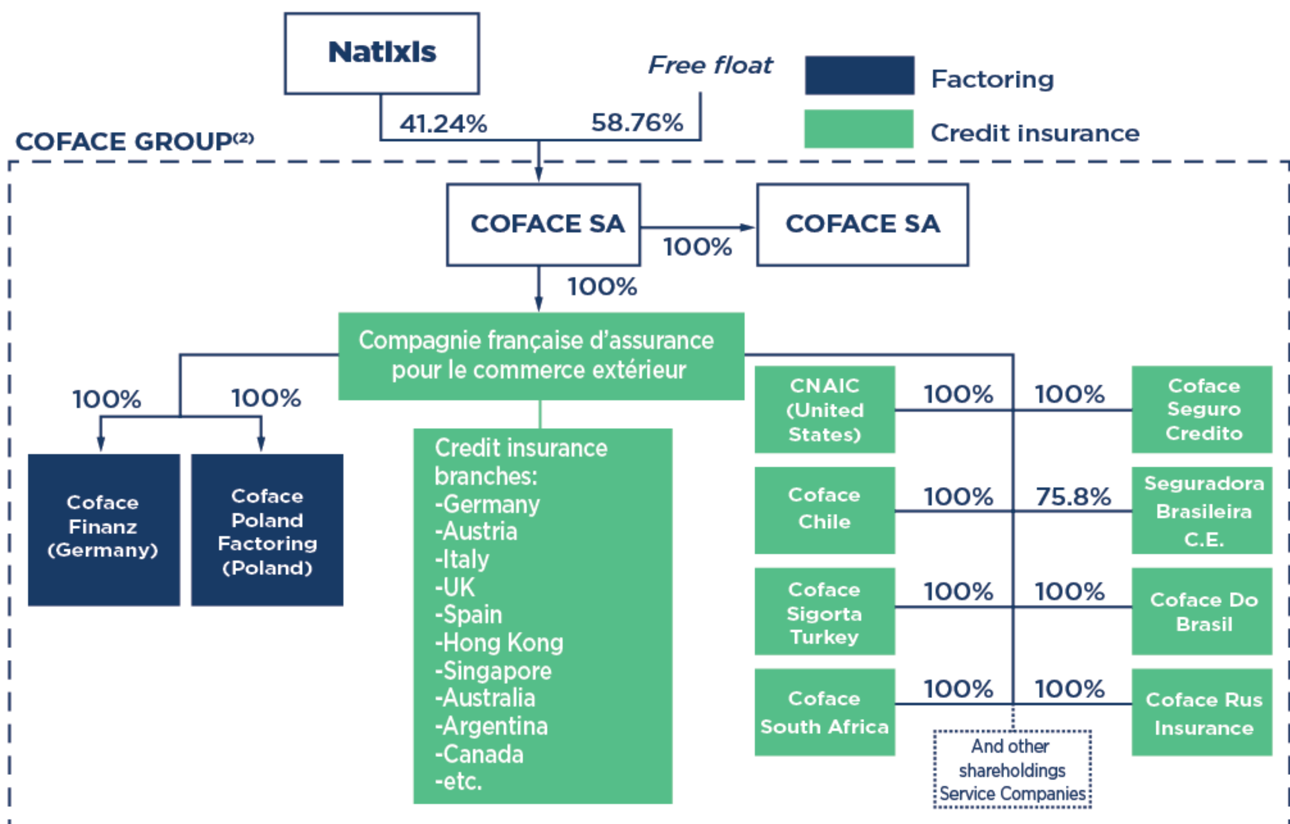
*(2) Proforma of issuance of hybrid debt and special dividends.*

## SHAREHOLDER STRUCTURE AS OF DECEMBER 31




(1) Including 80,819 shares under the Liquidity Agreement (0.05%).

## SIMPLIFIED ORGANISATIONAL CHART




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

The chief operating subsidiary of the Coface Group is Compagnie française d'assurance pour le commerce extérieur, with a net income of €119,6 million for the year ended December 31, 2014. This subsidiary, which is 100% owned by the Company, is a French société anonyme, with a share capital of €137,052,417.05, and registered with the Nanterre Trade and Companies Registry under company number 552 069 791.

Thus, the Compagnie française d'assurance pour le commerce extérieur is the principal operating company and the principal insurance company of the Coface Group. It also manages public procedures on the behalf of and with the guarantee of the French State (see Section 1.2.1.2 "Public Procedures Management" of this registration document). It also owns the two Coface Group companies authorized to engage in factoring activities: Coface Finanz in Germany and Coface Factoring Poland in Poland (see the list of significant subsidiaries –page 139-144).

# PRESENTATION OF THE COFACE GROUP

| | | |
|---|---|---|
| **1.1** | History | 10 |
| **1.1.1** | History of the company | 10 |
| **1.1.2** | International development of the Coface Group | 10 |
| **1.1.3** | Refocusing around its core business, credit insurance, and preparing for the challenges of tomorrow thanks to the 2011-2013 strategic plan (the "Strong Commitment I Plan") | 11 |
| **1.2** | Presentation of group activities | 12 |
| **1.2.1** | Credit insurance and management of public procedures | 12 |
| **1.2.2** | Additional services | 22 |
| **1.2.3** | Coface Group Strategy | 24 |
| **1.2.4** | Description of the activities of the Coface Group region by region | 27 |
| **1.2.5** | Presentation of markets and competitive environment of the Coface Group | 31 |
| **1.2.6** | Regulatory environment | 38 |
| **1.3** | Group organisation | 43 |
| **1.3.1** | Group Risk underwriting, Information and Claims Department | 44 |
| **1.3.2** | Group Human Resources Department | 44 |
| **1.3.3** | Group and Strategy Marketing Department | 44 |
| **1.3.4** | Group Risks, Organisation and Information Systems Department | 44 |
| **1.3.5** | Group Financial Department | 45 |
| **1.3.6** | Group Legal, Compliance and Facility management | 45 |
| **1.3.7** | Group Commercial Department | 45 |
| **1.3.8** | Group Communications Department | 45 |
| **1.3.9** | Group Audit Department | 45 |
| **1.3.10** | Group's Economic Research Department | 45 |
| **1.4** | Information systems | 46 |
| **1.4.1** | General presentation | 46 |
| **1.4.2** | Applicable principles of the Coface Group and tools provided to its policyholders | 46 |

# 1.1 History

## 1.1.1 HISTORY OF THE COMPANY

COFACE SA is the holding company of the Coface Group. It performs its activities indirectly through its primary operating subsidiary, Compagnie française d'assurance pour le commerce extérieur, and its subsidiaries.

Compagnie française d'assurance pour le commerce extérieur, created by decree in 1946 and established in 1948 to support French foreign commerce, was the source of the Coface Group as it exists today. The first shareholders of Compagnie française d'assurance pour le commerce extérieur – insurance companies, banks and other financial establishments, were primarily controlled by the French State. Following the privatisation of a large number of these companies in the 1980s, the indirect interests of the French State gradually decreased. In 1994, with the privatisation of SCOR (a result of the privatisation of UAP), its primary shareholder, most of Compagnie française d'assurance pour le commerce extérieur's capital become private. The company continues to manage public guarantees on behalf of the French State.

In 2000, Compagnie française d'assurance pour le commerce extérieur was listed on the Paris Stock Exchange's primary market by its shareholders.

In 2002, Natexis Banques Populaires, established through the acquisition by the Caisse Centrale des Banques Populaires de Natexis, the latter resulting from the merger of the two original shareholders of the Coface Group (Banque Française du Commerce Extérieur and Crédit National), acquired 35.26% of the Company's share capital from SCOR and became its majority shareholder, owning 54,4% of the Company's share capital. Compagnie française d'assurance pour le commerce extérieur, after having been removed from listing in 2004, in 2006 became a subsidiary, 100% held by Natixis, as a result of the merger between Natexis Banques Populaires and Ixis CIB. Natixis is the financing, management and financial services bank of the BPCE Group, one of the primary French banking groups that resulted from the merger of Banques Populaires and Caisses d'Epargne in 2009. In 2009 and 2010, the Company strengthened its equity through two capital increases, fully subscribed by Natixis, in the respective amounts of €50 million and €175 million, in particular in view of maintaining the solvency margin of the Coface Group within the context of the economic slowdown at that time.

On June 27, 2014, the Coface Group was listed on the stock exchange on Compartment A of the Euronext Paris regulated market. The offer concerned a total of 91,987,426 shares, or 58.65% of the capital and voting rights of Coface. Its stock was listed on the SBF 120 market index on December 22, 2014.

As of December 31, 2014, and following the recording of the capital increase reserved for employees which took place in the 3rd quarter, Natixis holds 41.24% of Coface capital.

## 1.1.2 INTERNATIONAL DEVELOPMENT OF THE COFACE GROUP

The Coface Group, which is now selling its products and services in 98 countries, developed through internal and external growth.

The Coface Group adopted an international growth policy throughout the 1990s through various acquisitions of credit insurance companies, and by creating new subsidiaries or branches. These strategic acquisitions include those of La Viscontea, an Italian surety insurance and credit insurance company, acquired in 1992, London Bridge Finance, a British finance company offering credit insurance services whose activity has since been taken over by the Company's local branch (Coface LBF) in 1993, Allgemeine Kredit, a German company providing domestic and export credit insurance solutions, in 1996, Osterreichische Kreditversicherung, the leading Austrian credit insurer, in 1996 and 1997, and the Continental portfolio in the United States, in 2002. This international development was also based on the creation of a network called CreditAlliance in 1992, which allowed various strategic partnerships to be entered, in particular in emerging countries (located in Latin America, Asia and Africa). Between 2002 and 2010 the Coface Group was positioned as a multiservice player specialised in trade receivables management.

### 1.1.3 REFOCUSING AROUND ITS CORE BUSINESS, CREDIT INSURANCE, AND PREPARING FOR THE CHALLENGES OF TOMORROW THANKS TO THE 2011-2013 STRATEGIC PLAN (THE "STRONG COMMITMENT I PLAN")



In 2011, in order to accompany the refocusing of its activities around its core business, credit insurance, the Coface Group implemented the Strong Commitment I Plan. Comprised of approximately 80 structuring actions for the Coface Group for two years, this plan aimed to clarify and optimise the Company's business model around credit insurance. This refocusing led the Coface Group to divest all of its non-strategic interests (Coface Services, Kompass, Graydon, Coface Finans A/S Danmark, TKB and Coface Collection North America) or to liquidate them.

Furthermore, within the context of the regulatory developments linked to the implementation of the Solvency II Directive (see paragraph 1.2.6 "Regulatory environment" of this registration document) and the Strong Commitment I Plan, the Coface Group proceeded to transform all of its insurance subsidiaries located on the territory of the European Union into branch offices, in an effort to streamline its organisation and to have a single contact for regulatory matters at the European level.

Its implementation addressed three essential concerns for the Coface Group: focusing on the fundamental elements of credit insurance, the Coface Group's core business, preparing the conditions for a sustainable and profitable growth model, and implementing a form of governance that was structured, flexible and geared towards innovation. The primary actions of the Strong Commitment I Plan included:

- the reorganisation of the Coface Group's internal governance thanks to the establishment of a matrix organisation allowing proximity to its policyholders and also provide it with increased responsiveness in the decision-making process (see paragraph 1.3 "Group organisation" of this registration document);
- strengthening of analysis, evaluating and risk control tools (see paragraph 1.3 "Group organisation" of this registration document;
- redeployment of risk underwriting services, much closer to the underlying risks thanks to the creation of 25 new underwriting centres (of which there are now 44) and an organisation by branches of business, the creation of enhanced information centres (of which there are now 46) and of three centres dedicated to the mass processing of tasks generated by the processing of information regarding the companies of the Coface Group, and the pursuit of harmonisation of its information systems (see paragraph 1.2.1.1 "Credit insurance and related services - Information regarding the solvency of debtors at the heart of the Coface Group's activities" of this registration document);
- harmonisation of the rules of commercial delegation, and a review of the pricing aimed at standardising the subscription rules and procedure worldwide, in particular through a common pricing tool, "PEPS" (see paragraph 1.4 "Information systems" of this registration document);
- establishment of product governance which led to the modification of the product range offered by the Coface Group, associated with a new segmentation of policyholders and the creation of differentiated offers such as "Coface Global Solutions", which is dedicated to multinationals, or "TopLiner", supplementary coverage in addition to the classic credit insurance (see paragraph 1.2.1.1 "Credit insurance and related services" of this registration document); and additionally;
- preparation for the implementation of the so-called "Solvency II" Directive (see paragraph 1.2.6 "Regulatory environment" of this registration document) and the development of an internal model for the Coface Group.

As part of the transformation processes under way, the Coface Group revealed a new visual identity in 2013, a new logo and a new slogan, "Coface for safer trade", the symbol of a new renewed and modernised image. In parallel, in June 2013 the Coface Group's head office was relocated to Bois-Colombes, combining on one site all of its French operations, along with the headquarters' functions.

Within the context of pursuing the optimisation of its operational organisation, enriching its offering and services, and its development, the Coface Group launched a new multi-year business plan in 2014, (the **Strong Commitment II Plan**). Structuring actions under implementation, are aimed at capitalising on the achievements of the Strong Commitment I Plan and enriching them, in particular in favour of the Coface Group's commercial development (see paragraph 1.2.3 "Coface Group Strategy" of this registration document).

# 1.2 Presentation of group activities

The Coface Group has been a world leader in the credit insurance sector for nearly 70 years. It offers companies solutions aimed at protecting them, within the context of managing their trade receivables, against the risk of financial default of their debtor clients, both on the domestic and export markets. To that end, it offers:

- credit insurance products and related services (prevention of associated risks, management and debt collection, "Single Risk" and the management of public procedures); and
- additional services (primarily factoring and surety bonds in certain countries).

The Coface Group generates its consolidated revenue from nearly 40,000 clients, with the average annual consolidated revenue per client being less than €45,000, and this in very diversified sectors, which allows the Coface Group to better resist the changes that occur in the sector-specific economic cycles.

## 1.2.1 CREDIT INSURANCE AND MANAGEMENT OF PUBLIC PROCEDURES

Credit insurance has been the Coface Group's core business since it was formed in 1946. With nearly €508 billion in receivables guaranteed as of December 31, 2014, and nearly 40,000 insured companies located in nearly 100 countries, the Coface Group is a world leader in the credit insurance market.

It relies on know-how in information acquisition and management on debtors and their economic environment, which is essential for analysing and overseeing debtor risks for both its policyholders and its risk underwriters, who are in charge of evaluating these risks. Furthermore, the Coface Group puts its expertise in management and debt collection to the service of its policyholders, through a full range of services.

Through its flagship product, Globalliance, the Coface Group addresses all types of companies seeking to protect themselves against its debtor risks and enriches its offerings, within the context of its strategy of innovation, through additional coverage ("TopLiner"), products or offers intended for a particular client segment (international group ("Coface Global Solutions")) or small and medium enterprises ("EasyLiner"), or even specific coverage, in particular through a "Single Risk" offer, which allows its policyholders to be covered against a commercial or political risk related to a specific project or investment.

Compagnie française d'assurance pour le commerce extérieur also provides management of public procedures on behalf of and with the guarantee of the French State since 1946.

For the year ended December 31, 2014, the credit insurance products and related services represented revenue of €1,275 million, or 88% of the Coface Group's consolidated revenue. The following table presents the evolution from the contribution of this activity to the Coface Group's consolidated revenue during the 2012-2014 period (in millions of euros and as a percentage of the Coface Group's total):

| | AS OF DECEMBER 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| SHARE OF CONSOLIDATED REVENUE | *in €m* | *% (reported)* | *in €m* | *% (reported)* | *in €m* | *% (reported)* |
| **Credit insurance** | **1,275** | **88** | **1,269** | **88** | **1,305** | **88** |
| *including Earned premiums net of cancellations* | *1,078* | *75* | *1,071* | *74* | *1,100* | *74* |
| *including Services related to insurance* | *134* | *9* | *133* | *9* | *136* | *9* |
| *including Public procedures management* | *63* | *4* | *66* | *5* | *69* | *5* |

Taking into account a very broad client base, the diversity of business sectors represented and their geographic distribution, the Coface Group does not consider itself to be dependent on particular policyholders. Thus, for the year ended December 31, 2014, the most important policyholder represented less than 1% of the Coface Group's consolidated revenue.

The Coface Group, directly present through subsidiaries or branch offices, on a geographical area representing nearly 92% of the world gross domestic product, relies on an international network of local partners, and markets its credit insurance solutions and its supplementary services in 98 countries, thus having a presence and geographic footprint on all continents. The Coface Group considers itself to be one of three global players on the credit insurance market. It in particular considers itself to be the leading player in the Latin American region, and the first of three world leaders in the Asia-Pacific region, the second player in the regions of North America, the Mediterranean & Africa, and Central Europe, and the third player of the regions of Western and Northern Europe (based on the credit insurance premiums collected for 2013 by the various market players).

### 1.2.1.1 Credit insurance and related services

#### Credit insurance mechanism

Credit insurance allows a creditor (the seller/provider), with a term debt held on its debtor (the buyer/client), to ask an insurer, through the payment of a premium, to cover the risk of non-payment of the trade receivable. To that end, credit insurance is one of the key hedge instruments of trade credit risk. Numerous companies grant payment terms to their clients, thereby authorising an implicit, generally short-term loan, with the terms even being limited in a regulatory manner in certain countries (for example in France by the so-called "LME" law [1]). The result is a non-payment risk which the credit insurance mechanisms seek to cover.

The following diagram illustrates the typical credit insurance mechanism:

The service offered to the policyholder not only consists of the indemnification of the losses suffered, but also of the prevention of claims and assistance in developing a profitable and solvent clientele for the policyholder, in order to prevent loss as much as possible, in the common interests of the policyholder and insurer. Preventing the risk of non-payment through credit insurance solutions requires first of all collecting pertinent, reliable and up-to-date information about the debtors and their economic environment. The information held by the Coface Group regarding the solvency of the debtors supplements and improves its credit insurance offering by establishing a key element at the time of its policyholders' applications for coverage, and when decisions are made regarding the coverage that is granted on a daily basis by its 330 risk underwriters (see below, the paragraph "Information regarding the solvency of debtors at the centre of the Coface Group's business").

The coverage granted by the Coface Group, which can be complete or partial, most often globally covers a portfolio of debtors (or a stream of business) of a given policyholder, as opposed to the subscription of an insurance policy, aiming to cover a single debtor risk. The credit insurance policies proposed by the Coface Group are generally entered into for a period of one year, and may be tacitly renewed.

Within the context of these policies, the principle consists, for the insurer, of authorising each new debtor that is presented by the policyholder, and establishing, within the credit limit granted, the maximum amount of risks that the insurer is ready to accept for this debtor. The Coface Group may then reduce or cancel its credit insurance coverage at any time for the future deliveries of goods or services to the debtor concerned, in order to limits its exposure. This reduction or cancellation also allows the policyholder to be warned of an increased fear on the part of the Coface Group in terms of said debtor's soundness. As an exception to this rule, and according to the policyholder's appraisal, the Coface Group may grant certain policyholders a degree of autonomy in setting the credit limits for outstanding amounts not exceeding an amount as established in their credit insurance policy.

In the event that a debt is not paid by the debtor, the Coface Group generally handles the recovery of unpaid receivables, in order to limit the loss and release the policyholder from managing this dispute phase, allowing it to preserve, to the extent possible, its commercial relations with its debtor (unless the policyholder expressly wishes to maintain the power to carry out the recovery himself). To that end, the Coface Group ends up conducting negotiations and, if necessary, disputes (before indemnification, within the context of a recovery mandate, after indemnification within the context of a subrogation), aiming to recover the amounts due (see the paragraph "Indemnification of claims and recovery of receivables"). In the event that these procedures fail, and once a specific period has elapsed in the insurance policy, the Coface Group pays the policyholder a portion of the unpaid covered receivable (generally 85% to 90% of the unpaid receivable), with this risk sharing contributing to a community of interests between the Coface Group and its policyholders, in order to encourage a prudent risk management. Upon payment of this indemnity, the Coface Group is subrogated in the rights of its policyholder as concerns the portion of the receivable that is indemnified. The debt recovery implemented by the Coface Group reduces the total amount of indemnities paid.

Use of credit insurance thus allows the Coface Group's policyholders to secure their margins while insuring themselves against the financial impacts of a payment default, all while benefiting from prevention tools and information regarding the financial solvency of their debtors, within the context of managing their credit risks, along with regular exchanges with sector-specific specialists and countries of the Coface Group (see in particular paragraph 1.4 "Information systems - *Applicable principles of the Coface Group and Tools provided to its policyholders - COFANET*" of this registration document).

(1) *Law No. 2008-776 of August 4, 2008 on modernisation of the economy.*

Incidentally, credit insurance facilitates access to solutions for the financing of receivables, in particular within the context of factoring (see paragraph 1.2.2 "Additional Services – *Factoring*" of this registration document). Indeed, this has attenuated the risks associated with the financing of commercial receivables, both due to the coverage provided, and thanks to the selection of counterparts chosen and the evaluation of their solvency, and thanks to the associated mechanisms for recovering unpaid receivables.

## Products and credit insurance offering of the Coface Group

### PRIMARY CREDIT INSURANCE PRODUCTS MARKETED BY THE COFACE GROUP

Within the context of the Strong Commitment I and II Plans, the Coface Group has refocused and enriched its offering of solutions to, on the one hand, clarify it and adapt it to the specific needs of certain categories of policyholders (such as major multinationals or small and medium enterprises) and, on the other, to increase its attractiveness thanks to innovative and differentiating products on the credit insurance market.

The Coface Group proposes numerous credit insurance solutions; the primary ones are described below.

#### *Globalliance*

As the flagship product of the Coface Group, available in all countries it covers, the Globalliance credit insurance represents an essential part of its consolidated revenue. The Globalliance solution is an adaptable offer aimed at addressing the specificities and needs of each policyholder. Comprised of various modules, this offer is adaptable to all types and sizes of businesses. In certain countries, the Coface Group has regularly marketed simplified forms of this offer to small and medium enterprises, which generally have a different name but offer comparable services. These offers are pending replacement with the new product launched in 2014: EasyLiner (see dedicated paragraph).

The Globalliance solution allows the offer to be adapted to the needs of each policyholder, within a logic of essential and optional services. Thus, the term of the receivable, the portion covered or even the list of countries covered form part of the essential parameters which must necessarily be defined. Therefore, a policyholder may choose to cover its established countries and/or export, to centralise or decentralise management of its policy, to opt for coverage "to the first euro" or for an "excess policy" (in which the insured keeps a significant part of the risk and is only compensated when the annual losses exceed a certain amount), to modulate its level of autonomy when making coverage decisions, and to subscribe disputed debts to "optional modules" of the Coface Group, such as:

- the "disputed debt" option (advance of indemnities while awaiting the resolution of a commercial dispute with a client);
- the "pre-shipment" option (for coverage of expenses linked to the manufacturing of a specific good); or
- the "pending orders" option (to cover orders pending delivery, for example during a period of three months in the event of a reduction in a credit limit).

The combination of the various modules offered by the Globalliance solution aims to allow for a tailored response to the policyholder's specifications, regardless of its size, business and nature.

Within the context of the Globalliance offer, particular emphasis is placed on the visibility of the risk prevention service for policyholders of the Coface Group, through access to commercial information and evaluation tools of their debtors, in particular through:

- a DRA ("Debtor Risk Assessment") communication regarding all debtors of the insured portfolio, within the COFANET secure space (see paragraph 1.4 "Information Systems" of this registration document);
- communication of a global risk indicator (the WAP – Weighted Assessment of Portfolio); or
- access to the Coface Group's Risk Underwriting Department, which is organised by business sector.

The Coface Group plans to renew its flagship Globalliance contract in 2015, in particular in view of improving the management of modularisation and harmonisation of the options offered, as well as better management of the coverage of the policy risk of renewal of the insurance policy.

#### *TopLiner*

Reserved to the Globalliance policyholders, the TopLiner offer, launched in December 2012 by the Coface Group, is additional coverage which was designed for cases where, for a given debtor, the policyholder obtained coverage for an amount less than requested or not covered at all. The premium collected by Coface Group, higher because it covers a risk deemed to be more difficult, depends on the risk assessment conducted by Coface Group experts, for the insured amount (which may be between €5,000 and €5 million) and the desired duration of coverage (subject to varying between 30 and 90 days).

The TopLiner offer is generally subscribed to by policyholders who wish to cover a priority development product and allows policyholders to be assisted in their decision-making processes, even when the Coface Group has refused to grant them coverage for a given counterparty. This offer thus facilitates the commercial relations with policyholders of the Coface Group in the event that coverage of some of their commercial projects is denied.

This new commercial offer, which has not yet been rolled out in all countries of the Coface Group, generated €12 million in consolidated revenue for the year ended December 31, 2013, and more than €19 million for 2014. The roll-out should still continue in certain countries which require product recording or certain countries where the Coface Group uses a local fronter insurer) to issue contracts (see paragraph 1.2.1.1 "Credit insurance and related services – A multi-channel sales network wich has been strengthened by an important network of partner and business employees" of this registration document).

### *Globalliance Projects Cover*

The Globalliance Projects Cover offer allows suppliers of equipment and/or service providers to provide coverage for a group of specific operations throughout a year, with an amount of between €100,000 and €5 million. This coverage allows policyholders, according to the operation in question, to be protected against payment defaults that are commercial or political in origin for their sales of equipment or the provision of services, for the risks of credit, manufacturing (for coverage of expenses linked to the manufacturing of a specific good) or the abusive call of security.

The coverage offered by the Globalliance Projects Cover offering, which takes effect upon the effective date of the contract, responds to a promise of coverage which is valid for four months and can be renewed insofar as a commercial negotiation is pending. The promise allows insureds to serenely engage with their debtors and integrate the estimated cost of the premium into their commercial offers.

### *EasyLiner*

EasyLiner, launched in 2014, is a new range of products which falls within an offering for small and medium enterprises, which are often unfamiliar with the mechanisms and benefits of credit insurance solutions.

EasyLiner aims to propose on a large scale credit insurance solutions which are best suited to the world of small and medium enterprises (more concentrated drafting of insurance policies, management of coverage and of the simplified policy), through an Internet portal which allows the Coface Group prospects to access and subscribe to the offering online.

EasyLiner falls within a multi-channel distribution process of the Coface Group, allowing for direct distribution through brokers, or even in cooperation with its extended network of non-specialised distributors and partners (see paragraph 1.2.1.1 "Credit insurance and related services - Sales and partnership network" of this registration document), developing a more expansive method of distribution, for Coface or a custom brand.

This offering was available in twelve countries in late 2014, and should continue to be rolled out in 2015.

### *Single Risk*

The offering of Single Risk coverage is intended for companies and financial institutions that are exposed to commercial and political risks, and which are devoted to operations which are time-specific, complex, for a high amount (generally greater than €5 million) and for which the credit term is between 12 months and seven years. Therefore, the Coface Group offers its policyholders coverage against a risk that is linked to an investment or particular market, in comparison to credit insurance products which cover insureds against payment default risks for the entirety of their revenue (whole turnover policies).

The offering of Single Risk coverage aims to provide subscribers with four types of coverage: export and domestic coverage, import coverage, financing coverage and coverage against the policy risk for investment operations. Each operation is the subject of a specific contractual study by the Coface Group experts.

These contracts, which are managed by a team of experts and dedicated risk underwriters within the Group's Risk Underwriting Department, are intended for businesses that export, import or invest abroad, and more specifically concern the:

- **coverage for export and domestic operations:** coverage of export and domestic operations on equipment, infrastructure, the provision of services, in the sector of construction and public works, raw materials and energy;
- **coverage for import operations:** coverage of risks incurred by the importer within the context of business operations: prefinancing, tolling contracts, compensation related in particular to the non-delivery of products or to the termination of contracts;
- **coverage for financing operations:** coverage of financing operations on prefinancing, financial credits, confirmations of letters of credit, forfaiting, project financing, sales-type leases; and
- **coverage against the political risk for investment operations:** coverage of risks linked to foreign assets, which could be the target of varied kinds of governmental decisions or actions, in particular in emerging countries (confiscation, expropriation, nationalisation, forced abandonment), but also of damage due to strikes, riots, civil unrest, acts of terrorism or even wars.

## COFACE GLOBAL SOLUTIONS, A STRUCTURE DEDICATED TO MAJOR INTERNATIONAL ACCOUNTS

Launched in 2012, within the context of innovations under the Strong Commitment I Plan, "Coface Global Solutions" (the "**CGS Offering**") is an offering dedicated to the management of major international policyholders which are present in at least two countries, and for which the insured revenue (or that proposed for insurance) is greater than €250 million. By relying on the operational entities of the Coface Group, the CGS Offering allows for coordinating and, based in particular on the Globalliance product, structuring the credit insurance of major international policyholders on a worldwide scale, by seeking to secure their commercial development internationally and allowing them to optimise their operational performance thanks to credit management tools for their office and subsidiaries.

The CGS Offering relies on a world organisation which offers these multinational companies services, management and control tools which are tailored to their own issues (geographic fragmentation, multi-currency risks, consolidation of buyers credits, aggregates, etc.). It is organised according to the seven geographic regions of the Coface Group (Central Europe, Western Europe, Northern Europe, the Mediterranean & Africa, North America, Latin America and Asia-Pacific), each organised around three functions: sales, client relations and risk underwriting, CGS central management (integrated with the sales department of the Coface Group) providing worldwide coordination, quality standards control and management of this activity.

Thanks to this offering, policyholders have a dedicated organisation which relies on the coordination of a program manager (Program Leader) which ensures the coordination of actions of the Coface Group's team, in particular for senior risk underwriters who are specialised by business sectors, and a set of tools which allow their credit insurance

to be managed, and all of the expertise of the Coface Group's international network to be accessed, in particular a worldwide database offering information on 65 million debtors, as well as the CGS dashboard, a platform allowing them to analyse their debtors' risks online. This dashboard in particular aims to better understand the global impact of receivables on policyholders' balance sheets, to provide a detailed analysis of their credit risk, a consolidated follow-up on the claims declared, by identifying and analysing trends. It also provides an overall vision of the quality of services that the Coface Group provides to each of their subsidiaries.

### PRICING OF CREDIT INSURANCE OFFERS

The amount of premiums is generally calculated based on, on the one hand, the statistical loss experience of companies with similar characteristics, and on the other hand, on the actual loss exposure of the policyholder in question. The result is transformed into a premium expressed as a percentage of either the estimated revenue, either the outstanding credit risk amount, or the credit limit amount, all three depending on the revenue of the policyholder. Accordingly, the premium amount depends on the total volume of sales conducted by the policyholder, although a fixed minimum amount of premium is always stipulated in the Coface Group's insurances policies contracts. This minimum premium amount is determined at the signature of the contract, on the basis of an estimated volume of sales. Final premium amount is calculated at the end of the year according to actual policyholder's revenue. Pricing is revised when the policy is renewed, generally annually. The revised amount is calculated according to the effective loss experience and the quality of the risk generated by this policy at the time of this renewal. Furthermore, some policies include profit sharing mechanisms, in order to encourage insured companies to monitor the quality of their clients. Some additional services, which are in particular related to the debtors solvency monitoring, are also included in an invoice.

Pricing is an essential element of the Coface Group's commercial policy, in particular at the time of contact between its salespeople and policyholders or prospective ones. The pricing of credit insurance product offers operated by a portion of the Coface Group's commercial teams (commercial underwriting) is an independent task of risk underwriting conducted by the risk underwriters (see the paragraph "underwriting risk implemented according to a harmonised process" hereinafter).

Within the context of its Strong Commitment I Plan, the Coface Group has converged its tools towards a single pricing system, which benefits from consistent, multi-disciplinary support, in particular thanks to the contribution of the risk underwriters, economic research and commercial teams of the Coface Group, under the control of the Actuarial Department. Within the context of the Strong Commitment I Plan, emphasis has also been placed on a more dynamic management of the pricing of fee and commission income.

This pricing tool, PEPS (Past and Expected Profitability System), now common to all entities of the Coface Group worldwide, facilitates the underwriting and control of the Group's pricing policy. The roll-out of PEPS was completely finished in 2013, and the short-term credit insurance was entirely underwritten in this tool as of 2014.

PEPS is able to provide its users with a Risk Weighted Exposure, or "RWE", and to calculate the Expected Annual Premium, or "EAP", allowing risks to be covered for a given policyholder, likewise taking into account historic payment defaults of the policyholder or prospective ones. It allows pricing projects to be created using simulation tools and for formulating pricing proposals for policyholders. Once all of the data entered into the tool (identity of the company, debtor information, portfolio, payment default suffered in recent years and contract conditions), PEPS calculates the minimum premium to be proposed to the policyholder or prospective policyholder, which is comprised of the estimated claims, expenses and sales margin expected by the Coface Group.

On a methodological level, PEPS is a pricing tool which anticipates outstanding payments expected by the analysis of the debtors' portfolio at the time of pricing calculation.

More generally, the pricing method and the tools used by the entities of the Coface Group allow the prices to be adjusted through consideration of multiple elements, within the context of contract renewals. The individual evaluation of the debtors of a policyholder's portfolio (evolution of credit risk, type of clientele developed by the policyholder, etc.) impacts the RWE calculated in PEPS, and thus the cost of the risk calculated by the tool. The evaluation also takes into account a temporary worsening of the sector, as well as the evolution of the worldwide economic situation, and its impact on the loss experience in credit insurance. Alongside these adjustments, which are inherent to the pricing model used and which benefit from the monitoring of micro and macroeconomic risks of the Coface Group, a pricing Governance Committee ends up deciding on sector-specific adjustments for certain countries, which are intended to reflect certain trends which have been detected by the Coface Group's analysts, for which there is an expected positive or negative impact on the receivables covered. These adjustments are notably used when an abrupt shift is expected for a given sector, which justifies an advance adjustment (before statistical recording).

The Single Risk coverage, due to its specific features (generally higher amount, types of risks covered and longer duration) is the subject of a different pricing by a dedicated team, which consists of a cross analysis of the country concerned (country risk assessment), the operation covered as such, according to the type of coverage underwritten and, where applicable, the quality of the contractual counterparty.

## A multi-channel sales network which has been strengthened by an important network of partners and business employees

In order to market and distribute its credit insurance products and additional services, the Coface Group uses numerous distribution channels, which vary according to the specific nature of each of the local markets on which it is present. The sales department of the Coface Group supervises the control of direct sales on an international level, as well as that of indirect sales made through its network of partners, which notably has 64 sales partners who issue contracts (fronters), such as PingAn, Axa, Nexi, EDC, Activa International Insurance, Seguros Mundial, ICIEC or even Sancor Seguros, as well as the contributor sales partners.

The following diagram illustrates this model of multi-distribution of service offerings of the Coface Group (the breakdown between direct and intermediated distribution is expressed as a portion of the total premiums collected):

These distribution channels include the Group's own sales teams, which are comprised, as of December 31, 2014, of approximately 1,200 sales representatives worldwide (excluding guarantees managed on behalf of the French government), as well as an important network of partners. The direct sales force of the Coface Group also includes exclusive agents who distribute its policies, due to the specific characteristics of the distribution network in certain countries, such as the United States and Italy.

In addition to using specialised credit insurance brokers, the Coface Group relies on banking partners and general insurers to distribute its products. Lastly, the fronters, who can also participate as business generators, are partner insurers who issue insurance policies for the Coface Group in countries where it does not have a license. The Coface Group may call upon the fronters to facilitate an initial establishment in a new country, thereby limiting the necessary investment, which was the case in Colombia until the Coface Group became directly established there in early 2014. In exchange, the Coface Group reinsures the risks incurred by the fronters.

The network of partners of the Coface Group, of which a significant portion are members of the Coface Partner network (www.partner.coface.com), allows its policyholders to be assisted in approximately forty countries in which the Coface Group has no direct commercial presence or specific license, as well as to market its offers there and to enrich its knowledge of these markets.

Created in 1992 at the initiative of the Coface Group, and previously called CreditAlliance, the Coface Partner network has been reorganised since January 2014 in order to increase sales potential.

It now combines private businesses and public institutions worldwide in the exclusive sector of credit insurance with two major objectives:

- to increase, facilitate and guarantee commercial exchanges by supporting both the exchange of information between members and the know-how of the Coface Group,
- to develop a portfolio of credit insurance products and supplementary services with the participation of the Coface Group.

The Coface Partner network supplements and strengthens the internal network of the Coface Group, allowing the geographical coverage of its services to be expanded. Its members provide their knowledge of the local economic fabric, which is implemented according to the practices and using the IT tools of the Coface Group.

The exchanges within the Coface Partner network have notably used marketing and sales techniques for the credit insurance products, sharing the experiences of each partner in order to strengthen the effectiveness of the sales methods and providing an impetus for partners in their credit insurance investment.

## Information regarding the solvency of debtors at the core of the Coface Group's business

The business of the Coface Group essentially consists of the sale of coverage or services relying on the acquisition and management of pertinent, reliable and up-to-date information on debtors and their environment.

The Coface Group operates a network of 49 centres dedicated to collecting financial information on more than 65 million debtors worldwide, for the processing and analysis of information and debtor risks.

Information is a key element in each stage of tracking the risks within the Coface Group, and is compiled within its ATLAS database (see paragraph 1.4 "Information Systems – ATLAS" below). It is first collected, particularly from external providers, for administrative processing. It is then analysed by the Coface Group's team of 330 credit analysts in view of evaluating debtors according to a scale which is common to the Coface Group as a whole ("Debtor Risk Assessment", or DRA), on which the risk underwriters rely to decide on the amount of risk which will be underwritten for each policyholder. Lastly, this information which is collected, analysed and used by the Coface Group is updated regularly, in particular thanks to exchanges with its 40,000 clients, to allow debtor risks to be tracked. All of the Coface Group's businesses moreover rely on EASY, a unique debtor identification database which facilitates communication between the Coface Group and its partners and clients (see paragraph 1.4 "Information Systems – EASY" below).

The following diagram illustrates the central place of information for activities of the Coface Group:

The collection, operation and preservation of reliable, updated and secure information constitutes a major issue for the Coface Group, allowing it to:

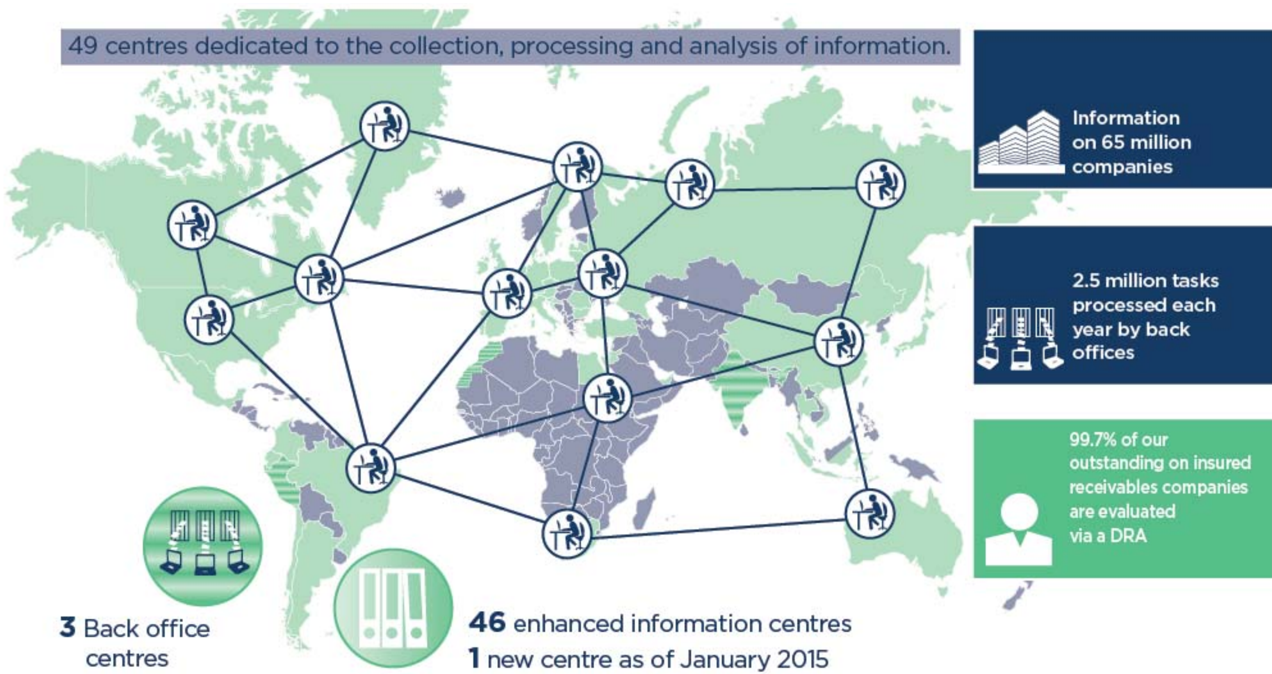
- control its pricing policy and enrich the quality of its credit insurance offerings (see paragraph 1.2.1.1 "Credit insurance and related services - *Pricing of credit insurance offers*" of this registration document);
- obtain, in particular at the local level, micro-economic information on the debtors and their economic environment, in order to make the underwriting decisions of the Coface Group's risk underwriters secure within the context of its risk management policy, all while offering the Coface Group's policyholders tracking of the risks of their debtors; or
- facilitate its management activity and the recovery of receivables.

Incidentally, this policy allows the Coface Group to obtain macroeconomic information, which is analysed by the teams of the Economic Research Department, which includes 18 economists, five of whom work in one of the regions of the Coface Group to provide local coverage. These economists have production objectives, thereby providing a service, internally, for businesses of the Coface Group, and externally for policyholders and the public. Their external production essentially takes the form of "panoramas", which are published on the Coface Group's website, the purpose of which is to help businesses evaluate and prevent risks, and to make their decisions using the most pertinent, the most secure and the most recent information. Several types of panoramas are thus published: the "country" panoramas, relating to the average level of risk within the context of short-term commercial transactions in a given country, the "country risk" panoramas, which offer the possibility of consulting in detail each quarter the evolution of the country assessments, the analyses and forecasts of the Coface Group's Economic Research Department, the "sector-specific" panoramas, which address temporary outlooks, the average financial position of businesses of the sector and payment behaviours, as well as the "business defaults" panoramas, which address the failures of businesses by sector and geographic zone, or "the business environment in a country", which in particular analyse the reliability of accounts and the level of protection granted to creditors by the legal system.

Within the context of the implementation of the Strong Commitment I Plan, the Coface Group proceeded to reorganise and simplify its information network, in view of optimising and strengthening the collection and quality of its databases, and having information that is increasingly pertinent and up-to-date. It notably systematically reviewed the sources of information in each country, strengthened the automation of information flows and segmented its needs according to the level and quality of risks.

This reorganisation led to a centralisation of work with low adding-value (management of administrative tasks linked to so-called "mass" information flows) at the level of three back-office centres (Peru, India and Morocco) and to the creation and roll-out of 46 so-called "enhanced" information centres.

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




These enhanced information centres and their teams are focused on tasks with the strongest added value and provide risk underwriters of the Coface Group with in-depth analyses on the debtors which present receivables or a high risk profile. These centres supplement the available information on the market (through interviews with business managers, debtors' visits, contacts with local banks, seeking and obtaining intermediary financial positions, specific or confidential financial information, DRA ("Debtor Risk Assessment") productions, etc.) and thus provide essential support for risk underwriters of the Coface Group, allowing them to make the decisions that are best suited to the needs of their policyholders, in accordance with the risk limits set by the Coface Group.

## Risk underwriting implemented according to a harmonised process

The Coface Group has established a harmonised process for all of its risk underwriters located in 44 countries, in order to strengthen and secure the management of risks attached to its various activities. The risk underwriting decision is by default made by the risk underwriter of the debtor's country, who is best placed to know the local economic environment. Where applicable, the risk underwriter of the policyholder's country is able to adjust this initial decision upward or downward, because it is the best way to determine the commercial or strategic context of the policyholder. This organisation allows debtor and policyholder proximity to be combined, including for major export transactions.

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

To make their decisions, the risk underwriting rely on the information collected, which is then analysed internally by the Coface Group, as summarised by the DRA, the drafting and updating of which are carried out according to the quality of the debtor. The DRA uses several criteria, such as financial soundness, profitability and solvency of the debtor, and also incorporates environmental factors, or even the quality of management of the business. Ultimately, the DRA takes the form of an evaluation on a scale from 0 (businesses in default) to 10 (best possible evaluation).

Lastly, with the Weighted Assessment of Portfolio (WAP), the risk underwriters have a simple and immediate indicator at their disposal which allows them to measure the average quality of the debtor portfolio of an insured company. The WAP corresponds to the average DRA, weighted by the covered amounts of each debtor, which allows the risk underwriter to have a global view of the portfolio of debtors of an insured or country. Presented on a scale that is identical to that of the DRA, it is likewise made available to policyholders.

The risk underwriters of the Coface Group work in real time and in a network, thanks to the ATLAS risk centralisation system, an IT tool for underwriting and management of risks for all entities of the Coface Group.

As a database developed by the Coface Group and essentially dedicated to the production of credit limits granted to debtors, ATLAS incorporates all functions necessary to credit limit underwriting and monitoring (receipt of a request for credit limit cover, automatic or manual underwriting, management and follow-up of the risk covered, as well as outstanding amounts and portfolios).

ATLAS offers global risk management: all types of risks are integrated; outstanding amounts are managed and easily viewed. The quality of the reporting and the control procedures at the Coface Group level are improved.

ATLAS is accessible 24/7, excluding periods of scheduled maintenance. In all, there are approximately 10,000 risk underwriting decisions made each day.

Risk underwriters have no sales objective for the Coface Group's products, and their compensation is in no way linked to the commercial success of the products. This is to ensure an impartial application of the Coface Group's policies in terms of risk management. Furthermore, the risk underwriters have no stake in the commercial pricing of the products and services offered by the Coface Group.

The risk underwriters have underwriting delegations ranging from €100,000 to €7.5 million, according to their appraisal, seniority and expertise, and are compelled, above €7.5 million, to abide by a double signature procedure for decisions for the regional level up to €20 million. Decisions relating to coverage of greater than €20 million, or which is particularly sensitive, are validated by the Group risk underwriting Department. The history of decisions and compliance with the levels of underwriting delegation, which are strictly limited and secured, are entirely traceable in ATLAS.

## Indemnification of claims and recovery of receivables

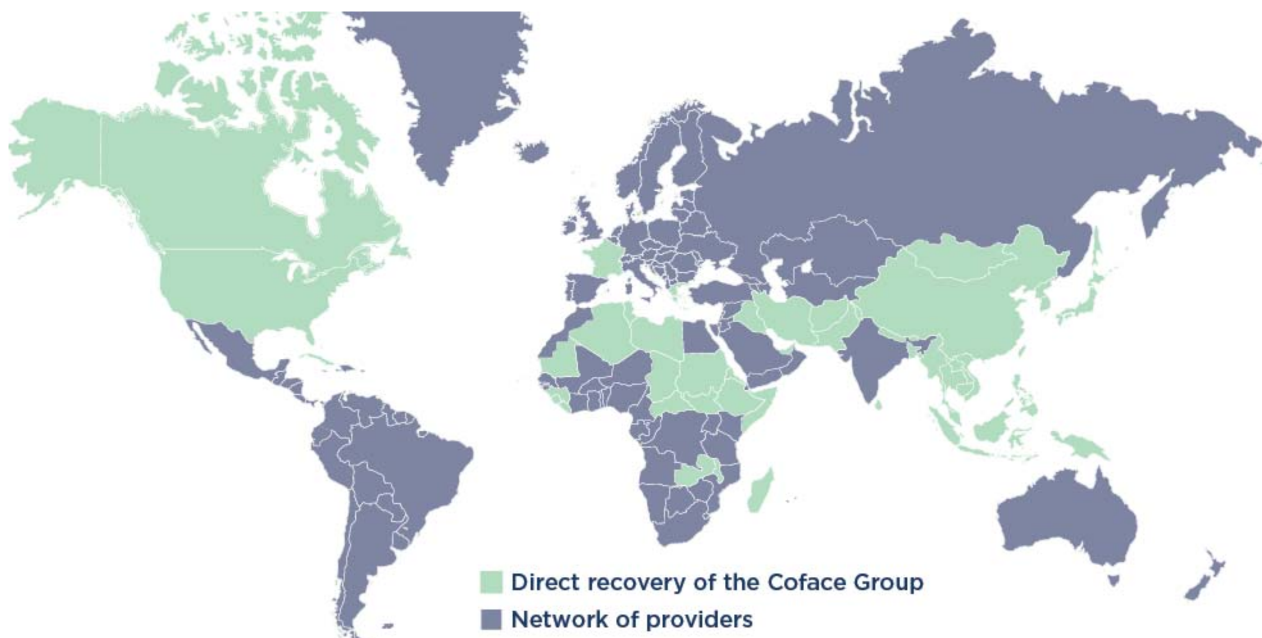
Faced with the threat of a payment default, or if a payment default has been recorded, the policyholder makes a declaration to the Coface Group. Following this declaration, within the context of the underwritten policies, the Coface Group intervenes to ensure the tracking, management and recovery of the unpaid trade receivable, either before indemnification by means of the "litigation mandate" which is provided by the insured within the context of its credit insurance policy, or upon indemnification within the context of the subrogation mechanism, the insurer being thus subrogated in the rights of its insured.

The indemnification of claims and the recovery of receivables are two essential activities of credit insurance. Indeed, policyholders expect responsiveness and efficacy from their insurer in managing their outstanding receivables. Furthermore, the effectiveness of the recovery has a direct impact on the loss ratio of the Coface Group, the increase of one point in the recovery rate representing nearly €8 million in recovered receivables, which has an immediate effect on its results and improves its loss ratio. For the fiscal years ended December 31, 2012, 2013 and 2014, the recovery rate of the Coface Group totalled 32%, 35% and 49% respectively. In conformity with its strategic guidelines, as notably presented in paragraph 1.2.3 "Coface Group Strategy" of this registration document, the Coface Group intends to improve its recovery rate through the ongoing adjustment of the techniques used and the contributing network of local providers, notably in the regions of the Mediterranean & Africa, Latin America and Asia-Pacific.

The Coface Group thus offers its policyholders a full range of services relating to the management of receivables (recovery of domestic or internal receivables from third parties and statistical analyses on recoverability).

The indemnification and recovery network of the Coface Group, which is in charge of covering more than 200 countries, is comprised of 445 employees (of which 200 employees, distributed among 35 countries, are in charge of analysing claims for payment, and of which 245 employees are in charge of recovery), who rely on DCON, an IT tool that allows all outstanding payments noted by the Coface Group's policyholders (see paragraph 1.4 "IT Systems - DCON" hereinafter) to be entered and validated. It is supplemented by a network of 32 collection companies and 185 attorneys' offices which support the Coface Group's teams, in order to either assume the entire recovery process (*i.e.* approximately 40,000 files in 2014), or intervene in support of the internal teams, and at all stages of the recovery process.

The map below illustrates the Coface Group's indemnification and recovery network as of December 31, 2014:



The Coface Group teams in charge of recovery try to establish direct contact with the debtor (within 24 hours, as rapid contact increases the chances for successful recovery) in order to initiate an amicable recovery process. However, if these amicable measures do not succeed, the Coface Group takes the required procedures using its network of attorneys.

The services for management and recovery of the Coface Group's receivables also use the information on corporate solvency that has been collected by the Group. Indeed, proper information on the businesses as of when the file is transmitted by the policyholder increases the chances for recovery by setting up a more suitable recovery strategy. Conversely, the information obtained concerning outstanding payments, thanks to the receivables management service, enriches the informational bases of the Coface Group and increases the quality of the credit insurance coverage offered to its insureds. The Coface Group has established a standardised system of monthly indicators on the recovery rate, which has allowed the practices between the various regions of the indemnification and recovery network of the Coface Group to be standardised.

This standardisation is of particular importance to the extent that it guarantees an assessment according to the same criteria at the global level, and allows the Coface Group to track this performance globally, country by country.

### 1.2.1.2 Public procedures management

Compagnie française d'assurance pour le commerce extérieur has managed coverage of risks that are not insurable by the private market since 1946 on behalf of and with the guarantee of the French State, in an effort to assist, support and secure French exports, in particular those financed in the medium and long terms, as well as French investments abroad. For the year ended December 31, 2014, these services represented an amount of €63 million, or 4% of the Coface Group's consolidated revenue.

The following table presents the evolution from the contribution of these services to the Coface Group's consolidated revenue during the 2012-2014 period (in millions of euros and as a percentage of the Coface Group's total):

| | AS OF DECEMBER 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| SHARE OF CONSOLIDATED REVENUE | *in €m* | *% (reported)* | *in €m* | *% (reported)* | *in €m* | *% (reported)* |
| Public procedures management | 63 | 4 | 66 | 5 | 69 | 5 |

This activity does not present insurance risks for the Coface Group, as the risks are assumed by the State. All of the financial flows relating to public coverage (premiums, indemnities, remittances) are included in a distinct accounting entry in the financial statements of Compagnie française d'assurance pour le commerce extérieur. The premiums and remittances collected by it are directly on behalf of the government. The indemnities are paid by Compagnie française d'assurance pour le commerce extérieur from this same account. The terms and conditions for management of this coverage and its compensation are set within the context of an agreement linking Compagnie française d'assurance pour le commerce extérieur to the State.

#### The various insurance offered with government coverage

The various coverage managed by Compagnie française d'assurance pour le commerce extérieur within the context established by the government allows businesses to be assisted throughout their export process:

- **prospection insurance:** this type of insurance simultaneously covers insurance against a loss suffered in the event of commercial failure, and liquidity support. It assumes a portion of the non-recurring prospection fees incurred by the policyholder;
- **exporter risk insurance:** this type of insurance covers the issuers of bank guarantees, as well as the banks that provide prefinancing for exporters against the risk of non-reimbursement by the exporter;
- **export credit insurance:** export credit insurance covers the exporter and/or its banker against certain specific risks upon entering into contracts for the export of goods and/or services, accompanied by long terms of performance and/or credit of more than two years;
- **exchange insurance:** different insurance solutions are proposed, in order to render export operations in foreign currencies more secure, in an effort to allow an export company to remit offers and/or enter into a contract in a foreign currency without being exposed to exchange rate variations, from the commercial negotiation stage through to the payment term of the contract;
- **foreign investment insurance:** this type of insurance covers the French businesses that make investments abroad and the banks that finance the risks of rifling and/or destruction that are political in origin.

#### Context of intervention

After having processed the coverage applications that are directly sent to it, Compagnie française d'assurance pour le commerce extérieur makes a coverage proposal to the French Export Credit and Guarantee Commission [Commission des garanties et du crédit au commerce extérieur] (ministry of Economy and Finance), which decides how to process them. Compagnie française d'assurance pour le commerce extérieur nevertheless has delegations to provide coverage for certain applications, according to the amount of the operation, the credit term or even the premium category. It issues insurance contracts in its own name, based on the decision made by itself (within the context of its delegations) or the administration, and assumes the management of its insurance contracts (risk monitoring, establishment of riders, processing of payment requests, recovery of outstanding receivables, management of debt consolidations, etc.).

The distribution of insurance products managed on behalf of the French government is directly ensured by a dedicated internal team which is distinct from those participating in the Coface Group's own products.

### Management of public procedures on behalf of the Brazilian State

From 1996 to 2014, the Coface Group managed the same type of services on behalf of and with the guarantee of the Brazilian government through its Brazilian subsidiary, SBCE.

The terms and conditions for management of these services and their compensation was determined by an agreement which linked the Brazilian State and SBCE, and which ended June 30, 2014. As of July 1, 2014, the staff was taken over by the new agency (the ABGF) which was created by the Brazilian State for taking over SBCE's public activity.

## 1.2.2 ADDITIONAL SERVICES

In addition to its credit insurance offers, the Coface Group sells a set of services which supplement its debt risk management offering.

### 1.2.2.1 Factoring

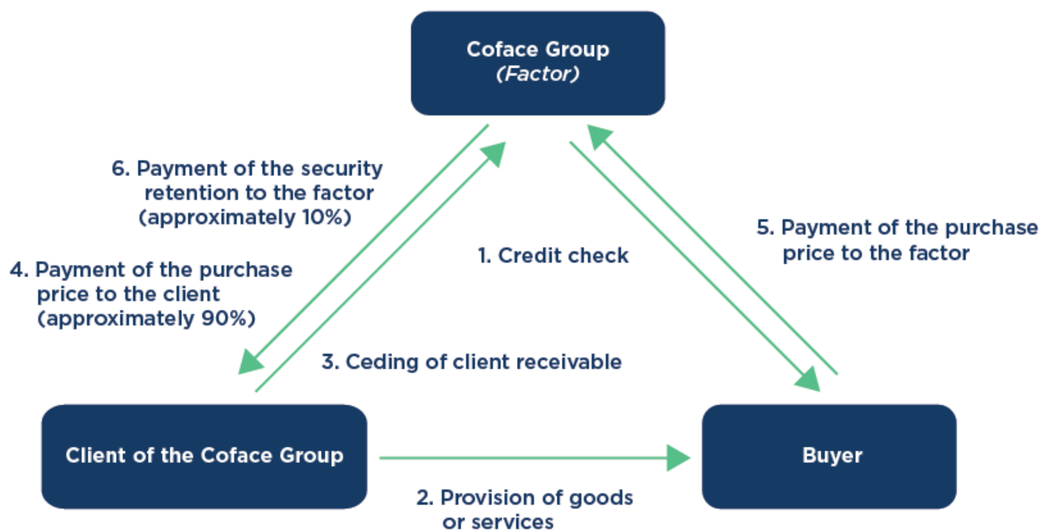
The Coface Group offers factoring solutions in Germany and Poland. Historically present on other geographical markets, the Coface Group has refocused its factoring activities within the context of the Strong Commitment I Plan (see paragraph 1.1.1 "History of the Company" of this registration document) on these single countries in which it has a critical mass which allows it to conduct its activities under optimal profitability conditions.

For the year ended December 31, 2014, the factoring offering represented €71 million in net banking income, or 5% of the Coface Group's consolidated revenue.

The following table presents the evolution from the contribution of this offer to the Coface Group's consolidated revenue during the 2012-2014 period (in millions of euros and as a percentage of the Coface Group's total):

| NET BANKING INCOME AND PERCENTAGE OF CONSOLIDATED REVENUE | AS OF DECEMBER 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| | *in €m* | *% (reported)* | *in €m* | *% (reported)* | *in €m* | *% (reported)* |
| Factoring | 71 | 5 | 69 | 5 | 77 | 5 |

The following diagram illustrates the factoring mechanism:



Factoring is a financial technique whereby a factoring company (the factor) finances companies' trade receivables by acquiring them and, where applicable, ensuring their recovery on its own behalf and by supporting any losses or, conversely, via a right of recourse against the company. The Coface Group's factoring offering thus allows businesses to fund their account receivables and optimise their liquidity:

- by having immediate availability to cash upon sale of their receivables (subject to deposit of holdback money);
- by streamlining their trade accounts receivable, in the absence of recourse (via the transfer of risks of non-payment and recovery); and
- by financing their growth without being held up by their working capital requirement.

The Coface Group combines its factoring activities with its credit insurance expertise in order to offer the following products:

- factoring with recourse: factoring product with recourse to the client in case of payment defaults;
- full factoring without recourse: product combining the services of factoring and credit insurance. Thus, in the event of a claim, the client is covered by credit insurance for its unpaid invoices;
- in-house factoring with or without recourse: the client manages the relationship with its buyer, in particular in the case of a payment default, notably to preserve its commercial relationship;
- reverse factoring: the Coface Group client is in this case the buyer, who proposes a payment through the factoring company (factor) to its supplier;
- maturity factoring: product deriving from full factoring, for which financing occurs at the invoice due date.



### 1.2.2.2 Surety bonds

In addition to its primary credit insurance activities, and relying on its debtor risk management capacity, the Coface Group offers surety bond solutions in certain countries (basically Germany, Austria, Italy and France) to its clients in order to address their specific needs in certain markets.

A surety bond consists of an engagement which allows, in the event of a potential default or breach by the bondholder of its contractual obligations, to cover the beneficiary of the surety. The coverage provided by a surety allows a business to reassure its commercial or financial partners, in order to postpone immediate payment and/or to not reduce its borrowing abilities. Furthermore, in certain businesses, obtaining a surety is an unavoidable obligation for accessing certain markets.

Sureties have a term that is most often determined (from a few weeks to a maximum of seven years in the Coface Group portfolio) and which can be shared among several market players (generally banks and insurers).

For the year ended December 31, 2014, this offer represented €54 million in revenue, or 4% of the Coface Group's consolidated revenue.

The following table presents the evolution from the contribution of this offer to the Coface Group's consolidated revenue during the 2012-2014 period (in millions of euros and as a percentage of the Coface Group's total):

| | AS OF DECEMBER 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| SHARE OF CONSOLIDATED REVENUE | *in €m* | *% (reported)* | *in €m* | *% (reported)* | *in €m* | *% (reported)* |
| Surety bonds | 54 | 4 | 58 | 4 | 60 | 4 |

The Coface Group offers a range of specific surety bonds, excluding those that are purely financial or environmental, which have the purpose of helping businesses to gain access to domestic or export contracts:

- **contract surety bonds:** tender bond (guaranteeing to the buyer that the seller has responded to the call for tenders, may actually, if the contract is won, offer the services announced in its reply to the call for tenders), performance bond (guaranteeing to the buyer that the seller will perform the contract), advance payment bond (commitment to return the payment made by the buyer, in case the seller does not pursue the contract), holdback bond (guaranteeing potential faulty work that appears during the coverage period);
- **subcontracting bonds:** aimed at guaranteeing the payment of the subcontractors that the business has intervening; and
- **customs bonds:** entitling the bearers to benefit from credits of rights or even, on some markets, to guarantee amounts payable as indirect contributions or excise taxes, or to differ the payment thereof.

### 1.2.2.3 Other services

In some countries, essentially Central Europe, the Coface Group offers information and recovery products to businesses that have no credit insurance. As of December 31, 2014, this activity represented consolidated revenue of €41 million.

## 1.2.3 COFACE GROUP STRATEGY

The Coface Group estimates to have successfully completed its strategic refocusing onto credit insurance, its core business, during the 2011-2013 period, which has allowed it to consolidate its operating performance, notably in terms of controlling its risks and cost basis.

In a world market which it considers to be far from saturated, the Coface Group, based on its competitive advantages, intends to pursue a sustainable and profitable growth strategy, to take an active part in the development of credit insurance worldwide, all while maintaining its investment level in order to pursue optimal management of risks and its costs, in an effort to strengthen its operating margin.

Through a combination of various actions in its strategy, the Coface Group believes that all seven of its regions should contribute to its growth in the years to come, without being strongly dependent on any zone or being contingent upon an external growth factor, even if the Coface Group expects to see a positive effect from the recovery of the world economy on its revenue, its services being primarily priced based on its insureds' revenue.

### 1.2.3.1 Densifying and revitalising the commercial approach of markets

The Coface Group feels it is operating in an offer-driven business, in which its effort presenting the product is a key element for business growth. The Coface Group's growth strategy is first-off guided towards strengthening its commercial approach to markets and is organised around four major points.

#### Improving the operating efficiency of networks

Following the example of the work that was conducted in the 2011-2013 period on fundamental risk management businesses, the Coface Group proceeded with an operational review of the commercial function, aiming to improve the efficacy of its sales forces. It thus established a harmonised, joint commercial organisation for the seven regions of the Coface Group, which is capable of optimally supporting the multichannel distribution strategy and simplifying the commercial control, thanks to the tools for tracking and controlling reliable commercial business.

The Coface Group intends to strengthen the industrial approach to its sales businesses, with the objective of improving performance and pooling means, by continuing to roll out consistent tools in all countries and at all stages of the client relationship. A new version of the CRM "Smart" tool was thus delivered in October 2014, which incorporates the elements of a harmonised customer journey on the scale of the Coface Group. The internal device for commercial indications by the Enhanced Information Centres implemented in 2013 was pursued in 2014 with a 32% rise in the commercial contacts generated. In the future it will integrate a broader process to generate commercial indications, now pending construction.

#### Selectively strengthening the commercial network on the zones which present a potential for significant growth

The Coface Group expands and diversifies its direct sales forces in order to increase its commercial coverage for certain areas which present a significant potential for growth.

These efforts first of all support the Coface Group's growth policy for emerging countries, while taking into account the growth of these markets and as a function of the development of new direct establishments of the Coface Group. The Asian, Latin American and African regions shall be primarily targeted. In 2014, the Group was granted a license in Colombia and in Morocco as well as in Israel (Jan. 2015).

Furthermore, the markets of certain developed countries, in which the density of the network was not adapted to the current market potential, also benefit from these efforts. In particular, the United States, where the credit insurance market represents significant potential given the still relatively low penetration rate, and where the Coface Group has significantly increased its number of agents in 2014, or even in the Scandinavian countries, where the Coface Group is not represented in the amount of its world market share.

#### Developing partnerships to rely on networks that have a broader scale than the Coface Group's own commercial network

Recognising that the size of the major credit insurers remains modest when faced with the potential of world commerce, the Coface Group has defined a partnership strategy which is intended to provide another dimension to the networks that distribute its products.

This strategy primarily targets specialised credit insurance brokers, which the Coface Group intends to assist and support in the roll-out and densification of their networks, in particular towards new territories.

It also concerns business contributor partners, who have distribution networks with a greater density than those of the Coface Group in their countries, primarily the banks and general insurers who are well-positioned for the business clientele. In preparation for this process, the Group has launched a project which intends to support its value proposition for these potential partners, and to identify the key factors of success which will allow an unspecialised sales network to increase its competence for a technical product such as credit insurance. Coface's proposal to its partners was notably implemented within the "Coface Partner" network, wherein each partner can share its experience with other partners in other countries, with the aim of refining its credit insurance process. The Coface Group has developed a partnership in Serbia.

#### Expanding the prospecting base in all market segments

The Coface Group intends to pursue an expansion of its prospecting base in all market segments that fall within its target.

This policy primarily targets the SME segment, which will generally be included in the commercial strategy of each market. This activity will be launched on a priority basis through distributor partners, thanks to tools which are intended to provide a certain degree of autonomy to its partners in terms of the sales prospecting cycle, all while maintaining a reasonable distribution cost for the Coface Group, in particular through the EasyLiner offer that was

launched in 2014 (see paragraph 1.2.1.1 "Credit insurance and related services" of this registration document).

At the other extreme of types of insureds, the segment of major multinational businesses, in which the Coface Group is particularly present thanks to its Coface Global Solutions offer (see paragraph 1.2.1.1 "Credit insurance and related services" of this registration document), will also be given particular attention within the context of pursuing its commercial development. The Coface Group thus recognises the potential for rapid growth that this segment holds, as well as the determining role that major businesses play in the dissemination of credit insurance to new markets, both at the level of product knowledge and for the establishment, for the Coface Group, of a minimum business volume for opening in the countries. The Coface Group intends to pursue its efforts on the segment of international credit insurance programs by strengthening its Coface Global Solutions commercial network, and developing offers and services which are adapted to this segment.

### ◆ 1.2.3.2 Pursuing geographical expansion to potential markets

The Coface Group intends to pursue the development of its international network – the market leader in terms of geographical establishments - which is an important competitive advantage, in particular for major accounts which are strongly international.

#### Expanding the portfolio of direct insurer licenses

The Coface Group intends to pursue expanding its portfolio of direct insurer licenses. If the first establishment of the Coface Group in a new country often takes the form of a fronting agreement which is entered into with a local insurer who has the necessary license to carry out credit insurance, this initial phase is often followed by a second stage, which consists of obtaining a license, when the potential and conditions of performance of the market are sufficient to justify a more significant commercial investment.

After allocating a license in Colombia and Morocco in 2014, and more recently in Israel (Jan. 2015) the Coface Group envisages acquiring licenses to directly intervene in five new countries by 2018.

#### Preparing and carrying out an opening in new countries

A supervisory mission regularly analyses the potential of the country where the Coface Group is not yet present, in order to determine short, medium and long-term development priorities. The Coface Group envisages expanding its presence by 2018 to a dozen new countries whose potential has been identified, both in terms of marketing and business, and which are primarily located in Africa, Southeast Asia and Latin America.

#### Overseeing the opportunities for external growth

Lastly, if developmental efforts are primarily aimed at organic growth, the Coface Group does not exclude a selective study of any opportunity for external growth in its core business.

### ◆ 1.2.3.3 Pursuing the innovation policy produced

The Coface Group has historically distinguished itself by a policy of sustained product innovation, including during the period of refocusing on its core business, credit insurance. Operating in an offer driven market its strategy includes a policy of differentiation, for which product innovation must be the essential vehicle.

### ◆ 1.2.3.4 Renewing and specialising the credit insurance range

The market segmentation work performed by the Coface Group during its refocusing phase led it to redefine and specialise its target product range. A renewal program led the Coface Group to launch EasyLiner in 2014, a new contract for SMEs which supports the bulk of the offers of this high-growth segment, and which will be rolled out in all 67 countries. The Coface Group also plans to renew its flagship "Globalliance" contract in 2015, in particular in view of improving the management of modularity and harmonisation of the options offered, as well as better management of the coverage of the policy risk and of renewal of the insurance policy. The offer to Coface Global Solutions clients remains managed based on the central product platform ("Globalliance" contract, COFANET interface), and is supplemented with a device for coordinating and controlling insurance programs ("Master Agreement" and a tool for risk analysis, follow-up and reporting, the "CGS Dashboard", which achieved a 20% penetration rate as of late 2014).

A specialisation process was nevertheless undertaken in October 2014 with the creation of a specific solution which allowed for better responsiveness to the needs of the Japanese clientele. A new network has thus been created, which includes Japanese-speaking representatives on the various continents.

This process of renewing the range will allow better adequacy for the needs of the various market segments to be ensured.

### ◆ 1.2.3.5 Exploiting the opportunities for compensation of services

In addition to evaluating the existing services, the Coface Group plans to support its service revenue by launching new paying services. In 2014, it thus launched two additional services which were based on an analysis of the insured's accounting information: on the one hand, COFANET Policy Master, which allows the management of the insurance policy by the insured to be lightened, and, on the other hand, COFANET Cash Master, which facilitates the funding of insured receivables, providing more specific information to granting third parties on credit insurance coverage, in particular in markets where the factoring offer is not yet very broad. The COFANET online management platform incidentally doubled in September 2014 with a mobile application known as "CofaMove", which provides all COFANET users with the essential daily functionalities of the tool on Smartphone.

### 1.2.3.6 Increasing the value delivered to businesses by exceeding the historical framework of the business

Strengthened from its reflection on management of the 2008-2009 crisis by credit insurers, the Coface Group has worked on a series of innovations intended to strengthen and sustain research on its know-how by businesses through the economic cycle, including during a period of crisis where coverage is harder to deliver. The TopLiner offer launched by the Coface Group in December 2012 (see paragraph 1.2.1.1 "Credit insurance and related services" of this registration document), which allowed additional coverage to be obtained in cases where, for a given debtor, the policyholder has obtained coverage for an amount less than it requested, or no coverage at all, should be viewed as the first stage in this innovation process, the result of which should support progress in client-credit management by the policyholders. This product, which fully falls within the core business, is distinct from competing offers due to its structure and tools (an underwriting automaton producing *ad hoc* pricing of considerable risks in all countries). This new product, for which the production cost excluding commercial documentation costs totalled €375,000, quickly found its place within the Coface Group's offer, generating €19 million in additional premiums in 2014, against €12 million in 2013.

#### Pursuing the improvement of technical profitability through control of accrued risks

The Coface Group intends to keep putting significant attention towards improving its knowledge, analysis and risk management, a major focus in the strategic refocusing on the core business of credit insurance, as well as the basis for any leading competitive position and a condition for sustainable profitability. This approach centres around three cornerstones:

#### Quality of information

In line with the actions conducted during the last three years, the Coface Group will pursue investments to strengthen the quality of its information bases worldwide around two cornerstones: the first targets gross information purchased, the second information that has been enriched by the direct intervention of the Coface Group's teams.

The stakes of this improvement are multiple; first and foremost are the quality and updating of information, rapidity of availability, frequency of updating or even access to confidential information (for example, the intermediate financial position of a debtor), which allows the underwriting decisions to be more secure, and risk management to be strengthened.

The Coface Group notably plans to adjust certain terms and conditions for preparing the DRA (Debtor Risk Assessment) (see paragraph 1.4 "Information Systems" of this registration document), with the goal of further improving the consistency of this risk assessment tool in all countries.

#### Underwriting control

The Coface Group shall accompany its geographical expansion program with the roll-out of its risk underwriting system, in conformity with the established principle of proximity to risk of the underwriters ("close to the risk underwriting").

It will continue to take initiatives to demonstrate its capacity to very responsively manage the delicate phases of the economic cycle, whether it concerns the cycle of the world economy or sector-specific or regional crisis. This exercise includes both the technical portion (decision-making) and its commercial component (communication with clients and cooperative management of complex cases).

Lastly, as concerns the commercial underwriting portion, the Coface Group intends to draw profit from cumulative data during the first year that its worldwide tool PEPS (Past & Expected Profitability System) is fully used, in order to refine the parameters and improve control of its pricing policy.

#### Effectiveness of recovery of receivables

Based on the performance measurement tools established, the Coface Group shall seek to improve its recovery rates and its ratios of costs incurred/recovered amounts, which have a direct impact on its loss ratio, through the ongoing adjustment of techniques used and the network of local contributing providers.

### 1.2.3.7 Controlling the cost basis for growth to maximum operational leverage

#### Pursuing a convergence of the IT systems

Following the investments made between 2011 and 2013, aimed at aligning the IT systems with the strategic objectives on centralisation and security of business data, the Coface Group plans to finish converging its IT systems in order to gain operational efficiency and reduce its applicable maintenance costs. The primary elements of this work will concern the contract management tool and the invoicing tool to which it will be linked, the accounting and financial control tools, as well as the tools of the payment/recovery cycle. These investments will be fully funded by the savings gained in maintenance, and do not require a significant increase in the budget allocated to the IT systems.

#### Strengthening the streamlining of purchases

By pursuing the initiatives of centralisation and standardisation, the Coface Group has established a central purchasing function, from which it is expecting savings on all purchase categories.

#### Managing the growth of staff as a function of the growth of revenue

In order to ensure the operational leverage expected from the growth in revenue, the Coface Group plans to manage its staff according to a principle of a lower growth rate than that of the growth recorded for revenue.

### 1.2.3.8 Succeeding through the support of the men and women of the Coface Group

After the phase of refocusing its activities, which represented a demanding period for its contributors, the Coface Group has taken measures to strengthen their support, as they represent an essential element in the achievement of its strategy.

#### Strengthening the sharing of a common ambition

The employees of the Coface Group share elements of pride regarding the business' know-how and the utility of its mission in the local and regional economies. The feeling of belonging to an international business, rich with 72 nationalities, is likewise essential to the image of the Coface Group and to its capacity to assist businesses abroad.

The strengthening of a common ambition and a shared culture is a priority of the Coface Group, which has the objective of capitalising on this cultural and human capital. The Coface Group thus launched a new business plan in 2013 designed to structure its growth project and bring it to its employees within the upcoming years, but also to bring it to its policyholders and partners, focusing around a shared ambition, respecting the balance of interests of the stakeholders, in order to implement the Coface Group's sustainable growth policy.

The Coface Group likewise adopted an internal corporate barometer. The study that was conducted in 2013 allowed employees' support of the refocus strategy to be confirmed, and their dynamic faced with the change to be measured, which was somewhat variable depending on the geographic region. Additionally, a managerial assistance program was implemented, which responds to employees' concerns in a targeted manner.

#### Further strengthening a high-performing team of managers

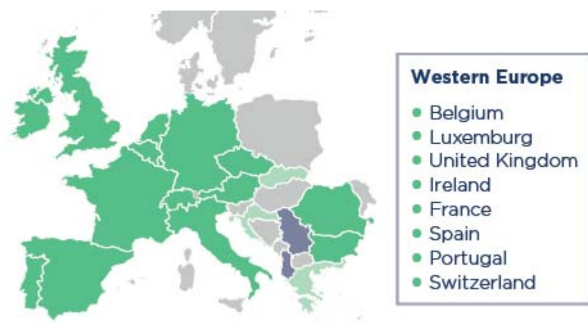
The management team formed around its Chief Executive Officer (CEO), Jean-Marc Pillu, and have demonstrated their management capacity through the successful refocusing of the Coface Group on credit insurance, and the improvement its loss ratio and its profitability. The Coface Group intends to consolidate this management team and prepare its succession through a dynamic career management of its top executives, which falls within a broader policy of developing talent which is conducted at the world level.

## 1.2.4 DESCRIPTION OF THE ACTIVITIES OF THE COFACE GROUP REGION BY REGION

The Coface Group, strengthened by a leading international presence, organises its activities around the seven geographical regions in which it markets its products: the regions of Western Europe, Northern Europe, the Mediterranean & Africa, Central Europe, North America, Asia-Pacific and Latin America.

### 1.2.4.1 The activities of the Coface Group in the region of Western Europe

**AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE WESTERN EUROPEAN REGION**




The Coface Group currently employs approximately 1,095 people in the Western European region, and has earned revenue of €462 million, or 32% of the Coface Group's total revenue for the year ended December 31, 2014, and it recorded a loss ratio of 34.8% in 2014.

The activities of the Coface Group in the Western European region are quite considerably guided towards the sale of credit insurance policies. Nevertheless, the activities of the Coface Group in this region locally present certain particularities, notably in Switzerland, where the offering of Single Risk policies is an important part of the revenue achieved in this country, or even in France, where Compagnie française d'assurance pour le commerce extérieur manages, on behalf of and with the guarantee of the government, the risks related to exports that cannot be ensured by the private market.

The majority of the activities of the Coface Group are brokered in Western Europe, with the exception of Spain and Portugal, where the Coface Group's products are essentially sold by exclusive agents.

Within the context of the Strong Commitment I Plan, the Coface Group has proceeded with an operational reorganisation of its activities, in particular in France, its leading market. In this country, this reworking of the organisation has first of all translated to a simplification of its regional commercial organisation, and to a centralisation of back-office tasks relating thereto. Incidentally, the policy of reorganising risk underwriting "close to the risk" and the means allocated to payment of claims and recovery of receivables, have improved efficacy and allowed staff to be reduced. Lastly, within the context of centralising the administrative tasks linked to the flows of so-called "mass" information, the Coface Group has reorganised its information processing teams to one of the three back office centres created.

The specific actions implemented in certain sectors, and with certain debtors, in particular in Spain in 2012 and 2013, allowed the loss experience for the entire region to be controlled in 2014. The Coface Group incidentally pursued its efforts to improve operating efficiency and its sales forces in 2014 and, in conformity with its product innovation policy, in 2014 launched EasyLiner offers to SMEs in France, Belgium, Spain and England.

### 1.2.4.2 The activities of the Coface Group in the region of Northern Europe

**AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE NORTHERN EUROPEAN REGION**

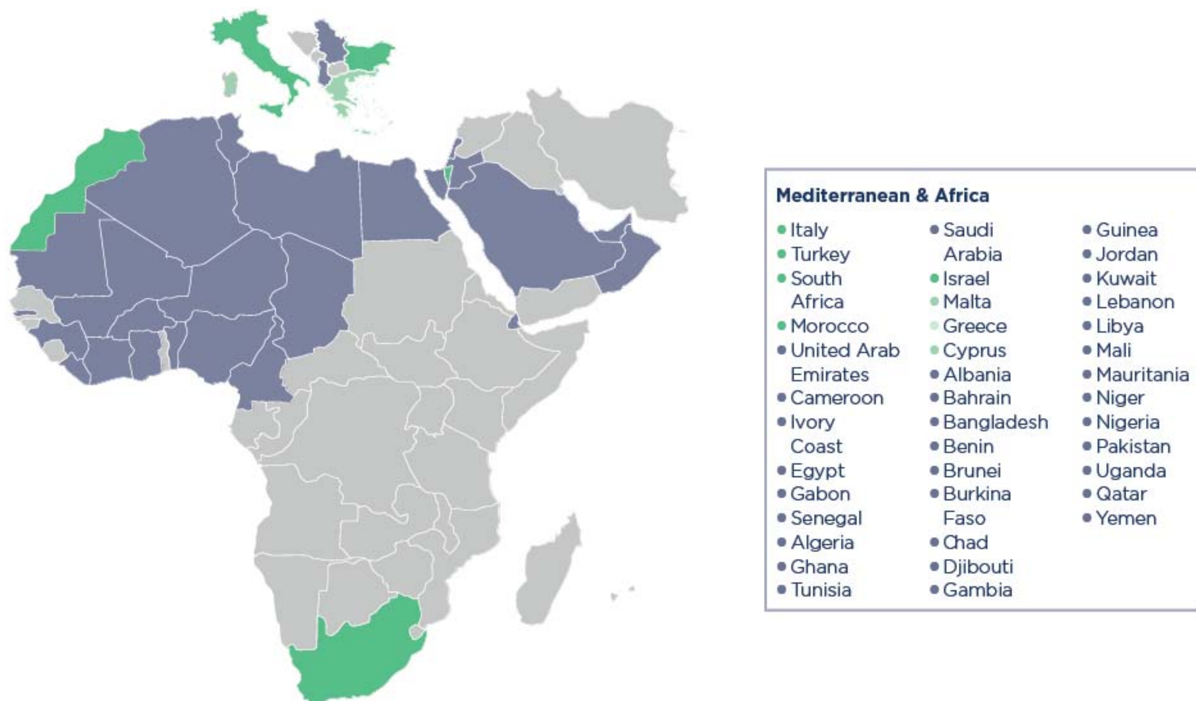
The Coface Group currently employs approximately 946 people in this region, and has earned revenue of €352 million, or 24% of the Coface Group's revenue for the year ended December 31, 2014, and it recorded a loss ratio of 52.2% in 2014.

The primary products sold by the Coface Group in the Northern European region are credit insurance policies. On the leading market in the region, Germany, the Coface Group also offers factoring and Single Risk coverage. This expanded offer addresses the credit insurance market that the Company believes to be most important in the world in terms of premium volumes.

The Coface Group employs its multichannel distribution strategy in the Northern European region, benefiting from the support of its own sales teams and its partnerships, in particular those with brokers and banking institutions. 2014 was marked by the pursuit of reorganisations of sales businesses, and the implementation of the Coface Group model, which notably led to separating the sales force between credit insurance and factoring. For the other countries of the region, the distribution partners have a more significant part (in particular brokers), especially in the Netherlands. In Russia, the Coface Group decided to gradually open sales offices in various regions of the country, all while seizing opportunities for developing its existing partnerships as well as new ones.

### 1.2.4.3 The activities of the Coface Group in the Mediterranean & Africa region

**AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE MEDITERRANEAN & AFRICA REGION**



The Coface Group currently employs approximately 558 people in the Mediterranean & Africa region, and has earned revenue of €227 million, or 16% of the Coface Group's revenue for the year ended December 31, 2014, and it recorded a loss ratio of 59.8% in 2014.

At the geographic level, the roll-out of the Coface Group's strategy in the Mediterranean & Africa region occurred through regional centres, notably in Casablanca and Dubai, allowing it to manage its establishments and its partnership network in a coordinated manner. The main products sold by the Coface Group in the region are credit insurance, surety bonds, and information on debtors and recovery of receivables.

The main countries in which the Coface Group directly or through partnerships sells its credit insurance policies are: Italy, South Africa, Turkey, the Gulf countries and Morocco. In several of these countries, the Coface Group has been able to consolidate its position on the credit insurance market, following the example of South Africa and Turkey, where it has competitive assets allowing it to post significant growth in its business volume.

On certain local markets, the Coface Group has a sustained level of activities in areas related to credit insurance. This is, for example, the case for surety bonds in Italy, which represents a relatively important part of its business. In Israel, the Coface Group was currently primarily present on the debtor information market, but it intends to start credit insurance activity in 2015 since the acquisition of the license in this country. Lastly, in the countries of Western Africa, the Coface Group provides banks, in addition to its credit insurance activities, with back office services, to promote the development of their activity funding trade receivables, and Morocco is welcoming one of three centres of the Group for the administrative processing of information on debtors.

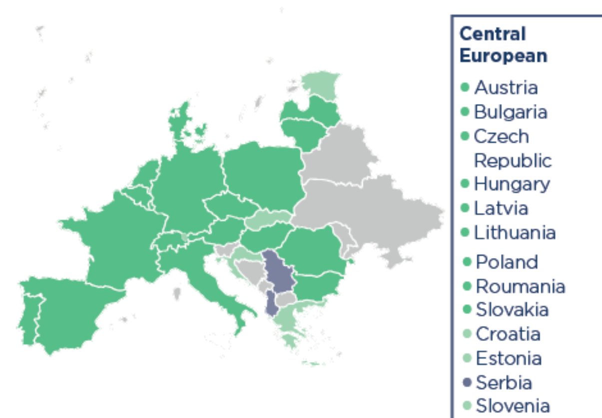
The distribution channels of the Coface Group in the Mediterranean & Africa region are diversified, in line with its multichannel distribution strategy, in an effort to seek a balance between direct sales and sales through partnerships. In countries where it is beginning to be established - or where it is introducing solutions for the first time - the Coface Group is first of all seeking to rely on fronter partners, who on the one hand allow for not having to invest from the start in obtaining a license, and on the other hand, limit commercial investment as such. The Maghreb and Central Africa correspond to this phase of development, as demonstrated by the license that was obtained in Morocco in 2014.

The loss experience of the Mediterranean & Africa region has decreased significantly in 2014. Preventive actions taken in Italy in 2012 and 2013 proved their effectiveness in 2014 with a loss ratio back to an average level, whilst the Turkish economy had numerous which later translated to the default of numerous companies. All along the year, the Coface Group adjusted both its risk underwriting policy and the pricing of contracts at their renewal, in line with this worsened situation.

### 1.2.4.4 The activities of the Coface Group in the region of Central Europe



#### AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE CENTRAL EUROPEAN REGION




The Coface Group currently employs approximately 696 people in the Central European region, and has earned revenue of €113 million, or 8% of the Coface Group's total revenue for the year ended December 31, 2014, and it recorded a loss ratio of 67.8% in 2014.

The Coface Group distributes its credit insurance policies in a dozen countries, the most important of which are Austria, Poland, the Czech Republic and Hungary. It offers its debtor information and recovery of receivables services in 18 countries and has factoring activities in Poland. Central Europe is the region of the Group where information activity is most important. Supported by the ability to produce informational reports, it represents a core activity there, unlike the majority of the regions where information is viewed as supplementary to credit insurance. Within the context of its policy on geographical expansion, the Coface Group is strengthening its network of partnerships and establishing fronting agreements, the first stage before obtaining a direct license, as was the case in Serbia in 2014 with the signing of an agreement with AXA.

### 1.2.4.5 The activities of the Coface Group in the region of Northern America

The Coface Group currently employs approximately 124 people in the region of North America, and has earned revenue of €114 million, or 8% of the Coface Group's revenue for the year ended December 31, 2014, and it recorded a loss ratio of 24.1% in 2014.

The Coface Group directly issues its credit insurance contracts in the US and Canada.

The products sold by the Coface Group in North America are primarily credit insurance, along with debtor information and recovery of receivables services for its policyholder or potential clients. The Coface Group also provides, in a more marginal manner, Single Risk coverage, which is nevertheless underwriten in Paris.

In North America, the Coface Group's products are distributed according to a multichannel strategy: the large majority of its credit insurance policies are sold by either exclusive agents (United States), brokers, or by its own sales teams. Given the weak penetration rate of credit insurance in this region, the Coface Group wanted to strengthen the density of its network in order to adapt it to the market potential by increasing the number of sellers for its agents in the United States by nearly 50% during 2014, within the context of a multiyear plan to densify this network.

### 1.2.4.6 The activities of the Coface Group in the Asia-Pacific region

**AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE ASIA-PACIFIC REGION**

The Coface Group currently employs approximately 346 people in the Asia-Pacific region, and has earned revenue of €97 million, or 7% of the Coface Group's revenue for the year ended December 31, 2014, and recorded a loss ratio of 51.4%.

The bulk of the Coface Group's activities in the Asia-Pacific region consists of the direct or indirect marketing of credit insurance policies, which are offered in all countries of the region, along with Single Risk policies (team established in Singapore only), and additional services with information on businesses and recovery of receivables. Asia has one of the three administrative processing centres for information on debtors of the Coface Group, which is located in India.

In Asia-Pacific, the Coface Group's products are distributed in significant part *via* 28 partnerships that have been entered into with insurers (fronters), along with the support of teams of the Coface Group, in all of its established locations. Asia thus has a significant concentration of the Coface Partner network. Specialised brokerage, direct sales and banking partnerships supplement the business contribution provided by certain fronters, according to the principle of multichannel distribution. The Coface Group intends to pursue the development of its network and portfolio of direct insurer licenses, for example through the opening of an office in the Philippines in 2014.

### 1.2.4.7 The activities of the Coface Group in the region of Latin America

**AVAILABILITY OF THE CREDIT INSURANCE OFFERING OF THE COFACE GROUP IN THE LATIN AMERICAN REGION**

The Coface Group currently employs approximately 409 people in the region of Latin America, and has earned revenue of €76 million, or 5% of the Coface Group's total revenue for the year ended December 31, 2014, and it recorded a loss ratio of 59.9% in 2014.

In Latin America, the portfolio of products sold by the Coface Group essentially consists of credit insurance policies, but also includes services for debtor information and recovery of receivables. The activity on behalf of and with the guarantee of the Brazilian government was retroceded to the Brazilian government as of July 1, as had been expected by the Coface Group. The sale of credit insurance policies covers approximately ten countries, notably Brazil, Chile, Mexico, Argentina, Colombia and Ecuador. The debtor information services cover all countries in the region, and the Coface Group has dedicated teams for enriched information in Argentina, Brazil, Chile, Mexico, Colombia, Ecuador and Peru, which incidentally has one of the three administrative information processing centres. Incidentally, the services for recovery of receivables are provided by the Coface Group from seven dedicated centres in the region. The level of losses improved but remains monitored. The region, which posted overall modest GDP growth for an emerging region, notably impacted by the upset of Brazil, thus continued to be the subject of particular oversight in 2014 in the monitoring of risks and tracking and deficient policies. The commercial dynamic of the region conversely remained well-directed, favourably impacting the diversification of the portfolio. Latin America has, following the example of other regions, a multichannel distribution, where the direct sales force nevertheless represents a significant portion.

The brokers are above all present there in the international accounts segment (handled by the Coface Global Solutions network). The Coface Group is pursuing its geographic expansion strategy there, obtaining a new direct license in the region, in Colombia as of early 2014.

## 1.2.5 PRESENTATION OF MARKETS AND COMPETITIVE ENVIRONMENT OF THE COFACE GROUP



Credit insurance, the Coface Group's primary activity, is above all a short-term market, in other words, risk insurance with a term of less than three months, but can also include coverage of medium-term risks. The Company is primarily present on the short-term credit insurance market, which represented more than 88% of the total amount of its premiums as of December 31, 2014.

### 1.2.5.1 An increasing market, supported by the long-term growth of world trade

Credit insurance had its industrial boom in the wake of World War II, in particular in Western Europe. Several factors explain this success, led by the development of world commerce, as well as countries' desire to promote exports through the creation of "Export Credit Agencies" or "**ECA**s"). During the last thirty years, this trend has become more accentuated: the trade of goods and services have respectively experienced average annual growth of between 7 and 8% (exceeding the growth of world production), reaching a total of $23,500 billion in late 2013 (1).

While the development of world trade has demonstrated unprecedented development through both time and space, including in the recent period, it presents a favourable long-term trend. The medium-term economic forecasts anticipate relatively sustained growth of the gross domestic product ("**GDP**") in various economic regions and world trade volumes during the 2013-2016 period:

#### ESTIMATED GROWTH OF THE GROSS DOMESTIC PRODUCT *

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Developed economies ** | 1.5% | 1.6% | 2.0% | 2.3% |
| Developing countries in Asia | 6.9% | 6.8% | 6.6% | 6.6% |
| Latin America and the Caribbean | 2.7% | 1.4% | 2.3% | 2.8% |
| Middle East and North Africa | 2.7% | 2.7% | 4.0% | 4.5% |

* *Sources: the Coface Group estimates for the year 2015 and IMF forecasts for 2016. Updated in November 2014.*
** *Canada, France, Germany, Italy, Japan, United Kingdom and the United States.*

#### ESTIMATE GROWTH IN THE VOLUME OF EXPORTS OF GOODS AND SERVICES*

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Developed economies** | 1.8% | 2.9% | 4.2% | 4.7% |
| Eurozone | 1.8% | 3.5% | 4.3% | 4.7% |
| Emerging and developing countries | 4.4% | 3.9% | 5.8% | 6.1% |

* *Source: IMF. Updated in November 2014.*
** *Canada, France, Germany, Italy, Japan, United Kingdom and the United States.*

One of the factors of world trade expansion lies in securing its funding. The World Trade Organisation estimates that 80 to 90% of world trade depends on funding, and essential intercompany credit. Likewise, Swift (Society for worldwide interbank financial telecommunication), a company that provides standardised interbank transfer messaging services, estimates that 80% of world intercompany trade occurs with so-called "**open credit**" payment terms. Yet the goal of credit insurance is precisely to cover the risks that intercompany credit can cause. The development of credit insurance, in particular for exportation, is thus linked to the development of world trade and to its privileged financing method, intercompany credit.

Incidentally, with the development of emerging countries and their opening to international commerce, the Company considers that the proportion of transactions that are accompanied by open credit terms is tending to increase, to the detriment of transactions accompanied by coverage given to the supplier (such as a buyer bond, documentary credit, "stand-by" letter of credit), and prepaid transactions.

The Company estimates that in 2013 the global credit insurance market represented a total of nearly €6.9 billion in premiums (excluding premiums acquired as surety, medium term risk and excluding additional premiums). This market in reality includes a non-competitive portion which is covered by public players (around 15%) which is established by the export insurance of certain countries, for which a license is not accessible to international private players. The most important of these protected markets was historically that of the export credit insurance of China, for which the Chinese authorities granted certain authorisations within the local private market in 2014. The Coface Group, through its partner Ping An, will thus in the future be able to develop an export portfolio in China, a market which until then will have been entirely in the hands of the public player Sinosure. Exports from Korea, another important market, remain to date in a State monopoly situation (K-Sure).

(1) *Source: World Trade Organisation, Statistic Program dated November 26, 2014.*

The Coface Group considers that the competitive part of the market covered by private players has experienced less sustained growth, due to the more important weight of advanced economies – with lesser growth rates – in the players' portfolio.

The following chart presents the evolution of the credit insurance market (excluding the non-competitive market, excluding medium-term premiums, and only for companies that are members of the ICISA) from 2008 to 2013:

| *(in millions of euros)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Gross premiums for credit insurance | 5,251 | 5,206 | 5,583 | 5,961 | 6,139 | 5,890 |

*Source: ICISA (International Credit Insurance & Surety Association): gross premiums declared by members of the association.*

### 1.2.5.2 An approachable market that offers the potential for significant growth

On the world trade scale, the portion of business that relies on credit insurance remains modest, being a product with still weak penetration, despite its steady increase. The Company believes that the world stock of intercompany client receivables was in the order of €16,000 billion in 2013 [(1)]. Taking into account the average pricing observed in credit insurance, the penetration rate would be in the order of 5%. The Company considers that the growth potential of the credit insurance business is therefore structurally important but that the principal obstacle remains self-insurance by companies, the conquest effort to win business involving more the need to convince companies of the necessity to protect their trade receivables rather than to competing with products such as documentary credits, sureties and standby letters of credit. To that end, the Company feels that the globalisation of the economy has typically increased businesses' sensitivity to the credit risk, to the extent that:

- the counterparties (clients) are increasingly distanced from those carrying the risk (providers), said distance causing greater difficulty in determining the quality of the counterparties;
- the growing interdependence of economies is leading to a quicker and generalised propagation of economic crises, leaving few sectors and regions protected.

The Company lastly believes that the development of credit insurance likewise depends on the density of the distribution networks of its players, whose size has remained too modest for the potential scale of the product.

Incidentally, the development and rate of penetration of credit insurance are quite unequal according to the regions of the world and, within these regions, according to the countries that comprise them. These differences are in part linked to the historical commercial effort of the players, and in part to the local practice of credit being extended to clients. For example, in France, as of December 31, 2011, intercompany credit represented outstanding amounts of more than €600 billion, or approximately 30% of the gross domestic product, compared to approximately 36% of the GDP in Italy and 14% in Germany [(2)].

The terms noted (which include payment delays) as well as the terms granted feed into businesses' concerns and thus support their desire to protect themselves from the risk of non-payment. Nevertheless, the Company feels that use of credit insurance also depends on variable managerial practices, according to the countries and economic sectors.

*(1) Coface Group estimate, made from an analysis extrapolated from trade receivables appearing on the balance sheet of 4,870 businesses listed worldwide (or a cumulative balance sheet total of approximately $5,800 billion), a consolidation of all known credit insurance premiums and a rate of average premiums.*

*(2) Source: Inspectorate General of Finance, in Le crédit interentreprises et la couverture du poste clients [Intercompany credit and coverage of client post], report No. 2012-M-070-04, January 2013.*

The table below presents the current practices as concerns payment terms, in the primary European countries:

| COUNTRY | GRANTED AVERAGE PAYMENT TERM | NOTED AVERAGE CREDIT TERM | NOTED AVERAGE DELAY |
|---|---|---|---|
| Austria | 23 days | 35 days | 12 days |
| Belgium | 30 days | 48 days | 18 days |
| Denmark | 25 days | 35 days | 10 days |
| France | 40 days | 55 days | 15 days |
| Germany | 25 days | 34 days | 9 days |
| Greece | 35 days | 78 days | 43 days |
| Italy | 65 days | 96 days | 31 days |
| Netherlands | 25 days | 42 days | 17 days |
| Sweden | 28 days | 35 days | 7 days |
| Spain | 60 days | 85 days | 25 days |
| Switzerland | 30 days | 39 days | 9 days |
| Turkey | 90 days | 110 days | 20 days |
| United Kingdom | 25 days | 41 days | 16 days |

*Source: European Payment Index Intrum Justitia.*

The table below provides the indexes for penetration of credit insurance in the primary economic regions of the world for 2013:

| REGION | EUROPE | NORTH AMERICA | LATIN AMERICA | ASIA-PACIFIC |
|---|---|---|---|---|
| Penetration index * | 2.55 | 0.45 | 0.51 | 1.21 |

* *The penetration indexes presented in the table above correspond, for a given region, to the volume of short-term credit insurance premiums (excluding surety bond, Single Risk and additional) compared to the gross domestic product (source: the Coface Group estimates for volumes of premiums and the International Monetary Fund for gross domestic product). Updated in November 2014.*

## Competitive environment of the credit insurance market

The credit insurance market has a large number of players, sizes and very different positions. In the wake of World War II, numerous European countries created export credit agencies, a trend which has continued in other regions of the world, and which explains the presence of public entities, with public status or that have businesses on behalf of one or more countries in the competitive environment of the credit insurance sector. Subsequently, the gradual disengagement of certain governments from credit insurance, in particular through privatisation of certain export credit agencies, the growth of world trade and lastly, the construction of a single market in Europe, allowed private credit insurance players to establish and then anchor their competitive position.

### 1.2.5.3 A fragmented world market, dominated by a reduced number of global players

Three main players, the Coface Group, the Euler-Hermes France group (a company under French law whose shares are listed on the Euronext Paris regulated market which belongs to the Allianz group) and the Atradius group (an unlisted company under Dutch law which belongs to Grupo Catalana Occidente), which knew how to capitalise on the evolution of international trade in the 1990s, shared, according to the Company's estimates, approximately 60% of the world market in 2013, with several private credit insurance players of lesser scale and numerous export credit agencies sharing the remaining 40%. Indeed, at the same date, the Company estimates holding 16% of the world market, and estimates that the Euler-Hermes group and the Atradius group respectively hold 27% and 17% [(1)]. The market has not had a notable arrival of new players in recent years, the only examples being niche cases.

*(1) The estimated market shares of the Coface Group are based on the volume of premiums, excluding surety bond, Single Risk and additional, and excluding public procedure management and factoring.*

The three main market players are the only ones to have a global network and a significant geographical footprint on all continents. The other main players of the credit insurance market, Sinosure, an export credit agency in China, Nippon Export and Investment Insurance (Nexi), an export credit agency in Japan, R+V, a private player based in Germany, K-sure, an export credit agency in South Korea, and Cesce, an export credit agency in Spain, are primarily regional players. Lastly, numerous other players, more modest in scale, either local players (notably the Export Credit Agencies) or niche players (for example, so-called "Excess" or "Top-up" insurers), among which we find two general leading insurers, are also present.

While they share approximately half of the credit insurance market at the global level, the three primary players together hold a more important competitive position on certain local or regional markets, in particular their historical markets. The following presentation reiterates the Group's operational geographic segmentation, as presented in paragraph 1.2.4 "Description of the activities of the Coface Group region by region" of this registration document.

## Western Europe Region

According to the geographic division of the Coface Group, the credit insurance market in Western Europe includes France, the United Kingdom, Spain, Portugal, Belgium, Luxembourg and Switzerland. Estimated at €1.9 billion by the Coface Group for the 2013 year, it is largely dominated by the main historic players, the Coface Group, the Euler-Hermes group and the Atradius group, which shared, according to the Coface Group's estimates, approximately three quarters of the market in 2013. Among the three main players of the world credit insurance market, the Company believes it is third in Western Europe. In some countries, other players have significant market shares, such as the export credit agency Cesce (whose privatisation is pending) on the Spanish market, or even Cosec on the Portuguese market (a subsidiary of the Euler Hermes group, taken into account in the estimate of this group's market share). The Company believes that even though Western Europe represents one of the markets where the potential for credit insurance is best realised, this region still has a very important potential for conquest, in particular in the SME segment. Furthermore, the countries in the Western European region should benefit from a slight acceleration in short-term growth, according to the forecasts of the Coface Group. In 2015, growth should indeed be more vigorous in Spain (+1.7% compared with +1.2% in 2014) and in France (+0.8% after +0.4% in 2014). It should remain dynamic in the United Kingdom (anticipated growth of +2.1%, compared to +2.7% in 2014).

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | FRANCE | SPAIN | UNITED KINGDOM | SWITZERLAND | BELGIUM |
|---|---|---|---|---|---|
| Penetration Index (1) | 2.9 | 6.1 | 1.9 (3) | 1.9 | 2.6 (4) |
| Competitive position (2) | 2nd | 4th | 3rd | 4th | 3rd |

*(1) The penetration indexes presented in the table above correspond, for a given country, to the volume of short-term credit insurance premiums (excluding surety bond,* Single Risk *and additional) compared to the gross domestic product.*
*(2) Coface Group estimates. Updated in November 2014.*
*(3) Penetration index of the United Kingdom and Ireland.*
*(4) Penetration index of Belgium and Luxembourg.*

## Northern European Region

The credit insurance market in Northern Europe includes Germany, the Netherlands, Denmark, Norway, Sweden, Finland and Russia. Estimated at €1.2 billion for 2013, it is largely dominated by the Coface Group, the Euler-Hermes group and the Atradius group, which shared, according to the Coface Group's estimates, approximately two thirds of the market in 2013. Among the three main players of the world credit insurance market, the Company believes it is third in Northern Europe. Some local players have significant market shares, as with Ingo-ONDD on the Russian market, or R+V on the German credit insurance market. The Company estimates that the major markets of this region should have a development profile that is comparable to that of Western Europe, as the Russian market nevertheless has potential for growth related to the distribution of the credit insurance product, which still has limited use there. According to the Coface Group's estimates, the German situation should remain sound (anticipated growth at 1.8% in 2015 compared to +1.6% in 2014. The Russian growth could continue to suffer in the short term from a reduction in investment, resulting notably from geopolitical tensions with Ukraine, but it will continue to benefit from the middle class boom in the medium-term. The Coface Group anticipates in this regard a growth in Russian GDP of 1% in 2015, compared to 0% in 2014.

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | GERMANY | NETHERLANDS | DENMARK | SWEDEN | RUSSIA |
|---|---|---|---|---|---|
| Penetration Index (1) | 3 | 2.9 | 2 | 1.4 | 0.3 |
| Competitive position (2) | 2nd | 2nd | 3rd | 3rd | 3rd |

*(1) The penetration indexes presented in the table above correspond, for a given country, to the volume of short-term credit insurance premiums (excluding surety bond,* Single Risk *and additional) compared to the gross domestic product.*
*(2) Coface Group estimates. Updated in November 2014.*

## Mediterranean & Africa Region

The credit insurance market in the Mediterranean & Africa region covers about twenty countries, primarily: Italy, South Africa, Turkey, the Gulf countries and Morocco. One of the three main players of the world credit insurance market, the Company estimates that in 2013 it was second on this market, which it estimates to be worth €588 million as of the same date. In 2013, the Euler Hermes group, the Coface Group and the Atradius group shared, according to the Coface Group's estimates, more than three quarters of the Italian credit insurance market and held a very significant portion of the Turkish market and of the market of the Gulf countries. Nevertheless, the credit insurance market in this region is generally under-penetrated (with the exception of Italy and South Africa), and the competitive environment is very variable according to the country. For example, the South African market, which is the second most important market in the region, is not dominated by the three classic major players of credit insurance, but rather by CGIC (Credit Guarantee Insurance Corporation of Africa Limited Shareholding, a company under South African law), and only the Coface Group has a direct presence there with a license, even though the Euler-Hermes group is quite present on the Moroccan market. In 2015, the Coface Group will have a license to directly insure Moroccan companies, and will pursue its collaboration with its historic partner AXA Maroc. On the other hand, Italy, whose credit insurance equipment rate is high, and whose economic growth will remain contained in the upcoming years according to the Coface Group (+0.4% expected in 2014, compared to -1.9% in 2013), all markets of the Mediterranean & Africa zone are viewed by the Coface Group as markets in the primo-equipment phase. The potential for growth is thus deemed significant, including over the long-term, in line with the potential for development of Sub-Saharan Africa, whose growth should reach 5.5% in 2015 (after reaching 5.1% in 2014), which heralds its significant long-term potential. Turkey, which should have its GDP grow by 3.8% in 2015 according to the estimates of the Coface Group (compared to 3.3% in 2014), and South Africa, whose growth in GDP is estimated at 2.0% for 2015 by the Coface Group (compared to 1.1% in 2015), are at a more advanced stage in their economic development process than the other emerging economies of the zone. Also, their growth outlook is slightly less favourable than that of other economies in the Middle East and Africa, but the potential for these economies nevertheless remains high.

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | ITALY | SOUTH AFRICA | TURKEY | UAE | MOROCCO |
|---|---|---|---|---|---|
| Penetration Index (1) | 2.6 | 3 | 0.7 | 1.2 | 1.4 |
| Competitive position (2) | 2nd | 2nd | 1st | 3rd | 3rd |

*(1) The penetration indexes presented in the table above correspond, for a given country, to the volume of short-term credit insurance premiums (excluding surety bond,* Single Risk and *additional) compared to the gross domestic product.*
*(2) Coface Group estimates. Updated in November 2014.*

## Central European Region

Estimated at €380 million by the Company for 2013, the credit insurance market in Central Europe includes a dozen countries, the most important of which are: Austria, Poland, the Czech Republic and Hungary. In 2013, the Euler-Hermes Group, the Coface Group and the Atradius group shared, according to the Coface Group's estimates, approximately three quarters of the credit insurance market in the region, with the balance being held by smaller players, including several export credit agencies. Among the three main players of the world credit insurance market, the Company estimates it is second in Central Europe. The Coface Group has the largest direct presence in the region, as the Euler-Hermes and Atradius groups are not present in the Baltic countries The competition should develop in several countries whose potential for development will materialise, such as the countries of the former Yugoslavia. Outside of Austria, and probably within a few years Poland, the Central European region remains in a dissemination phase for the credit insurance product and the opening to international players in the sector, thus offering potential for growth, within the limits of the economic size of countries in the zone. According to the estimates of the Coface Group, the rate of growth in this region should accelerate in 2015, and will be greater than 2%, all while remaining below the average growth rate of the GDP in emerging countries (1), which the Coface Group estimates at 4.7% in 2015 (compared to 4.3% in 2014). As with the GDP in the region, Poland and Austria, the primary markets of the Coface Group in Central Europe, should experience an acceleration in their growth in 2015 (respectively +3.2% and 1.7% in 2015, compared to, respectively, +2.9% and 1.0% in 2014).

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | AUSTRIA | POLAND | ROMANIA | CZECH REPUBLIC | HUNGARY |
|---|---|---|---|---|---|
| Penetration Index (1) | 4.4 | 3.0 | 0.7 | 2.6 | 2.1 |
| Competitive position (2) | 2nd | 2nd | 1st | 4th | 3rd |

*(1) The penetration indexes presented in the table above correspond, for a given country, to the volume of short-term credit insurance premiums (excluding surety bond,* Single Risk and *additional) compared to the gross domestic product.*
*(2) Coface Group estimates. Updated in November 2014.*

*(1) In the Coface Group's estimates, the notion of emerging countries includes all countries with the exception of the following: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, New Zealand, Norway, the Netherlands, Portugal, Sweden, Switzerland, the United States and the United Kingdom.*

## Northern European region

The competitive environment of the North American region, which includes the United States of America and Canada, features market gains by newcomers within the past five years, even though the market has remain largely dominated by traditional players, which in 2013 held, according to the Coface Group's estimates, more than half of the credit insurance market in the United States. The main players of this region are the Coface Group, the Euler-Hermes group, American International Group, Inc., the Atradius group and for Canada, the public player Export Development Canada (EDC). The competitive environment, which is very dependent on brokered distribution, has nevertheless been relatively obliterated since 2013, with around fifteen players sharing almost the entirety of the market. Among the three main players of the world credit insurance market, the Company believes it is in second position in North America for 2013, and holds the same rank among all players at the same date. The North American market presents the features of a mature market (main players established for a long time, high competition in terms of existing clients) even though its penetration index, estimated by the Coface Group to be 0.4 for 2013 [(1)], or the weakest of the advanced economies, indicates a very significant potential for primo-equipment, the completion of which will require, according to the Company, a significant sales effort on the part of the market players. Incidentally, the Coface Group estimates that the economic outlook of the region is relatively favourable in the short and medium terms. In 2015, the Coface Group anticipates an acceleration in the GDP growth of the region. Thus, American growth (+2.5% expected in 2015) found a level close to that of before the crisis, under the combined effect of the regained revitalisation of businesses with very few debts and households benefiting from the drop in unemployment and the resumption of the real estate market. In Canada, growth should also be greater than 2% in 2015.

## Asia-Pacific Region

The credit insurance market in the Asia-Pacific region was estimated at €1.9 billion in 2013 by the Coface Group. It is largely dominated by the export credit agencies, which in certain countries enjoy quasi-monopolies, in particular for exportation in China through 2014 (Sinosure) and in South Korea (K-sure). Based on the premiums collected in 2013, the Coface Group estimates that it is the first of the three global players in the region, having significant market shares in Thailand, Singapore and Taiwan, with the Atradius Group being well-established in Australia. In this region, the Coface Group estimates that the credit insurance market now presents a penetration index of 1.2 below the European average of 2.55, which signals a market in which the managerial and financial tools are still in dissemination phase. This change in effect translates to a gradual passage from documentary credit to open credit terms, which allows credit insurers to position themselves. The Company is thus expecting growth of the market in Asia-Pacific, linked to the increasing dissemination of the product, which the arrival of international credit insurers in new emerging countries will support, along with the endogenous growth of the zone. Indeed, according to the Coface Group's estimate, GDP growth will remain quite dynamic there in upcoming years: it will surpass 6% in Asia, excluding Japan, notably drawn by China (+7.0% expected in 2015, compared to +7.4% in 2014), India (+6% expected in 2015, compared to +5.5% in 2014) and the economies in Southeast Asia, as with Indonesia (+5.5% expected in 2015, compared to +5.2% in 2014) and the Philippines (+6.5% expected in 2015, as in 2014). The most advanced economies of the zone (Japan, Australia) should increase at a more modest rate, close to their long-term average.

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | CHINA | JAPAN | AUSTRALIA | SINGAPORE | SOUTH KOREA |
|---|---|---|---|---|---|
| Penetration Index [(1)] | 1.6 | 0.7 | 1.3 | 1.4 | 2.4 |
| Competitive position [(2)] | 1st | 4th | 3rd | 1st | 1st |

*(1) The penetration indexes presented in the table above correspond, for a given country, to the volume of short-term credit insurance premiums (excluding surety bond, Single Risk and additional) compared to the gross domestic product.*

*(2) Coface Group estimates, excluding ECA Updated in November 2014.*

## Latin American region

According to the Coface Group's estimates, the size of the credit insurance market in Latin America was €207 million in 2013, with average annual growth of 16% since 2004, and 5% since 2011. This market covers around twenty countries, and primarily: Brazil, Chile, Mexico, Argentina and Colombia. In late December 2013, the Coface Group, the Euler-Hermes group (through Solunion, its joint venture with the Spanish insurance group Mapfre) and the Atradius group shared, according to the Coface Group's estimates, more than three quarters of the Latin American credit insurance market.

Having the largest geographical footprint in the region, the Coface Group estimates that it is first among the three main players of the world credit insurance market in Latin America, with a 36% market share in 2013. The Coface Group notably holds a leading position in several key markets, such as Brazil, Argentina and Ecuador.

The Spanish export credit agency Cesce is likewise an important player in this market, but with a less significant market share at the same date. Some other players have a relatively important competitive position at the local level, such as Magallanes in Chile or Continental in Chile (majority

*(1) Penetration index corresponding to the volume of short-term credit insurance premiums collected (excluding surety bond, Single Risk and addition) in the region compared to gross domestic product.*

subsidiary of the Atradius group, considered in the estimate of Atradius' market share). The Company estimates that the Latin American region has a significant potential for growth which is inherent in the dissemination of the product, which should go hand-in-hand with the dissemination of bank tools, the growth of credit insurance business likewise being carried by the development of emerging countries in the region. The growth of the region's overall GDP should, according to forecasts of the Coface Group, slightly accelerate to 2.3% in 2015, compared to 1.4% in 2014, which is explained by the recovery in Brazil, for which the Coface Group estimates growth to be 1.5% in 2015, compared to 0.4% in 2014. Several countries in the region will continue to draw profit from potentially high medium-term growth, such as Colombia, at 4.5% in 2015 (as in 2014), or even Peru, at 5% in 2015. The size of the main economies of the region will in turn continue to grow at a regular, but more moderate rate, like the Mexican economy which should increase 3.5% in 2015 (compared to 2.6% in 2014).

The table below provides the credit insurance penetration indexes and the competitive position of the Coface Group in the primary countries of the region, based on premiums collected for 2013:

| COUNTRY | BRAZIL | ARGENTINA | CHILE | MEXICO | COLOMBIA |
|---|---|---|---|---|---|
| Penetration Index (1) | 0.4 | 0.5 | 2.6 | 0.5 | 0.6 |
| Competitive position (2) | 1st | 1st | 2nd | 3rd | 3rd |

(1) *The penetration indexes presented in the table above correspond, for a given country,* to the volume of short-term credit insurance premiums (excluding surety bond, *Single Risk and additional) compared to the gross domestic product for 2013.*

(2) *Competitive position for 2013, as calculated by the Coface Group using LatinoInsurance data. Updated in November 2014.*

### 1.2.5.4 A global market characterised by strong barriers to entry

The Company estimates that the emergence of new global players on the credit insurance market has been made difficult due to the existence of significant barriers to entry, and in particular:

- the need to have quality information about businesses worldwide;
- the need to have a local presence on several continents, which entails players having a dense geographic network, through a direct presence, via subsidiaries or branches, or an indirect one, thanks to partnerships;
- the various regulatory constraints attached to the global pursuit of credit insurance business, in particular in terms of approvals and/or authorisations;
- the fact of being able to rely on a well-performing information system and integrated methods in order to reliably evaluate the risks debtors present, which notably entails an appraisal with a first-rate macro and microeconomic analysis;
- the need to have striking power to recover outstanding receivables, whether or not they are insured;
- the importance of a brand that is recognised in its area of expertise, at the world level.

These barriers to entry, which materialise through the need to get significant investments, explain the strong stability of the positions of world leaders on the credit insurance market.

The Company estimates that the competition on the credit insurance market primarily occurs in terms of price, as the main players have used aggressive pricing policies during recent years, as well as in terms of the type of insurance coverage issued. It also occurs as concerns the scope and quality of the distribution channels, through their own sales teams or a network of partnerships, which are essential for harnessing the growth of credit insurance activity.

Lastly, and to a lesser extent, competition occurs on the capacity of innovation proven by the various credit insurance market players, seeking to differentiate themselves by proposing products which are suited to the development of client needs. Competition also occurs on the employment market, in certain markets where quality profiles are particularly sought-after, either by direct competitors, or by banks.

#### Competitive environment of the Coface Group's Single Risk activity

The Coface Group estimates that the Single Risk activity falls within a very integrated and relatively concentrated world market, both from the viewpoint of insurers and that of specialised brokers, who get approximately 95% of the distribution of this coverage. Contrary to credit insurance, players generally operate through syndicated contracts, with each of the insurers comprising the syndicate taking a portion of the premium and the risk.

According to the Coface Group's estimates, the primary insurers present on the Single Risk market are ACE, AIG, Atradius, Axis, Catlin, the Coface Group, the Euler Hermes group, Lancashire, Sovereign, Zürich, along with a certain number of syndicates from Lloyds. The total capacity per operation that these insurers can mobilise is currently in the order of US$1,200 million, while Lloyds is able to mobilise US$770 million per operation. The members of the Berne Union, which represent approximately 30% of the total market capacity, declared US$575 million in premiums collected in 2013. In this context, the Coface Group estimates that its holds a market share in the order of 2 to 3% of the Single Risk market. In 2014, the Single Risk market was more specifically in a situation of excess capacity, which led to increased competition among players.

### Competitive environment of the factoring market

Factoring is a market that is shared between banking and non-banking players. The Coface Group is only active on the German and Polish markets.

In Germany, after slight stagnation in 2012, the factoring market bounced back in 2013 with 8.81% growth, clearly higher than that of the GDP, attaining 171.3 billion in factored receivables during the year [(1)]. While it has approximately twenty players, the German factoring market is dominated by four of them, which have, according to the Coface Group's estimates, approximately two thirds of the market: GE Capital Bank AG, PB Factoring GmbH, Coface Finanz, which holds approximately 14% of the market share, and Eurofactor AG.

In Poland, the factoring market is in a period of strong growth, representing, according to the Coface Group's estimates, approximately €31.8 billion in factored receivables in 2013, up 15% compared to 2012, despite limited growth of the GDP of 1.6%. The Coface Group estimates that this dynamic market remains dominated by banking players, who hold the top four places, just before the Coface Group, which estimates holding 7% of the market.

### Competitive environment of the surety bond market

The world surety bond market is largely dependent on the regulatory framework of the various countries. Consequently, the surety bond market is in reality divided into national markets. Indeed, the local legal context determines as much the characteristics of the product as the requirements in terms of a mandatory surety bond, which makes the market scope of the surety bond difficult to establish. Incidentally, the practice of certain business sectors or certain types of operations is likewise of a nature that could influence this market.

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

## 1.2.6 REGULATORY ENVIRONMENT

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

Furthermore, in addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages on behalf of the French State and under its control, the risks associated with international trade, which are subject to a specific legislative and regulatory framework. These activities do not fall within the provisions of Articles L.151-3 and R.151-*1 et seq.* of the Monetary and Financial Code.

### ◆ 1.2.6.1 Credit insurance activities

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

Within the European Union, pursuant to Council Directive 92/49/EEC dated June 18, 1992 coordinating legislative, regulatory and administrative provisions regarding direct insurance other than life insurance (the "**Third Non-Life Directive**"), it is the originating government that determines, in conformity with any applicable directive provisions, the financial and accounting rules that apply to insurance companies, and that then oversees their compliance. The establishment of a single market has nevertheless favoured the standardisation of regulations within the European Union.

The Third Non-Life Directive, transposed into French law by Act No. 94-5 of January 4, 1994, and codified within the Insurance Code, notably in Book III thereof, also provides that an insurance company holding an authorisation from a Member State that allows it to perform its activities in one or more classes of insurance, may exercise these same activities, directly or through branch offices, within the context of the European passport.

Compagnie française d'assurance pour le commerce extérieur, as an insurance company, is subject to the provisions of the French Insurance Code, and placed under the control of the ACPR an independent administrative authority, which:

- oversees compliance by insurance companies with the legislative and regulatory provisions relating to insurance activity;
- ensures that insurance companies are always able to keep their commitments to their policyholders, and present the solvency margin required;
- authorises any modification in the articles of association of Compagnie française d'assurance pour le commerce extérieur;
- receives an internal control report, which must be sent to it annually by Compagnie française d'assurance pour le commerce extérieur by virtue of Article R.336-1 of the French Insurance Code. To that end, level two controls have been put in place since 2008. They primarily

(1) *Source: Deutscher Factoring Verband.*

concern the regulatory licenses and authorisations, compliance with the regulations relating to the protection of personal data, the establishment of specific procedures to guarantee data confidentiality, rules of governance, compliance with anti-money laundering legislation, and the Know Your Customer obligations assumed by insurance companies, along with the effectiveness of the reporting procedures. Furthermore, as the body in charge of establishing and publishing the consolidated financial statements of an insurance group, it provides the ACPR with a report each year that describes the insurance group's internal control mechanism; and

- monitors the Company with additional oversight on insurance companies that are part of an insurance group.

Furthermore, in conformity with Articles L.322-4 and R.322-11-1 to R.322-11-3 of the French Insurance Code, any party (acting alone or in concert) that intends to increase or decrease its interest, directly or indirectly, in the share capital of the Company or Compagnie française d'assurance pour le commerce extérieur, such that the voting rights held by that party (or parties, in the case of a disposal or extension of interest made in concert) would go above or below the threshold of one tenth, one fifth, one third or one half of the voting rights in the Company or in Compagnie française d'assurance pour le commerce extérieur, is required to inform the ACPR of such plan for disposal or extension of interest. Any party (acting alone or in concert) whose plan to extend its interest would have the effect of exceeding one of the voting right thresholds described above is likewise required to obtain the ACPR's prior agreement as to its plan to acquire equity capital.

The Company, as a holding company for an insurance group, is likewise subject to the ACPR's additional oversight as concerns compliance with the solvency standards.

Lastly, in application of Article L.561-2 of the Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to the legislative mechanism relating to anti-money laundering and the financing of terrorism. The current mechanism, which was codified under Title six, Book V of the Monetary and Financial Code, is notably a result of Order No. 2009-104 of January 30, 2009, which transposed Directive 2005/60/EC of the European Parliament and Council of October 26, 2005, relating to preventing the financial system from being used for the purposes of money laundering and the financing of terrorism. It includes oversight of any practices whereby third parties would use insurance operations to engage in corruption or to reinsert funds obtained by committing criminal offences into the legal economy. This oversight is notably based on the establishment and use of Know Your Customer procedures, and transaction filtering tools. Transactions likely to be the result of an act of corruption, money laundering, or terrorism financing are analysed and, where applicable, result in a declaration of suspicion to Tracfin [*Traitement du renseignement et action contre les circuits financiers clandestins* (Financial Intelligence Unit)], which is the competent authority for this subject area in France.

## Prudential regime for insurance companies

The prudential regime for insurance companies, to which the Coface Group is subject as an insurance group pursuant to Article L.334-2 6° of the French Insurance Code, is defined by two aspects which govern their operation: a financial component on the one hand, and an accounting component, on the other. The companies of the Coface Group operating outside of the European Union are likewise subject to a prudential regime.

### FINANCIAL ASPECT OF THE PRUDENTIAL REGIME FOR INSURANCE COMPANIES

The financial component of the prudential regime for insurance companies provides the Coface Group, at both the consolidated and operating companies levels, with three related obligations: (i) to sufficiently provision for the commitments it assumes towards its policyholders, (ii) to represent them in an ongoing manner through equivalent assets, and (iii) to have an available level of equity which ensures an adequate solvency margin.

These three obligations should be extensively modified by the implementation of the reform currently under development, which is a result of Directive No. 2009/138/EC of the European Parliament and Council dated November 25, 2009, regarding access to insurance and reinsurance activities and their exercise, and (iii) its implementing texts (together, "**Solvency II**").

### Obligation to provision for commitments

Insurance company liabilities essentially consist of commitments underwritten for policyholders. The uncertainty weighing upon the number and date of execution of these commitments, which is integral to the activity of an insurance company, leads to these commitments appearing in the balance sheet as estimated amounts. The latter, which are likewise known as technical provisions, must at all times be sufficient to settle the debts they represent, in application of Article R.331-1 of the French Insurance Code.

The main operating company of the Coface Group, Compagnie française d'assurance pour le commerce extérieur, is required, in conformity with the provisions of Article R.331-6 of the French Insurance Code, to establish the following technical provisions, which are intended to cover complete settlement of its commitments to policyholders or contract beneficiaries:

- provisions for unearned premiums, intended to record, for all pending contracts, the portion of the premiums issued, and to be issued, which relate to the period comprised between the inventory date and the next premium maturity date or, by default, the date of termination of the contract;
- provisions for pending risks, which supplement the provisions for unearned premiums when it appears that the premiums carried over will not be sufficient to cover the claims and expenses related to the contracts between

the end of the accounting year and the next premium maturity date. They are intended to cover, for all pending contracts, the claims expense and costs related to contracts for the period elapsing between the inventory date and the next premium maturity date that can be reviewed by the insurer or, in their absence, between the inventory date and the contract termination date;

- provisions for claims payable, intended to cover expenses in principal and costs, both internal and external, as relate to all claims that have arisen and that have not been paid;
- provisions for equalisation intended to offset any technical loss that appears at the end of the year. In France, they consist of an annual contribution of 75% of any technical surplus from the line up to a limit representing 1.34 times the average premiums or contributions received annually over the last five years, deducting cessions and adding accepted reinsurance items;
- capitalisation reserves, intended to repair the depreciation in values included in the Company's assets and the decrease in their income;
- provision for default risk, intended to offset any insufficient liquidity of investments.

### Obligation for representation of commitments

In conformity with the provisions of Article R.332-1 of the French Insurance Code, the commitments of an insurance company to its policyholders must, at all times, be represented by equivalent assets.

Under all circumstances, these assets must meet the requirements of equivalence, matching and location enacted by Article R.332-1 of the French Insurance Code:

- equivalence means that at all times, the value of the assets must be at least equal to that of the liabilities represented;
- matching implies that the commitments underwritten in a given currency are covered, unless an exception is granted, by assets denominated or which can be produced in the same currency;
- location requires that the regulated assets be located in a Member State of the European Union.

Furthermore, the assets covering the commitments provisioned must meet particular requirements of acceptance, dispersal and evaluation.

Rules of admission. The portion of assets which cover the provisioning of the insurance companies' commitments includes investments (financial instruments, real estate, certain loans and bank deposits), as well as receivables for which execution is deemed sufficiently probable, or that the Company holds on reinsurers and securitisation vehicles to which it has transferred risks.

Article R.332-2 of the French Insurance Code establishes a list of investments accepted in representation of the technical provisions, and requires that they meet the qualitative criteria on security, profitability and liquidity. The commitments regulated by Compagnie française d'assurance pour le commerce extérieur must, to that end, be represented by assets which primarily contain (i) the securities accepted for trading on a regulated market or issued by an entity whose registered office is established in a country of the OECD as well as the money market instruments issued by an entity whose registered office is established in a country of the OECD, (ii) the real estate assets located on the territory of a country in the OECD, and (iii) the deposits and loans granted to individuals or legal entities whose registered office is established in a country of the OECD.

Rules of dispersion. Article R.332-3 of the French Insurance Code requires compliance with quantitative criteria in terms of distribution and dispersion. Under rules of distribution, loans are capped at 10%, real estate assets at 40% and instruments of any other nature at 65% of the amount of regulated commitments.

Rules of valuation. The assets accepted in representation of the commitments of an insurance company obey the rules that determine the value at which they will be recorded in the balance sheet, and appear in Articles R.332-19 *et seq.* of the French Insurance Code. The regulations schematically enact three recording methods according to the asset considered, it being specified that, in principle, said assets are recorded at their acquisition value, deducting for any amortisation and impairment. Nevertheless, certain assets are recorded in the balance sheet at their historic value, in other words their purchase price or cost. Another category of assets is recorded in the balance sheet at the realisable value (for example, the most recent stock price for instruments listed at the inventory date), in other words, the price that would be obtained if these assets were disposed of on the inventory date. Lastly, the amortisable assets are recorded in the balance sheet at their reimbursement value, as stipulated in the contract.

### Obligation to establish a sufficient solvency margin

In addition to the technical provisions which schematically consist of freezing amounts that could be due during a certain period of time in advance, the regulations require insurance companies to offer solvency guarantees through their own funds. Generally, solvency rules consist of the insurance company holding a minimum surplus of assets in comparison to those representing its commitments. To that end, the Group's transformation of all of its insurance subsidiaries on the territory of the European Union into branch offices allowed it to centralise all of these entities' assets and to only leave the minimum cash necessary for operational needs at the local level. In other countries, regardless of the legal status of the entity concerned, it must comply with the local regulations. To that end, the entities have locally maintained their asset portfolios as well as their cash in an effort in particular to respond to the asset-liability and solvency requirements set by the local regulators.

Within the European Union, the Coface Group is subject to oversight from the ACPR, which has broad oversight power, notably to examine the Group's solvency margin, in conformity with the requirements of Directive No. 98/78/EC of the European Parliament and Council dated October 27, 1998 regarding additional oversight of insurance companies that are part of an insurance group, as transposed by Order No. 2001-767 of August 29, 2001 and its Implementing Decree No. 2002-360 of March 14, 2002, which was codified in Articles R.334-1 *et seq.* of the French Insurance Code. At the consolidated level of the Coface Group, and in conformity with the French requirements resulting from the Solvency I European Directive, which primarily relies on Directive No. 73/239/EEC of the Council dated July 24, 1973, the Company is required to calculate a consolidated solvency margin which corresponds to the ratio between the

total available capital of the Company and the regulatory capital required. According to the applicable French regulations, the Company must maintain its consolidated solvency margin at a minimum of 100%.

During recent years, the European Commission (the "**Commission**"), in conjunction with the Member States, conducted an in-depth examination of the regulatory capital requirements in the insurance sector, within the context of implementing Solvency II.

Solvency II, which will apply as of January 1, 2016, aims in particular to better grasp the risks of insurers, and will constitute a common system for all members of the European Union. The new approach will rely on three pillars:

- Pillar 1 covers the quantitative requirements of equity, the rules on asset and liability evaluation, as well as capital requirements. Solvency II thus provides for Solvency Capital Requirements ("**SCR**s") which determine the equity that is required from the insurer for the purposes of absorbing a major shock, which are calculated according to a standard model or according to an internal model that is developed by the insured and validated by the national prudential regulator;
- Pillar 2 covers the requirements related to governance and management of risks assumed by insurers, as well as the effective oversight of the latter parties, and in particular the requirement they have to conduct an internal evaluation of the risks and solvency (Own Risk and Solvency Assessment – ORSA) and to communicate the results thereof to the supervisory authority within the context of the prudential control process; and
- Pillar 3 concerns the reporting and transparency requirements. This approach will cover, among other things, the evaluations, treatment of insurance groups, determination of capital and the overall level of requirements in terms of capital. One of the main aspects of Solvency II consists of reconciling the risk assessment methods with the capital requirements of the economic capital methods, and authorises the Coface Group to use these internal models relating to the calculation of economic capital, once they have been validated by the control authority of the Coface Group (the ACPR) in order to better understand the risks and determine how to appropriately manage those risks.

At this stage, there are still uncertainties about some application procedures that have to be adopted (for a detailed description of the risks related to these uncertainties, see paragraph 4.1 "Risk factors - Risks linked to the implementation of the Solvency II Regulations" of this registration document).

#### ACCOUNTING FEATURES OF THE PRUDENTIAL REGIME FOR INSURANCE COMPANIES

In addition to the general accounting obligations enacted by Articles L.123-12 *et seq.* of the French Commercial Code, the Coface Group is subject to specific accounting rules for insurance companies, which have been codified under Title IV, Book III of the French Insurance Code. In fact, the inversion of the production cycle that is specific to insurance activities – *i.e.* the fact of providing services with an actual cost that will only be known subsequently – justifies the existence of the specific accounting rules for the companies that conduct these activities. To that end, Article R.341-1 of the French Insurance Code provides that these rules are also valid for all of the branches established abroad, with the exception of the operations of branch offices that have been established outside of the European Union, for which exceptions may be made. These rules are applicable to Compagnie française d'assurance pour le commerce extérieur, which drafts its financial statements according to the applicable French references.

The Coface Group's consolidated financial statements are prepared in application of the IFRS (IFRS 4, phase 1). This standard requires that the references used for these insurance contracts be an internationally recognised set of guidelines. The Coface Group has thus used the French principles to show the accounting of the insurance contracts. The provision for equalisation is not accepted under the IFRS, and was thus eliminated in the IFRS financial statements, even though it has been maintained in Compagnie française d'assurance pour le commerce extérieur's financial statements. Furthermore, the Coface Group must apply IFRS 4, paragraph 14 and in particular proceed to conduct liability adequacy tests.

#### Regulations applicable to the credit insurance contracts signed by the Coface Group

The contracts issued in each of the countries where it is present comply with the corresponding country's regulations. In France, the credit insurance contracts issued by the Coface Group are not subject to the provisions of the French Insurance Code, but rather to those of the general law on contracts - with the exception of the provisions of Article L.111-6 (major risks), L.112-2 (framework of the precontractual phase), L.112-4 (content of the insurance policy), L.112-7 (information to be provided when the contract is offered with unrestricted provision of services) and L.113-4-1 (motivation to be provided to the insured by the credit insurer when it refuses to cover the receivables held by the policyholder over its debtor) of the French Insurance Code.

### 1.2.6.2 Management and coverage of public procedures

In addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages, on behalf of the French government and under its control, the risks related to international trades, which are not able to be insured by the market. This engagement is performed under the conditions set by Act. No. 49-874 of July 5, 1949, and Decree No. 94-376 of May 14, 1994, as amended and codified in Articles L.432-1 *et seq.* and R.442-1 *et seq.* of the French Insurance Code, supplemented by the management and public procedures agreement, and the agreement relating to financial relations between the French government and Compagnie française d'assurance pour le commerce extérieur, which is attached thereto, signed February 24, 2012. This activity of managing public procedures has been maintained, as with all credit insurance operations performed "on behalf of or with the support of the government, or when the government is the insurer", excluding the field of application of Directive 1987, in particular as concerns the prudential rules it imposes, as well as the Third Non-Life Directive, even including a subsequent coordination, for which intervention has still not been planned.

For this activity, some operations of Compagnie française d'assurance pour le commerce extérieur benefit from the government's coverage in application of Article L.432-2 of the French Insurance Code.

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;
- market survey insurance, which protects small and medium-sized enterprises 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.

In application of Articles L.432-3 and R.442-2 of the Insurance Code, the insurance coverage is issued by Compagnie française d'assurance pour le commerce extérieur, on behalf of the French government, in conformity with the decisions of the Ministry of the Economy, which are made upon consultation with the Foreign Trade Credit and Guarantees Commission. These decisions determine the policy terms which in particular relate to policyholders obligations, the collection of premiums, events giving rise to claims, indemnity payment terms, the distribution of the amounts recovered on debt in default, and the execution of these policies.

Article L.432-4 of the French Insurance Code provides that all technical flows corresponding to public procedures, with the exception of the fees collected by Compagnie française d'assurance pour le commerce extérieur for its management, should be distinctly recorded in the Company's financial statements. This results in these operations not having to be recorded in the balance sheet or in the income statement of Compagnie française d'assurance pour le commerce extérieur: only the management compensation (fees) collected in this context appears in the income statement. Incidentally, the same article provides that a distinct accounting record is established by Compagnie française d'assurance pour le commerce extérieur for these operations. An agreement between the government and Compagnie française d'assurance pour le commerce extérieur specifies that the terms according to which this recording is completed, as well as the conditions under which it is controlled be certified by one or more Statutory Auditors. Lastly, without prejudice to the rights of holders of receivables arising from the operations performed with the French government's guarantee, no creditor of Compagnie française d'assurance pour le commerce extérieur may invoke any right whatsoever over the assets and rights emerging from this record, including on the basis of the rules of Book VI, Title II of the French Commercial Code, or of Articles L.611-1 to L.612-4 of the Commercial Code, or of Articles L.310-25 and L.326-2 to L.327-6 of the Insurance Code.

Government control. In application of Article R.442-3 of the French Insurance Code, Compagnie française d'assurance pour le commerce extérieur, as a manager of public funds, is subject, for the public procedure management activity, to the economic and financial control of the French government. To that end, Compagnie française d'assurance pour le commerce extérieur may be controlled by government controllers that have powers to perform documentary and on-site investigations, and who periodically report on their activities to the French Ministries of Finance, Economic Affairs and Budget.

Furthermore, Articles R.442-4 and R.442-5 of the French Insurance Code notably provide for the ministry of the Economy to appoint a government commissioner who is in charge of overseeing implementation of the government's coverage by Compagnie française d'assurance pour le commerce extérieur, such that it does not compromise the performance of the responsibilities entrusted to it by the French government. It may review the accounting at any time, as well as documents or information needed to perform its engagement, and may exercise a veto right over any decision relating to the government's coverage that is of a nature that would compromise performance. In case of a veto, Compagnie française d'assurance pour le commerce extérieur has a period of eight days to file an appeal before the Ministry of the Economy, who is required to issue a decision on this opposition within ten days.

Article R.442-6 of the French Insurance Code, reiterated in Article 9 of the articles of association of Compagnie française d'assurance pour le commerce extérieur, furthermore provides that a party, acting alone or in concert, that exceeds the 10% threshold for share capital or voting rights in this company be subject to a resolution by the Board of Directors, which is then submitted for the approval of the Minister of the Economy. This approval is considered to have been acquired, if the Ministry does not oppose, within the 30 days following the Board's resolution. When interests have been acquired in disregard of the provisions of this article, the holder(s) of the interests concerned cannot exercise their corresponding voting right, and must transfer these instruments within a period of three months. The same provision applies to healthcare,

### 1.2.6.3 Factoring activities in Germany and Poland

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

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

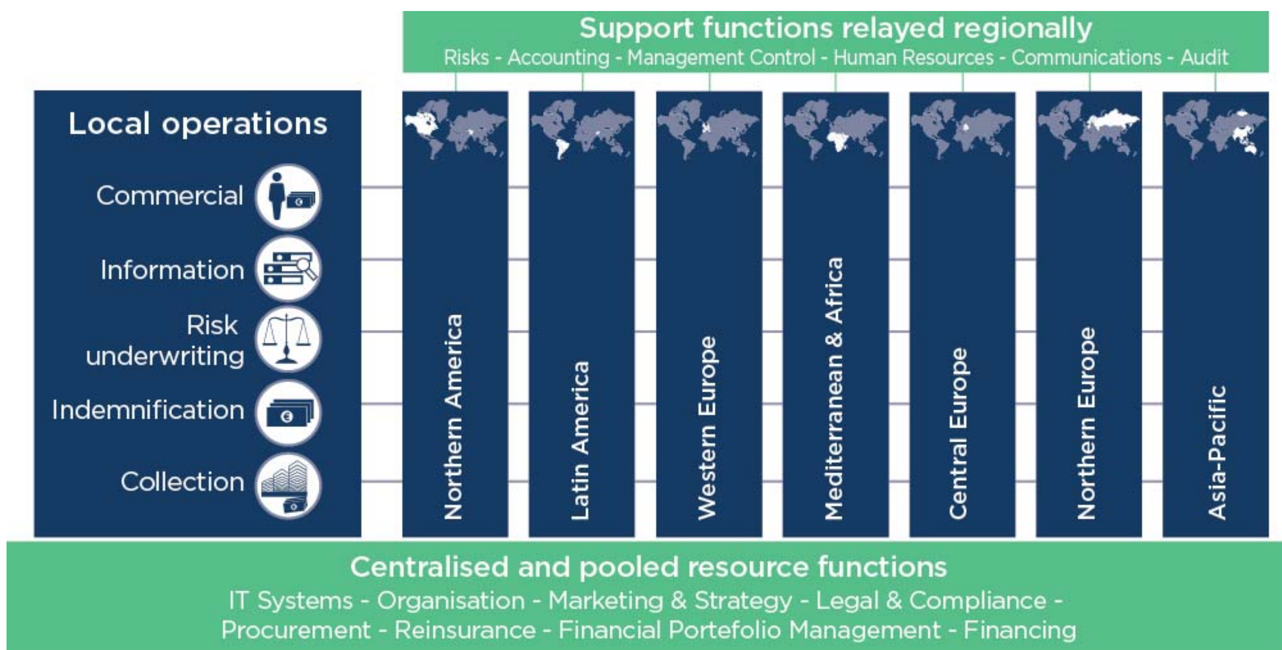
The law and regulations applicable to the Coface Group's factoring activities in Germany and Poland do not impose any requirements in terms of regulatory capital or liquidity.

# 1.3 Group organisation

Within the context of the Strong Commitment I Plan, the matrix organisation on which the Coface Group relies was reviewed. This organisation allows it to be close to its policyholders and furthermore ensures greater responsiveness in the decision-making process, as well as in the implementation of new decision-making processes.

This organisation relies on seven regions, each of which is directed by a regional director, with each country being directed by a country director, who reports directly to his regional director, as well as to the functional departments.

The functional departments rely on centralised and mutualised resources (Information Systems – Marketing & Strategy – Legal & Compliance – Purchasing – Reinsurance – Management of the Financial Portfolio – Financing), decentralised operating functions (Commercial – Information – Risk Undewriting – Payment – Recovery) and support functions (Risks – Accounting – Management Control – Human Resources – Communications – Audit) which are relayed regionally. The diagram below illustrates this organisation:




This organisation, so established, with precise responsibilities, transparent governance and a direct presence in 67 countries, aims to facilitate implementing the Coface Group's strategic guidelines.

In terms of governance, the Coface Group relies on:

- management and control bodies at various levels (Board of Directors, General Management Board, Executive Committee, Audit Committee, Compensation Committee, specific operating committees);
- a matrix organisation of key functions according to a geographic cornerstone, and
- a set of group procedures and policies.

Thus, the Coface Group's governance notably centres around the Group Management Board, which is the strategic and operational control body. Chaired by the Group Chief Executive Officer (CEO), it meets once a week and is also composed of the Group risk underwriting, information and claims director, the Group CFO, the Group marketing and strategy director, the Group human resources director, the Group risks, organisation and IT systems director and the Group legal, compliance and facility management Director.

Incidentally, the Coface Group's governance includes an Executive Committee. The latter is the coordination body for the operational itemisation of the Coface Group's strategy, and the discussion of all cross-disciplinary subjects, concerning all regions. It can likewise address specifically regional aspects. The Executive Committee meets monthly and includes, in addition to the members of the Group Management Board, the seven regional directors of the Coface Group.

Furthermore, the regional governance of the Coface Group relies on regional Boards, which focus on operational and financial aspects of each region. These committees, which meet quarterly under the direction of the Group Chief Executive Officer (CEO), combine Group and regional directors with financial and operative duties.

The processes related to the activities of the Coface Group are globally coordinated by management offices under the responsibility of Mr Jean-Marc Pillu, who is the Company's Chief Executive Officer (CEO), and whose respective roles are described below.

The Coface Group's Board of Directors includes several independent directors, two of whom preside over the Audit and Compensation Committees.

Management of the Group audit is directly associated with the Group Chief Executive Officer (CEO), and its director does not participate in operational management bodies.

## 1.3.1 GROUP RISK UNDERWRITING, INFORMATION AND CLAIMS DEPARTMENT

This office combines the management of the Group's risk underwriting with the management of the Group's information and Claims management.

The Group Risk Underwriting Department defines and controls the policy on underwriting credit risks, and monitors its application. It notably oversees the most important exposure, as well as the most fragile ones, and analyses the monthly reports on credit risk activity for the Coface Group as a whole. Incidentally, the Group's risk underwriting Department underwrites risks greater than €20 million, and plays a role in the coordination of risk underwriting centres.

Management of the Group's information and claims revolves around two centres: an information hub, primarily in charge of coordinating the enriched information and back office centres, in order to provide information that is useful for the risk underwriting, and in particular the DRAs on buyers, and a claims management hub, which is in charge of the processes of indemnification, and recovery of receivables. The latter validates any payment of an indemnity that exceeds €1 million.

## 1.3.2 GROUP HUMAN RESOURCES DEPARTMENT

The Group Human Resources Department has the purpose, under a process in support of the Coface Group's strategy, to control human resources procedures and policies (notably compensation and benefits programs, the consolidation and validation of corporate reporting and the organisation of the European Works Council) and to organise the development of the Coface Group's expertise. In doing so, it relies on a solid network comprised of the regional and local Directors of Human Resources.

## 1.3.3 GROUP AND STRATEGY MARKETING DEPARTMENT

The Group and Strategy Marketing Department controls the Coface Group's innovation, differentiation and market conquest policies. This division is divided into three departments:

- a product department, whose role is to oversee the international convergence of offers as well as to manage the various product development work sites of the Coface Group;
- a client department, which is notably in charge of identifying the expectations of Coface Group clients in terms of their daily relations with the Company's subsidiaries, and of making the necessary adjustments to best satisfy clients; and
- a Partnership and Markets Department, which is in charge of competitive oversight, market studies on prospecting in these markets, and the technical management of the network and partners of the Coface Group.

## 1.3.4 GROUP RISKS, ORGANISATION AND INFORMATION SYSTEMS DEPARTMENT

This division combines the Group Risks Department, the Group Organisation Department, and the Group Information Systems Department.

The role of the Group Risks Department is to support General Management's actions in order to ensure the Coface Group's long-term solvency and profitability, and to ensure compliance with the requirements set by the Solvency II Directive. It includes the duties of risk management, internal control and actuarial aspects as envisioned by the Solvency II Directive.

The Group Organisation Department has the purpose of conducting all transformation programs needed to implement the Coface Group's strategy. It is notably in charge of defining the needs and of assisting in the implementation of various projects of the Coface Group, and of ensuring the maintenance and parameters of the tools, user assistance and impact studies on the IT system.

The Group Information Systems Department develops, rolls out and manages all of the Coface Group's shared IT resources (networks, servers, programs, applications rolled out, hardware or software platforms, packages, IT equipment, the acquisition and renewal of hardware and software, and maintenance contracts).

## 1.3.5 GROUP FINANCIAL DEPARTMENT

The Group's Financial Department works in conjunction with all of the Coface Group's operational departments and entities, and includes the Group's Finance Department and the Group's Investment, Financing and Treasury Department:

The tasks of the Group's Finance Department consist of controlling and tracking the Coface Group's financial performance in the countries in which it is present, ensuring the Coface Group's accounting and controlling management of activities, managing the Coface Group's interests, publishing regulatory and tax statements, ensuring relations with investors and rating agencies, and establishing protective measures for the balance sheet (in particular in the reinsurance sector).

The Group's Investments, Financing and Treasury Department combines the Coface Group's asset management, cash management and financing duties. It is likewise in charge of the front, back and middle offices.

## 1.3.6 GROUP LEGAL, COMPLIANCE AND FACILITY MANAGEMENT

This division combines the Group's legal and compliance department, as well as the Group's general procurements department

The Group's Legal and Compliance Department plays an advisory role for all of the Coface Group's entities, and is in particular in charge of the proper functioning of the Coface Group's corporate bodies and committees, along with important litigation. Furthermore, in terms of its compliance function, this department monitors the Coface Group's compliance with all of the rules governing its activities (see paragraph 1.2.6 "Regulatory Environment").

The Group's General procurements Department, which is now being created, notably manages the Coface Group's optimisation of purchases, coordination and establishment of common procedures and reporting.

## 1.3.7 GROUP COMMERCIAL DEPARTMENT

This division is divided into three departments. The sales department tracks sales and pricing. The Single Risk department tracks a product which, due to its specific nature, is subject to a different underwriting from a dedicated team. Lastly, the Coface Global Solutions department is in particular responsible for the commercial development of the CGS Offer, and for the commercial relationship with the insureds of this market segment.

## 1.3.8 GROUP COMMUNICATIONS DEPARTMENT

The Group's Communications Department defines and implements the internal and external communications strategy in both France and abroad of the Coface Group, in conjunction with the General Management.

## 1.3.9 GROUP AUDIT DEPARTMENT

This department is in charge of the internal audit function (see paragraph 1.4.8 "Group Audit Department" of this registration document). To that end, it notably performs periodic level 3 controls, in conformity with the requirements of the Solvency II Directive.

## 1.3.10 GROUP'S ECONOMIC RESEARCH DEPARTMENT

This department consists of 18 economists, 13 of whom are based in Paris, and five of whom are in regions where the Coface Group is present, in an effort to provide local coverage. The role of this department is to produce macroeconomic analyses for the sectors and regions, for the different businesses of the Coface Group, policyholders, and the public, in particular through "panoramas" which are published on the Coface Group's website.

# 1.4 Information systems

## 1.4.1 GENERAL PRESENTATION

The use of a reliable and secure information systems is a major issue for the Coface Group, both within the context of its commercial offers (see paragraph 1.2.1.1. "Credit insurance and related services - Information on debtor solvency at the core of the Coface Group's business" of this registration document), and within the context of its management, reporting and internal control procedures, allowing it to have a global perspective on its activities, the completion of its strategic plans and its development, the management of its risks, and the follow up given to internal and external audit reports (ACPR, BPCE Group internal audit) (see paragraph 2.4.3.1 "Organisation of risk oversight").

In recent years, within the context of the medium-term Strong Commitment I and II strategic plans, the IT Department has emphasised alignment of information systems with the Coface Group's strategic objectives, aiming to unify the information systems, in particular in an effort to centralise and secure business data. Thus, since 2012, the Coface Group's organisation has been relying on a new information structure: all of the servers worldwide are saved in two external data processing centres (data centres) which are located in the Paris region, and the data is stored on a private cloud. These two sites combine the Coface Group's information system equipment (servers, storage, backups, network and telecommunications equipment, etc.). In the event of a failure at one of these two sites, the other takes over in a completely transparent manner for all users. In effect, in conformity with its Business Continuity Plan, all of the IT data and applications used by the Coface Group are replicated on two disaster recovery sites located in the Parisian region. Backup sites are also planned in the event of a crisis for significant entities, in particular for staff of the head office. The "Information Systems" portion of the BCP is tested at least once a year (see paragraph 2.4.3.7 "Management of operational risks" of this registration document).

Generally, this new architecture has allowed maintenance costs to be decreased, and the improved safety and the confidence on the business ongoing. Furthermore, the IT department is currently implementing the STAR project, which consists of creating a centralised database using information collected worldwide in each credit insurance operating sector. Once reliable, this information is notably used to supply the Coface Group's production tools. STAR will also be used in the production of reports for the Coface Group's operational steering. The first phase of STAR, relating to the scope of claims data, was completed in late 2013, and continues through a component on premiums and contracts.

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

Furthermore, the Coface Group's information systems follow a quality and active certification process. Thus, as of the date of this document, the Coface Group's information systems have been included in an ISO 9001 certification since 2000 [(1)].

The Coface Group is committed to investing in its information systems, in an effort to notably support its commercial and innovation strategy, all while controlling the expenses and investments relating thereto, which totalled €55 million, *i.e.* 3.8% of consolidated turnover, for the year ended December 31, 2014.

## 1.4.2 APPLICABLE PRINCIPLES OF THE COFACE GROUP AND TOOLS PROVIDED TO ITS POLICYHOLDERS

The primary applications used by the Coface Group and the main tools provided to its policyholders are described below:

- **ATLAS**

  ATLAS is the IT underwriting tool for the credit insurance business, and for the risk underwriting management of all of the Coface Group's businesses, for all of its entities and partners of the Coface Partner network. The ATLAS tool contains access to information on more than 65 million businesses worldwide, thereby allowing a quick answer to an initial request for a credit limit.

*(1) ISO: Founded in 1947, the ISO (International Standards Organisation) is the leading producer worldwide of international standards of voluntary application in nearly all technological and economic sectors. These standards establish quality specifications which are applicable to the products, services and best practices, in order to increase effectiveness in all sectors of the economy.*

- **DCON**

DCON (Debt Collection Online) is a web tool used by the Coface Group within the context of its management and recovery of receivables activities, as well as for managing invoices linked to this activity. A centralised tool, DCON is used in 48 countries where the Coface Group directly performs its management and recovery of receivables activities. This application allows all outstanding payments flagged by the Coface Group's insureds to be entered and validated, and then for each file to be tracked in the phase attempting amicable settlement, moving through a potential legal phase, until its resolution (regardless of whether the outcome is positive or negative). DCON combines all tasks and reminders relating to a file, and likewise facilitates the communication and sharing of information among the Coface Group's entities, within the context of international files.

- **EASY**

EASY is a centralised database and program of the Coface Group which allows companies to be identified, regardless of their location in the world. EASY is linked to all applications of the Coface Group which require access to such data, notably enabling:

- research and identification of companies;
- ongoing management of the content and quality of information in this database (history of modifications made);
- deduplication of files and data standardisation;
- cross-checking with lists of debtors that appear on the black lists of international institutions.

- **ATLAS-INFO**

Closely associated with ATLAS, ATLAS-INFO is the information management tool used by the 47 enhanced information centres of the Coface Group, which allows the 2 million tasks processed annually by the back offices to be managed.

Thanks to ATLAS-INFO, the enhanced information centres generate their lists of tasks in view of maintaining the databases of the Coface Group and in particular:

- deduplication of files and data standardisation;
- requests for financial statements and debtor claims;
- integration of reports and documents in the Electronic Document Management System of the Coface Group ("EDMS");
- processing and updating of CUBE debtors ownership structure links.

- **CUBE**

CUBE is the commercial management application. It takes an inventory of the information regarding the Coface Group's prospects and clients. The scope of CUBE likewise extends to our partners and brokers. CUBE integrates the KYC (Know Your Customer) data, the management of contractual programs, financial data (IBAN) as well as profitability and segmentation indicators.

- **PEPS**

The PEPS program (Past and Expected Profitability System) is the internal pricing system of the Coface Group (see paragraph 1.2.1 "Credit insurance and management of public procedures – Pricing of credit insurance offers" of this registration document.

- **SMART**

Smart is the CRM (Customer relationship management) tool of the Coface Group. This software package combines and supports pre-sales and client relation processes, as concerns the bulk of their components. Rolled out for the majority of the entities, Smart is the subject of a functional enrichment plan to be pursued in 2015.

- **COFANET**

COFANET is a secure web platform for managing the flow of information dedicated to policyholders of the Coface Group. With COFANET, each policyholders of the Coface Group may, in a few seconds, identify its debtors, know its receivables with covered risks, declare its claims, or even track payment of its outstanding receivables.

COFANET offers key services for the various business lines of the Coface Group:

- credit insurance: online management of coverage, consultation of portfolio of debtors/prospects/providers, application for coverage and declaration of outstanding invoices online;
- information regarding companies: ordering of a detailed informational report on a company (identification, key figures, balance sheet, income statement, financial ratios, activities, etc.), access to the assessment made by the Coface Group of such company, access to analysis of portfolio of debtors made by the Coface Group;
- receivables management: sending of new files online, daily tracking of the balance of the receivable following actions taken by the Coface Group for each file for recovery, direct communication with the Coface Group, consultation of the history and statistics of a file.

An extended access to COFANET was opened in 2014 thanks to the development of a mobile application for smartphones and tablets ("CofaMove"). This innovation has made COFANET available to credit managers, but also brokers, thereby allowing them to be more responsive in their portfolio management.

Alongside its online COFANET system, the Coface Group offers data exchange solutions for policyholders that manage portfolios of important debtors, and who are concerned about decreasing the management expense of their credit insurance contract. The next generation of data exchange solutions, based on the technology of the Webservices and referred to as CofaServe, was launched by the Coface Group in 2014. This exchange protocol offers insureds a real-time response on essential operations of the credit insurance contract.

- **Other tools**

The Coface Group likewise provides other IT tools used for its various businesses. In March 2014, it thus finalised a partnership with Vialink in an effort to offer e-bond service in France.

# CORPORATE GOVERNANCE

2


**2.1** Composition and Operations of the Board of Directors and management bodies 50

2.1.1 Composition 50

2.1.2 Operations of administrative and management bodies 60

**2.2** Compensation and benefits paid to managers and corporate officers 61

2.2.1 Summary of compensation of managing corporate officers for 2013 and 2014 61

2.2.2 Compensation of managing corporate officers for financial years 2013 and 2014 62

2.2.3 Directors' fees and other compensation collected by the members of the Board of Directors during 2013 and 2014 64

2.2.4 Stock options or warrants allotted in 2014 to each managing corporate officer or by any company in the Group 65

2.2.5 Stock options or warrants exercised in 2014 by each managing corporate officer 66

2.2.6 BONUS shares allotted during 2014 to employees and corporate officers 66

2.2.7 Performance shares which have become available in 2014 for each corporate officer 66

2.2.8 History of allotments of stock options or warrants 66

2.2.9 Stock options or warrants granted to the top ten employees who are not corporate officers 67

2.2.10 History of allotments of bonus shares 67

2.2.11 Employment contracts, retirement indemnities and indemnities in the event of termination of the duties of the managing corporate officers 68

2.2.12 Amounts put in reserve or otherwise recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement, or other benefits 68

**2.3** Potential conflicts of interest 69

**2.4** Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures 69

2.4.1 Corporate governance 69

2.4.2 Internal control procedures 76

2.4.3 Risk management 78

**2.5** Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors 98

# 2.1 Composition and Operations of the Board of Directors and management bodies

## 2.1.1 COMPOSITION

### 2.1.1.1 Board of Directors

The Board of Directors is composed of 10 members.

The table below presents the composition of the Board of Directors as of the date of this registration document, and the terms of the members of the Board of Directors of the Company over the last five years:

#### Laurent MIGNON

**Chairman of the Board of Directors**

**DATE OF FIRST APPOINTMENT**

*November 21, 2012*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*100%*

**PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms of office and duties performed as of the registration date of this registration document:**

- Chief Executive Officer (CEO) of Natixis [(1)]
- Member of the Management Board of BPCE
- Chairman of the Board of Directors of Natixis Global Asset Management
- Director of: Arkema [(1)], Lazard Ltd [(1)]

**Terms and functions performed during the past five years, and which are no longer held:**

- Director of Sequana [(1)]
- Permanent representative of Natixis, non-voting member of BPCE
- Chairman of the Board of Directors of Compagnie française d'assurance pour le commerce extérieur
- Director of: Cogefi SA, Génération Vie
- Managing partner of Oddo et Cie
- Chairman and Chief Executive Officer (CEO) of Oddo Asset Management
- Member of the Supervisory Board of Banque Postale Gestion Privée
- Permanent representative for Oddo et Cie: managing partner of Oddo Corporate Finance

*(1) Listed company.*

## BPCE represented by Marguerite BÉRARD-ANDRIEU

### Director

**DATE OF FIRST APPOINTMENT**

*November 21, 2012*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*80%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Deputy Chief Executive Offier - Strategy, legal affaires and compliance, group company secretary for the BPCE group
- Member of the General Management Committee of the BPCE group
- Chairman of the Board of Directors and Chairman of S-Money
- Permanent representative of the BPCE group on the Supervisory Board of Banque Palatine
- Permanent representative for CE Holding Promotion on the Nexity Board of Directors [(1)]
- Chairman of the Board of Directors and Chairman of BPCE Domaine
- Director of BPCE International et Outre-Mer
- Director of Natixis Coficiné
- Director of Maisons France Confort
- Permanent representative for GCE Participations on the Board of Directors of Demain
- Chairman of Issoria
- Chairman of Issoria International Trading
- Chairman of Oterom Holding

**Terms and functions performed during the past five years, and which are no longer held:**

- Permanent representative of the BPCE group, Chairman of the Board of Directors and Chairman of BPCE Domaine
- Chairman of the Board of Directors of Meilleur Taux
- Permanent representative of BPCE on the FLCP Supervisory Committee
- Chairman of Oterom Holding
- Permanent representative for the BPCE group, Chairman of Issoria SAS
- Permanent representative for the BPCE group, Chairman of Issoria International Trading SAS

(1) *Listed company.*

## Jean ARONDEL

### Director

**DATE OF FIRST APPOINTMENT**

*November 21, 2012*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*80%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Director of Natixis Lease
- Director of Fédération Nationale des Caisses d'Epargne
- Chairman of Société Locale d'Épargne Loire Centre
- Chairman of Fondation Caisse d'Epargne Loire-Centre
- Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre

**Terms and functions performed during the past five years, and which are no longer held:**

- None

## Jean-Paul DUMORTIER

### Director

**DATE OF FIRST APPOINTMENT**

*July 26, 2013*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*90%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Chairman of Holding Wilson 250 SAS
- Chairman of the Board of Directors of SCM Habitat Rives de Paris
- Chief Executive Officer (CEO)of ABCD Invest
- Non-voting member of Crédit Foncier de France
- Director of SOVAFIM
- Chairman of the Board of Directors of Banque Populaire Rives de Paris

**Terms and functions performed during the past five years, and which are no longer held:**

- None

## Éric HÉMAR

### Director (independent)

**DATE OF FIRST APPOINTMENT**

*July 1, 2014*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*75%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Chairman and Chief Executive Officer (CEO) of ID Logistics [(1)]
- Chairman: ID Logistics, ID Logistics France, ID Logistics France 3, ID Logistics Mayotte, ID Logistics Océan Indien, Ficopar, Immod 1, ID Logistics Entrepôts, IDL Supply, Chain South Africa (Pty) Ltd, IDL Fresh South Africa (Pty) Ltd, Timler, France Paquets, ID Logistics La Réunion, Les Parcs du Lubéron Holding
- Manager: FC Logistique R&D, ID Logistics Maroc, ID Logistics Training, Comète, SCI Fininco
- Member of the Supervisory Board: Dislogic
- Director: ID Logistics China Holding Hong-Kong, ID Logistics Maurice, ID Logistics Nanjing, ID Logistics Polska, ID Logistics Taiwan, ID Logistics Business Consulting, ID Consulting Shanghai

**Terms and functions performed during the past five years, and which are no longer held:**

- Chairman of La Flèche Cavaillonnaise

2

## Sharon MACBEATH

### Director (independent)

**DATE OF FIRST APPOINTMENT**

*July 1, 2014*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017*

**NATIONALITY**

*British*

**ATTENDANCE RATE**

*100%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Member of the Executive Committee of Rexel [(1)]

**Terms and functions performed during the past five years, and which are no longer held:**

- Member of the Executive Committee of Redcats

(1) *Listed company.*

## Pascal MARCHETTI

### Director

**DATE OF FIRST APPOINTMENT**

*November 21, 2012*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*70%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Chief Executive Officer (CEO) of Banque Populaire des Alpes
- Permanent representative of Banque Populaire des Alpes as Vice President of Banque de Savoie
- Permanent representative of Banque Populaire des Alpes on the IBP Board of Directors
- Permanent representative for Banque Populaire des Alpes on the Compagnie des Alpes [(1)] Board of Directors
- Permanent representative of Banque Populaire des Alpes as Chief Executive Officer (CEO) of the economic interest group (GIE) PRIAM Banque Populaire
- Director of Banque Palatine
- Member of the Supervisory Board of Naxicap Partners
- Member of the Advisory and Supervisory Board of InnovaFonds

**Terms and functions performed during the past five years, and which are no longer held:**

- Director of Banque Marze
- Permanent representative for Banque Populaire des Alpes on the Compagnie des Alpes [(1)] Supervisory Board
- Member of the Banque Palatine Audit Committee

(1) *Listed company.*

## Laurent ROUBIN

### Director

**DATE OF FIRST APPOINTMENT**

*July 26, 2013*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*100%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the recording date of this registration document:**

- Chairman of the Management Board of Caisse d'Epargne et de Prévoyance de Picardie
- Director of Banque Privée 1818
- Director of the FNCE association
- Member of the Supervisory Board of the economic interest group (GIE) on IT and Technology - Caisses d'Epargne
- Member of the Supervisory Board of Palatine Asset Management
- Member of the Supervisory Board and Chairman of the Audit Committee of SIA Habitat
- Member of the Supervisory Board of GCE Capital
- Member of the Supervisory Board of Seventure Partners
- Chairman of Triton SAS
- Chairman of the Management Board of Alliance Entreprendre
- Member of the Management Committee and Chairman of Nsavade
- Member of the Management Committee and Chairman of Cepic Investissement

**Terms and functions performed during the past five years, and which are no longer held:**

- Head of development of Caisses d'Epargne within the BPCE group
- Director of Natixis Securities
- Director of Cicobail
- Director and Member of the Audit Committee of Alpha Demeter/Sofirem
- Member of the Supervisory Board of GCE Habitat
- Member of the Supervisory Board of GCE SEM
- Member of the Supervisory Board of Banque Palatine
- Member of the Supervisory Board and Audit Committee of Efidis
- Member of the Supervisory Board of Masseran Gestion
- Member of the Audit Committee of Palatine Asset Management

## Clara-Christina STREIT

### Director (independent)

**DATE OF FIRST APPOINTMENT**

*July 1, 2014*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017*

**NATIONALITY**

*German and American*

**ATTENDANCE RATE**

*75%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the date of this registration document:**

- Member of the Board of Directors and of the Appointments and Compensation Committee of Vontobel Holding [1] (Zurich);
- Member of the Supervisory Board and of the Appointments and Compensation Committee of Delta Lloyd [1] (Amsterdam);
- Member of the Supervisory Board and Chairman of the Finance Committee of Deutsche Annington Immobilien [1] (Düsseldorf).

**Terms and functions performed during the past five years, and which are no longer held:**

- None

## Olivier ZARROUATI

### Director

**DATE OF FIRST APPOINTMENT**

*July 1, 2014*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017*

**NATIONALITY**

*French*

**ATTENDANCE RATE**

*75%*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the date of this registration document:**

- Chairman of the Management Board and member of the Executive Committee of Zodiac Aerospace [1]
- Chairman: Zodiac Aerotechnics, Zodiac Engineering, Zodiac Seats France, C&D Zodiac Inc. (United States), Sicma Aero Seat Services (United States), Zodiac US Corporation (United States)
- Director: Avox Systems Inc. (United States), C&D Aerospace Canada Co. (Canada), Engineering Arresting Systems (formerly Esco) (United States), Heath Tecna (United States), Zodiac Interconnect UK Ltd (formerly Icore) (United Kingdom), Mag Aerospace Industries Inc. (United States), Parachutes Industries of Southern Africa Pty (South Africa), Zodiac Aerospace UK Ltd (United Kingdom), GIFAS
- Manager: Air Cruisers Company LLC (United States)

**Terms and functions performed during the past five years, and which are no longer held:**

- Director: Icore GmbH (Germany), GIFAS
- Chairman/member: GEAD

*(1) Listed company.*

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

## Personal information concerning the members of the Board of Directors

**Laurent MIGNON**, 51 years old, is Chief Executive Officer (CEO) of Natixis and a member of the BPCE Management Board. A graduate of HEC and the Standford Executive Program, Laurent Mignon worked for more than 10 years in various positions at Banque Indosuez, from the trading floor to corporate banking. In 1996, he joined Schroeders Bank in London, then AGF in 1997 as Chief Financial Officer. He was appointed to the Executive Committee in 1998, then became Deputy Chief Executive Officer (CEO) in charge of Banque AGF, AGF Asset Management and AGF Immobilier in 2002. He became Chief Executive Officer (CEO) in charge of the Life and Financial Services and Credit Insurance divisions in 2003 and Chairman of the Executive Committee in 2006. From September 2007 to May 2009, he was associate Manager at Oddo et Cie alongside Philippe Oddo.

**Marguerite BÉRARD-ANDRIEU** (representative of BPCE), Deputy Chief Executive Officer - Strategy, legal affaires and compliance, group company secretary for the BPCE group, and is a member of its General Management Committee. A graduate of the Institut d'études politiques de Paris and of Princeton University, and an alumna of ENA, she began her career in 2004 at the French Tax Inspectorate. From 2007 to 2010, she was a technical adviser and then an adviser to the French presidency, in charge of employment and social protection issues. She then directed the office of the Ministry of Labour, Employment and Health from November 2010 to May 2012.

**Jean ARONDEL**, 64 years old, an engineer and HEC graduate, is the Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre. He has performed executive functions within various companies of the industrial sector, the cosmetics sector and the financial sector, and is now also a director at Natixis Lease and Compagnie française d'assurance pour le commerce extérieur.

**Jean-Paul DUMORTIER**, 66 years old, a graduate of the Institut d'études politiques de Paris and a former student of ENA, has been Chairman of the Board of Directors of Banque Populaire Rives de Paris since 2013. After having begun his career in the financial sector, he was Chairman and Chief Executive Officer (CEO) of Foncière Paris France from 2005 to 2012, and has been director of Banque Populaire Rives de Paris since 2004.

**Éric HÉMAR**, 51 years old, a former ENA student, began his career at the "Cour des comptes" before joining the Ministry of Equipment, Transportation and Tourism in 1993, where he served as technical adviser to minister Bernard Bosson. In 1995, he joined the Sceta group, and then Geodis as Company Secretary. He left Geodis Logistics in March 2001 to create the ID Logistics group. Éric Hémar has been Chairman and Chief Executive Officer (CEO) of the ID Logistics group since 2010.

**Sharon MACBEATH**, 45 years old, has a degree in psychology and management from the University of Glasgow, and holds a Master's Degree in Human Resources from the Sorbonne, and an EMBA from INSEAD. After creating the EMDS consulting company, which specialises in the recruitment, selection and development of highly promising young people with international profiles, she has worked in France since 1991 in the field of human resources. She held the position of Director of Human Resources for the pharmacy and beauty line of the Rexam group, before becoming the director of human resources and communications for Redcats, a company in the Kering group (formerly PPR) in 2005. Sharon MacBeath has been Head of Human Resources and member of the executive committee of the Rexel group since November 2013.

**Pascal MARCHETTI**, 50 years old, a graduate of the École des cadres and the Institut de technique bancaire, is Chief Executive Officer (CEO) at Banque Populaire des Alpes. Mr Marchetti began his career in 1988 in the Banques Populaires group, where he was director of development in 2007 and 2008.

**Laurent ROUBIN**, 45 years old, a graduate of the École centrale Paris and holder of a post-graduate degree in strategy and management control, is Chairman of the Management Board of Caisse d'Epargne et de Prévoyance de Picardy. He began his career with the Compagnie Bancaire group and was director of development of Caisses d'Epargne within the BPCE group until 2011.

**Clara-Christina STREIT**, 46 years old, holds a degree in business administration from Université de Saint Gall (Switzerland). She began her career in 1992 at McKinsey & Company Inc., where she advised the general management offices of major companies in the banking and insurance sector on financial, human resources, corporate governance and strategy matters. She became a partner in 1998, and then a senior partner in 2003 at McKinsey & Company Inc. Since 2012, she has performed the duties of senior advisor there. She has also been a member of the Board of Directors and of the Appointments and Compensation Committee of Vontobel Holding (Zurich) since 2011, a member of the Supervisory Board and of the Appointments and Compensation Committee of Delta Lloyd (Amsterdam) since 2013, as well as a member of the Supervisory Board and Chairman of the Finance Committee of Deutsche Annington Immobilien (Düsseldorf) since 2013. Clara-Christina Streit also advises a certain number of non-profit organisations and teaches at the Nova and Catolica universities in Lisbon.

**Olivier ZARROUATI**, 56 years old, is a former student at the École polytechnique and an engineering graduate of the École nationale supérieure de l'aéronautique (SUPAERO) and of the Harvard Kennedy School of Cambridge. After having begun his career as an engineer in the armaments sector, he held the positions of engineer and Head of Major Projects at the CNES (Centre national d'études spatiales) from 1982 to 1988, and then at Matra Marconi Space from 1989 to 1994, after which he joined Intertechnique, which was purchased by Zodiac in 1999, as Head of External Development and Subsidiary Control. He subsequently performed various functions within the Zodiac Aerospace group, in particular those as Chief Executive Officer (CEO) of the "Aerosafety Systems" line and as Chief Executive Officer (CEO) of aeronautical activities. Since 2007, he has been Chairman of the Management Board and Director of

the Executive Committee of the Zodiac Aerospace group. He has also been Chairman of the Fondation Institut Supérieur de l'Aéronautique and of Espace SUPAERO since 2011.

The Board of Directors has met 10 times in 2014. The average participation rate was 81.45%.

During its session on June 26, 2014, the Board of Directors examined the status of non-BPCE directors with regard to the independence criteria recommended in the AFEP-MEDEF Code. Upon examination, the Board concluded that these criteria had indeed been met.

The following table relates only to independent Directors present at the date of this registration document.

| CRITERIA TO BE ASSESSED | ÉRIC HÉMAR | SHARON MACBEATH | CLARA-CHRISTINA STREIT | OLIVIER ZARROUATI |
|---|---|---|---|---|
| Not to have held an employee position or a corporate mandate within the past five years in Natixis, Coface, or one of its subsidiaries. | OK | OK | OK | OK |
| Not to be the corporate officer of a company in which Coface directly or indirectly holds a director's mandate or in which an employee or corporate officer of Coface holds or has held a director's mandate within the past five years. | OK | OK | OK | OK |
| Not to be a client, supplier, corporate banker, significant investment banker of the Company or its group, or for which the Company or its group represents a significant portion of the business. | OK | OK | OK | OK |
| Not to have a close family tie to a corporate officer. | OK | OK | OK | OK |
| Not to have been an auditor of Coface over the past five years. | OK | OK | OK | OK |
| Not to have been a director of Coface during the last 12 years. | OK | OK | OK | OK |
| Not to be a director representing a significant shareholder of Coface or Natixis. | OK | OK | OK | OK |
| Not to receive or have received significant supplementary compensation from Coface or from the Group outside of directors' fees, including for participation in any form of options on shares, or any other form of performance-linked compensation. | OK | OK | OK | OK |

### 2.1.1.2 Executives/Top Managers

At the date of publication of this registration document, the duties of Chairman of the Board of Directors and of Chief Executive Officer (CEO) of the Company have been assumed by Mr Laurent Mignon and by Mr Jean-Marc Pillu respectively.

The chart below presents the terms of Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of the Company, over the past five years:

## Jean-Marc PILLU

**Chief Executive Officer (CEO)**

**DATE OF FIRST APPOINTMENT**

*January 3, 2011*

**EXPIRATION DATE OF THE TERM**

*Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016*

**PRIMARY TERMS AND FUNCTIONS PERFORMED OUTSIDE OF THE COFACE GROUP OVER THE LAST FIVE YEARS**

**Terms and functions performed at the date of this registration document:**

- Chairman of the Board of Directors and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur

**Terms and functions performed during the past five years, and which are no longer held:**

- Chairman of the Board of Directors of Kompass International Neuenschwander
- Chairman of Natixis HCP
- Director of Coface Services (now Ellisphere)

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

The top managing executives of the Company are as follows:

**Laurent MIGNON**: see paragraph 2.1.1.1 "Board of Directors" above.

**Jean-Marc PILLU**, 60 years old, is a graduate of the École polytechnique, an engineer in the Corps des ponts et chaussées, a graduate of the Institut d'études politiques de Paris and the holder of a post graduate degree in Public Economy. After having begun his career with the Ministry of Transportation and in the Treasury, he held various positions with Aéroports de Paris, and then with the Cogema group, before joining the Euler Hermès group, of which he became Chief Executive Officer (CEO) in 2004. After having been the CFO of the Mornay group, he joined the Coface Group in 2010 and has since held the position of Chief Executive Officer (CEO).

The Chief Executive Officer (CEO) of the Company created a General Management Board whose strategic and operational mission is described in Section 1.3 of this registration document. In addition to Mr Jean-Marc Pillu, the General Management Board is currently composed of the following people:

**Nicolas de BUTTET**, 41 years old, a graduate of EDHEC. After having begun his career as a credit analyst within the Crédit Lyonnais group, he joined the Euler Hermes group as an underwriter. He joined the Coface Group in 2012 as Manager of Underwriting for Western Europe and France, and has held the position of Group risk underwriting, information and claims Manager since 2013.

**Cécile FOURMANN**, 49 years old, is holder of a post-graduate degree in human resources and social communications management from CELSA, and also holds a Master's Degree in Economics. She began her career at Snecma, and then worked at SFR, Broadnet France, Printemps and Areva T&D. She joined the Coface Group in 2012 and since that date has held the position of Chief Human Resources, Officer for the Coface Group.

**Nicolas GARCIA**, 41 years old, holds a degree from the Université de Bordeaux in Economics and International Finance, as well as an MBA in International Banking & Finance from Birmingham Business School. He has held various positions within the Euler Hermes group, and since 2011, has been the Head of Commercial Underwriting. He has held the position of Group Commercial Director of the Coface Group since July 2, 2014.

**Patrice LUSCAN**, 42 years old, is a graduate of the École supérieure de commerce de Reims. After having begun his career within the Atradius group, he worked in the Euler-Hermes group, where he became regional director - France for Euler-Hermes World Agency. He joined the Coface Group in 2012 as Deputy Head of Organisation and of Marketing and Strategy Director of the Coface Group since 2013.

**Carole LYTTON**, 58 years old, is a graduate of the Institut d'études politiques de Paris and holds a post graduate degree in International Law. She joined the Coface Group in 1983 and held the position of Chief Legal and Compliance Officer since 2008. Since 2013, her duties also include the Facility Management of the Coface Group.

**Pierre HAMILLE**, 55 years old, holds a degree in chartered accounting and a post-graduate diploma in management from ESSEC. After having begun his career in the Risk Department of Banque de France, he joined Eurofactor, and then worked at Natixis Factor. In 2007, he was appointed Chief Executive Officer (CEO) of Coface Factoring in Italy. After having joined the Coface Group as Risk Manager in June 2013, he held the position of Chief Risks Organisation and IT Officer for the Coface Group since April 2014.

**Carine PICHON**, 42 years old, is a graduate of the École supérieure de commerce de Rouen (with major in corporate finance) and of the University of Regensburg (Germany). After having worked at PricewaterhouseCoopers, where she held the title of Chief of Mission of Insurance, she joined the Coface Group in 2001 as Consolidation supervisor, and has held the position of the Coface Group's CFO since 2013.

### ◆ 2.1.1.3 Statements relating to the members of the Board of Directors

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

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

## 2.1.2 OPERATIONS OF ADMINISTRATIVE AND MANAGEMENT BODIES

### ◆ 2.1.2.1 Terms of administrative and management bodies

The information concerning the expiration date of the term of office of members of the Board of Directors appears in paragraph 2.1.1.1, "Board of Directors" of this registration document.

### ◆ 2.1.2.2 Information on the service contracts linking members of the Board of Directors to the Company or to any one of its subsidiaries

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

### ◆ 2.1.2.3 Committees of the Board of Directors

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

Within this context, the Board of Directors has established an Audit Committee and an Appointments and Compensation Committee, whose composition, powers and rules of operation are described below in paragraph 2.4. "Report from the Chairman on the internal control and risk management procedures".

### ◆ 2.1.2.4 Information from the Board of Directors

Pursuant to the terms of Article 21 of the Company's articles of association, and pursuant to Article 3.4 of the Board of Director's articles of association, said Board carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer (CEO) must send to each director all the documents and information needed for the accomplishment of his duties.

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

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

### ◆ 2.1.2.5 Internal control

The Company's internal control system is described in paragraph 2.4.2 "Internal control procedures" of this registration document.

# 2.2 Compensation and benefits paid to managers and corporate officers

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

The Company is a corporation *(société anonyme)* with a Board of Directors for which the duties of Board Chairman, performed by Mr Laurent Mignon, and Chief Executive Officer (CEO), performed by Mr Jean-Marc Pillu, are separate. This management method was in place before the stock market listing.



## Compensation and benefits paid to Mr Laurent Mignon

No form of compensation or benefit has been paid to Mr Laurent Mignon by the Company. The compensation paid by Natixis to Mr Laurent Mignon for his term as Chief Executive Officer (CEO) of Natixis is described below (Section 2.2.1 and 2.2.2).

## Compensation and benefits paid to Mr Jean-Marc Pillu

Until July 16, 2014, Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of the Company, was linked to Natixis, which held 99.99% of the Company, through an open-ended employment contract, and was not directly compensated by the Company for his term as Chief Executive Officer (CEO).

However, to the extent that the compensation and benefits paid by Natixis to Mr Jean-Marc Pillu for this employment contract were re-invoiced annually to the Company, this section describes these elements.

Mr Jean-Marc Pillu resigned from Natixis on July 16, 2014. Since that date, he has been paid directly by the Company for his term as Chief Executive Officer (CEO).

### 2.2.1 SUMMARY OF COMPENSATION OF MANAGING CORPORATE OFFICERS FOR 2013 AND 2014

In order to comply with the regulations, the tables below present a breakdown of the fixed and variable compensation, along with the other benefits granted to Mr Jean-Marc Pillu, Chief Executive Officer (CEO), and to Mr Laurent Mignon, Chairman of the Board of Directors, during the financial years ended December 31, 2013 and 2014:

No form of compensation or benefit has been paid to Mr Laurent Mignon by the Company. The compensation presented below was paid by Natixis for its mandate as the Natixis Chief Executive Officer (CEO).

**TABLE 1 - TABLE SUMMARIZING THE COMPENSATION, AND OPTIONS AND SHARES ALLOTTED TO EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)**

| TABLE SUMMARIZING THE COMPENSATION, AND OPTIONS ALLOTTED TO EACH MANAGING CORPORATE OFFICER | | |
|---|---|---|
| *(amount in euros)* | YEAR ENDED DECEMBER 31, 2013 | YEAR ENDED DECEMBER 31, 2014 |
| **Jean-Marc PILLU, Chief Executive Officer (CEO)** | | |
| Compensation due for the year [(1)] (detailed in paragraph 2.2.2 below) | 862,827 | 1,133,395 |
| Value of the multi-year variable compensation allotted during the financial year | - | - |
| Value of options allotted during the financial year | - | - |
| Value of performance shares allotted during the financial year (detailed in paragraph 2.2.6 below) | - | 610,097 |
| **TOTAL** | **862,827** | **1,743,492** |

(1) *On a gross basis (before social contributions and income tax). This compensation, paid by Natixis until July 16, 2014, was re-invoiced annually to the Company, with the exception of the benefits in kind detailed in Section 2.2.2 below. As of July 16, 2014, this compensation was paid directly by the Company.*

| TABLE SUMMARIZING THE COMPENSATION, AND OPTIONS ALLOTTED TO EACH MANAGING CORPORATE OFFICER | | |
|---|---|---|
| *(amount in euros)* | YEAR ENDED DECEMBER 31, 2013 | YEAR ENDED DECEMBER 31, 2014 |
| **Laurent Mignon, Chairman of the COFACE SA Board and Natixis Chief Executive Officer (CEO)** | | |
| Compensation for the financial year(1) | 1,766 120 | 1,821,512 |
| Value of the long term variable compensation allotted during the financial year | - | - |
| Value of options allotted during the financial year | - | - |
| Value of performance shares allotted during the financial year(2) | 350 | 160,000 |
| **TOTAL** | **1,766,470** | **1,981,512** |

*(1) including €1,176 car allowance + €2,962 family allowance*
*(2) valuation of the shares allotted*

## 2.2.2 COMPENSATION OF MANAGING CORPORATE OFFICERS FOR FINANCIAL YEARS 2013 AND 2014

In order to comply with the regulations, the tables below present a breakdown of the fixed and variable compensation, along with the other benefits granted to Mr Jean-Marc Pillu, Chief Executive Officer (CEO), and to Mr Laurent Mignon, Chairman of the Board of Directors, during the years ended December 31, 2013 and 2014.

No form of compensation or benefit has been paid to Mr Laurent Mignon by the Company. The compensation presented below was paid by Natixis for its mandate as the Natixis Chief Executive Officer (CEO).

### TABLE 2 - SUMMARY OF COMPENSATION OF EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)

| TABLE SUMMARIZING THE COMPENSATION OF EACH MANAGING CORPORATE OFFICER | | | | |
|---|---|---|---|---|
| | 2013 | | 2014 | |
| *(in euros)* | AMOUNTS DUE (2) | AMOUNTS PAID (3) | AMOUNTS DUE (2) | AMOUNTS PAID (3) |
| **Jean-Marc PILLU, Chief Executive Officer (CEO)** | | | | |
| Fixed compensation (1) | 440,000 | 440,000 | 544,509 (5) | 544,509 (5) |
| Variable annual compensation | 417,285 | 375,000 | 680,400 | 417,285 |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation (4) | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind (4) | 5,542 | 5,542 | 2,995 | 2,995 |
| **TOTAL *** | **862,827** | **820,542** | **1,227,904** | **964,789** |

*(1) On a gross basis before taxes.*
*(2) Compensation allotted for duties performed during the previous financial year, regardless of the date of payment.*
*(3) Compensation paid for duties performed during the previous financial year.*
*(4) Mr Jean-Marc Pillu benefited from a company vehicle.*
*(5) Added to the fixed compensation are the amounts paid by Natixis as part of the employment contract that ended on July 15, 2014 (full settlement).*
** Furthermore, Mr Jean-Marc Pillu benefited, as an employee of Natixis, from equity interest, profit-sharing, employee matching contribution and the family supplement devices in effect within Natixis in the amount of 14,785 euros in 2013 and 11,113.16 in 2014, as well as from the collective pension and health expense schemes in effect within Natixis.*

| TABLE SUMMARIZING THE COMPENSATION OF EACH MANAGING CORPORATE OFFICER | | | | |
|---|---|---|---|---|
| | 2013 | | 2014 | |
| *(in euros)* | AMOUNTS DUE (2) | AMOUNTS PAID (3) | AMOUNTS DUE (2) | AMOUNTS PAID (3) |
| **Laurent Mignon, Chairman of the COFACE SA Board and Natixis CEO** | | | | |
| Fixed compensation for corporate office | 800,000 | 800,000 | 800,000 | 800,000 |
| Variable compensation | 958,000 | 951,479 (1) | 1,017,374 | 1,233,624 (1) |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind | 8,120 | 8,120 | 4,138 (2) | 4,138 (2) |
| **TOTAL *** | **1,766,120** | **1,759,599** | **1,821,512** | **2,037,762** |

*(1) This amount includes payment relating to the variable remuneration deferred from previous years.*

*(2) Including €1,176 car allowance + €2,962 family allowance.*

** The details of the compensation for Mr Laurent Mignon, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, is available in the Natixis registration document registered with the Autorité des marchés financiers (French securities regulator) on March 12, 2015 on pages 83 to 85.*

The compensation collected by Mr Jean-Marc Pillu for the financial year includes a fixed and a variable portion.

The amount of the fixed portion is €450,000 for 2014.

The amount of the variable portion, capped for 2014 at a maximum of 173.3% of Mr Jean-Marc Pillu's fixed compensation, is 60% dependent on the achievement of financial objectives (which are linked to revenues, general expenses, the claims ratio and the Company's net income) and 40% dependent on strategic and managerial objectives.

Mr Jean-Marc Pillu was provided with a company vehicle.

Mr Jean-Marc Pillu was allotted 43,269 non-recurring bonus shares, by decision of the Board of Directors dated June 26, 2014. The vesting period for these bonus shares was set at two years from July 1, 2014, subject to the Chief Executive Officer (CEO) still being with the Company on that date (save for cases of involuntary departure).

This allocation of bonus shares, fell within the context of carrying out the plan for the Company's market listing.

Furthermore, Mr Jean-Marc Pillu was allotted 21,635 performance shares under the Long-Term Incentive Plan.

A plan entitling bearers to the allocation of performance shares of the Company, capped to 1% of the Company's share capital, was established within the Coface Group, for the benefit of employees and corporate officers: the Coface Group's "Long-Term Incentive Plan (LTIP)."

Under this plan, Mr Pillu, Chief Executive Officer (CEO) of the Company, and certain Company employees were allotted bonus shares (the "Bonus Shares") under the following two-fold condition:

- presence of the beneficiary, during and at the end of the vesting period, which shall conclude three years after the date of admission for trading of the Company's shares on the regulated Euronext Paris market; and
- performance criteria subject to the RoTE level of the Coface Group for the year ended December 31, 2016, and on the condition that there is a distribution of dividends of at least 60% of the net attributable income.

The performance criteria shall be contingent on the number of bonus shares actually issued, which could vary between 0 and 1 times the number of shares initially allotted.

The definitive vesting period for shares allocated under the LTIP is set at three years from the date that Company shares are admitted for trading on the Euronext Paris regulated market.

The shares allotted shall be subject to the legal retention period for a duration of two years from their definitive allocation. The shares that may be allotted under this plan shall be existing shares.

## 2.2.3 DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY THE MEMBERS OF THE BOARD OF DIRECTORS DURING 2013 AND 2014

The table below shows the directors' fees and other types of compensation collected by members of the Company's Board of Directors in 2013 and 2014:

**TABLE 3 - SUMMARY OF COMPENSATION OF EACH MEMBER OF THE BOARD OF DIRECTORS (AMF NOMENCLATURE) (2)**

| TABLE REGARDING THE DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY NON-MANAGING CORPORATE OFFICERS | | | | |
|---|---|---|---|---|
| NON-MANAGING CORPORATE OFFICERS | DATE OF FIRST APPOINTMENT | EXPIRATION DATE | AMOUNTS PAID IN 2013 (1) | AMOUNTS PAID IN 2014 (1) |
| **BPCE** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | GM Dec. 31, 2016 (3) | 5,000 | 15,000 |
| Other compensation | | | - | - |
| **Marguerite BERARD-ANDRIEU, permanent representative of BPCE** | | | | |
| Other compensation | n/a | n/a | | |
| BPCE fixed compensation | | | 300,000 | 300,000 |
| BPCE annual variable compensation | | | 91,218.4 | 129,599 |
| Multi-year variable compensation | | | - | - |
| BPCE exceptional compensation | | | - | - |
| BPCE benefits in kind | | | - | 1,324.38 |
| **Natixis** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | July 01, 2014 | - | - |
| Other compensation | | | - | - |
| **Jean ARONDEL** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | GM Dec. 31, 2016 (3) | 5,000 | 16,500 |
| Other compensation | | | - | - |
| **Bruno DELETRÉ** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | July 01, 2014 | 4,500 | 5,500 |
| Other compensation | | | - | - |
| **Jean-Paul DUMORTIER** | | | | |
| Directors' fees COFACE SA | Jul. 26, 2013 | GM Dec. 31, 2016 (3) | 2,000 | 17,500 |
| Other compensation | | | - | - |
| **Yvan DE LA PORTE DU THEIL** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | July 01, 2014 | 5,000 | 6,000 |
| Other compensation | | | - | - |
| **Pascal MARCHETTI** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | GM Dec. 31, 2016 (3) | 6,000 | 24,500 |
| Other compensation | | | - | - |

*(1) On a gross basis (before social contributions and income tax).*
*(2) The dates of appointments and end of appointments for the Board of Directors are available in section 2.1.1.1.*
*(3) Shareholders' Meeting held to approve the financial statements for the previous fiscal year.*

**TABLE REGARDING THE DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY NON-MANAGING CORPORATE OFFICERS**

| NON-MANAGING CORPORATE OFFICERS | DATE OF FIRST APPOINTMENT | EXPIRATION DATE | AMOUNTS PAID IN 2013 (1) | AMOUNTS PAID IN 2014 (1) |
|---|---|---|---|---|
| **Nicole NOTAT** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | Jan. 20, 2015 | 7,000 | 20,000 |
| Other compensation | | | - | - |
| **Laurence PARISOT** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | Oct. 17, 2014 | 3,500 | 12,000 |
| Other compensation | | | - | - |
| **Nicolas PLANTROU** | | | | |
| Directors' fees COFACE SA | Nov. 21, 2012 | July 01, 2014 | 5,000 | 4,500 |
| Other compensation | | | - | - |
| **Emmanuel POULIQUEN** | | | | |
| Directors' fees COFACE SA | May 15, 2013 | July 01, 2014 | 3,000 | 5,500 |
| Other compensation | | | - | - |
| **Laurent ROUBIN** | | | | |
| Directors' fees COFACE SA | Jul. 26, 2013 | GM Dec. 31, 2016 (3) | 4,000 | 24,000 |
| Other compensation | | | - | - |
| **Éric HÉMAR** | | | | |
| Directors' fees COFACE SA | Jul. 01, 2014 | GM Dec. 31, 2017 (3) | - | 22,500 |
| Other compensation | | | - | - |
| **Sharon MACBEATH** | | | | |
| Directors' fees COFACE SA | Jul. 01, 2014 | GM Dec. 31, 2017 (3) | - | 13,500 |
| Other compensation | | | - | - |
| **Clara-Christina STREIT** | | | | |
| Directors' fees COFACE SA | Jul. 01, 2014 | GM Dec. 31, 2017 (3) | - | 14,500 |
| Other compensation | | | - | - |
| **Olivier ZARROUATI** | | | | |
| Directors' fees COFACE SA | Jul. 01, 2014 | GM Dec. 31, 2017 (3) | - | 14,000 |
| Other compensation | | | - | - |

*(1) On a gross basis (before social contributions and income tax).*
*(2) The dates of appointments and end of appointments for the Board of Directors are available in section 2.1.1.1.*
*(3) Shareholders' Meeting held to approve the financial statements for the previous fiscal year.*

## 2.2.4 STOCK OPTIONS OR WARRANTS ALLOTTED IN 2014 TO EACH MANAGING CORPORATE OFFICER OR BY ANY COMPANY IN THE GROUP

No allocation of stock options or warrants occurred for managing corporate officers during the year ended December 31, 2014.

## 2.2.5 STOCK OPTIONS OR WARRANTS EXERCISED IN 2014 BY EACH MANAGING CORPORATE OFFICER

No stock options or warrants were exercised by a managing corporate officer during the year ended December 31, 2014.

## 2.2.6 BONUS SHARES ALLOTTED DURING 2014 TO EMPLOYEES AND CORPORATE OFFICERS

The conditions for bonus allocation are given in section 2.2.2 of this registration document. The table below states the free shares allocated to Mr Jean-Marc Pillu.

**TABLE 6 - SHARES ALLOTTED TO EACH CORPORATE OFFICER (AMF NOMENCLATURE)**

| SHARES ALLOTTED TO EACH CORPORATE OFFICER | | | | | | |
|---|---|---|---|---|---|---|
| | PLAN DATE | NUMBER OF SHARES ALLOTTED DURING THE YEAR | VALUATION OF SHARES IN EUROS ACCORDING TO THE METHOD USED FOR THE CONSOLIDATED FINANCIAL STATEMENTS | ACQUISITION DATE | AVAILABILITY DATE | PERFORMANCE CONDITIONS |
| **Jean-Marc PILLU** | Long Term Incentive Plan June 26, 2014 | 21,635 | 190,388 | July 1, 2017 | July 1, 2019 | subject to the RoTE level of the Coface Group for the year ended December 31, 2016 |
| | Non-recurring free share allocation June 26, 2014 | 43,269 | 419,709 | July 1, 2016 | July 1, 2018 | N/A |
| **TOTAL** | | **64,904** | **610,097** | **-** | **-** | **-** |

## 2.2.7 PERFORMANCE SHARES WHICH HAVE BECOME AVAILABLE IN 2014 FOR EACH CORPORATE OFFICER

No performance shares have become available for managing corporate officers during the year ended December 31, 2014.

## 2.2.8 HISTORY OF ALLOTMENTS OF STOCK OPTIONS OR WARRANTS

No allotment of stock options or warrants took place during the years ended December 31, 2014, 2013 and 2012.

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

## 2.2.9 STOCK OPTIONS OR WARRANTS GRANTED TO THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

No stock options or warrants were allotted during the years ended December 31, 2014, 2013 and 2012 to the top ten non-corporate officer employees.

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

## 2.2.10 HISTORY OF ALLOTMENTS OF BONUS SHARES

No performance shares were allotted during the years ended December 31, 2013 and 2012.

A plan to allot performance shares is pending at the date of this registration document, as described in Section 2.2.2 above.



**TABLE 10 - HISTORY OF ALLOTMENTS OF BONUS SHARES**

| | LONG TERM INCENTIVE PLAN (1) | ALLOTMENT OF EXCEPTIONAL BONUS SHARES |
|---|---|---|
| Meeting date | June 2, 2014 | June 2, 2014 |
| Date of the Board of Directors' meeting | June 26, 2014 | June 26, 2014 |
| Total number of bonus shares allotted | 78,342 | 43,269 |
| ■ of which allotted to Jean-Marc Pillu | 21,635 | 43,269 |
| Share acquisition date | July 1, 2017 | July 1, 2016 |
| End-date of the retention period | July 1, 2019 | July 1, 2018 |
| Number of stock options | - | - |
| Cumulative number of cancelled or lapsed shares | - | - |
| Remaining bonus shares allotted at year-end | 21,635 | 43,269 |

*(1) The performance conditions are described in Section 2.2.2 above.*

## 2.2.11 EMPLOYMENT CONTRACTS, RETIREMENT INDEMNITIES AND INDEMNITIES IN THE EVENT OF TERMINATION OF THE DUTIES OF THE MANAGING CORPORATE OFFICERS

### TABLE 11 - EMPLOYMENT CONTRACTS, RETIREMENT INDEMNITIES AND INDEMNITIES IN THE EVENT OF TERMINATION OF THE DUTIES OF THE MANAGING CORPORATE OFFICERS (AMF NOMENCLATURE)

| | EMPLOYMENT CONTRACT | | SUPPLEMENTARY RETIREMENT SCHEME | | COMPENSATION OR BENEFITS DUE OR WHICH COULD BE DUE AS A RESULT OF A TERMINATION OR CHANGE OF DUTIES | | COMPENSATION RELATED TO A NON-COMPETE CLAUSE | |
|---|---|---|---|---|---|---|---|---|
| MANAGING CORPORATE OFFICERS | YES | NO | YES | NO | YES | NO | YES | NO |
| **Jean-Marc PILLU**<br>Chief Executive Officer (CEO)<br>Start of term: November 21, 2012<br>End of term: Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016 | | X * | | X ** | X | | | X |
| **Laurent Mignon**<br>Chief Executive Officer (CEO)<br>Start of term: May 14, 2009<br>End of term: 14 mai 2015 | | X | | X *** | X **** | | X **** | |

* *Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of the Company, resigned from the employment contract linking him to Natixis on July 16, 2014.*

** *Until July 16, 2014, Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of the Company, benefited, as a Natixis employee, from the retirement plan for non-classified executives of Natixis, the tranche A Social Security Plan, the tranche A ARRCO compulsory pension plan (overall rate of 7.50%), the ARRCO supplementary plan in Tranches A (6.563%) and B (5.625%), and the AGIRC plan in Tranches B (20.30%) and C (20.30%). At the date of this document, Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of the Company, benefits from all health, retirement and pension plans under the prevailing conditions of the Company.*

*** *Benefits from the retirement plan for all the Natixis personnel.*

**** *During the meeting of February 19, 2014, Natixis' Board of Directors approved the change to the commitment relating to the end of duties compensation, as well as the implementation of a non-compete clause. These commitments and agreements were approved during Natixis' Ordinary Annual Shareholders' Meeting of May 20, 2014 (fifth resolution).*

Mr Jean-Marc Pillu shall benefit, in the event his corporate term ends, from severance pay in an amount equal to two years' (fixed and variable) salary. The reference salary used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference salary for the variable part shall be the average of the variable portions collected for the three years preceding the date his duties end.

This severance pay shall be due if the following performance criteria are satisfied:

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

If only one of the two conditions above is met, 50% of the compensation shall be due. If neither of the conditions above is met, no compensation shall be due.

No compensation shall be paid by the Company if the corporate term is ended at Mr Jean-Marc Pillu's initiative or in the event of termination for serious misconduct or gross negligence.

## 2.2.12 AMOUNTS PUT IN RESERVE OR OTHERWISE RECORDED BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PURPOSES OF PAYING PENSIONS, RETIREMENT, OR OTHER BENEFITS

Since Mr Jean-Marc Pillu benefits from the joint scheme within the Company, no particular amount was put in reserve or recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits to its managing corporate officers.

# 2.3 Potential conflicts of interest

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

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

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



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

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

The subject of this report is to report on the composition and functioning of the Board of Directors and its committees, any limitation in powers of general management, the application of a corporate governance code prepared by the organizations representing the companies and the rules for determining compensation of corporate officers. It also takes into account the internal control and risk management procedures implemented by the Company, particularly those relating to preparation and processing of the accounting and financial information within the Company. This report is established in close collaboration with the Group Risk Department and the Group Financial Department, with the support of the Group Legal and Compliance Department.

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

## 2.4.1 CORPORATE GOVERNANCE

### 2.4.1.1 Composition and operations of the Board of Directors

#### Composition

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

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

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

#### Operations

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

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

***Convening notice of the Board of Directors'***

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

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

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

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

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

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

(i) first sent notice to the directors providing the basis for the Urgency per the definition above; and

(ii) sent all directors, with the convening notice for said Board, all elements needed for their analysis.

***Holding of the Board of Directors' meetings***

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

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

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

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

#### (ii) Composition and operations of the Audit Committee

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

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

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

**a.** Members

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

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

**b.** Chairmanship

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

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

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

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

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

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

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

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

**a.** Monitoring of the preparation of financial information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

- Ordinary convening of meeting:

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

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

- Extraordinary convening of meeting:

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

- Form and timing of the convening of meeting:

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

**b.** Attendance at Audit Committee Meetings

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

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

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

**c.** Quorum and Majority Rule

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

No member of the Audit Committee may represent another member.

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

**d.** Secretariat and Minutes of Meetings

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

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

***Activity of the Audit Committee***

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

The main work completed:

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

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

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

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

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

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

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

**a.** Members

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

The Nominations and Compensation Committee shall have a majority of independent members of the Board of Directors who are competent to analyze compensation related policies and practices, including the Company's risk policy.

**b.** Chairman

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

The Chairman of the Nominations and Compensation Committee will convene the meetings of the Nominations and Compensation Committee, determine the agenda and chair the meetings. The notices for the meetings will be sent by the Nominations and Compensation Committee Secretary.

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

***Duties (Article 3 of the Nominations and Compensation Committee by-laws)***

**a.** Duties of the Nominations and Compensation Committee

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

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

**(i)** Compensation Conditions

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

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

**(ii)** Conditions for Appointment

The Nominations and Compensation Committee:

- makes proposals to the Board of Directors regarding the appointment of members of the Board of Directors and of the members of the General Management;
- establishes and maintaince an up-to-date succession plan of members of the Board of Directors as well as of the principle executives of the Company and of the Group, in order to be able to rapidly propose succession solutions to the Board of Directors in case of an unforeseen vacancy.

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

The qualifications of independent member of the Board of Directors will be debated by the Nominations and Compensation Committee which issue a report to the Board on this subject. Each year, the Board of Directors will review, in the light of this report, prior to the publication of the annual report of directors, the situation of each of the directors with regard to the criteria of independence as defined by the rules of procedure of the Board of Directors.

**b.** Resources and Prerogatives of the Nominations and Compensation Committee

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

***Operations (Article 2 of the Nominations and Compensation Committee by-laws)***

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

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

- Ordinary convening of meeting:

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

- Extraordinary convening of meeting:

  Two members of the Nominations and Compensation Committee may ask its Chairman to convene a meeting of the Committee to discuss a certain

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

- Form and timing of the convening of meeting:

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

**b.** Attendance at meetings of the Appointments and Compensation Committee

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

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

**c.** Quorum and Majority rule

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

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

The opinions and proposals of the Nominations and Compensation Committee will be adopted if the majority of the members present and the Chairman vote in favor of adopting them.

**d.** Secretariat and Minutes of Meetings

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

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

## Limitations to the powers of the general management

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

Pursuant to the terms of Article 1.2 of the Board of Director's articles of association, the following are subject to the prior authorisation from said Board, ruling by a simple majority of the members present or represented:

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

### 2.4.1.2 Code of corporate governance

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

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

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

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

### 2.4.1.3 Terms of participation at the Shareholders' Meeting

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

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

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

### 2.4.1.5 Rules for determining the compensation of corporate officers

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

**a. Members of the Board of Directors**

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

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

- For members of the Board of Directors:
  - Fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
  - Variable portion: €2,000 per meeting, capped at six meetings.
- For members of the Audit Committee:
  - Chairman
    - Fixed portion: €17,000 per year (*prorata temporis* of the term of mandate),
    - Variable portion: €2,000 per meeting, capped at six meetings.
  - Members of the Audit Committee
    - Fixed portion: €5,000 per year (*prorata temporis* of the term of mandate),
    - Variable portion: €1,000 per meeting, capped at six meetings.
- For members of the Appointments and Compensation Committee
  - Chairman
    - Fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
    - Variable portion: €2,000 per meeting, capped at five meetings.
  - Members of the Appointments and Compensation Committee
    - Fixed portion: €3,000 per year (*prorata temporis* of the term of mandate),
    - Variable portion: €1,000 per meeting, capped at five meetings.

**b. Chief Executive Officer (CEO)**

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

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

## 2.4.2 INTERNAL CONTROL PROCEDURES

### 2.4.2.1 Internal control

The Coface Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations.

These mechanisms generally aim to ensure that:

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

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

### 2.4.2.2 Processing of accounting and financial information

#### Organisation and field of action

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

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

The Group's Finance Department is responsible for:

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

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

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

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

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

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

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

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

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

- producing regulatory and presentation of accounts reports
  - producing internal and external reports (financial analysts, shareholders),
  - producing periodic regulatory statements in compliance with scheduling constraints (declarations to the supervisory, tax and corporate administrations),
  - relations with the supervisory authorities and Statutory Auditors,
- preparing Group's rules, regulatory oversight and strategic projects
  - defining rules and drafting Group accounting procedures,
  - writing and following up accounting procedures in conjunction with Natixis' Finance Department,
  - overseeing the development of the Accounting and Tax Regulations,
  - assisting, training and providing technical support to subsidiaries and branches,
  - analyses and impact studies on modifications in scope for the consolidated financial statements,
- the accounting control system: tracking the proper application of the standards and procedures in the Group,
- Group taxation.

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

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

## Accounting control system

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

Each entity sends at each closing date the controls and reconciliations performed, which allow the quality and integrity of the consolidated data to be validated. A reporting Excel file, identifying the controls to be performed as well as the instructions on the details and supporting documentation requested is sent to them each quarter.

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

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



## CACIS tool common to general accounting, consolidation and management control

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

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

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

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

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

## 2.4.3 RISK MANAGEMENT

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

### 2.4.3.1 Organisation of risk oversight

#### Type of risks

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

##### CREDIT RISKS

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

##### FINANCIAL RISKS

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

##### OPERATIONAL RISKS

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

##### OTHER RISKS

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

#### Governance

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

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

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

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

#### General risk control mechanism

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

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

Group Risk Committee
Presided over by the Group's Managing Director, comprised of the General Management Committee, representatives of the key functions

Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country Country

Western Europe | Northern Europe | Eastern Europe | Mediterranean & Africa | Latin America | North America | Asia

Audit: Group Audit Department

Risk Management System: Group Risk Department

Internal Controls: Group Legal and Compliance Department | Group Risk Department

Function to be covered / Geographic line / Type of risks

Risk of non compliance | Operational Risk | Risk to reputation | Credit risks | Financial risks | Strategic risk

*Risk of non compliance** | *Operational risk** | *Risk to reputation** | *Underwriting risk** | *Credit Risk** | *Market risk** | *Concentration risk** | *Liquidity risk** | *Strategic risk*

* Regulatory terms

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

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

It relies on various key functions:

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

### (i) Internal audit function

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

- the quality of the financial position;
- the level of risks effectively incurred;
- the quality of organisation and management;
- the consistency, adequacy and proper functioning of the risk assessment and control mechanisms;
- the reliability and integrity of accounting and management information;
- compliance with laws regulations and Coface Group's rules;
- the effective implementation of recommendations coming from prior missions and regulators.

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.

### (ii) Risk management function

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

This function is assumed by the Group Risk Department.

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

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

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

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

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

**(iii) Actuarial function**

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

**(iv) Internal control and compliance function**

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

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

**a.** Internal control function

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

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

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

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

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

**b.** Compliance function

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

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

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

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

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

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

### 2.4.3.2 Credit risk management

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

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

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

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

## Control and follow-up of products

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

## Centralised credit risk management

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

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

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

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

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



## Diversification of the credit risk portfolio

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

### DEBTOR RISK EXPOSURE

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

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

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

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

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

**AS OF DECEMBER 31, 2014**

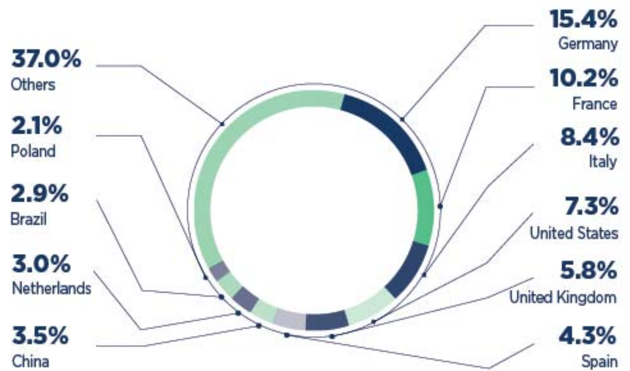
**AS OF DECEMBER 31, 2013**

**AS OF DECEMBER 31, 2012**

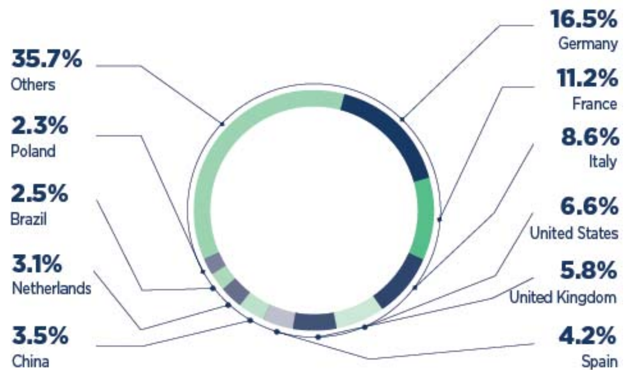
## GEOGRAPHICAL DISTRIBUTION OF RISKS

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

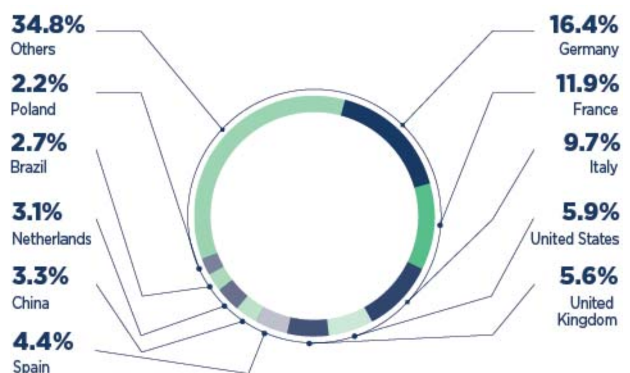
**AS OF DECEMBER 31, 2014**




**AS OF DECEMBER 31, 2013**




**AS OF DECEMBER 31, 2012**



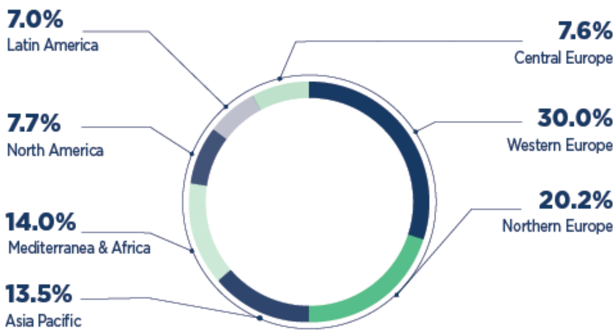

*(1) The debtors mentioned above are the clients of the Coface Group's insureds.*

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

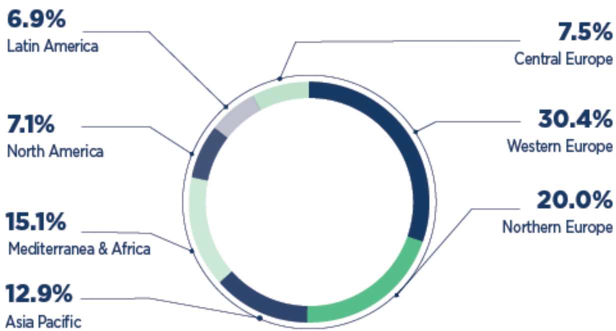
The charts below shows the distribution as of December 31, 2012, 2013 and 2014 of the Coface Group's debtor outstandings, grouped by geographical region:

### AS OF DECEMBER 31, 2014

### AS OF DECEMBER 31, 2013

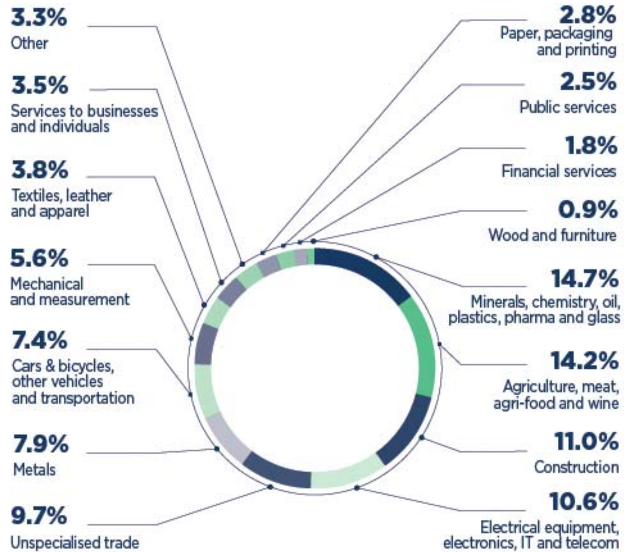



### AS OF DECEMBER 31, 2012

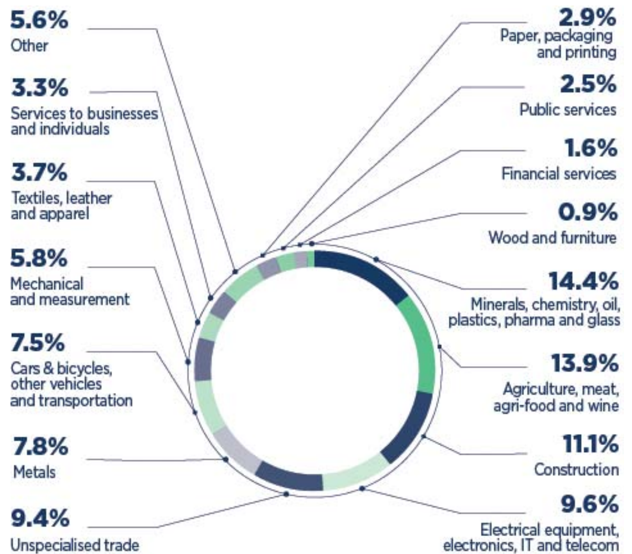



## EXPOSURE BY SECTOR OF BUSINESS OF THE DEBTOR

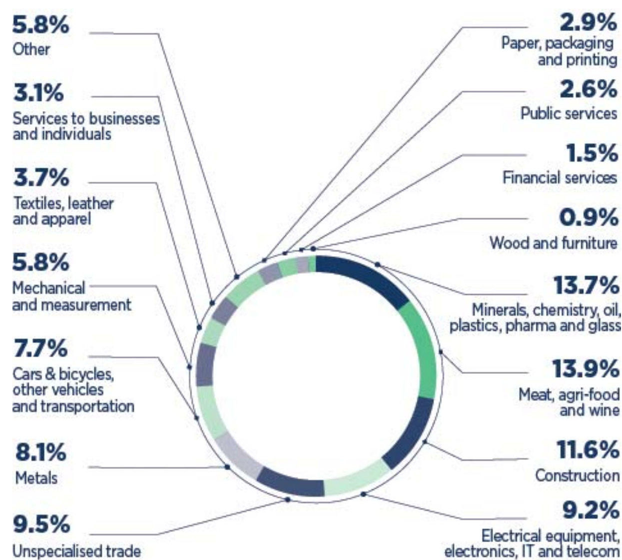
### AS OF DECEMBER 31, 2014




### AS OF DECEMBER 31, 2013



**AS OF DECEMBER 31, 2012**




## Duration of risks

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

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

## Common interests with insureds

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

### DECISION-MAKING

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

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

### CONSIDERATION OF RISK QUALITY FOR ESTABLISHING THE PREMIUM

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

### SHARING OF RISK BETWEEN THE COFACE GROUP AND THE INSURED

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

### RECOVERY MANAGEMENT BY THE COFACE GROUP

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

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

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

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

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

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

## EVALUATION OF PROVISIONS

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

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

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

The technical provisions for credit insurance are not updated.

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

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

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



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

## LOSS RATIO

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

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

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

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

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

## CLAIMS EXPENSES RECORDED AT THE COFACE GROUP LEVEL

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

| | AS OF DECEMBER 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | | 2012 | | |
| *(in millions of euros)* | GROSS | OUTWARD REINSURANCE AND RETROCESSIONS | NET | GROSS | OUTWARD REINSURANCE AND RETROCESSIONS | NET | GROSS | OUTWARD REINSURANCE AND RETROCESSIONS | NET |
| Claims expenses – current year | -787 | 164 | -623 | -812 | 203 | -609 | -854 | 158 | -696 |
| Claims expenses – prior years | 248 | -61 | 188 | 236 | -62 | 175 | 256 | -2 | 254 |
| **CLAIMS EXPENSES** | **-539** | **104** | **-435** | **-576** | **142** | **-435** | **-598** | **156** | **-442** |

## STATUS OF TECHNICAL PROVISIONS ESTABLISHED AT THE COFACE GROUP LEVEL

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

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

## ROLL-OUT OF CLAIMS PROVISIONS

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

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

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



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

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

The model on estimated claims provisions used by the Coface Group is based on a history of data which notably includes 2008, which is characterised by an 11-point insufficiency of provisions (between 93% estimated in 2008, compared to 105% revaluated in 2014). Consequently, this provision model has historically led the Coface Group to estimate, out of prudence, higher loss ratios that the loss ratios actually recorded. Given the Coface Group's proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

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

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

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

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

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

## Sharing of intra-group and reinsurance risks

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

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

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

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

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

**The 2013 reinsurance program**

It consists of:

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

**The 2014 reinsurance program**

It consists of:

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

**The 2015 reinsurance program**

It consists of:

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

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

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

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

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

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

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

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

### 2.4.3.3 Internal investment management control mechanism

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

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

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

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

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

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

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

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

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

### 2.4.3.4 Financial risk management

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

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

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

#### Management of risks related to asset allocation

##### INVESTMENT ASSETS

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

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

*(1) Excluding unconsolidated subsidiaries.*

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

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

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

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

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

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

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

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



The investment portfolio is primarily exposed to areas in developed countries of the Euro area and North America. The risk related to sovereign issuers of the euro area was significant in 2012 and 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. Furthermore, the improvement of the economic situations of Spain, Ireland and Italy allowed us to improve our investments in the sovereign securities of these countries. Conversely, exposures to the sovereign debt of Portugal and Greece are still null.

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

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

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

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

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

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

### COVERAGE POLICY

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

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

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

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

## Foreign exchange risk

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

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

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

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

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

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Coface Group, the exchange rate risk is systematically covered for investments in foreign currency which depart from the matching principle. Therefore, as of December 31, 2014, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

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

| | AVERAGE EXCHANGE RATE (DECEMBER 2014) | NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS (DECEMBER 2014) | NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, IN LOCAL CURRENCY AS OF DECEMBER 31, 2014 | ASSUMPTION - 10% VARIATION OF THE EXCHANGE RATE | NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS, AFTER CHANGE IN EXCHANGE RATE | RATE VARIANCE BETWEEN ACTUAL EXCHANGE RATE, VARYING +10% |
|---|---|---|---|---|---|---|
| Brazilian real | 0.3204 | 4,179 | 13.044 | 0.3524 | 4.597 | 418 |
| Canadian dollar | 0.6821 | 4,546 | 6.666 | 0.7503 | 5.001 | 455 |
| Swiss franc | 0.8233 | -4,308 | -5,232 | 0.9056 | -4,739 | -431 |
| Pound sterling | 1.2405 | 8,289 | 6,682 | 1.3646 | 9,118 | 829 |
| Hong Kong dollar | 0.0971 | 3,143 | 32,383 | 0.1068 | 3,458 | 314 |
| Mexican peso | 0.0566 | -2,458 | -43,395 | 0.0623 | -2,704 | -246 |
| Romanian leu | 0.2250 | 2,531 | 11,245 | 0.2475 | 2,784 | 253 |
| Russian rouble | 0.0196 | 4,585 | 233,620 | 0.0216 | 5,044 | 459 |
| Singapore dollar | 0.5944 | -1.412 | -2,375 | 0.6538 | -1,553 | -141 |
| US dollar | 0.7527 | 18,474 | 24,543 | 0.8280 | 20,321 | 1,847 |
| Other | | 4,070 | | | 4,477 | |
| Euro | | 83,452 | | | 83,452 | |
| **TOTAL** | | **125,092** | | | **129,255** | **4,164** |

## Equity risk

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

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

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

## Risk of concentration/default of a counterparty

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

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

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

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

## Sensitivity testing

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

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

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

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

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

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

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

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

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

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

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

*(1) Average bond portfolio sensitivity in late 2013: 2.1.*
*(2) Excluding any hedge effect.*

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

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

*(1) Average bond portfolio sensitivity in late 2012: 2.9.*
*(2) Excluding any hedge effect.*

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

## Real estate risks

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

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

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

### ◆ 2.4.3.5 Management of risks related to factoring

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

The risk can arise in various manners:

- invoice quality: risk of invoice dilution (notably resulting from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the debtor solvency: disputes, compensations, prepaid invoices, double cession, or even in the most serious cases, issuances of falsified invoices. These anomalies produce a ceding risk, which translates into amounts to be recovered on the client;
- client insolvency (ceding risk): the insolvent client cannotrepay the cash advance made for unpaid invoices(in the case of a contract with recourse, i.e. without credit insurance);
- risk on the solvency of the buyer, for factoring contracts without recourse (i.e. with credit insurance);
- consideration of the credit risk when determining the financed part. The financed part is determined using two elements: the assessment of the potential technical risk of non-payment by the debtors of the invoices purchased by the factor, for different reasons than the debtor insolvency; the assessment of the ceding risk: potential expected loss on the client in case the client becomes affected by an insolvency proceeding with the aim to cover all amounts the client owes to the Factor as a result of an undervaluation of the technical risk noted above and/or of invoices financed without credit insurance cover in cases of a debtor's payment default. The financed part shall be determined by subtracting from 100% the retention rates related to these evaluations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 2.4.3.6 Liquidity and capital risks

#### Management of the liquidity risk related to credit insurance activities

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

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

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

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

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

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

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

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

## Management of the liquidity risk related to factoring activity.

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

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

## Management of the interest rate risk related to factoring activities

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

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

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

## Solvency margin

### SOLVENCY I

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

### SOLVENCY II

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

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

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

### 2.4.3.7 **Management of operational risks**

#### Mapping of operational risks

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

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

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

#### Collection of incidents and losses

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

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

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

#### Action plans and reporting

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

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

#### Business continuity

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

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

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

### 2.4.3.8 **Management of legal and compliance risks**

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

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

#### Legal and risk underwriting proceedings

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

#### Situation of dependency

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

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

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

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

# 2.5 Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors [1]

**Year ended December 31, 2014**

Dear Madam, Sir,

As Statutory Auditors of COFACE SA, and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that this report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

## 1 Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

## 2 Other information

We attest that the Chairman of the Board's report sets out the other information required by Article L.225-37 of the French Commercial Code.

The Statutory Auditors

| Courbevoie, March 30, 2015 | Neuilly sur Seine, March 30, 2015 |
|---|---|
| KPMG Audit | Deloitte & Associés |
| Department of *KPMG S.A.*<br>*Francine Morelli*<br>*Associée* | *Damien Leurent*<br>*Associé* |

(1) *This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.*

# COMMENTS ON THE FINANCIAL YEAR

3/


3.1 Economic environment 100

3.2 Significant events in the period 101

3.2.1 Stock market listing 101

3.2.2 Changes in governance 101

3.2.3 Implementation of a liquidity agreement 102

3.2.4 Subordinated debt issuance 102

3.2.5 Financial strength confirmed 102

3.2.6 New commercial and marketing strategy 102

3.2.7 Continuation of excellence efforts in the management of underwritten risks 103

3.2.8 Changes in the scope of consolidation 103

3.2.9 Cessation of the public procedures management business line in Brazil 103

3.2.10 Exit from the Natixis tax consolidation group 104

3.2.11 EVENTS AFTER DECEMBER 31, 2014 104

3.3 Key financial performance indicators 104

3.3.1 Financial indicators 104

3.3.2 Operating Indicators 107

3.4 Comments on income at December 31, 2014 109

3.4.1 Revenue 109

3.4.2 Underwriting income 110

3.4.3 Investment income, net of management expenses (excluding finance costs) 113

3.4.4 Operating income 114

3.4.5 Net attributable income for the year 115

3.4.6 Parent company net income 115

3.5 Group cash and capital 116

3.5.1 Debt and sources of financing of the Coface Group 116

3.5.2 Economic capital 119

3.5.3 Return on equity 121

3.5.4 Off-balance sheet commitments 122

3.6 Events after December 31, 2014 122

3.7 Outlook 123

3.7.1 Economic environment 123

3.7.2 Outlook for the Coface Group 123

3.8 Appendix – Operating indicators at December 31 124

3.8.1 Calculation of ratios as of December 31 124

3.9 Appendix - investments outside the investment portfolio 125

# 3.1 Economic environment

In 2014, global growth reached 2.8%, representing a slight pick-up in activity over the previous year's reported 2.7% growth in GDP. Business recovery continued in advanced countries, although at an exceptionally slower pace.

Noteworthy events included the eurozone's exit from recession, achieving 0.8% growth, down compared to pre-crisis growth rates (2.1% between 1992 and 2007). European recovery was hampered by the burden of deleveraging public and private agents, a process further complicated by low inflation. Other obstacles to recovery included consumer and investor lack of confidence against the backdrop of sluggish or shrinking credit markets. However, these negative factors were offset by falling oil prices and the euro's depreciation as well as by the repeated commitment of the ECB which came up with innovative monetary policies on several occasions. Nevertheless, businesses were faced by much more sluggish demand than in the pre-crisis period. The Monetary Union showed divergent economic situations in member countries. Recovery was confirmed in the countries forced to apply severe economic adjustment measures such as Spain and to a lesser extent Portugal and Greece. We also observed a rally in Belgium and in the Netherlands, very open economies where investments are gradually picking up. Germany reported 1.4% growth, admittedly above average in the EMU, but confidence in the manufacturing sector was adversely impacted by the Russian-Ukrainian geopolitical crisis. Although Germany was affected by an external shock, the country managed to ward off recession thanks to its robust companies and the vigorous recovery of consumption. In France and Italy, supply side structural problems led to macro-economic hardships with growth of 0.4% and -0.3% respectively. The two countries have serious problems regarding the competitiveness of their productive tools while consumption continues to be hampered by difficulties on the employment market. The United Kingdom confirmed its vigorous recovery with 2.6% GDP growth. Japan was technically in recession owing to the negative impact of the VAT increase on the consumption and year on year growth totalled 0.1%. Lastly, despite the significant shock at the beginning of the year linked to the harsh winter, recovery in the US has been confirmed by the vigorous domestic demand but also by re-industrialisation driven by the shale gas revolution and the high earnings reported by businesses. The US reported 2.4% growth.

The economic situation of emerging countries confirmed the structural downturn in these countries. Admittedly, growth was still decent (4.2%) but down compared to the previous decade. China confirmed the soft landing of its economy at 7.4%. Investment remains very dynamic, even though various sectors, including metallurgy and construction, are suffering from overcapacity. Consumption is buoyant but has still not taken over from investment and exports as the engine for business growth, despite the efforts of the authorities in this respect. Growth remained fairly staunch (6.2%) throughout emerging Asia in general. The rise of middle classes, the still attractive nature of the Chinese market and the intra-regional trade represent powerful business drivers. Growth in Latin America, however, stagnated due to the structural competitive problems now impacting economic performance on the continent, and stayed at 1.3%. Brazil posted a particularly low growth rate (0.3%) owing to its recurring infrastructure problems which have finally impacted the economy. In emerging Europe, growth (2.6%) was boosted by the recovery in Western Europe. Russia (+0.6%) suffered from the geopolitical crisis in Ukraine. In spite of the political crises in sub-Saharan Africa and North Africa-Middle East, the two regions managed to maintain growth rates of 4.9% and 2.6% respectively. China's economic slowdown, although moderate, also had global consequences. This is because China is now a major commercial partner to numerous countries in Asia, as well as in sub-Saharan Africa and in Latin America. As such, the slowdown of Chinese demand directly impacted the growth of these countries. The downturn on Chinese markets also affected commodities markets, which plunged.

The global situation was also affected by political crises. The most serious consequence was certainly the conflict between Russia and Ukraine which led to the introduction of economic sanctions with their ensuing adverse effects on business and general defiance of investors towards the Russian market. Direct (such as the sanctions which affected trade) and indirect effects (affecting the confidence of economic players) were observed. There were other memorable crises such as the Iraqi and Libyan conflicts. The Ebola epidemic also affected several sub-Saharan African countries.

# 3.2 Significant events in the period

## 3.2.1 STOCK MARKET LISTING

Since 2011, the Coface Group has refocused on its core business of credit insurance, and has undertaken a series of structural reorganisations that have restored the Group's operating profitability. In this context, on June 27, 2014 the Group entered a new stage of its development with its successful stock market listing on compartment A of the Euronext Paris regulated market.

The listing was well received by the markets, with strong demand from French and international institutional investors resulting in a diversified ownership structure that reflects the multinational dimension of Coface.

The favourable reception from the markets led Natixis, acting as stabilising agent in the name and on behalf of the financial institutions that accompanied Coface throughout its stock market listing, to exercise the over-allotment option in full just four days after the initial listing.

Following the exercise of the full over-allotment option, the total number of Coface shares offered in connection with the stock market listing amounted to 91,987,426 shares, representing 58.65% of COFACE SA's capital and voting rights. Following the listing, the Coface Group's market capitalisation stood at approximately €1,631 million.

A concurrent employee offering was also launched in 19 countries, covering 80% of the Group's headcount. It was warmly welcomed by employees, as illustrated by the nearly 50% take-up rate. At December 31, 2014 and following the recognition of the capital increase reserved for employees, Natixis held 41.24% of the capital of Coface.

On December 22, 2014, the Coface Group's stock was listed on the SBF 120 stock index, one of the flagship indexes of the Paris Stock Exchange. This index combines the 120 top securities listed on Euronext Paris in terms of liquidity and stock market capitalisation. The stock was simultaneously added into the following Euronext Paris indexes: CAC Mid 60, CAC Mid and Small, and CAC All-tradable.

The costs linked to the stock market listing totalled €8.0 million, and were recorded under the item "other operating expenses".

## 3.2.2 CHANGES IN GOVERNANCE

### Executive Committee

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

Nicolas Garcia was appointed Group Commercial Director on July 2, 2014 and became a member of the Group Management Board and Executive Committee on that date.

Hung Wong was appointed Asia-Pacific regional director and became a member of the Executive Committee on August 1, 2014.

### Board of Directors

Given the acceptance of Coface securities on a regulated market, the composition of the Board of Directors has evolved to reflect the rules of governance of the AFEP-MEDEF Code.

The Company's Combined Shareholders' Meeting of June 2, 2014 decided to appoint with effect from July 1, 2014, the following new members to the Board of Directors: Eric Hémar, Sharon Macbeath, Clara-Christina Streit, Olivier Zarrouati, thereby bringing the number of independent directors to six. The following non-independent members resigned, effective July 1, 2014: Bruno Deletré, Yvan de la Porte du Theil, Natixis (represented by Olivier Perquel), Nicolas Plantrou, Emmanuel Pouliquen.

Moreover, the following members resigned, and are currently being replaced: Laurence Parisot, effective October 17, 2014, and Nicole Notat, effective January 20, 2015.

The composition of the Company's Board of Directors is as follows: Laurent Mignon (President), BPCE (represented by Marguerite Berard-Andrieu), Jean Arondel, Jean-Paul Dumortier, Pascal Marchetti, Laurent Roubin, Eric Hémar, Sharon MacBeath, Clara-Christina Streit, Olivier Zarrouati.

## 3.2.3 IMPLEMENTATION OF A LIQUIDITY AGREEMENT

With effect from July 7, 2014, the Coface Group appointed Natixis to implement a liquidity agreement for Company shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marchés financiers – AMAFI) dated March 8, 2011 and approved by the AMF on March 21, 2011. The independence of the teams in charge of the mandate is ensured by the implementation of a suitable internal structure at Natixis.

€5 million were allocated to the liquidity agreement with Natixis, which is for a period of 12 months subject to tacit renewal. 80,819 COFACE SA shares or €4,147,971.71 were in the liquidity account on the settlement date of December 31, 2014.

The liquidity agreement is part of the share buyback programme decided by the Board of Directors' meeting of June 26, 2014 (see buyback program description in section 7.2.1.2). This decision was further to the authorisation that was given to the Combined Annual Shareholders' Meeting of June 2, 2014, delegating all of the powers needed for that purpose to it.

## 3.2.4 SUBORDINATED DEBT ISSUANCE

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million.

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

The leverage effect of debt thus amounted to about 19%. The ratio is obtained by dividing the subordinated debt by the sum of equity and subordinated debt.

The issuance was welcomed by a diversified and international basis of investors and was 10-times oversubscribed. This level of demand demonstrates the confidence in the profitable growth model put in place by the Group over the last three years based on bolstered operating and financial fundamentals.

Finance costs linked to this debt totalled €12.1 million at December 31, 2014.

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

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by COFACE SA).

This subordinated guarantee is recorded in off-balance sheet items. Since it is classified as an intra-group transaction, it is eliminated in consolidation and is not disclosed in the notes to the consolidated financial statements.

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

## 3.2.5 FINANCIAL STRENGTH CONFIRMED

In March and then December 2014, rating agencies Fitch and Moody's confirmed the Group's Insurer Financial Strength (IFS) Ratings at AA- and A2 (outlook stable), respectively, taking into account both the subordinated note issue and the €227 million special dividend paid to Natixis during the period.

## 3.2.6 NEW COMMERCIAL AND MARKETING STRATEGY

With the implementation of its new streamlined operating organisation and solid financial structure, the Coface Group is focusing efforts on rolling out its commercial strategy, aiming at generating profitable growth throughout the world.

This strategy, a spearhead of the Strong Commitment II strategic plan, relies on two major cornerstones: innovation, and the roll-out of a multichannel distribution model.

As such, in 2014, Coface's product offering was rounded out with the following innovative solutions:

- ***Easyliner,*** launched on March 27, 2014: a credit insurance offering designed for SMEs, subscriptions are available online and have been developed as a portal that can also be customised as part of distribution partnerships with, for example, banks or general insurers;
- ***CofaServe,*** launched on April 30, 2014: a secure electronic data exchange solution allowing customers to manage their credit insurance contracts in real time, directly from their own in-house IT systems;
- ***PolicyMaster*** and ***CashMaster,*** launched May 27, 2014: two complementary tools designed to simplify customers' daily management of their credit insurance cover and increase reliability. By analysing the customer's accounting data with regard to the credit-limit cover provided by Coface, ***PolicyMaster*** suggests actions aimed at optimising customer credit risk management. Based on ***PolicyMaster*** management data, ***CashMaster*** is a certification system covering the customer's financial partners.

The Group continued to extend its global presence this year. Coface obtained two new licences allowing it to sell credit insurance policies through its own sales forces in Colombia (January 2014) and in Morocco (December 2014). Such a license was also obtained in Israel in January 2015.

Obtaining these licences therefore rounds out the indirect distribution model that had been initiated for several years now in these countries through partnerships with local insurers.

In early May 2014, Coface opened a new sales representation office in the Philippines, as well as in Kazakhstan in January 2015.

In the United States, Coface continued to develop its sales network by increasing the number of its distribution agents.

Lastly, Serbia became the 98$^{th}$ country to distribute the credit insurance offering following the signing, in July 2014, of a technical partnership agreement with Axa Nezivotno Osiguranle e.d.o.

In addition to the geographical and innovation roll-out strategy, the Group is pursuing its actions in an effort to strengthen the effectiveness of its sales forces:

- in 2014, these actions were implemented by the roll-out, from October to December 2014, of the very first training programme common to all the sales and management teams of Coface customers worldwide;
- the commercial activity monitoring, tracking and steering systems were also enhanced in 2014 with the implementation of new monitoring and tracking indicators and procedures for sales actions throughout the customer's experience.

## 3.2.7 CONTINUATION OF EXCELLENCE EFFORTS IN THE MANAGEMENT OF UNDERWRITTEN RISKS



A major aspect of the strategic refocusing made by the Group in 2011, risk control remains a critical focus point for the Group.

In January 2014, four new enhanced information centres became operational in Bulgaria, Lithuania, Latvia and Thailand, contributing to stronger risk analysis in these countries. A new centre was also opened in Indonesia in 2014.

Collectively, the 46 enhanced information centres in place at December 31, 2014 performed nearly twice the number of tasks in 2014 compared to 2013. They provided the Group's underwriters with specific financial information and Debtor Risk Assessments (DRA) in continuous improvement.

During the year, the underwriting teams implemented several action plans to reduce the exposure of fragile companies with respect to specific criteria. These plans were carried out notably in Ukraine, Russia, China, Thailand, Turkey, South Africa, and in Brazil.

Lastly, the improvement of debt collection processes carried out under the Strong Commitment II strategic plan helped to improve the receivables debt collection rate by 2 percentage points, with this ratio increasing from 46% in 2013 to 48.7% of receivables under management in 2014.

## 3.2.8 CHANGES IN THE SCOPE OF CONSOLIDATION

At the end of September 2014, Coface Group created a new subsidiary in Lausanne, Switzerland, which joined the consolidation scope. At the end of December 2014, this company, known as Coface Re, obtained from the Swiss Regulator a licence to practice reinsurance, subject to compliance with the different conditions laid down by the regulator. From 2015 onwards, Coface Re is the interface between the external reinsurance market and the Group's entities and as such will replace Compagnie française d'assurance pour le commerce extérieur. By creating this company, the Group will be isolating its reinsurance business in a dedicated entity, and continuing the streamlining of coverage solutions for entities and partners of the Coface Group while expanding the range of services offered to its international customers.

Coface is already established in Israel through its BDI subsidiary. It has created another branch of Compagnie française d'assurance pour le commerce extérieur which is also included in the scope of consolidation.

During the second quarter of 2014, COFACE SA purchased the 0.26% minority interest in Compagnie française d'assurance pour le commerce extérieur that it did not already own, which had been previously held by Natixis. Compagnie française d'assurance pour le commerce extérieur is now wholly-owned by COFACE SA. As of late December 2014, the purchase had resulted in a €4 million change in non-controlling interests.

The Company has not acquired interests or control in the French companies.

## 3.2.9 CESSATION OF THE PUBLIC PROCEDURES MANAGEMENT BUSINESS LINE IN BRAZIL

The insurance subsidiary SBCE used to manage, on behalf of, and with the guarantee of, the Brazilian State, coverage on risks that are uninsurable by the private market. The agreement binding the Brazilian State and SBCE was not renewed on June 30, 2014 and this activity was transferred to the Brazilian State on July 1, 2014. This activity generated revenue of €5.6 million at December 31, 2013 and €2.6 million at June 30, 2014. The activity was terminated on that date.

Since July 1, 2014, SBCE continues its export credit risk insurance business for short-term operations.

### 3.2.10 EXIT FROM THE NATIXIS TAX CONSOLIDATION GROUP

Coface left the Natixis tax consolidation group with effect from January 1, 2014. In accordance with the tax consolidation agreement, Natixis paid Coface an amount of €50 million with respect to deferred tax assets recognised on tax loss carryforwards.

### 3.2.11 EVENTS AFTER DECEMBER 31, 2014

There has been no significant change to the Group's financial or commercial position since December 31, 2014.

## 3.3 Key financial performance indicators

### 3.3.1 FINANCIAL INDICATORS

#### ◆ Revenue

##### Composition of the Coface Group's consolidated revenue by business line

The revenue from credit insurance and related services of the Coface Group (representing 88% of the Coface Group's consolidated revenue in 2014, 88% in 2013 and 87% in 2012), combines the premiums from credit insurance policies and "Single Risk" policies ("Earned premiums net of cancellation"), the related service revenue ("Fee and commission income" and "Other related benefits and services"), and the revenue from management services for public coverage of export credit insurance carried out on behalf of the French government.

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

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

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

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

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

- premiums, corresponding to the amounts paid by the Coface Group's policyholders as consideration for the Coface Group's commitment to cover the risks provided for in their insurance policy: credit insurance (short-term), "Single Risk" (medium-term) and surety bond (medium term) which, in terms of the offer, is not a credit insurance product, although its compensation takes the form of a premium;
- revenue from services provided by the Coface Group: services related to credit insurance (information services on debtors, oversight of credit limits, management and debt collection of receivables), services to manage public coverage of export credit insurance on behalf of the French and Brazilian governments (the principle and terms of compensation of the French government are established in the "Financial Agreement" dated February 24, 2012 (see paragraph 1.2.1.2 "Public credit insurance procedures management" of this registration document)); and
- factoring fees which provide payment for the services related to management and debt collection of receivables, as well as the net fees from financing outstanding receivables (financing margin) and the fees for managing disputes that have been collected by the Coface Group as part of its factoring activities in Germany and Poland (corresponding to the "Net income from banking activities").

#### ◆ Earned premiums net of cancellations

The earned premiums net of cancellations combine the gross premiums earned (fraction of premium written during the accounting year or previously, corresponding to the coverage of risks covered during the accounting year

concerned) within the context of direct business (premiums related to policies underwritten directly by an insurance company of the Coface Group) and the premiums for inward reinsurance (premiums earned through partners within the context of fronting agreements in countries where the Coface Group does not have a license allowing it to work directly.

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

### ◆ Fee and commission income

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

### ◆ Net income from banking activities

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

### ◆ Cost of risk

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

### ◆ Revenue or income from other activities

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

### ◆ Investment income, net of management expenses (excluding finance costs)

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

### ◆ Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts and less changes from recoveries following Single Risk policies and surety bonds recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the year, and the change in claims provisions during the year, and the management expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring the recovery procedures (charges and provisions for internal and external debt collection fees).



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

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

### ◆ Expenses from banking activities, excluding cost of risk

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

### ◆ Expenses from other activities

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

Following the elimination of the holding company in Germany as part of the conversion into branches, the Coface Group reallocated all of its expenses according to a new methodology, which explains the bulk of changes in the entries "Contract acquisitions expenses",

"Administrative expenses", and "Other operational charges" during the 2011-2013 period.

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

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

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

### ◆ Underwriting income net of reinsurance

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

### ◆ Policy acquisition costs

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

### ◆ Administrative costs

"Administrative costs" correspond to the Coface Group's overheads, notably payroll expenses and IT management expenses related to policy administration. These costs primarily include the costs related to the credit insurance business. However, due to pooling, policy administration costs related to the Coface Group's other business lines are also included in this item.

### ◆ Other current operating expenses

The "Other current operating expenses" include the charges that cannot be either directly allocated, or allocated through the application of a distribution key to one of the destinations defined by the accounting plan (primarily the charges linked to the Coface Group's support functions).

### ◆ Operating income

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

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

### ◆ Income tax

The tax expenses includes the tax payable and the deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described in Note 4.7 to the consolidated financial statements for the years ended December 31, 2013 and 2014).

### ◆ Net attributable income for the year

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

### ◆ Significant accounting principles and main estimates

#### Significant accounting principles

A description of the Coface Group's accounting methods is presented in Note 4 to the Coface Group's consolidated financial statements, which are presented in paragraph 4.1.1 "Consolidated financial statements of the Coface Group for the year ended December 31, 2014". In particular, the general principles which apply to the credit insurance activities, the services business and the factoring business, along with the distribution of income and expenses relating to the various businesses of the Coface Group are presented.

#### Main estimates

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

The accounting methods presented below, and more extensively described in Notes 4 and 5 to the Coface Group's consolidated financial statements, 4.1.1 "Consolidated financial statements of the Coface Group for the year ended December 31, 2014", are those requiring the most significant use of the estimates and judgements of the Coface Group's management.

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

* *IBNR (incurred but not reported): provision for unknown claims corresponding to claims that have already occurred, but of which the insurer has not yet been informed.*

Furthermore, the recording of deferred tax assets depends in part on estimates of the Coface Group's future profits. The accounting methodology for deferred taxes is presented in Note 19 to the Coface Group's consolidated financial statements, which are presented in paragraph 4.1.1 "Consolidated financial statements of the Coface Group for the year ended December 31, 2014" of this registration document.

## 3.3.2 OPERATING INDICATORS

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

### Production of new contracts

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

### Withholding rate

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

### Price effect of credit insurance policies

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

### Volume effect

The method for calculating premiums on the Coface Group's revenue, which is described in paragraph 1.2.1 "Credit insurance and related services" – pricing of credit insurance offers, produces its effects throughout the life of the policies, and not for a single year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy,

this difference produces a positive effect on the earned premiums recorded by the Coface Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Coface Group's revenue for the following year.

## Loss ratio

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

### Loss ratio before reinsurance

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

### Loss ratio after reinsurance

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

## Cost ratio

### Cost ratio before reinsurance

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

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

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

### Cost ratio after reinsurance

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

### General expenses

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

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to commissions paid to intermediaries which introduce business (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to drafting services in charge of writing contracts);
- administrative costs (including Coface Group overheads, payroll costs, IT costs, etc. excluding profit-sharing and incentive schemes);
- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, including in particular management expenses);
- expenses from banking activities (general operating expense, such as payroll costs, IT costs, etc., relating to factoring activities); and
- expenses from other activities (general expenses related exclusively to information and debt collection for customers without credit insurance) – minus revenue related to:
  - fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as information on debtors, fees for monitoring credit limits of customers of policyholders and receivables management and recovery),
  - other related benefits and services (ancillary services, such as administrative fees for managing claims and reinvoiced receivables recovery fees),
  - information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance,
  - receivables management (fees charged for receivables debt collection services) provided to customers without credit insurance,
  - the net income from banking activities relating to the factoring activities, and
  - remuneration for public procedures management services.

## Combined ratio

The combined ratio measures the overall profitability of the Coface Group's business lines and its technical margin.

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

# 3.4 Comments on income at December 31, 2014

## 3.4.1 REVENUE

The Coface Group consolidated revenue was stable, from €1,440.3 million in 2013 to €1,440.5 million in 2014. Revenue was up by 1.6% like-for-like, in line with forecasts.

The -0.2 percentage point impact on consolidation structure is linked to the cessation on June 30, 2014 of the SBCE public credit insurance procedures management business line. The currency exchange effect of -1.4 percentage points, is primarily linked to devaluations of the Argentine peso (-48%), Brazilian real (-9%), Turkish pound (-15%), Russian rouble (-20%), Japanese yen (-8%) and the South African rand (-12%).

The table below shows the changes in the Coface Group's consolidated revenue by activity as of December 31, 2013 and 2014:

| | AS OF DECEMBER 31 | | CHANGE | | |
|---|---|---|---|---|---|
| *(in millions of euros)* | 2014 | 2013 | *(in €m)* | *(as a %)* | *(as a % on a constant group structure and exchange rate basis)* |
| Insurance | 1,369.9 | 1,371.1 | -1.2 | -0.1 | 1.6 |
| *Gross earned premiums* | *1,132.7* | *1,128.5* | *4.2* | *0.4* | *2.0* |
| Services* | 237.2 | 242.6 | -5.4 | -2.2 | -0.5 |
| Factoring | 70.6 | 69.2 | 1.4 | 2.0 | 2.0 |
| **CONSOLIDATED REVENUE** | **1,440.5** | **1,440.3** | **0.2** | **0.0** | **1.6** |

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

### Insurance

Revenue for the insurance business line (including surety bonds and "Single Risk" insurance products) fell slightly by 0.1% as reported (up +1.6% like-for-like) from €1,371.1 million in 2013 to €1,369.9 million in 2014.

Revenue for credit insurance products and related services, amounted to €1,266.7 million, i.e. 88% of the Coface Group's consolidated revenue. In 2013, revenue for credit insurance products and related services amounted to €1,261.7 million, i.e. 88% of the Coface Group's consolidated revenue.

Gross earned premiums were up 0.4% (+2.0% like-for-like), jumping from €1,128.5 million in 2013 to €1,132.7 million in 2014. The recovery of sales momentum in 2014 generated €154 million in the annual value of new contracts, *i.e.* a 7% increase over 2013. Contract retention rate improved significantly from 86.8% in 2013 to 89.2% at December 31, 2014. The positive momentum of net production was partly offset by a drop in the prices of earned premiums to -1.0% (versus -0.1% in 2013) primarily driven by the improvement in the Coface Group's loss experience in 2014.

The services business revenue fell by -2.2%, from €242.6 million in 2013 to €237.2 million in 2014. On a like-for-like basis, the revenue for the services business was down by -0.5%, the exit from the public procedures scope of the Brazilian company SBCE represents 1.1 growth point, and currency exchange effects represent 0.6 growth points. The improved loss experience led to a drop in income linked to receivables debt collection.

### Factoring

Revenue for the factoring business (exclusively in Germany and Poland) rose from €69.2 million in 2013 to €70.6 million in 2014, i.e. +2.0% (+2.0% like-for-like). The German portfolio was up after the restructuring of the Coface Finanz (Germany) portfolio in 2013.

### Changes in revenue by region

The following table shows the changes in consolidated revenue by business (net of intra-group flows) within the Group's seven geographic regions for the periods ended December 31, 2013 and 2014:

| CONSOLIDATED REVENUE BY REGION OF INVOICING (IN MILLIONS OF EUROS) | AS OF DECEMBER 31 | | CHANGE | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | *in €m* | *as a %* | *AS A %* ON A CONSTANT EXCHANGE RATE BASIS | *AS A %* ON A CONSTANT SCOPE AND EXCHANGE RATE BASIS |
| Western Europe | 461.7 | 469.2 | -7.5 | -1.6 | -2.1 | -2.1 |
| Northern Europe | 352.0 | 366.8 | -14.8 | -4.0 | -3.3 | -3.3 |
| Mediterranean & Africa | 226.5 | 216.7 | 9.9 | 4.6 | 6.7 | 6.7 |
| North America | 113.7 | 101.7 | 12.1 | 11.9 | 13.4 | 13.4 |
| Central Europe | 113.3 | 110.0 | 3.3 | 3.0 | 3.3 | 3.3 |
| Asia-Pacific | 97.1 | 94.8 | 2.3 | 2.4 | 4.6 | 4.6 |
| Latin America | 76.1 | 81.2 | -5.1 | -6.2 | 7.8 | 11.5 |
| **CONSOLIDATED REVENUE** | **1,440.5** | **1,440.3** | **0.2** | **0.0** | **1.4** | **1.6** |

In the period ended December 31, 2014, all the regions of Coface Group reported improvement in their sales performance, with net production (production of new contracts less contract terminations) up with respect to the year ended December 31, 2013.

In Western Europe, the impacts of commercial reorganisations launched, particularly in France have started bearing fruit, after a 7% drop in the region's revenue in 2013, the 2014 drop was limited to 1.6% (-2.1% like-for-like, due to the favourable exchange rate effect of €2.5 million of which €2.3 million for the pound sterling and €0.2 million for the Swiss franc).

Northern Europe reported a -4% drop in business in 2014 (-3.3% like-for-like). The German entity was commercially restructured in 2014 to boost credit insurance sales and improve the quality of customer service. Revenue for factoring (Germany) was up in 2014, powered by the portfolio's vibrant growth.

In the Mediterranean & Africa region, revenue grew by 4.6% (+6.7% like-for-like, due to an unfavourable currency exchange effect from the Turkish pound) driven by the robust commercial performance of the credit insurance market.

Revenue for North America was up 11.9% as reported (up +13.4% like-for-like linked to the dollar's revaluation). The 50% growth in the number of agents distributing Coface credit insurance policies boosted new contract production.

In Central Europe, revenue was up 3.0% on a reported basis (up +3.3% like-for-like), driven by the commercial performance of credit insurance in Poland, Romania and the Czech Republic. The net banking income generated by the factoring business line in Poland fell by -3.5% like-for-like, as a result of commercial redeployment to smaller-sized contracts which require less equity.

In the Asia-Pacific region, revenue grew by 2.4% (+4.6% like-for-like, due to an adverse foreign exchange impact from the Japanese yen and to a lesser extent, the Singaporean dollar). Business activity rallied especially in South Korea, Taiwan and China.

In Latin America, revenue fell by -6.2% as reported (up +11.5% like-for-like) during the period. The unfavourable scope effect of €2.7 million, or 3.7 percentage points, is linked to SBCE's exit from the Brazilian public credit insurance procedures business line on June 30, 2014. Impacts of unfavourable exchange rates of €11.3 million, i.e. 13.9 percentage points, are linked to sharp devaluations of the Argentine peso, -48% and the Brazilian real, -9%.

## 3.4.2 UNDERWRITING INCOME

### Underwriting income before reinsurance

Underwriting income before reinsurance has risen by €41.1 million as reported, rising from €193.9 million in 2013 at €235.0 million in 2014. This improvement was primarily driven by the significant control over loss experience (€37.5 million, up by 6.5%). Restated to take account of the head office's relocation costs in 2013, underwriting income before reinsurance was up by €32.7 million in 2014.

The combined ratio before reinsurance amounted to 78.4%, up by 3.9 percentage points, reflecting the fall in loss experience (-3.5 percentage points) and containment of costs (-0.3 percentage points). Excluding head office relocation costs in 2013, the combined ratio before reinsurance improved by 3.1 percentage points in 2014.

## Loss experience

Loss ratio before reinsurance improved by 3.5 percentage points, moving from 51.1% in 2013 to 47.6% in 2014. This change stems from the continuation of the measures taken in 2013, contributing to the sharp fall in the loss experience level in Western Europe, in the Mediterranean & Africa region and in Latin America as well as active monitoring of risks in Turkey, Russia, South Africa given the macro-economic environment in these countries.

This improvement was also driven by the increase in the liquidation surplus from prior years by 3.1 percentage points and an ultimate loss ratio (before reinsurance and excluding claims handling expenses) in the period under review, slightly down to 72.5%.

### LOSS EXPERIENCE

| | AS OF DECEMBER 31 | | CHANGE | |
|---|---|---|---|---|
| *(in millions of euros and %)* | 2014 | 2013 | *(in €m)* | *(as a %)* |
| Claims expenses incl. claims handling costs | 538.7 | 576.3 | -37.5 | -6.5% |
| Loss ratio before Reinsurance incl. claims handling costs | 47.6% | 51.1% | - | -3.5 pts |

The loss ratio in Western Europe confirmed its fall, coming out at 34.8% (down -7.2 percentage points), especially in France, where the positive impacts of measures taken in 2013 on certain sectors or debtors continued into 2014 and pushed down the ratio.

In Northern Europe, the loss experience level observed since the beginning of the year is being confirmed with a loss ratio of 52.2% at December 31, 2014 (up 2.7 percentage points).

The loss ratio for the Mediterranean & Africa region fell by 10.4 percentage points to 59.8%. This improvement was the result of measures that were primarily taken in Italy in 2013, and in early 2014.

The loss ratio is still low in North America, at 24.1% despite the 4.8 percentage point increase during the year.

Central Europe reported a loss ratio slightly up at 67.8% specifically linked to the recording of more severe losses.

Asia-Pacific reported a loss ratio of 51.4% after a very low ratio of 26.0% in 2013. This change in the loss experience also includes a substantial loss in the region which occurred in the fourth quarter.

The fall in the level of loss experience in Latin America observed this year continued, with the region reporting the sharpest drop in loss ratio, i.e., down by -45.3 percentage points to reach 59.9%. This stems from actions undertaken (review of exposures) in 2013.



### LOSS EXPERIENCE BY REGION OF INVOICING

| | AS OF DECEMBER 31 | | CHANGE |
|---|---|---|---|
| *(in %)* | 2014 | 2013 | *(% POINTS)* |
| Western Europe | 34.8 | 42.0 | -7.2 pts |
| Northern Europe | 52.2 | 49.5 | 2.7 pts |
| Mediterranean & Africa | 59.8 | 70.2 | -10.4 pts |
| North America | 24.1 | 19.3 | 4.8 pts |
| Central Europe | 67.8 | 66.5 | 1.2 pts |
| Asia-Pacific | 51.4 | 26.0 | 25.4 pts |
| Latin America | 59.9 | 105.2 | -45.3 pts |
| **LOSS RATIO BEFORE REINSURANCE** | **47.6** | **51.1** | **-3.5 PTS** |

## General expenses

Contract acquisition commissions were up 5.1% (+6.5% like-for-like), jumping from €134.9 million in 2013 to €141.9 million in 2014. The increase in Coface Group's revenue was achieved in countries with brokerage-based commercial structures, such as in the US, Italy, Turkey, Spain and South America. There is no commission on net refunds, which were up due to the drop in loss experience.

General internal expenses, including claims management costs, were down by -3.0% (-1.5% like-for-like), from €567.5 million in 2013 to €550.7 million in 2014.

Excluding Coface Group's head office relocation costs, which amounted to €8.3 million in 2013, general internal expenses were down -1.5% (0.0% like-for-like) and lower than the 1.6% recorded for premium growth.

Payroll expenses fell back -2.4%, from €305.2 million in 2013 to €297.9 million in 2014 with the -2% drop in full-time equivalents. IT costs remained stable over the period at €54.9 million, +0.2% like-for-like. Other expenses (indirect taxes, information purchases, rental expense, etc.) were down by -4.6% from €207.4 million to €197.9 million, especially on rental expense following the relocation of the Coface Group's head office and on information purchases. The control over general expenses obtained through productivity efforts in all regions allowed Coface Group to invest in emerging zones, such as Asia, Latin America and the Mediterranean & Africa region, and in the sales forces generally.

Cost ratio, before reinsurance, improved by 0.3 percentage points, moving from 31.2% in 2013 to 30.9% in 2014. Excluding relocation costs, it fell by -0.4 percentage points, from 30.5% in 2013 to 30.9% in 2014, primarily due to the change in external policy acquisition costs, since revenue was primarily up in brokerage-based regions. Furthermore, revenue from the services business, which is factored into the calculation of this ratio, fell this year especially due to the discontinuance of the procedures management business line on behalf of the Brazilian State and the fall in loss experience (fall in recovery expenses billed to policyholders).

In Western Europe, general expenses were down -2.0% as reported (down -2.5% like-for-like), as a result of the operating process and costs streamlining plan launched in 2013, and the savings on rental expense following the relocation of the Coface Group's head office and from the share of relocation costs recognised in 2013.

In Northern Europe, general expenses were down 2.6% (down 2.2% like-for-like). Payroll expenses fell by -2.4% reflecting the lower workforce and especially the ongoing commercial restructuring in Germany. IT costs were down following operational streamlining and Group-level centralisation of IT tools.

General expenses in the Mediterranean & Africa region were up 2.5% as reported (up +4.4% like-for-like), following the operational enhancement, backbone of sales development in the region and inflation in Turkey to a lesser extent. The enhanced information function was strengthened through the region's loss experience reduction action plan.

In North America, general expenses were up 1.4% (+2.6% like-for-like) driven by strengthened sales procedures which pushed revenue up by 11.9%.

In Central Europe, general expenses were slightly down -0.4% as reported (down -0.2% like-for-like).

In Asia-Pacific, general expenses shot up 9.8% as reported (up +12.9% like-for-like). Personnel expenses surged 9.5% like-for-like, reflecting the 12% increase in the region's work force owing to the Coface Group's sales investment in the area.

In Latin America, general expenses were down -11.9% as reported (up +11.7% like-for-like). The exit of the public credit insurance procedures entity SBCE on June 30, 2014 had an impact of €2.5 million, i.e. 8.9 percentage points on the consolidation scope. Foreign exchange (mainly the Argentine peso and Brazilian real) had an impact of 14.7 percentage points. Staff increased 6.9% (excluding the impact of SBCE) in an effort to assist in the sales development.

### ◆ Underwriting income after reinsurance

Underwriting income after reinsurance grew by €38.6 million, from €127.7 million in 2013 to €166.3 million in 2014, as a result of the increase in underwriting income before reinsurance (up €41.1 million).

Reinsurance cost rose 3.7%, up from €66.2 million in 2013 to €68.7 million in 2014. It is advancing significantly slower than the company's underwriting income given the increase in retention rate, from 72.0% in 2013 to 76.5% in 2014 and the improvement in the commissions collected by reinsurers from 34.2% in 2013 to 35.8% in 2014.

This increase in reinsurance cost stems from the improvement in the Coface Group's loss experience which through proportional ceded reinsurance, albeit down, is required to transfer the gains from prior years to its reinsurers. It is mostly offset by the improvement in the commission thus obtained as well as by the significant drop in non-proportional reinsurance cost. The latter can be explained first by a base effect since the purchase in 2013 of additional cover for country risks no longer requiring renewal in 2014 and second, an improvement of conditions stemming from the improvement in loss experience.

At the end of September 2014, Coface Group created a reinsurance company located in Lausanne, Switzerland. Coface Re SA obtained its licence under certain conditions from the Swiss Regulator at the end of December 2014. From 2015 onwards, Coface Re will be the interface between the external reinsurance market and the Group's entities and as such will replace Compagnie française d'assurance pour le commerce extérieur SA. By creating this company, the Group will be isolating its reinsurance business in a dedicated entity, and continuing the streamlining of coverage solutions for entities and partners of the Coface Group while expanding the range of services offered to its international customers (see paragraph 5.2.2.8 "Sharing of intra-group and reinsurance risks").

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

### Financial markets

In 2014, the economic context was very volatile particularly in the second part of the year. Global economic growth, driven by the US after a difficult start to the year, stimulated fears of an end to the recovery announced in 2013. From the second quarter onwards, the US economy significantly rebounded and at the end of the year confirmed the growth turnaround thanks in particular to the fall in oil price which was the driver for higher consumption and lower inflation. The Federal Reserve, which in October 2013 terminated its asset buying policy, began in the second quarter to prepare the markets for a potential key interest rate hike in 2015. Against this background, US sovereign rates fell again during the year with the 10-year yield rate falling from 3% at the end of 2013 to less than 2.2% at the end of 2014.

In the eurozone, the overall macroeconomic situation remained disappointing throughout the year with inflation falling sharply in the second half. The geopolitical crisis in Ukraine during the second quarter impacted German figures which began stoking fears about the scope of the gradual recovery expected during the year. Investors were reassured by only two countries in the eurozone, Spain and Ireland, where the launched reforms have begun showing the first encouraging signs. In response to the widespread sluggishness across Europe, the European Central Bank launched a host of conventional and non-conventional monetary policy measures and began hinting increasingly loudly in September 2014 at the possibility of a sovereign bond purchase programme in 2015. Indeed such a programme has become necessary given the sharp drop in oil price in summer 2014 with the barrel tumbling over 30% within a few months. In this context, rates remained downward oriented and the differences in 10-year yield rates between Germany on one hand and Italy, Spain and France on the other hand, also shrank in 2014. These actions and economic news sent European rates tumbling to record lows (Bund below 0.6% in December 2014 and the 10-year OAT at 0.82) and were clearly positive for this asset class which once again reported significantly high performance levels. Meanwhile equities markets recorded a rather erratic performance, slightly positive as they reeled from the impact of growing geopolitical risks and the lacklustre economic context in the eurozone; however thanks to the persistent positive growth in the eurozone and the fall in oil price, 2014 ended on a slightly positive note (up +4.6% for the Eurostoxx reinvested dividend).

In the emerging world, the situation largely differed from one country to another, primarily marked in the second half by an increasingly difficult situation for oil-exporting countries, victims of sharply-contracting barrel prices, with the asset class adversely impacted by the negative trend of the region's major countries.



### Financial income

Against this economic backdrop, the Coface Group, as part of its defined strategic allocation policy, raised its exposure in the first half to the sovereign debt of major issuers on financial markets and maintained its exposure to the equities asset class (eurozone mostly). In the second half of 2014, the Coface Group launched an indirect exposure to European unlisted property assets by purchasing units in collective undertakings in this universe.

All these investments were made within a strictly-defined risk framework; the quality of issuers, sensitivity of issues, dispersal of issuer positions and geographic areas are governed by strict rules defined in the different management mandates granted to the Coface Group's dedicated managers.

The portfolio's market value increased sharply in the year mainly thanks to the integration of the amount linked to the issuance of the subordinated debt at the beginning of the second quarter as well as to the robust performance of corporate bond asset classes.

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

#### MARKET VALUE

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Listed shares | 178 | 80 |
| Unlisted shares | 12 | 20 |
| Bonds | 1,788 | 1,343 |
| Loans, deposits and UCITS money-market funds | 550 | 662 |
| Property | 31 | 1 |
| **TOTAL INVESTMENT PORTFOLIO** | **2,558** | **2,106** |
| Associated and non-consolidated companies | 121 | 103 |
| **TOTAL** | **2,679** | **2,209** |

In 2014, the diversification of the investment portfolio initiated in 2013 allowed, despite the historically low rate of return, the Coface Group to maintain a stable accounting rate of return. Investment income came off at €44.5 million (i.e.1.9% of 2014 average outstanding) comparable with the €40.8 million excluding non-recurring realised gains in 2013 (1.9% of average outstanding in 2013).

### INVESTMENT PORTFOLIO INCOME

| *(in millions of euros)* | AS OF DECEMBER 31 2014 | 2013 |
|---|---|---|
| Shares | 10.0 | -0.8 |
| Fixed-income instruments | 34.5 | 69.1 |
| *o/w realised gains* | 1.7 | 30.3 |
| Investment property | 0.0 | 0.3 |
| **TOTAL INVESTMENT PORTFOLIO** | **44.5** | **68.6** |
| Associated and non-consolidated companies | 3.5 | 8.5 |
| Net foreign exchange gains | -0.7 | -2.6 |
| Financial and investment charges | -4.6 | -7.0 |
| **TOTAL** | **42.8** | **67.5** |
| **TOTAL EXCLUDING NON-RECURRING REALISED GAINS** | **42.8** | **39.7** |

After income from investments in companies, foreign exchange result, financial expense and investment costs, financial income for 2014 came off at €42.8 million.

## 3.4.4 OPERATING INCOME

| | AS OF DECEMBER 31 | | CHANGE | | |
|---|---|---|---|---|---|
| (IN MILLIONS OF EUROS) | 2014 | 2013 | *(in €m)* | *(as a %)* | *(as a % on a constant group structure and exchange rate basis)* |
| **OPERATING INCOME INCLUDING FINANCE COSTS** | **184.1** | **193.9** | **-9.7** | **-5.0%** | **-3.9%** |
| Other operating income and expenses | -9.9 | 1.7 | -11.7 | N/A | N/A |
| **CURRENT OPERATING INCOME INCLUDING FINANCE COSTS** | **194.1** | **192.2** | **1.9** | **1.0%** | **2.1%** |
| Reallocation costs | | -8.3 | | | |
| Realised gains | | 27.8 | | | |
| Interests costs | -12.1 | | | | |
| **CURRENT OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING RESTATED ITEMS** | **206.2** | **172.7** | **33.4** | **19.4%** | **20.7%** |

Current operating income, including finance costs and excluding restated items, rose from €33.4 million, i.e. by 19.4% (+20.7% like-for-like, in line with forecasts), from €172.7 million in 2013 to €206.2 million in 2014.

The net combined ratio, including non-recurring items, improved by 3.8 percentage points, rising from 83.5% in 2013 to 79.7% in 2014, in line with forecasts.

Other operating income and expenses amounted to €9.9 million and primarily reflected the non-recurring costs linked to the Coface Group's stock market listing (€8 million) and also include the set up costs for establishing the Coface Re reinsurance entity (€1.8 million).

2013 included €27.8 million in non-recurring financial income linked to the restructuring of the investment portfolio and gains realised on a portion of the portfolio. 2014 included €12.1 million in non-recurring financial expense incurred on the Group's hybrid debt issuance.

The rise in the Coface Group's operating income primarily came from improvement of the loss experience (Latin America, Western Europe). All regions contributed positively to operating income, except for Asia-Pacific which was impacted by the rise in loss experience at year end.

| | AS OF DECEMBER 31 | | | SHARE OF ANNUAL TOTAL |
|---|---|---|---|---|
| *(in millions of euros)* | 2014 | 2013 | CHANGE | AT DECEMBER 31, 2014 |
| Western Europe | 104.0 | 95.0 | 9.0 | 44% |
| Northern Europe | 61.1 | 71.0 | -10.0 | 26% |
| Mediterranean & Africa | 20.7 | 16.5 | 4.2 | 9% |
| Central Europe | 22.7 | 32.5 | -9.7 | 10% |
| North America | 28.1 | 23.4 | 4.8 | 12% |
| Latin America | 4.7 | -22.2 | 26.9 | 2% |
| Asia-Pacific | -3.7 | 13.8 | -17.5 | -2% |
| **TOTAL (EXCLUDING INTER-REGIONAL FLOWS AND HOLDING COST NOT REBILLED)** | **237.6** | **229.9** | **7.7** | **100%** |



## 3.4.5 NET ATTRIBUTABLE INCOME FOR THE YEAR

The Coface Group's effective tax rate came out at 34.8%, i.e., 2 percentage points lower than in 2013 (32.8%).

Net attributable income for the period dropped -1.8% from 127.4 in 2013 to 125.1 in 2014.

Restated from items related to the Group's hybrid debt issuance (interest cost), exceptional and non-recurring items (costs related to the Coface Group's stock market listing, the creation of Coface Re in 2014, relocation to Bois-Colombes and realised gains in 2013), net attributable income surged 23.2% to €139.9 million like-for-like in the period under review, from €114.8 million in 2013.

## 3.4.6 PARENT COMPANY NET INCOME

The 2014 net income for COFACE SA was -€2,779,036 compared to €68,779,474 in 2013. This loss is explained, on the one hand, by the lack of payment of dividends by Compagnie française d'assurance pour le commerce extérieur, the Group's operating subsidiary and, on the other, by the issue costs of the hybrid debt issued in 2014 and the expenses connected to the stock market listing. COFACE SA, with its sufficient level of distributable premiums and subject to the conclusions of the Ordinary Annual Shareholders' Meeting, is in a position to propose a special cash dividend (6th resolution).

# 3.5 Group cash and capital

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 12 "Cash and cash equivalents" in the Company's consolidated financial statements, as reported in paragraph 4.1.1 "Consolidated Financial Statements of the Coface Group for the period ended on December 31, 2014" of this document. The cash flows presented below include the cash related to discontinued activities.

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Net cash generated from operating activities | 273.4 | 164.9 |
| Net cash flows generated from investment activities | -400.3 | -99.5 |
| Net cash generated used in financing activities | 134.3 | -65.4 |

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Cash and cash equivalents at beginning of year | 273.9 | 257.0 |
| Cash and cash equivalents at end of year | 278.6 | 273.9 |
| Net change in cash and cash equivalents | 4.7 | 16.9 |

## 3.5.1 DEBT AND SOURCES OF FINANCING OF THE COFACE GROUP

Coface Group debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of "Amounts due to banking sector companies" and "Debt securities").

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Subordinated borrowings | 386.9 | - |
| Obligations under finance leases | 7.9 | 10.6 |
| Bank overdrafts and other borrowings | 0.3 | 4.6 |
| **SUB-TOTAL FINANCIAL DEBT** | **395.1** | **15.1** |
| Amounts due to banking sector companies | 300.7 | 406.8 |
| Debt securities | 1,538.1 | 1,348.8 |
| **SUB-TOTAL OPERATING DEBT** | **1,838.8** | **1,755.6** |

### Financial debt

For the period ended December 31, 2014, the Coface Group's financing liabilities, totalling €395.1 million, primarily include the subordinated borrowings issued for €386.9 million.

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

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

These bonds 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.

### Operating debt linked to the factoring business

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

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

Amounts due to banking sector companies; which corresponded to drawdowns on the bilateral credit lines (see below "bilateral credit lines") set up with various banking partners of Coface Finanz and Coface Factoring Poland, amounted to €301 million for the period ended on December 31, 2014.

The borrowings represented by the securities amounted to €1,538.1 million for the period ended on December 31, 2014 including:

- the Senior units issued by the Vega securitisation mutual fund under the factoring receivables securitisation programme (see paragraph below "securitisation programme") of Coface Finanz, in the amount of €1,186.1 million; and
- commercial paper issued by COFACE SA (see paragraph below "commercial paper programme") to finance the activity of Coface Finanz in the amount of €352.0 million.

### Coface Group's main sources of operational financing

Coface Group's main sources of operational financing are to date:

- a programme to securitise its trade factoring receivables in the maximum amount of €1,195 million;
- a commercial paper programme for a maximum amount of €500 million; and
- bilateral credit lines for a maximum total amount of €884 million.

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

In 2013, the Coface Group continued moving away from Natixis by proceeding to an extension of its commercial paper programme.

In 2014, a structural addition was introduced into the securitisation programme, which allowed the maximum amount of the programme to be increased to €1,195 million (recall that the initial amount was €1,100 million).

At December 31, 2014, the amount of the Coface Group debt linked to its factoring business amounted to €1,839 million, including €166 million borrowed from Natixis under a bilateral credit line (see below).

#### (a) Securitisation programme

In connection with the refinancing of its factoring business, Coface Group implemented, in February 2012, a securitisation programme for its factoring trade receivables for a maximum total amount of €1,100 million, guaranteed by Compagnie française d'assurance pour le commerce extérieur. The maximum amount of the programme increased €95 million thanks to a structural addition that was established in July 2014. The ceding entity is Coface Finanz, German wholly-owned subsidiary of Compagnie française d'assurance pour le commerce extérieur. The reinsurer for the receivables is a French securitisation mutual fund, Vega, governed by the stipulations of the French Monetary and Financial Code. The Coface Group gained from this ceded reinsurance initial funding with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Coface Group reached an agreement with the banks in charge of the funding, to renew the funding due in one year and extend the 3-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the share of financing at three years reached 77%. The main monitoring indicators for the programme include the receivables default rate, the past due payment rate and the dilution ratio. The priority units issued by the Vega securitisation mutual fund were subscribed and refinanced by four undertakings which were issued in consideration for the short-term securities. The subordinated units were underwritten by Coface Factoring Poland.

At December 31, 2014, €1,186 million had been used under the programme.

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

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

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding the change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Coface Group.

The three covenants set by the securitisation programme include:

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

As of December 31, 2014, the Coface Group had complied with all of these covenants.

## (b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Coface Group also introduced, mainly through its subsidiaries, a certain number of bilateral credit lines and bank overdrafts for a total maximum amount of €884 million.

- bilateral credit lines and bank overdrafts concluded with nine German banks (the "German credit lines") and two Polish banks (the "Polish bank overdrafts") for a maximum amount of €384 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one year. Some German credit lines contain the usual clauses, such as: borrower compliance with a specified net asset level; borrower change of control clause and benefit for the lender of the strictest financial covenant granted by the borrower to other financial institutions. The Polish Overdraft Facilities contain the standard commitments. At December 31, 2014, €118 million had been drawn down under the German credit lines and €18 million had been used under the Polish bank overdrafts;
- two bilateral credit lines that had been entered into with Natixis, for a maximum amount of €500 million (including €200 million for Coface Finanz in Germany and €300 million for Coface Factoring Poland in Poland), maturing December 31, 2015, of which €166 million had been drawn as of December 31, 2014.

## (c) Commercial paper programme

Furthermore, the Coface Group has a commercial paper programme for a maximum of €500 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and three months. At December 31, 2014, the total amount of securities issued through this commercial paper programme stood at €352 million. Moody's and Fitch have rated the commercial paper programme at P-2 and F1 respectively.

Should the commercial paper market shut down, the Coface Group has six lines of credit, currently unused and granted for a period of one year (due in October 2015) covering the maximum amount of the commercial paper issue programme (€500 million). The agreements regulating these bilateral credit lines contain the usual restrictive clauses (such as a negative pledge, prohibition from assigning the assets outside the Coface Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Coface Group's business activities) and early repayment (non-compliance with the use of the funds (reserved in the event of unavailability of the commercial paper programme), payment default, crossed default, non-compliance with representations, warranties and commitments (including the covenants below), significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and liquidation procedure or again downgrading of the Company's credit rating below BBB+ (by Fitch) or Baa1 (by Moody's)), in line with market practices.

The bilateral credit lines do not contain a clause on change of control with regard to the Company, but rather restrictions relating to a change in control of Compagnie française d'assurance pour le commerce extérieur and of the factoring companies that would result in their exit from the Coface Group.

A financial covenant is fixed by these credit lines:

| COVENANT | TRIGGER THRESHOLD |
|---|---|
| Consolidated solvency margin | >100% |

The consolidated solvency margin taken into account to calculate the commercial paper covenants refers to the definition given by the Solvency I prudential rules, currently applied by the regulator.

As of December 31, 2014, the Coface Group had complied with all of these covenants.

## 3.5.2 ECONOMIC CAPITAL

At December 31, 2014, as illustrated in the table below, the Coface Group's solvency margin represented around seven times the minimum required under the Solvency I Regulation.

| | POSITION AT DÉCEMBRER 31, 2014 | | POSITION AT DÉCEMBRER 31, 2013 | |
|---|---|---|---|---|
| | IN MILLIONS OF EUROS | HEDGE RATE | IN MILLIONS OF EUROS | HEDGE RATE |
| **Own Funds (Group Share) IFRS** | **1,717** | | 1,780 | |
| Restatement French GAAP | -450 | | -377 | |
| **Own Funds (Group Share) French GAAP** | **1,267** | | 1,404 | |
| Losses, inamortised incorporation expenses and other intangible assets | -195 | | 207 | |
| Capital gains resulting from undervalued assets | 146 | | 106 | |
| Issue of subordinated notes on March 27, 2014 (eligible for inclusion in solvency margin up to 25% of the margin requirements) | 42 | | 0 | |
| Estimated dividend distribution in 2015 | -75 | | 0 | |
| **TOTAL AMOUNT OF ITEMS COMPRISING SOLVENCY 1 MARGIN** | **1,186** | **7.1** | **1,302** | **8.3** |
| **Effect of events occurring in 2014:** | | | | |
| Issue of subordinated notes on March 27, 2014 (eligible for inclusion in solvency margin up to 25% of the margin requirements) | 0 | | 39 | |
| Estimated exceptional share premium distribution | 0 | | -227 | |
| **TOTAL AMOUNT OF ITEMS COMPRISING SOLVENCY 1 MARGIN INCLUDING SUBORDINATED NOTES ISSUE** | **1,186** | **7,1** | **1,114** | **7.1** |
| **Margin Requirement** | **167** | | **157** | |

The Coface Group also measures its financial strength based on an economic capital (capital required to hedge its managed risks). The change in economic capital depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

For the insurance business, the Coface Group's economic capital model evaluates the risks linked to pricing, underwriting, accrual of reserves, as well as market risks and operational risks. It takes account of frequency risks and severity risks. It is known as point in time and takes account of the correlations between the various risks linked to underwriting. This calculation is calibrated to hedge the risk of loss corresponding to 99.5% quantile. At December 31, 2014, the Coface Group's economic capital amount amounted to €1,029 million.

The Coface Group also calculates the economic capital for the factoring business line. As of December 31, 2014, the economic capital for factoring amounted to €195 million. It is estimated by applying a 9% rate to the risk-weighted assets (or **RWA**). RWAs are calculated on the basis of the factoring assets, by applying weighting as a function of the probability of default and the expected loss in case of default, determined according to the method in line with the method used by Natixis. The Coface Group intends to implement a conservative estimate, given that:

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

The amount of the economic insurance capital and the economic factoring capital of the Coface Group is comparable with the available capital which totalled, as of December 31, 2014, €1,761 million.

The economic capital hedge rate evolved in 2014 in comparison to the previous year. In 2013 this ratio was calculated solely on the insurance scope: the equity available at Group level was restated for the required amount to cover the economic capital for factoring and then recorded under the insurance economic capital amounts. With the method used in 2014, the economic capital hedge ratio corresponds to the ratio between all the available Coface Group capital and its total economic capital (the sum of the insurance economic capital and of the factoring economic capital). The 2013 hedge ratio, recalculated using this method and after taking into account the subordinated securities issue in March 2014 and the non-recurring distribution taken from the "additional paid-in capital" item made in the first half of 2014, rose to 145%. At the end of 2014, this ratio was almost stable and stood at 144%.

The table below presents the calculation elements of the Coface Group's economic capital:

| *(in millions of euros)* | AS OF DECEMBER 31, 2014 | 2013 |
|---|---|---|
| Total equity | 1,725 | 1,793 |
| Goodwill and other intangible assets | -232 | -240 |
| +/- Other adjustments* | -32 | 41 |
| Estimation of dividend distribution in 2015 | -75 | -227 |
| + subordinated debt | 375 | 375 |
| **=AVAILABLE CAPITAL (A)** | **1,761** | **1,742** |
| Economic capital - insurance (B) | 1,029 | 1,015 |
| Economic capital - factoring (C) | 195 | 190 |
| **ECONOMIC CAPITAL (D)=(B)+(C)** | **1,224** | **1,205** |
| **HEDGE RATE (E)=(A)/(D)** | **144%** | **145%** |

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

Furthermore the Coface Group is currently working on a partial internal model as part of the implementation of Solvency II. Talks are in progress with the ACPR to validate its partial internal model designed to calculate, depending on the management of risks specific to Coface Group, its equity needs under Solvency II (see also paragraph on "Risks linked to the implementation of Solvency II" in this document).

## 3.5.3 RETURN ON EQUITY

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

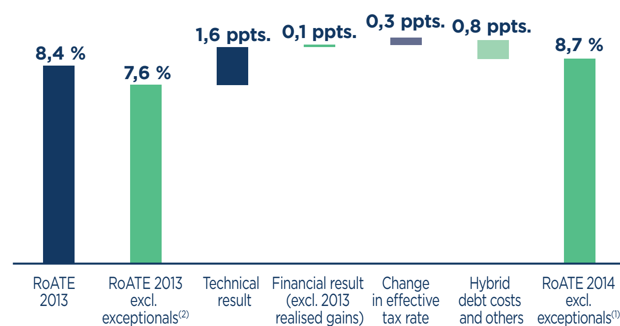
The table below presents the elements used to calculate the Coface Group's RoATE over the 2013-2014 period:

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Accounting equity (attributable to owners of the parent) – A | 1,718 | 1,780 |
| Intangible assets – B | 232 | 240 |
| Tangible equity – C (A-B) | 1,486 | 1,540 |
| Average tangible equity – D ([$C_n$+$C_{n-1}$]/2) | 1,513 | 1,526 |
| Net attributable income for the year – E | 125 | 127 |
| RoATE – E/D | 8.3% | 8.4% |



In order to analyse the evolution in the profitability of equity between 2013 and 2014, this ratio was recalculated based on the net income, excluding exceptional items:

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in millions of euros)* | 2014 | 2013 |
| Accounting equity (attributable to owners of the parent) – A | 1,718 | 1,780 |
| Intangible assets – B | 232 | 240 |
| Equity, net of intangible assets, recalculated based on the net income excluding exceptional items – C (A - B + F - E) | 1,493 | 1,527 |
| Average equity, net of intangible assets recalculated based on the net income excluding exceptional items – D ([$C_n$+$C_{n-1}$]/2) | 1,510 | 1,519 |
| Net attributable income for the year – E | 125 | 127 |
| Net attributable income for the year excluding exceptional items – F | 132(1) | 115(2) |
| RoATE excluding exceptional items – F/D | 8.7% | 7.6% |




(1) Net attributable income for 2013 restated for relocation costs and gains realised on disposals of financial assets from the establishment of the centralised investment management platform.
(2) Net attributable income for 2014, restated for costs of stock market listing and other exceptional items.

### 3.5.4 OFF-BALANCE SHEET COMMITMENTS

Most of the Coface Group's off-balance sheet commitments concern credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Coface Group's off-balance sheet commitments for the 2013-2014 period:

| | AS OF DECEMBER 31 | |
|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 |
| **COMMITMENTS GIVEN** | **419,655** | **38,600** |
| Guarantees and letters of credit | 410,100 | 29,000 |
| Property guarantees | 7,500 | 7,500 |
| Financial commitments in respect of equity interests | 282 | 210 |
| Obligations under finance leases | 1,773 | 1,890 |
| **COMMITMENTS RECEIVED** | **1,086,961** | **626,780** |
| Guarantees and letters of credit | 115,737 | 116,828 |
| Guarantees | 134,724 | |
| Credit lines linked to commercial paper | 500,000 | 500,000 |
| Credit lines linked to factoring | 334,000 | |
| **Financial commitments in respect of equity interests** | **2,500** | **9,952** |
| **GUARANTEES RECEIVED** | **305,323** | **349,488** |
| Securities lodged as collateral by reinsurers | 305,323 | 349,488 |
| **FINANCIAL MARKET TRANSACTIONS** | **36,829** | **237,133** |

The commitments given, and in particular the guarantees and letters of credit, totalling €410 million for the year ended December 31, 2014, mainly relate to a joint guarantee for investors with COFACE SA subordinated bonds for €380 million (10-year term).

Credit lines amounting to €834 million for the year ended December 31, 2014, correspond to the bilateral credit lines established through the Coface Group commercial paper issuance programme (see paragraph 3.5.2 "Debt and financing sources of the Coface Group" of this document) as well as to other unused bilateral credit lines with Natixis to finance the factoring activity in the amount of €334 million.

## 3.6 Events after December 31, 2014

On February 23, 2015 the French government announced its intention to reflect on the future of the public guarantee scheme for exports and indicated that would study the possibility of transferring management of public guarantees to the Bpifrance group. Since 1946, Coface has managed the export credit insurance business for the State and received compensation for its costs as part of this undertaking that stood at €59.9 million in 2014, equivalent to approximately 4% of its overall revenue. Coface will engage in discussions with the government on the appropriateness of this choice, as well as all the legal, social, financial and operational consequences of taking this direction, should they decide to go down this route.

This announcement did not have an impact on Coface's financial statements for December 31, 2014.

# 3.7 Outlook

## 3.7.1 ECONOMIC ENVIRONMENT

Global growth should pick up for the second consecutive year in 2015 (+3.1% after 2.8%), without however returning to its pre-crisis level.

Advanced economies should receive a boost, particularly from fallen oil prices which will positively impact household consumption by raising the purchasing power of families. Central banks will also continue implementing accommodating policies in a low inflation context. Coface expects business to be particularly buoyant in the United States (+2.9%), where household consumption will be driven by lower unemployment and by a modest wage increase. Businesses in the US should continue reaping high earnings, partly thanks to lower production costs (energy costs from the shale gas boom, contained wage increase in recent years).

The rally should continue in the eurozone (+1.2% expected in 2015) but at a slower pace. With its reported +1.7 growth, the Spanish economy, now driven by stronger domestic demand, will be, on the same level as Germany (+1.5%), the star pupil of the eurozone. In France (+0.8%), consumption will still be hampered by high unemployment and household savings, while companies gradually return to investing thanks to the expected increase in their margins. For similar reasons, growth will be low in Italy (+0.4%).

Growth in emerging countries will stay relatively buoyant. Activity will continue slowing down gradually in China (+7.0% after +7.4%) against a background of structural contraction of credit and investment growth, especially in the sectors afflicted with overcapacities (steel, real estate). India (+6.0%) will be bolstered by the early effects of the reforms implemented by Prime Minister Modi and by the decline in oil price. However, low oil prices will be a burden for numerous countries, particularly economies in the Middle East, Latin America and Africa. Combined with numerous internal structural deficiencies, the drop in oil price also explains the negative growth outlook in Brazil (+0.8%) and especially in Russia (-3.0%).



## 3.7.2 OUTLOOK FOR THE COFACE GROUP

Coface intends to continue strengthening its profitability, enhancing its offering and services as well as its development through its Strong Commitment II strategic plan. Just as the Strong Commitment I plan implemented between 2011 and 2013 which led to the Group's restored operational performance, this new plan includes a range of structural actions, aimed at building on prior achievements, especially in the area of risk control and cost reduction and enhancing them through commercial development.

Considering the macro-economic environment of moderate growth and a global credit insurance market which the Coface Group does not consider to be saturated, the Group intends to continue its profitable growth strategy, actively participate in the development of credit insurance worldwide, while maintaining its investment level in order to continue optimising risk management and costs, while strengthening its operating margin.

As such, the Group stands by the objectives announced at the time of the stock market listing:

- generate average revenue growth (like-for-like) between 3% and 5% over the 2014-2016 period;
- generate two-digit average growth in current operating income over the next three years between 2013 and 2016;
- contain the growth of costs significantly below the growth of gross earned premiums over the period by implementing an internal general expenses control policy in order to reach a combined ratio after reinsurance of around 75% by December 31, 2016;
- achieve a RoATE target above 12% by December 31, 2016;
- pay out annual dividends representing around 60% of consolidated net attributable income while maintaining a single-A minimum financial rating with Fitch and Moody's.

The Coface model has delivered results in 2014 in a macroeconomic environment that is more favourable but still fragile. This model allows us to face the challenges that 2015 will bring, requiring a certain amount of vigilance:

- Remaining close to the companies and proactive decision making will remain the rules for risk management;
- Our product innovation and multi-channel distribution policy will allow us to widen our customer base and, more generally, our credit insurance scope, whilst protecting our portfolio profitability;
- As a result of the Group extending its geographical coverage, Coface will capture the growth on the most dynamic markets.

These are the components of Coface's strategy, aimed at its profitable development.

# 3.8 Appendix – Operating indicators at December 31

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

## 3.8.1 CALCULATION OF RATIOS AS OF DECEMBER 31

| | | AS OF DECEMBER 31 | |
|---|---|---|---|
| *(in thousands of euros)* | NOTE | 2014 | 2013 |
| Gross earned premiums excluding policyholders' bonuses and rebates | *24* | 1,231,036 | 1,204,107 |
| Premium refunds | *24* | -98,309 | -75,564 |
| **Gross earned premiums** | *24* | **1,132,727** | **1,128,543** |
| Fee and commission income | *24* | 134,014 | 133,120 |
| *of which Fees and commission income* | *24* | *124,755* | *123,410* |
| *of which Other related benefits and services* | *24* | *9,259* | *9,710* |
| Remuneration for public procedures management services | *24* | 62,541 | 65,577 |
| Services | *24* | 40,631 | 43,879 |
| *of which Information and other services* | *24* | *25,264* | *25,194* |
| *of which Receivables management* | *24* | *15,367* | *18,685* |
| Net income from banking activities (Factoring) | *24* | 70,623 | 69,210 |
| **Revenue** | *24* | **1,440,536** | **1,440,330** |
| **Claims expenses** | *25* | **-538,721** | **-576,263** |
| **Income from ceded reinsurance** | *28* | **198,013** | **249,652** |
| *of which Ceded claims* | *28* | 102,497 | 138,644* |
| *of which Commissions paid by reinsurers* | *28* | 95,515 | 111,009* |
| **Expenses from ceded reinsurance** | *28* | **-266,673** | **-315,855** |
| *of which ceded premiums* | *28* | *-260,233* | *-314,762* |
| *of which Change in ceded premiums provisions* | *28* | *-6,440* | *-1,093* |
| Policy acquisition costs | *27* | -262,854 | -256,867 |
| Administrative costs | *27* | -269,106 | -263,891 |
| Other current operating expenses | *27* | -74,455 | -83,112 |
| Investment management expenses | *27* | -2,039 | -5,025 |
| *of which Insurance* | *27* | *-2,039* | *-2,848* |
| Claims handling expenses | *27* | -25,738 | -29,787 |
| Expenses from banking activities, excluding cost of risk | *26* | -11,066 | -11,884 |
| Expenses from other activities | | -47,338 | -51,884 |
| **General expenses including expenses from other activities** | | **-692,596** | **-702,450** |
| *of which employee profit-sharing* | *27* | -7,497 | -5,819 |
| *of which relocation costs* | *27* | | -8,345 |

* *Reallocation of ceded claims into reinsurance commissions at end of 2013.*

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

| | AU 31 DÉCEMBRE | |
|---|---|---|
| *(en %)* | **2014** | **2013*** |
| Loss ratio before reinsurance | 47.6% | 51.1% |
| Loss ratio after reinsurance | 50.4% | 53.8% |
| Cost ratio before reinsurance | 30.9% | 30.5% |
| Cost ratio after reinsurance | 29.3% | 28.7% |
| Combined ratio before reinsurance | 78.4% | 81.5% |
| Combined ratio after reinsurance | 79.7% | 82.5% |

** Excluding the Company's relocation costs (-€8.3 million)*

## 3.9 Appendix - investments outside the investment portfolio



Since 2011, the Coface Group has mainly made investments in property, plant and equipment (particularly relating to the organization or arrangement of the office properties used, as well as the investments in IT equipment or licences. For the years ending December 31, 2011, 2012, and 2013, these investments, corresponding to property, plant and equipment and intangible assets, excluding deposits, 66 surety bonds and buildings used in the business, increased to €22.1 million, to €10.4 million and €20.5 million respectively (of which €15 million is linked to the arrangement of the new Coface Group head office).

During the financial year ended December 31, 2014, the Coface Group continued with one-off investments relating to its property plant and equipment for amounts considered not significant.

# FINANCIAL ITEMS

4/


| | | |
|---|---|---|
| **4.1** | Consolidated financial statements | 128 |
| **4.1.1** | Consolidated balance sheet | 128 |
| **4.1.2** | Consolidated income statement | 130 |
| **4.1.3** | Consolidated statement of comprehensive income | 131 |
| **4.1.4** | Statement of changes in equity | 132 |
| **4.1.5** | Consolidated statement of cash flows | 134 |
| **4.2** | Notes to the consolidated financial statements | 136 |
| **4.3** | Parent company financial statements | 200 |
| **4.3.1** | Balance sheet | 200 |
| **4.3.2** | Income statement | 202 |
| **4.3.3** | Reconciliation of the published and restated financial statements for 2013 | 202 |
| **4.4** | Notes to the parent company financial statements | 203 |
| **4.5** | Five-year summary of Company results | 210 |
| **4.6** | Other information | 210 |
| **4.7** | Statutory Auditors' report on the consolidated financial statements | 211 |
| **4.8** | Statutory Auditors' report on the Company's annual financial statements | 212 |

# 4.1 Consolidated financial statements

## 4.1.1 CONSOLIDATED BALANCE SHEET

### Assets

| *(in thousands of euros)* | NOTES | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|---|
| **Intangible assets** | | **231,968** | **240,441** |
| Goodwill | 4 | 154,515 | 153,727 |
| Other intangible assets | 5 | 77,453 | 86,715 |
| **Insurance business investments** | 7 | **2,677,731** | **2,208,633** |
| Investment property | 7 | 923 | 1,271 |
| Held-to-maturity securities | 7 | 6,872 | 9,403 |
| Available-for-sale securities | 7 | 2,324,682 | 1,891,204 |
| Trading securities | 7 | 30,864 | 52,271 |
| Derivatives | 7 | 2,834 | 1,386 |
| Loans and receivables | 7 | 311,556 | 253,098 |
| **Receivables arising from banking and other activities** | 8 | **2,244,262** | **2,120,516** |
| **Investments in associates** | 9 | **19,001** | **17,621** |
| **Reinsurers' share of insurance liabilities** | 16 | **329,163** | **347,221** |
| **Other assets** | | **806,468** | **784,667** |
| Buildings used in the business and other property, plant and equipment | 6 | 67,708 | 75,730 |
| Deferred acquisition costs | 11 | 43,171 | 39,547 |
| Deferred tax assets | 19 | 34,125 | 81,122 |
| Receivables arising from insurance and reinsurance operations | 10 | 453,415 | 420,557 |
| Trade receivables arising from other activities | 11 | 17,762 | 20,292 |
| Current tax receivables | 11 | 43,238 | 52,073 |
| Other receivables | 11 | 147,049 | 95,346 |
| **Cash and cash equivalents** | 12 | **278,624** | **273,920** |
| **TOTAL ASSETS** | | **6,587,217** | **5,993,019** |

### Equity and liabilities

| *(in thousands of euros)* | NOTES | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|---|
| **Equity attributable to owners of the parent** | | **1,717,427** | **1,780,238** |
| Share capital | 13 | 786,241 | 784,207 |
| Additional paid-in capital | | 422,831 | 648,462 |
| Retained earnings | | 318,062 | 193,371 |
| Other comprehensive income | | 65,201 | 26,758 |
| Consolidated net income for the year | | 125,092 | 127,439 |
| **Non-controlling interests** | | **6,737** | **13,089** |
| **Total equity** | | **1,724,164** | **1,793,327** |
| **Provisions for liabilities and charges** | 17 | **117,792** | **112,056** |
| **Financing liabilities** | 20 | **395,123** | **15,133** |
| Financing liabilities due to banking sector companies | | 395,123 | 15,133 |
| **Liabilities relating to insurance contracts** | 16 | **1,472,180** | **1,450,499** |
| **Payables arising from banking sector activities** | 21 | **2,217,782** | **2,109,297** |
| Amounts due to banking sector companies | 21 | 300,706 | 406,759 |
| Amounts due to customers of banking sector companies | 21 | 379,016 | 353,751 |
| Debt securities | 21 | 1,538,060 | 1,348,787 |
| **Other liabilities** | | **660,175** | **512,708** |
| Deferred tax liabilities | 19 | 128,463 | 138,091 |
| Payables arising from insurance and reinsurance operations | 22 | 176,628 | 125,547 |
| Current taxes payable | 23 | 97,614 | 51,470 |
| Derivative instruments with a negative fair value | 23 | 16,037 | 2,527 |
| Other payables | 23 | 241,434 | 195,073 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,587,217** | **5,993,019** |

## 4.1.2 CONSOLIDATED INCOME STATEMENT

| *(in thousands of euros)* | NOTES | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|---|
| **Revenue** | 24 | **1,440,536** | **1,440,330** |
| Gross written premiums | 24 | 1,242,676 | 1,206,690 |
| Premium refunds | 24 | -98,309 | -75,564 |
| Net change in unearned premium provisions | 24 | -11,640 | -2,583 |
| **Earned premiums** | 24 | **1,132,727** | **1,128,543** |
| Fee and commission income | 24 | 124,756 | 123,410 |
| Net income from banking activities | 24 | 70,623 | 69,210 |
| Cost of risk | 26 | -2,046 | -2,533 |
| Revenue or income from other activities | 24 | 112,431 | 119,167 |
| *Investment income, net of management expenses* | 29; 30 | *35,397* | *32,116* |
| *Gains and losses on disposals of investments* | 29; 30 | *7,372* | *35,400* |
| Investment income, net of management expenses (excluding finance costs) | 29; 30 | 42,769 | 67,516 |
| **TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES** | | **1,481,259** | **1,505,313** |
| Claims expenses | 25 | -538,721 | -576,263 |
| Expenses from banking activities, excluding cost of risk | 26 | -11,066 | -11,884 |
| Expenses from other activities | | -47,338 | -51,884 |
| *Income from ceded reinsurance* | 28 | *198,013* | *249,652* |
| *Expenses from ceded reinsurance* | 28 | *-266,673* | *-315,855* |
| Income and expenses from ceded reinsurance | 28 | -68,660 | -66,202 |
| Policy acquisition costs | 27 | -262,854 | -256,867 |
| Administrative costs | 27 | -269,106 | -263,891 |
| Other current operating expenses | 27 | -74,455 | -83,112 |
| **TOTAL CURRENT INCOME AND EXPENSES** | | **-1,272,200** | **-1,310,104** |
| **CURRENT OPERATING INCOME** | | **209,060** | **195,210** |
| Other operating expenses | 31 | -11,809 | -2,590 |
| Other operating income | 31 | 1,872 | 4,311 |
| **OPERATING INCOME** | | **199,122** | **196,931** |
| Finance costs | | -14,975 | -3,035 |
| Share in net income of associates | 33 | 2,136 | 1,493 |
| Income tax expense | 32 | -60,367 | -67,380 |
| **CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS** | | **125,916** | **128,008** |
| Non-controlling interests | | -825 | -569 |
| **NET INCOME FOR THE YEAR** | **34** | **125,092** | **127,439** |
| Earnings per share *(€)* | 35 | 0.80 | 0.81 |
| Diluted earnings per share *(€)* | 35 | 0.80 | 0.81 |

## 4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in thousands of euros)* | NOTES | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|---|
| **Net income for the year** | | **125,092** | **127,439** |
| Non-controlling interests | | 825 | 569 |
| **Other comprehensive income (expense)** | | | |
| **Currency translation differences** | | **13,284** | **-29,909** |
| *Reclassified to income* | | | |
| *Recognised in equity* | | *13,284* | *-29,909* |
| **Fair value adjustments on available-for-sale financial assets** | 7; 15; 19 | **30,220** | **-10,994** |
| *Reclassified to income – gross* | | *-7,834* | *-27,795* |
| *Reclassified to income – tax effect* | | *2,485* | *7,943* |
| *Recognised in equity – reclassifiable to income – gross* | | *48,086* | *6,200* |
| *Recognised in equity – reclassifiable to income – tax effect* | | *-12,517* | *2,658* |
| **Fair value adjustments on employee benefit obligations** | 15; 18; 19 | **-6,132** | **1,080** |
| *Recognised in equity – not reclassifiable to income – gross* | | *-8,763* | *1,548* |
| *Recognised in equity – not reclassifiable to income – tax effect* | | *2,631* | *-468* |
| **OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX** | | **37,371** | **-39,823** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **163,288** | **88,186** |
| ■ attributable to owners of the parent | | 163,390 | 87,695 |
| ■ attributable to non-controlling interests | | -102 | 491 |

The €2,658 thousand in deferred taxes arising on the fair value adjustments on available-for-sale financial assets in 2013 was mainly due to the fact that in certain countries gains on the sale of securities invested are either not taxed or are taxed at very low rates.

## 4.1.4 STATEMENT OF CHANGES IN EQUITY

| *(in thousands of euros)* | NOTES | SHARE CAPITAL | CONSOLIDATED RESERVES | TREASURY SHARES |
|---|---|---|---|---|
| **EQUITY AT DECEMBER 31, 2012 RESTATED FOR IAS 19R** | | **784,207** | **787,752** | **0** |
| Appropriation of 2012 net income | | | 124,087 | |
| 2013 interim dividend | | | -65,082 | |
| **Total transactions with owners** | | **0** | **59,005** | **0** |
| 2013 net income | | | | |
| Fair value adjustments on available-for-sale financial assets recognised in equity | | | | |
| Fair value adjustments on available-for-sale financial assets reclassified to income | | | | |
| Change in actuarial gains and losses (IAS 19R) | | | | |
| Currency translation differences | | | | |
| Other movements | | | -4,923 | |
| **EQUITY AT DECEMBER 31, 2013** | | **784,207** | **841,834** | **0** |
| Capital increase | 14 | 2,034 | 1,352 | |
| Appropriation of 2013 net income | | 0 | 127,439 | |
| Non-recurring dividend for Natixis paid through an issue premium | | 0 | -226,983 | |
| 2014 distribution for 2013 | | 0 | -1,868 | |
| **Total transactions with owners** | | **2,034** | **-100,060** | **0** |
| 2014 net income | | | | |
| Fair value adjustments on available-for-sale financial assets recognised in equity | 7; 15 | | | |
| Fair value adjustments on available-for-sale financial assets reclassified to income | 7; 15; 19 | | | |
| Change in actuarial gains and losses (IAS 19R) | 18; 19 | | | |
| Currency translation differences | | 0 | | |
| Elimination of treasury shares | | 0 | | -709 |
| Transactions with shareholders | | 0 | -172 | 0 |
| **EQUITY AT DECEMBER 31, 2014** | | **786,241** | **741,602** | **-709** |

| OTHER COMPREHENSIVE INCOME | | | | | | |
|---|---|---|---|---|---|---|
| FOREIGN CURRENCY TRANSLATION RESERVE | RECLASSIFIABLE REVALUATION RESERVES | NON-RECLASSIFIABLE REVALUATION RESERVES | NET INCOME FOR THE YEAR | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
| **-4,491** | **87,325** | **-16,288** | **124,087** | **1,762,593** | **13,648** | **1,776,241** |
| | | | -124,087 | | | |
| | | | | -65,082 | -1,089 | -66,171 |
| **0** | **0** | **0** | **-124,087** | **-65,082** | **-1,089** | **-66,171** |
| | | | 127,439 | 127,439 | 569 | 128,008 |
| | 8,141 | | | 8,141 | 452 | 8,593 |
| | -19,800 | | | -19,800 | -52 | -19,852 |
| | | 1,076 | | 1,076 | 4 | 1,080 |
| -29,206 | | | | -29,206 | -438 | -29,644 |
| -265 | 265 | | | -4,923 | -6 | -4,929 |
| **-33,962** | **75,930** | **-15,211** | **127,439** | **1,780,239** | **13,089** | **1,793,327** |
| | | | | 3,386 | | 3,386 |
| | | | -127,439 | | | 0 |
| | | | 0 | -226,983 | | -226,983 |
| | | | 0 | -1,868 | -760 | -2,628 |
| **0** | **0** | **0** | **-127,439** | **-225,465** | **-760** | **-226,225** |
| | | | 125,092 | 125,092 | 825 | 125,916 |
| | 36,499 | | | 36,499 | -930 | 35,569 |
| | -5,349 | | | -5,349 | | -5,349 |
| | | -6,132 | | -6,132 | | -6,132 |
| 13,281 | | | | 13,281 | 3 | 13,284 |
| | | | | -709 | | -709 |
| 0 | 184 | -39 | 0 | -28 | -5,490 | -5,518 |
| **-20,681** | **107,264** | **-21,382** | **125,092** | **1,717,427** | **6,737** | **1,724,164** |

## 4.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in thousands of euros)* | NOTES | 2014.12 | 2013.12 |
|---|---|---|---|
| **Net income for the yesr** | 35 | **125,092** | **127,439** |
| Income tax expense | 32 | 60,367 | 67,380 |
| Finance costs | | 14,975 | 3,035 |
| **Operating income before tax (A)** [(1)] | | **200,434** | **197,854** |
| Non-controlling interests | | 825 | 569 |
| +/- Depreciation, amortisation and impairment losses | 5; 6; 7.1; 17 | 21,179 | 10,415 |
| +/- Net additions to/reversals from technical provisions | 15 | -10,502 | 12,768 |
| +/- Share in net income of associates | 9 | -2,136 | -1,493 |
| + Dividends received from associates | 9 | 756 | 684 |
| +/- Fair value adjustments on financial instruments recognised at fair value through income | | 42,948 | 88 |
| +/- Unrealised foreign exchange income covered by financial instruments at fair value through income | | -39,879 | |
| +/- Recognised but unpaid interest expenses [(2)] | | -13,016 | -498 |
| +/- Other non-cash items [(3)] | | -1,031 | -14,405 |
| ***Total non-cash items (B)*** | | ***-856*** | ***8,127*** |
| ***Gross cash flows from operations (C) = (A) + (B)*** | | ***199,577*** | ***205,981*** |
| Change in operating receivables and payables | | 16,941 | -5,357 |
| Net taxes paid [(4)] | | 14,495 | -54,051 |
| ***Net cash related to operating activities (D)*** | | ***31,436*** | ***-59,408*** |
| Increase (decrease) in receivables arising from factoring operations | | -123,997 | -14,497 |
| Increase (decrease) in payables arising from factoring operations | | 214,538 | 184,620 |
| Increase (decrease) in factoring liabilities | | -62,245 | -152,254 |
| ***Net cash generated from banking and factoring operations (E)*** | 8; 21 | ***28,295*** | ***17,869*** |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES (F) = (C+D+E)** | | **259,308** | **164,443** |
| Acquisitions of investments | 7 | -3,286,721 | -2,719,755 |
| Disposals of investments | 7 | 2,891,605 | 2,637,150 |
| ***Net cash used in movements in investments (G)*** | | ***-395,116*** | ***-82,604*** |
| Acquisitions of consolidated subsidiaries, net of cash acquired | | | 6,623 |
| Disposals of consolidated companies, net of cash transferred | | | |
| ***Net cash used in changes in scope of consolidation (H)*** | | | ***6,623*** |
| Disposals of property, plant and equipment and intangible assets | 5; 6 | -8,920 | -25,590 |
| Acquisitions of property, plant and equipment and intangible assets | 5; 6 | 4,334 | 2,054 |
| ***Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)*** | | ***-4,586*** | ***-23,536*** |

| *(in thousands of euros)* | NOTES | 2014.12 | 2013.12 |
|---|---|---|---|
| **NET CASH USED IN INVESTING ACTIVITIES (J) = (G+H+I)** | | **-399,702** | **-99,518** |
| Proceeds from the issue of equity instruments | | 3,386 | |
| Special dividend paid to Natixis – issue premium payment | | -226,983 | |
| Treasury share transactions | | -657 | |
| Dividends paid to owners of the parent | | -1,867 | -65,082 |
| Dividends paid to non-controlling interests | | -760 | -1,089 |
| Relution (COFACE SA repurchase Compagnie française d'assurance pour le commerce extérieur from Natixis) | | -4,169 | |
| ***Cash flows related to transactions with owners*** | | ***-231,050*** | ***-66,171*** |
| Proceeds from the issue of debt instruments | 20 | 388,846 | 4,509 |
| Cash used in the redemption of debt instruments [5] | 20 | -10,457 | -3,277 |
| ***Cash flows related to the financing of Group operations*** | | ***378,389*** | ***1,232*** |
| **NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES (K)** | | **147,339** | **-64,940** |
| **IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (L)** | | **-2,242** | **16,925** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)** | | **+4,704** | **+16,910** |
| Net cash generated from operating activities (F) | | 259,308 | 164,443 |
| Net cash used in investing activities (J) | | -399,702 | -99,518 |
| Net cash generated from (used in) financing activities (K) | | 147,339 | -64,940 |
| Impact of changes in exchange rates on cash and cash equivalents (L) | | -2,242 | 16,925 |
| **Cash and cash equivalents at beginning of year** | 12 | **273,920** | **257,010** |
| **Cash and cash equivalents at end of year** | 12 | **278,624** | **273,920** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | **+4,704** | **+16,910** |

*(1) Received dividends and interests and gains and losses on disposals of investments are included in the operational cash.*
*(2) The item "Recognised but unpaid interest expenses" is mostly due to the unpaid interests on the hybrid securities for €12,075 thousand.*
*(3) The other non cash items are due to unpaid dividends from non consolidates entities for €476 thousand and accrued interests on fixed term deposits for €555 thousand at December 31, 2014.*
*(4) The item "Net taxes paid" at December 31, 2014 is primarily due to the payment made by Natixis to Coface to offset the loss of its tax losses.*
*(5) The item "Cash used in the redemption of debt instruments" at December 31, 2014 includes €1,959 thousand of interests paid.*

# 4.2 Notes to the consolidated financial statements

**BASIS OF PREPARATION** 137

NOTE 1 Significant events 137
NOTE 2 Scope of consolidation 139
NOTE 3 Accounting principles 144

**NOTES TO THE CONSOLIDATED BALANCE SHEET** 156

NOTE 4 Goodwill 156
NOTE 5 Other intangible assets 158
NOTE 6 Property, plant and equipment 160
NOTE 7 Investments 162
NOTE 8 Receivables arising from banking and other activities 167
NOTE 9 Investments in associates 168
NOTE 10 Receivables arising from insurance and reinsurance operations 168
NOTE 11 Other assets 168
NOTE 12 Cash and cash equivalents 169
NOTE 13 Share capital 169
NOTE 14 Share-based payments 169
NOTE 15 Revaluation reserves 171
NOTE 16 Liabilities relating to insurance contracts 171
NOTE 17 Provisions for liabilities and charges 172
NOTE 18 Employee benefits 174
NOTE 19 Deferred taxes 179
NOTE 20 Financing liabilities 180
NOTE 21 Payables arising from banking sector activities 180
NOTE 22 Payables arising from insurance and reinsurance operations 181
NOTE 23 Other liabilities 181

**ANALYSIS OF THE MAIN INCOME STATEMENT ITEMS** 182

NOTE 24 Consolidated revenue 182
NOTE 25 Claims expenses 183
NOTE 26 Expenses from banking activities 184
NOTE 27 General expenses by function 184
NOTE 28 Reinsurance result 184
NOTE 29 Investment income by category 185
NOTE 30 Investment income by class 185
NOTE 31 Other operating income/other operating expenses 186
NOTE 32 Income tax expense 186
NOTE 33 Share in net income of associates 187

**ADDITIONAL INFORMATION** 188

NOTE 34 Breakdown of net income by segment 188
NOTE 35 Earnings per share 192
NOTE 36 Group's headcount 192
NOTE 37 Off-balance sheet commitments 193
NOTE 38 Operations carried out on behalf of the French government 193
NOTE 39 Related parties 194
NOTE 40 Events after the reporting period 199
NOTE 41 Fees paid by Coface to the Statutory Auditors and members of their networks 199
NOTE 42. Risk management 199

## BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as at December 31, 2014 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union [(1)] and described in Note 1 "Applicable Accounting Standards" of the 2014 consolidated financial statements and notes to those statements.

In accordance with IAS 1, the consolidated financial statements of the Coface Group as of December 31, 2014 include:

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

They are presented with comparative financial information at December 31, 2013. The financial statements presented for comparison are those published by Coface in the core registration document filed and recorded with the French Financial Markets Authority (AMF) on May 6, 2014 under number I.14-029.

Pursuant to European Regulation 809/2004 on information contained in the prospectus, the Group's consolidated financial statements for the year ended December 31, 2012 published in the core registration document filed with the AMF on May 6, 2014 under number I.14-029 are included by reference in this registration document.

These IFRS consolidated financial statements for the year ended December 31, 2014 were reviewed by the Coface Group's Board of Directors on February 17, 2015.

## / NOTE 1 / Significant events

### Stock market listing

Since 2011, the Coface Group has refocused on its core business of credit insurance, and has undertaken a series of structural reorganisations that have restored the Group's profitable growth. In this context, on June 27, 2014 the Group entered a new stage of its development with its successful stock market listing on compartment A of the Euronext Paris regulated market.

The listing was well received by the markets, with strong demand from French and international institutional investors resulting in a diversified ownership structure that reflects the multinational dimension of Coface.

The favourable reception from the markets led Natixis, acting as stabilising agent in the name and on behalf of the financial institutions that accompanied Coface throughout its stock market listing, to exercise the over-allotment option in full just four days after the initial listing.

Following the exercise of the full over-allotment option, the total number of Coface shares offered in connection with the stock market listing amounted to 91,987,426 shares, representing 58.65% of COFACE SA's capital and voting rights. Following the listing, Coface's market capitalisation stood at €1,631 million.

A concurrent employee offering was also launched in 19 countries, covering 80% of the Group's headcount. It was warmly welcomed by employees, as illustrated by the nearly 50% take-up rate. At December 31, 2014 and following the recognition of the capital increase reserved for employees, Natixis held 41.24% of the capital of Coface.

On December 22, 2014, the Coface Group share was listed on the SBF 120 market index.

The costs linked to this transaction amounted to €8 million and are recorded under "other operating expenses".

### Implementation of a liquidity agreement

With effect from July 7, 2014, the Coface Group appointed Natixis to implement a liquidity agreement for COFACE SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marchés financiers – AMAFI) dated March 8, 2011 and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months subject to tacit renewal. 80,819 COFACE SA shares or €4,147,971.71 appeared on the liquidity account on the settlement date of December 31, 2014.

With its decision dated June 26, 2014, the Board of Directors decided to implement the programme to buy back shares of COFACE SA, to specify their terms and decide on their procedures. This decision was further to the authorisation that was given to the Combined General Shareholders' Meeting of June 2, 2014, delegating all of the powers needed for that purpose to it.

### Subordinated debt issuance

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million, maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The issue allowed the Coface Group to optimise its capital structure, which had previously been characterised by an

(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*

extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory equity.

The leverage effect of borrowings thus amounted to about 19%. The ratio is obtained by dividing the subordinated debt by the sum of equity and subordinated debt.

The issue was welcomed by a diversified and international base of investors and was 10 times oversubscribed. This level of demand demonstrates the confidence in the profitable growth model put in place by Coface over the last three years based on bolstered operating and financial fundamentals.

Finance costs linked to this debt totalled €12.1 million at December 31, 2014.

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

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by COFACE SA).

This subordinated guarantee is recorded in off-balance sheet items. Since it is classified as an intra-group transaction, it is eliminated in consolidation and is not disclosed in the notes to the consolidated financial statements.

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

### ◆ Financial strength confirmed

In March and then December 2014, rating agencies Fitch and Moody's confirmed the Group's Insurer Financial Strength (IFS) Ratings at AA- and A2 (outlook stable,) respectively, taking into account both the subordinated note issue and the €227 million special dividend paid to Natixis during the period.

### ◆ Changes in the scope of consolidation

At the end of September 2014, the Coface Group created a new subsidiary in Lausanne, Switzerland, which joined the consolidation scope. At the end of December 2014, this company, known as Coface Re, obtained from the Swiss Regulator a licence to practice reinsurance, subject to compliance with the different conditions laid down by the regulator. From 2015 onwards, Coface Re will be the interface between the external reinsurance market and the Group's entities and as such will replace Compagnie française d'assurance pour le commerce extérieur. By creating this company, the Group will be isolating its reinsurance business in a dedicated entity, and continuing the streamlining of coverage solutions for entities and partners of the Coface Group while expanding the range of services offered to its international customers.

Coface is already established in Israel through its BDI subsidiary. It has created another branch of Compagnie française d'assurance pour le commerce extérieur which is also included in the scope of consolidation.

During the second quarter of 2014, COFACE SA purchased the 0.26% minority interest in Compagnie française d'assurance pour le commerce extérieur that it did not already own, which had been previously held by Natixis. Compagnie française d'assurance pour le commerce extérieur is now wholly-owned by COFACE SA. As of late December 2014, the purchase had resulted in a €4 million change in non-controlling interests.

The Company has not acquired interests or control in the French companies.

### ◆ Cessation of the public procedures management business line in Brazil

The insurance subsidiary SBCE used to manage, on behalf of, and with the guarantee of, the Brazilian State, coverage on risks that are uninsurable by the private market. The agreement binding the Brazilian State and SBCE was not renewed on June 30, 2014 and this activity was transferred to the Brazilian State on July 1, 2014. This activity generated revenue of €5.6 million at December 31, 2013 and €2.6 million at June 30, 2014. The activity was terminated on that date.

Since July 1, 2014, SBCE continues its export credit risk insurance business for short-term operations.

### ◆ Exit from the Natixis tax consolidation group

Coface left the Natixis tax consolidation group with effect from January 1, 2014. In accordance with the tax consolidation agreement, Natixis paid Coface an amount of €50 million with respect to deferred tax assets recognised on tax loss carryforwards.

# / NOTE 2 / Scope of consolidation

## Changes in the scope of consolidation

### 2.1 Changes in the scope of consolidation in 2014

Changes in the scope of consolidation in 2014 were as follows:

#### First-time consolidations

Coface includes Coface Re, a company created in Switzerland in Q3 2014 and which operates the Group's external reassurance since 2015. The main impacts of this consolidation in 2014 are the creation costs of €1,777 reported under the item "other non-recurring operating income and expenses".

Furthermore, Coface Israel, a branch of Compagnie française d'assurance pour le commerce extérieur, was created and immediately included in the consolidation scope.

#### Change in ownership interests

During the second quarter of 2014, COFACE SA purchased the 0.26% outstanding interest in Compagnie française d'assurance pour le commerce extérieur that it did not already own, which was held by Natixis. Compagnie française d'assurance pour le commerce extérieur is now wholly-owned by COFACE SA. As of late December 2014, the purchase had resulted in a €4 million change in non-controlling interests.

### 2.2 Changes in the scope of consolidation in 2013

Changes in the scope of consolidation in 2013 were as follows:

#### First-time consolidations

12 newly-created Colombes mutual funds:

- Colombes 1 fund: Money market investments;
- Colombes 2 fund: 3-5 year government bonds;
- Colombes 2 bis fund: 3-5 year government bonds;
- Colombes 3 fund: Euro-denominated private sector bonds;
- Colombes 3 bis fund: Euro-denominated private sector bonds;
- Colombes 3 ter fund: Euro-denominated private sector bonds;
- Colombes 4 fund: High-yield very short-term international bonds;
- Colombes 4 bis fund: High-yield very short-term international bonds;
- Colombes 5 fund: Emerging market bonds;
- Colombes 5 bis fund: Emerging market bonds;
- Colombes 6 fund: eurozone equities;
- Colombes 6 bis fund: eurozone equities.

Coface includes Coface Rus Insurance Company in the consolidation scope. The Company was consolidated on January 1, 2013 inside the Northern Europe region.

## Scope of consolidation

Coface Vertriebs was consolidated with effect from January 1, 2013.

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE | | | |
|---|---|---|---|---|---|---|
| | | | CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
| **NORTHERN EUROPE** | | | | | | |
| Germany | Coface Deutschland (formerly 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% | 99.74% |
| Germany | COFACE DEBITORENMANAGEMENT GmbH Isaac – Fulda – Allee 5 55124 Mainz | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Germany | COFACE RATING HOLDING Isaac – Fulda – Allee 1 55124 Mainz | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Germany | Coface Deutschland Vertriebs Isaac – Fulda – Allee 1 55124 Mainz | Full | 100.00% | 100.00% | 100.00% | 99.74% |

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE | | | |
|---|---|---|---|---|---|---|
| | | | CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
| Germany | COFACE RATING GmbH<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Germany | Kisselberg<br>Hauptstr. 131-137<br>65260 Eschborn | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Germany | FCT VEGA (Fonds de titrisation)<br>41 rue Délizy<br>93500 Pantin | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Netherlands | COFACE NEDERLAND SERVICES<br>Claudius Prinsenlaan 126 Postbus 3377<br>4800 DJ Breda | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Netherlands | Coface Nederland<br>Claudius Prinsenlaan 126 P.O. Box 3377<br>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<br>Nygade 111<br>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<br>Kungsgatan 33<br>111 56 Stockholm | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Russia | Coface Russia Insurance Company<br>Parus Business Centre, 23/1<br>1st Tverskaya-Yamskaya Str.<br>125047 Moscow | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| **WESTERN EUROPE** | | | | | | |
| France | COFACE SA (EX-COFACE HOLDING)<br>1, place Costes et Bellonte<br>92270 Bois-Colombes | Parent company | 100.00% | 100.00% | 100.00% | 100.00% |
| France | COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR<br>1, place Costes et Bellonte<br>92270 Bois-Colombes | Full | 100.00% | 100.00% | 99.74% | 99.74% |
| France | COFACREDIT<br>Tour facto – 18, rue Hoche<br>92988 Puteaux | Equity method | 36.00% | 36.00% | 36.00% | 35.91% |
| France | COFINPAR<br>1, place Costes et Bellonte<br>92270 Bois-Colombes | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | COGERI<br>1, place Costes et Bellonte<br>92270 Bois-Colombes | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FIMIPAR<br>1, place Costes et Bellonte<br>92270 Bois-Colombes | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 1<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 2<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 2 bis<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 3<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 3 bis<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| France | FONDS COLOMBES 3 ter<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 4<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 4 bis<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 5<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 5 bis<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 6<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| France | FONDS COLOMBES 6 bis<br>90, boulevard Pasteur – 75015 Paris | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Belgium | COFACE BELGIUM SERVICES HOLDING<br>100 boulevard du Souverain<br>1170 Brussels | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Belgium | Coface Belgium<br>100, boulevard du Souverain<br>B-1170 Brussels (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<br>2, Route d'Arlon<br>L-8399 Windhof (Koerich) – Luxembourg | - | Branch of Compagnie française d'assurance pour le commerce exterieur | | Branch of Compagnie française d'assurance pour le commerce exterieur | |
| Switzerland | Coface Switzerland<br>Rue Belle-Fontaine 18; CP 431<br>1001 Lausanne | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Switzerland | Coface Re<br>Rue Belle-Fontaine 18; CP 431<br>1001 Lausanne | Full | 100.00% | 100.00% | - | 0.00% |
| Spain | COFACE SERVICIOS ESPAÑA,<br>SL Calle Aravaca, 22<br>28040 Madrid | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Spain | Coface Iberica<br>C/Aravaca 22<br>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<br>Av. José Malhoa, 16B – 7º Piso, Fracção B.1<br>Edifício Europa 1070 – 159 Lisboa | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| UK | COFACE UK HOLDING<br>180 St Albans Rd, Watford<br>Hertfordshire WD17 1RP | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| UK | COFACE UK SERVICES<br>180 St Albans Rd, Watford<br>Hertfordshire WD17 1RP | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| UK | Coface UK<br>Egale 1, 80 St Albans Road Watford,<br>Hertfordshire WD17 1RP | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Ireland | Coface Ireland<br>67 B Upper George's Street<br>Dun Laoghaire – Co Dublin | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| **CENTRAL EUROPE** | | | | | | |
| Austria | COFACE AUSTRIA SERVICES<br>Stubenring 24 – 1011 Vienna | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Austria | COFACE CENTRAL EUROPE HOLDING<br>Stubenring 24-2 A – 1010 Vienna | Full | 74.99% | 74.99% | 74.99% | 74.80% |

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| Austria | Coface Austria (formerly- Coface Austria Holding AG)<br>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<br>Tűzoltó u. 57,<br>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<br>Al.Jerozolimskie 136<br>PL-02-305 / Warszaw | Full | 100.00% | 74.99% | 100.00% | 74.80% |
| Poland | COFACE POLAND FACTORING<br>Al.Jerozolimskie 136<br>PL-02-305 / Warszaw | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Poland | Coface Poland Insurance<br>Al. Jerozolimskie 136,<br>02-305 Warszaw | - | 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<br>I.P. Pavlova 5<br>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<br>Calea Floreasca 39, Et. 3 Sect.1,<br>Bucharest | Full | 100,00% | 74,99% | 100,00% | 74,80% |
| Romania | Coface Romania Insurance<br>Calea Floreasca 39, Et. 3 Sect.1,<br>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<br>Šoltésovej 14<br>811 08 Bratislava | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Lithuania | LEID (Lithuania)<br>Vilniaus str. 23<br>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<br>Berzaunes iela 11a<br>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<br>85/87, T. Alexandrov blvd<br>1303 Sofia | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| **MEDITERRANEAN & AFRICA** | | | | | | |
| Italy | Coface Italy (Branch)<br>Via Giovanni Spadolini 4<br>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<br>Via Giovanni Spadolini 4<br>20141 Milan | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Israel | COFACE ISRAEL<br>11 Ben Gurion st, Bnei Brak<br>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<br>11 Ben Gurion st, Bnei Brak<br>51260 Bnei Brak | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Israel | BUSINESS DATA INFORMATION COFACE (BDI COFACE)<br>11 Ben Gurion st, Bnei Brak<br>51260 Bnei Brak | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| South Africa | COFACE SOUTH AFRICA<br>Nyanga Office Park Inyanga Close,<br>Suninghill | Full | 100.00% | 100.00% | 100.00% | 99.74% |

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| South Africa | COFACE SOUTH AFRICA SERVICES<br>Nyanga Office Park Inyanga Close,<br>Suninghill | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Turkey | COFACE SIGORTA<br>Buyukdere Caddesi, Yapi Kredi<br>Plaza, B-Blok Kat:6 Levent<br>34 330 Istanbul | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| **NORTH AMERICA** | | | | | | |
| United States | COFACE NORTH AMERICA<br>HOLDING COMPANY<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>NEW-JERSEY 08520 | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| United States | COFACE NORTH AMERICA<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>NEW-JERSEY 08520 | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| United States | COFACE SERVICES NORTH<br>AMERICA<br>900 Chapel Street<br>New Haven, CT 06510 | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| United States | COFACE NORTH AMERICA<br>INSURANCE COMPANY<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>NEW-JERSEY 08520 | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| United States | Coface Canada<br>251 Consumer Roadn Suite 910<br>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<br>Av. Insurgentes Sur #1787 Piso 10,<br>Col. Guadalupe Inn, Delegación: Alvaro<br>Obregon – 01020 Mexico City, D.F | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Mexico | COFACE HOLDING AMERICA LATINA<br>Av. Insurgentes Sur #1787 Piso 10,<br>Col. Guadalupe Inn, Delegación: Alvaro<br>Obregon – 01020 Mexico City, D.F | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Brazil | COFACE DO BRASIL SEGUROS DE<br>CREDITO INTERNO SA<br>34, João Duran Alonso Square<br>Brooklin Novo District<br>Saõ Paulo 12 floor | Full | 100.00% | 100.00% | 100.00% | 99.74% |
| Brazil | SEGURADORA BRASILEIRA DE<br>CREDITO INTERNO SA (SBCE)<br>Pça. João Duran Alonso, 34 – 12th<br>Floor – Brooklin Novo –<br>Sao Paulo, CEP: 04571-070 | Full | 75.82% | 75.82% | 75.82% | 75.63% |
| Chile | Coface Chile<br>Nueva Tajamar 555. P17.<br>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<br>Nueva Tajamar 555. Torre<br>Costanera | Full | 100.00% | 100.00% | 100.00% | 99.74% |

| COUNTRY | | CONSOLIDATION METHOD | PERCENTAGE | | | |
|---|---|---|---|---|---|---|
| | | | CONTROL DEC. 31, 2014 | INTEREST DEC. 31, 2014 | CONTROL DEC. 31, 2013 | INTEREST DEC. 31, 2013 |
| Argentina | Coface Argentina<br>Ricardo Rojas 401 – 7 Floor<br>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<br>Irlanda E10-16 y República del Salvador<br>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<br>Level 10, 68 York Street Sydney<br>NSW 2000<br>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,<br>No.169 Electric Road –<br>North Point, Hong Kong | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Japan | Coface Japan<br>Atago Green Hills MORI Tower 38F,<br>2-5-1 Atago, Minato-ku<br>Tokyo 105-6238 | - | Branch of Compagnie française d'assurance pour le commerce extérieur | | Branch of Compagnie française d'assurance pour le commerce extérieur | |
| Singapore | Coface Singapore<br>16 Collyer Quay #15-00<br>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<br>Room A5, 6F, No.16, Section 4,<br>Nanjing East Road,<br>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 [(1)]. The same accounting principles and policies have been used for the financial statements of the year ended December 31, 2013 – apart from the following amendments applicable for the first time on or after January 1, 2014:

- the amendment to IAS 32 "Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities". This amendment clarifies the requirements for offsetting financial assets and financial liabilities in the balance sheet. The application of this amendment did not have a significant impact on Coface's consolidated financial statements;
- the new standards on consolidation: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", and IFRS 12 "Disclosure of Interests in Other Entities", published by the IASB on May 12, 2011 and adopted by the European Commission on December 11, 2012.

  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. It establishes a single control model that applies to all entities, including structured 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 those returns through its power over the entity. The application of this amendment did not have a significant impact on Coface's scope of consolidation.

  IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The accounting treatment for partnerships is based on their economic substance, and therefore requires analysis of the rights and obligations of the parties arising from the joint arrangement. The application of this amendment did not have a significant impact on Coface's scope of consolidation.

  IFRS 12 combines and enhances the disclosure requirements for subsidiaries, partnerships, associates and structured entities. The application of this amendment did not have a significant impact on disclosures made by Coface.

*(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*

As a result of these new standards, the IASB also published revised versions of IAS 27 “Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, which were adopted by the European Commission on December 11, 2012;

- amendments to IFRS 10, IFRS 11 and IFRS 12 published by the IASB on June 28, 2012 and adopted by the European Commission on April 4, 2013. The amendment to IFRS 10 clarifies the transitional provisions and provides relief as to the comparative disclosures by limiting the restatements to the previous period. In addition, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied;
- the amendment to IAS 36 “Impairment of Assets”, published by the IASB on May 29, 2013 and adopted by the European Commission on December 19, 2013. This amendment limits the scope of disclosures about the recoverable value of impaired assets to the recoverable amount of the impaired assets where this amount is based on the fair value less the cost of selling the assets. The amendment had no impact on Coface’s financial statements at December 31, 2014;
- the amendment “Novation to Derivatives and Continuation of Hedge Accounting” to IAS 39 “Financial Instruments: Recognition and Measurement”, published by the IASB on June 27, 2013 and adopted by the European Commission on December 19, 2013. This amendment allows the continuation of hedge accounting in cases where a derivative designated as hedging instrument is transferred through novation from one counterparty to a central counterparty as a consequence of laws or regulations. The amendment had no impact on Coface’s financial statements at December 31, 2014;
- amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” published by the IASB on October 31, 2012 and adopted by the European Commission on November 20, 2013. IFRS 10 has been amended to define the economic model of investment entities and requires the latter to measure their investment in their subsidiaries (barring exception) at fair value through income, rather than through consolidation. IFRS 12 was amended to introduce specific reporting obligations in the notes on the subsidiaries of investment entities. Lastly, the amendment to IAS 27 cancels the possibility, for investment entities, to measure their investment in certain subsidiaries either at cost, or at fair value in their separate financial statements. These amendments had no impact on Coface’s financial statements at December 31, 2014.

Coface did not proceed to the early application of the texts adopted by the European Union at December 31, 2014 but not yet in force on that date. These include:

- the interpretation of IFRIC 21 “Levies” published by the IASB on May 20, 2013 and adopted by the European Commission on June 13, 2014 and of mandatory application on or after January 1, 2015. This interpretation seeks to clarify the date to be used for the recognition of levies in the financial statements of the entity paying such levy in application of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. At the current stage of the Group’s analyses, Coface has not identified any significant impacts on its consolidated financial statements that may arise from the application of IFRIC 21;
- 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 recognised as a reduction in the service cost in the period in which the related service is rendered, instead of being attributed to periods of service;
- 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”.



### 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.

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.

Cofacrédit is the only company that is accounted for by the equity method.

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

### Intercompany transactions

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

## 3.3 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, 2014.

### SPEs used for financing operations

Since 2011, 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.

The three criteria established by IFRS 10 for consolidation of the FCP Colombes 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.

## 3.4 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.

## 3.5 Year-end and accounting period

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

## 3.6 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.

## 3.7 General principles

### The insurance business

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

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

However, IFRS 4:

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

### The services business

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

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

### The factoring business

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

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

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

#### Breakdown by function of insurance company expenses

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

#### Public credit insurance procedures management

Compagnie française d'assurance pour le commerce extérieur (formerly COFACE SA) manages the public credit insurance procedures for the French government. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the compensation received from the French government is reported under "Revenue or income from other activities". The corresponding costs are analysed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie française d'assurance pour le commerce extérieur (formerly COFACE SA) 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 inward reinsurance rebates, 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 (formerly COFACE SA) 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 Coface. The most recent version of this agreement was signed on February 24, 2012 and covers the four-year period from 2012 to 2015;
- sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing customer access to credit and marketing information and debt collection services;
- factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and dispute management fees.

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

## Insurance operations

### Premiums

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

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

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

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

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

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

### Reserves for unearned premiums

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

### Deferred acquisition costs

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

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

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

### Paid claims

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

### Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. In accordance with the applicable French Regulations, separate provisions are set aside for claims and recoveries. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

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

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

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

### Subrogation and salvage

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

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

## Reinsurance operations

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

### Inward reinsurance

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

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

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

### Ceded reinsurance

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

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

Cash deposits received from reinsurers are reported under liabilities.

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

## Other operating income and expenses

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

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

## Goodwill

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

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

In the case of a bargain purchase, *i.e.,* a business combination in which the amount in (b) above exceeds the aggregate of the amounts specified in (a), 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).

At December 31, 2014, the impairment tests carried out did not give rise to the recognition of any goodwill impairment losses (see Note 4 – Goodwill).

### 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

### Buildings used in the business (IAS 16)

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. At December 31, 2014, the main property acquired under a finance lease was the head office of Coface Deutschland (formerly Coface Kreditversicherung).

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.

At December 31, 2014, 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).

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

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

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by COFACE SA).

This subordinated guarantee is recorded in off-balance sheet items. Since it is classified as an intra-group transaction, it is eliminated in consolidation and is not disclosed in the notes to the consolidated financial statements.

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

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.

As at December 31, 2014, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €386,850 thousand, (cf. Note 20) is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs for €3,301 thousand;
- reduced by the issue premium for €1,924 thousand;
- increased by interest accrued of €12,075 thousand.

The impact on income as at December 31, 2014 mainly includes the interest related to the period for €12,075 thousand.

### 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.

Payables arising from factoring operations are analysed in Note 21 to the financial statements.

### Receivables arising from factoring operations

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

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

### Cash and cash equivalents

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

### Provisions for liabilities and charges

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

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

Provisions for liabilities and charges mainly consist of provisions for pensions and other post-employment benefit obligations (see Note 18 "Employee benefits").

### 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 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. 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 current and former 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, Coface’s 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 provisions of IFRS 2, 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, where justified by the tax position of the companies concerned, deferred taxes resulting from temporary differences and consolidation adjustments.

The tax expense is calculated on the basis of the latest known tax rate in force in each country.

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.

For reasons of prudence, Coface only recognises a net deferred tax asset when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame, even though tax losses can be carried forward for very long periods (*e.g.*, 20 years in the United States) or indefinitely in France and the United Kingdom.

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

Where appropriate, adjustments are made to these tax plans in order to reflect specific tax regimes.

At December 31, 2013, deferred tax assets relating to the tax losses of COFACE SA scope amounted to €51.7 million. It corresponded to the tax losses of the subsidiary Compagnie française d’assurance pour le commerce extérieur (formerly COFACE SA).

Following the departure of Coface from the Natixis tax consolidation group, Natixis paid compensation to Coface in Q3 2014 to offset the loss of tax losses. This compensation was recognised in the accounts as a tax expense of €50.4 million. At the same time, the deferred tax assets related to the tax loss carryforwards were released in an amount of €50.5 million through deferred taxes.

At December 31, 2014, the deferred tax assets relating to tax losses were entirely reversed.

## 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

Coface applies IAS 24 with respect to related-party disclosures.

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").

The Coface Group's main transactions with related parties are presented in Note 39.

### 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.<br>The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss *ratio assumptions*. |
| Provision for earned premiums not yet written | 16 | This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised. |
| Provision for premium refunds | 16; 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 | 16; 25 | This provision is calculated based on the estimated amount potentially recovered on settled claims. |
| Claims reserves | 16; 25; 42 | It includes an estimate of the total cost of claims reported but not settled at year end. |
| IBNR provision | 16; 25; 42 | The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out. |
| Pension benefit obligations | 18 | Pension benefit obligations are measured in acordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions. |

The policies managed by the Coface Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities. Phase 2 of IFRS 4 is expected to be published during the first half of 2015, with an application date envisaged three years after the publication date. In accordance with IFRS 4, insurance provisions ("technical provisions") are calculated using the methods prescribed in local GAAP (French GAAP in Coface's case).

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

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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

At December 31, 2014, movements in goodwill were primarily due to the impact of foreign currency translation differences.

Breakdown of goodwill by region:

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Northern Europe | 112,603 | 112,603 |
| Western Europe | 5,068 | 5,068 |
| Central Europe | 8,401 | 8,430 |
| Mediterranean & Africa | 21,435 | 21,334 |
| North America | 5,752 | 5,050 |
| South America | 1,256 | 1,241 |
| **NET VALUE** | **154,515** | **153,727** |

### 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, 2014. 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, 2014:

| DEC. 2014 | NORTHERN EUROPE | WESTERN EUROPE | CENTRAL EUROPE | MEDITERRANEAN AND AFRICA | NORTH AMERICA | LATIN AMERICA |
|---|---|---|---|---|---|---|
| Cost of capital | 10.6% | 10.6% | 10.7% | 10.6% | 10.6% | 10.6% |
| Perpetual growth rate | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Contribution to consolidated net assets | 490.3 | 785.9 | 153.0 | 50.5 | 51.0 | 70.6 |

The assumptions used in 2013 were as follows:

| DEC. 2013 | NORTHERN EUROPE | WESTERN EUROPE | CENTRAL EUROPE | MEDITERRANEAN AND AFRICA | NORTH AMERICA | LATIN AMERICA |
|---|---|---|---|---|---|---|
| Cost of capital | 10.6% | 10.9% | 10.7% | 11.0% | 11.1% | 11.2% |
| Perpetual growth rate | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Contribution to consolidated net assets | 491.1 | 662.5 | 141.5 | 62.2 | 40.9 | 61.1 |



### 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, 2014;
- 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, 2014;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2018 and 2019): 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, 2014.

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 |
|---|---|---|---|---|---|---|
| Contribution to consolidated net assets | 490.3 | 785.9 | 153.0 | 50.5 | 51.0 | 70.6 |
| Sensitivity: Long-term growth rate -0.5 points | 550.2 | 839.2 | 251.3 | 142.3 | 161.5 | 86.0 |
| Sensitivity: WACC +0.5 points | 540.0 | 822.6 | 246.5 | 138.8 | 157.5 | 84.0 |
| Sensitivity: Loss ratio 2018 +2 points | 568.8 | 864.0 | 259.4 | 147.9 | 168.1 | 90.1 |
| Sensitivity: Loss ratio 2019 +2 points | 555.3 | 759.5 | 250.6 | 137.5 | 158.9 | 83.7 |
| Sensitivity: Cost ratio 2018 +1 point | 568.4 | 862.3 | 259.3 | 147.5 | 167.9 | 90.0 |
| Sensitivity: Cost ratio 2019 +1 point | 551.3 | 742.1 | 248.1 | 132.9 | 156.0 | 83.0 |

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

## / NOTE 5 / Other intangible assets

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| *(in thousands of euros)* | NET VALUE | NET VALUE |
| Development costs and software | 74,078 | 83,086 |
| Purchased goodwill | 3,018 | 3,072 |
| Other | 357 | 557 |
| **TOTAL** | **77,453** | **86,715** |

| | DEC. 31, 2014 | | |
|---|---|---|---|
| *(in thousands of euros)* | COST | ACCUMULATED AMORTISATION AND IMPAIRMENT | NET VALUE |
| Development costs and software | 194,762 | -120,684 | 74,078 |
| Purchased goodwill | 7,717 | -4,700 | 3,018 |
| Other | 2,754 | -2,397 | 357 |
| **TOTAL** | **205,233** | **-127,780** | **77,453** |

| | DEC. 31, 2013 | | |
|---|---|---|---|
| *(in thousands of euros)* | COST | ACCUMULATED AMORTISATION AND IMPAIRMENT | NET VALUE |
| Development costs and software | 195,704 | -112,618 | 83,086 |
| Purchased goodwill | 7,057 | -3,985 | 3,072 |
| Other | 2,796 | -2,239 | 557 |
| **TOTAL** | **205,556** | **-118,842** | **86,715** |

## Change in the gross amount of intangible assets

| *(in thousands of euros)* | DEC. 31, 2013 | INCREASES | DECREASES | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECT AND OTHER | DEC. 31, 2014 |
|---|---|---|---|---|---|---|
| Development costs and software | 195,704 | 5,503 | -8,938 | 0 | 2,494 | 194,762 |
| Other intangible assets | 2,796 | 359 | 0 | 0 | -401 | 2,754 |
| Purchased goodwill | 7,057 | 0 | 0 | 0 | 660 | 7,717 |
| **TOTAL** | **205,556** | **5,862** | **-8,938** | **0** | **2,753** | **205,233** |

| *(in thousands of euros)* | DEC. 31, 2012 | INCREASES | DECREASES | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECT AND OTHER | DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| Development costs and software | 193,137 | 5,748 | -2,835 | 2 | -349 | 195,704 |
| Other intangible assets | 2,849 | -9 | 73 | 0 | -117 | 2,796 |
| Purchased goodwill | 12,274 | 0 | -4,773 | 0 | -444 | 7,057 |
| **TOTAL** | **208,259** | **5,739** | **-7,535** | **2** | **-910** | **205,556** |

## Change in accumulated amortisation and impairment of intangible assets

| *(in thousands of euros)* | DEC. 31, 2013 | ADDITIONS | REVERSALS | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECT AND OTHER | DEC. 31, 2014 |
|---|---|---|---|---|---|---|
| Accumulated amortisation – development costs and software | -112,372 | -15,047 | 8,939 | 0 | -1,944 | -120,424 |
| Accumulated impairment – development costs and software | -246 | -27 | 0 | 0 | 13 | -260 |
| **Total accumulated amortisation and impairment – development costs and software** | **-112,618** | **-15,074** | **8,939** | **0** | **-1,931** | **-120,684** |
| Accumulated amortisation – other intangible assets | -2,222 | -95 | 0 | 0 | -60 | -2,377 |
| Accumulated impairment – other intangible assets | -17 | -3 | 0 | 0 | 0 | -20 |
| **Total accumulated amortisation and impairment – other intangible assets** | **-2,239** | **-98** | **0** | **0** | **-60** | **-2,397** |
| Accumulated amortisation – purchased goodwill | -3,985 | -261 | 0 | 0 | -453 | -4,700 |
| **Total accumulated amortisation and impairment – purchased goodwill** | **-3,985** | **-261** | **0** | **0** | **-453** | **-4,700** |
| **TOTAL** | **-118,842** | **-15,433** | **8,939** | **0** | **-2,444** | **-127,780** |

## / NOTE 6 / Property, plant and equipment

| (in thousands of euros) | DEC. 31, 2014 NET VALUE | DEC. 31, 2013 NET VALUE |
|---|---|---|
| Buildings used in the business | 43,014 | 45,919 |
| Other property, plant and equipment | 24,694 | 29,811 |
| **TOTAL** | **67,708** | **75,730** |

| (in thousands of euros) | DEC. 31, 2014 | | |
|---|---|---|---|
| | COST | ACCUMULATED DEPRECIATION AND IMPAIRMENT | NET VALUE |
| Buildings used in the business | 109,167 | -66,153 | 43,014 |
| Other property, plant and equipment | 63,980 | -39,286 | 24,694 |
| **TOTAL** | **173,147** | **-105,439** | **67,708** |

| (in thousands of euros) | DEC. 31, 2013 | | |
|---|---|---|---|
| | COST | ACCUMULATED DEPRECIATION AND IMPAIRMENT | NET VALUE |
| Buildings used in the business | 91,215 | -45,297 | 45,919 |
| Other property, plant and equipment | 67,485 | -37,674 | 29,811 |
| **TOTAL** | **158,700** | **-82,970** | **75,730** |

### Change in the gross amount of property, plant and equipment

| (in thousands of euros) | DEC. 31, 2013 | INCREASES | DECREASES | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2014 |
|---|---|---|---|---|---|---|
| Land used in the business | 14,010 | 0 | 0 | 0 | 0 | 14,010 |
| Buildings used in the business | 77,205 | 0 | -196 | 0 | 18,148 | 95,157 |
| **Total buildings used in the business** | **91,215** | **0** | **-196** | **0** | **18,148** | **109,167** |
| Operating guarantees and deposits | 8,732 | 360 | -3,826 | 0 | 52 | 5,319 |
| Other property, plant and equipment | 58,753 | 2,605 | -3,008 | 0 | 311 | 58,661 |
| **Total other property, plant and equipment** | **67,485** | **2,966** | **-6,834** | **0** | **363** | **63,980** |
| **TOTAL** | **158,700** | **2,966** | **-7,030** | **0** | **18,511** | **173,147** |

| (in thousands of euros) | DEC. 31, 2012 | INCREASES | DECREASES | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| Land used in the business | 14,010 | 0 | 0 | 0 | 0 | 14,010 |
| Buildings used in the business | 75,839 | 1,362 | 0 | 0 | 5 | 77,205 |
| **Total buildings used in the business** | **89,849** | **1,362** | **0** | **0** | **5** | **91,215** |
| Operating guarantees and deposits | 6,729 | 3,758 | -1,564 | 0 | -191 | 8,732 |
| Other property, plant and equipment | 57,703 | 14,740 | -12,582 | 83 | -1,191 | 58,753 |
| **Total other property, plant and equipment** | **64,432** | **18,498** | **-14,146** | **83** | **-1,382** | **67,485** |
| **TOTAL** | **154,280** | **19,860** | **-14,146** | **83** | **-1,377** | **158,700** |

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

| *(in thousands of euros)* | DEC. 31, 2013 | ADDITIONS | REVERSALS | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2014 |
|---|---|---|---|---|---|---|
| Accumulated depreciation – Building used in the business | -45,297 | -2,803 | 94 | 0 | -18,148 | -66,153 |
| Accumulated impairment – Buildings used in the business | 0 | 0 | 0 | 0 | 0 | 0 |
| **Buildings used in the business** | **-45,297** | **-2,803** | **94** | **0** | **-18,148** | **-66,153** |
| Accumulated depreciation other property, plant & equipment | -34,992 | -4,015 | 2,693 | 0 | -239 | -36,553 |
| Accumulated impairment other property, plant & equipment | -2,682 | -40 | 0 | 0 | -11 | -2,733 |
| **Other property, plant and equipment** | **-37,674** | **-4,056** | **2,693** | **0** | **-250** | **-39,286** |
| **TOTAL** | **-82,970** | **-6,859** | **2,787** | **0** | **-18,397** | **-105,439** |

| *(in thousands of euros)* | DEC. 31, 2012 | ADDITIONS | REVERSALS | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| Accumulated depreciation – Building used in the business | -42,650 | -2,643 | 0 | 0 | -4 | -45,297 |
| Accumulated impairment – Buildings used in the business | 0 | 0 | 0 | 0 | 0 | 0 |
| **Buildings used in the business** | **-42,650** | **-2,643** | **0** | **0** | **-4** | **-45,297** |
| Accumulated depreciation other property, plant & equipment | -43,025 | -4,676 | 12,073 | -33 | 668 | -34,992 |
| Accumulated impairment other property, plant & equipment | -2,802 | -34 | 1 | 0 | 153 | -2,682 |
| **Other property, plant and equipment** | **-45,826** | **-4,710** | **12,074** | **-33** | **821** | **-37,674** |
| **TOTAL** | **-88,476** | **-7,353** | **12,074** | **-33** | **817** | **-82,970** |



| BUILDINGS USED IN THE BUSINESS *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Carrying amount | 43,014 | 45,919 |
| Market value | 69,918 | 72,973 |
| **UNREALISED GAIN** | **26,904** | **27,054** |

## / NOTE 7 / Investments

### 7.1 Analysis by category

At December 31, 2014, the carrying amount of held-to-maturity (HTM) securities was €6,872 thousand; available-for-sale (AFS) securities totalled €2,324,682 thousand; and trading securities came to €30,864 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income products which provide it with recurring and stable revenues.

At December 31, 2014, 13% of the Group's total bond portfolio was rated "AAA", 36% "AA" and "A", 32% "BBB" and 19% below "BB" of the Group's total bond portfolio.

| | DEC. 31, 2014 | | | | | DEC. 31, 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | AMORTISED COST | REVALUATION | NET VALUE | FAIR VALUE | UNREALISED GAIN AND LOSS | AMORTISED COST | REVALUATION | NET VALUE | FAIR VALUE | UNREALISED GAIN AND LOSS |
| **AFS securities** | **2,203,306** | **121,376** | **2,324,682** | **2,324,682** | **0** | **1,810,511** | **80,693** | **1,891,204** | **1,891,204** | **0** |
| Equities and other variable-income securities | 211,173 | 98,537 | 309,710 | 309,710 | 0 | 109,981 | 92,486 | 202,467 | 202,467 | 0 |
| Bonds and government securities | 1,962,132 | 22,838 | 1,984,971 | 1,984,971 | 0 | 1,700,529 | -11,793 | 1,688,736 | 1,688,736 | 0 |
| *o/w direct investments in securities* | *1,752,367* | *27,757* | *1,780,124* | *1,780,124* | *0* | *1,338,281* | *-4,448* | *1,333,833* | *1,333,833* | *0* |
| *o/w investments in UCITS* | *209,765* | *-4,919* | *204,847* | *204,847* | *0* | *362,248* | *-7,345* | *354,903* | *354,903* | *0* |
| Shares in non-trading property companies | 30,001 | 0 | 30,001 | 30,001 | 0 | 1 | 0 | 1 | 1 | 0 |
| **HTM securities** | | | | | | | | | | |
| Bonds and government securities | 6,872 | | 6,872 | 7,703 | 831 | 9,403 | 0 | 9,403 | 10,170 | 767 |
| **Fair value through income – *trading securities*** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Money-market funds UCITS | 30,864 | 0 | 30,864 | 30,864 | 0 | 52,271 | 0 | 52,271 | 52,271 | 0 |
| **Derivatives (positive fair value)** | **0** | **2,834** | **2,834** | **2,834** | **0** | **0** | **1,386** | **1,386** | **1,386** | **0** |
| *(For information, derivatives with a negative fair value)* | *0* | *-16,037* | *-16,037* | *-16,037* | *0* | *0* | *2,527* | *2,527* | *2,527* | *0* |
| **Loans and receivables** | **311,556** | **0** | **311,556** | **311,556** | **0** | **253,098** | **0** | **253,098** | **253,098** | **0** |
| **Investment property** | **707** | **216** | **923** | **923** | **0** | **1,055** | **216** | **1,271** | **1,271** | **0** |
| **TOTAL** | **2,553,305** | **124,426** | **2,677,731** | **2,678,562** | **831** | **2,126,338** | **82,294** | **2,208,633** | **2,209,400** | **767** |

| *(in thousands of euros)* | GROSS [1] DEC. 31, 2014 | IMPAIRMENTS | IFRS DEC. 31, 2014 | IFRS DEC. 31, 2013 |
|---|---|---|---|---|
| **AFS securities** | **2,354,823** | **-30,141** | **2,324,682** | **1,891,204** |
| Equities and other variable-income securities | 339,843 | -30,133 | 309,710 | 202,467 |
| Bonds and government securities | 1,984,971 | 0 | 1,984,971 | 1,688,736 |
| *o/w direct investments in securities* | *1,780,124* | *0* | *1,780,124* | *1,333,833* |
| *o/w investments in UCITS* | *204,847* | *0* | *204,847* | *354,903* |
| Shares in non-trading property companies | 30,009 | -8 | 30,001 | 1 |
| **HTM securities** | | | | |
| Bonds and government securities | 6,872 | 0 | 6,872 | 9,403 |
| **Fair value through income – trading securities** | | | | |
| Money-market funds UCITS | 30,864 | 0 | 30,864 | 52,271 |
| **Derivatives (positive fair value)** | **2,834** | **0** | **2,834** | **1,386** |
| *(for information, derivatives with a negative fair value)* | *-16,037* | *0* | *-16,037* | *-2,527* |
| **Loans and receivables** | **311,556** | **0** | **311,556** | **253,098** |
| **Investment property** | **923** | **0** | **923** | **1,271** |
| **TOTAL INVESTMENTS** | **2,707,872** | **-30,141** | **2,677,731** | **2,208,633** |

*(1) The gross amount is before impairment*

## impairment

| *(in thousands of euros)* | DEC. 31, 2013 | ADDITIONS | REVERSALS [1] | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2014 |
|---|---|---|---|---|---|
| **AFS securities** | **30,661** | **1,624** | **-2,283** | **139** | **30,141** |
| Equities and other variable-income securities | 30,653 | 1,624 | -2,283 | 139 | 30,133 |
| Shares in non-trading property companies | 8 | | | | 8 |
| **Loans and receivables** | **0** | **0** | **0** | **0** | **0** |
| **TOTAL IMPAIRMENTS** | **30,661** | **1,624** | **-2,283** | **139** | **30,141** |

*(1) Reversals relate only to shares sold.*

| *(in thousands of euros)* | DEC. 31, 2012 | ADDITIONS | REVERSALS | EXCHANGE RATE EFFECTS AND OTHER | DEC. 31, 2013 |
|---|---|---|---|---|---|
| **AFS securities** | **38,593** | **1,576** | **-11,985** | **2,478** | **30,661** |
| Equities and other variable-income securities | 38,585 | 1,576 | -11,985 | 2,478 | 30,653 |
| Shares in non-trading property companies | 8 | 0 | 0 | 0 | 8 |
| **Loans and receivables** | **2,282** | **0** | **-2,282** | **0** | **0** |
| **TOTAL IMPAIRMENT** | **40,875** | **1,576** | **-14,267** | **2,478** | **30,661** |

### Change in investments by category

| *(in thousands of euros)* | DEC. 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | CARRYING AMOUNT AT JANUARY 1 | INCREASES | DECREASES | REVALUA-TIONS | DEPRECIATION & IMPAIR-MENTS | OTHER MOVE-MENTS | CARRYING AMOUNT AT DECEMBER 31 |
| **AFS securities** | **1,891,204** | **1,583,476** | **-1,242,660** | **40,246** | **659** | **51,757** | **2,324,682** |
| Equities and other variable-income securities | 202,467 | 150,964 | -50,502 | 5,800 | 659 | 322 | 309,710 |
| Bonds and government securities | 1,688,736 | 1,402,512 | -1,192,159 | 34,447 | | 51,435 | 1,984,971 |
| Shares in non-trading property companies | 1 | 30,000 | | | | | 30,001 |
| **HTM securities** | | | | | | | |
| Bonds | 9,403 | -51 | -2,480 | | | | 6,872 |
| **Fair value through income – trading securities** | **52,271** | **1,546,923** | **-1,567,833** | **-180** | | **-317** | **30,864** |
| **Loans, receivables and other financial investments** | **255,755** | **170,437** | **-80,915** | **-42,769** | | **12,804** | **315,313** |
| *Derivatives (positive fair value)* | *1,386* | *45,780* | *-1,558* | *-42,769* | | *-5* | *2,834* |
| *Loans and receivables* | *253,098* | *124,658* | *-79,009* | | | *12,809* | *311,556* |
| *Investment property* | *1,271* | | *-348* | | | | *923* |
| **TOTAL** | **2,208,633** | **3,300,786** | **-2,893,888** | **-2,703** | **659** | **64,244** | **2,677,731** |

### Derivatives (within the Colombes funds)

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

During 2014, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks *via* swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

Investments in equities were partially hedged during 2013 through purchases of index options (which were out of the money) in the second half of the year. 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 with short maturities.

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

## 7.2 Financial instruments recognised at fair value

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

**Level 1:** Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 77% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organised markets, as well as units in 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 UCIT money-market funds (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 17% 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 6% of the Group's portfolio.

This level corresponds to unlisted equities, investment securities and mutual fund units (UCITS), as well as investment property.

## Breakdown of financial instrument fair value measurements in 2014 by level in the fair value hierarchy

| | | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|---|
| *(in thousands of euros)* | CARRYING AMOUNT | FAIR VALUE | FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS | FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS | FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS |
| **AFS securities** | **2,324,682** | **2,324,682** | **2,015,225** | **153,987** | **155,470** |
| Equities and other variable-income securities | 309,710 | 309,710 | 177,611 | 6,630 | 125,469 |
| Bonds and government securities | 1,984,971 | 1,984,971 | 1,837,614 | 147,357 | 0 |
| Shares in non-trading property companies | 30,001 | 30,001 | 0 | 0 | 30,001 |
| **HTM securities** | | | | | |
| Bonds and government securities | 6,872 | 7,703 | 7,703 | 0 | 0 |
| **Fair value through income – trading securities** | | | | | |
| Money-market UCITS | 30,864 | 30,864 | 30,864 | 0 | 0 |
| **Derivatives (positive fair value)** | 2,834 | 2,834 | 0 | 2,834 | 0 |
| **Loans and receivables** | 311,556 | 311,556 | 0 | 311,556 | 0 |
| **Investment property** | 923 | 923 | 0 | 0 | 923 |
| **TOTAL** | **2,677,731** | **2,678,562** | **2,053,792** | **468,377** | **156,393** |

## Movements in Level 3 securities in 2014

| | LEVEL 3 | GAINS AND LOSSES RECOGNISED IN THE PERIOD | | TRANSACTIONS FOR THE PERIOD | | RECLASSIFICATION FOR THE PERIOD | | | LEVEL 3 |
|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | JANUARY 1 | IN INCOME | DIRECTLY IN EQUITY | PURCHASES / ISSUES | SALES/ REDEMPTIONS | INTO LEVEL 3 | CHANGES INSCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS | DECEMBER 31 |
| **AFS securities** | **107,825** | **15** | **11,290** | **36,268** | **0** | **0** | **0** | **71** | **155,470** |
| Equities and other variable-income revenue | 107,824 | 15 | 11,290 | 6,268 | 0 | 0 | 0 | 71 | 125,469 |
| Shares in non-trading property companies | 1 | 0 | 0 | 30,000 | 0 | 0 | 0 | 0 | 30,001 |
| **Investment property** | **1,271** | **-348** | **0** | **0** | **0** | **0** | **0** | **0** | **923** |
| **TOTAL** | **109,096** | **-333** | **11,290** | **36,268** | **0** | **0** | **0** | **71** | **156,393** |

## Breakdown of financial instrument fair value measurements in 2013 by level in the fair valuehierarchy

| *(in thousands of euros)* | CARRYING AMOUNT | FAIR VALUE | LEVEL 1<br>FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS | LEVEL 2<br>FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS | LEVEL 3<br>FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS |
|---|---|---|---|---|---|
| **AFS securities** | **1,891,204** | **1,891,204** | **1,637,022** | **146,357** | **107,825** |
| Equities and other variable-income securities | 202,467 | 202,467 | 79,972 | 14,671 | 107,824 |
| Bonds and government securities | 1,688,736 | 1,688,736 | 1,557,050 | 131,686 | 0 |
| Shares in non-trading property companies | 1 | 1 | 0 | 0 | 1 |
| **HTM securities** | | | | | |
| Bonds | 9,403 | 10,170 | 10,170 | 0 | 0 |
| **Fair value through income – trading securities** | **52,271** | **52,271** | **52,271** | **0** | **0** |
| **Derivatives** | **1,386** | **1,386** | **0** | **1,386** | **0** |
| **Investment property** | **1,271** | **1,271** | **0** | **0** | **1,271** |
| **Loans and receivables** | **253,098** | **253,098** | **0** | **253,098** | **0** |
| **TOTAL** | **2,208,633** | **2,209,400** | **1,699,462** | **400,842** | **109,096** |

## Movements in Level 3 securities in 2013

| *(in thousands of euros)* | LEVEL 3 | GAINS AND LOSSES RECOGNISED IN THE PERIOD | | TRANSACTIONS FOR THE PERIOD | | RECLASSIFICATION FOR THE PERIOD | CHANGES IN SCOPE OF CONSOLIDATION | EXCHANGE RATE EFFECTS | LEVEL 3 |
|---|---|---|---|---|---|---|---|---|---|
| | JANUARY 1 | IN INCOME | DIRECTLY IN EQUITY | PURCHASES / ISSUES | SALES/ REDEMPTIONS | INTO LEVEL 3 | | | DECEMBER 31 |
| **AFS securities** | **117,991** | **5,341** | **13,679** | **5,299** | **-30,734** | **371** | **-3,872** | **-250** | **107,825** |
| Equities | 117,984 | 5,341 | 13,679 | 5,299 | -30,728 | 371 | -3,872 | -250 | 107,824 |
| Shares in non-trading property companies | 7 | 0 | 0 | 0 | -6 | 0 | 0 | 0 | 1 |
| **Investment property** | **1,456** | **0** | **0** | **0** | **-185** | **0** | **0** | **0** | **1,271** |
| **Loans and receivables** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **TOTAL** | **119,447** | **5,341** | **13,679** | **5,299** | **-30,919** | **371** | **-3,872** | **-250** | **109,096** |

# / NOTE 8 / Receivables arising from banking and other activities

## Breakdown by nature

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Receivables arising from banking and other activities | 2,181,560 | 2,094,074 |
| Non-performing receivables arising from banking and other activities | 79,840 | 46,163 |
| Allowances for receivables arising from banking and other activities | -17,138 | -19,721 |
| **TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES** | **2,244,262** | **2,120,516** |

## Breakdown by maturity

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 specified that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions. Claims provisions recorded to hedge receivables arising from factoring operations amounted to €36,358 thousand at December 31, 2014.

| | DEC. 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | DUE | | | | |
| *(in thousands of euros)* | NOT DUE | -3 MONTHS | 3 MONTH TO 1 YEAR | 1 TO 5 YEARS | +5 YEARS | TOTAL |
| Receivables arising from banking and other activities | 1,770,696 | 410,864 | 0 | 0 | 0 | **2,181,560** |
| Non-performing receivables arising from banking and other activities | 0 | 0 | 78,952 | 888 | 0 | **79,840** |
| Allowances for receivables arising from banking and other activities | 0 | 0 | -16,250 | -888 | 0 | **-17,138** |
| **Total receivables arising from banking and other activities** | **1,770,696** | **410,864** | **62,702** | **0** | **0** | **2,244,262** |
| Claims reserves as hedge for factoring receivables | 0 | 0 | -36,358 | 0 | 0 | **-36,358** |
| **TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES** | **1,770,696** | **410,864** | **26,344** | **0** | **0** | **2,207,904** |

## / NOTE 9 / Investments in associates

| (in thousands of euros) | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Investments in associates at January 1 | 17,621 | 16,812 |
| Dividends paid | -756 | -684 |
| Share in net income of associates | 2,136 | 1,493 |
| **TOTAL INVESTMENTS IN ASSOCIATES** | **19,001** | **17,621** |

The Company accounted for by the equity method is Cofacrédit.

## / NOTE 10 / Receivables arising from insurance and reinsurance operations

### Breakdown by nature

| | DEC. 31, 2014 | | | DEC. 31, 2013 | | |
|---|---|---|---|---|---|---|
| (in thousands of euros) | GROSS | PROVISION | NET | GROSS | PROVISION | NET |
| Receivables from policyholders and agents | 303,437 | -29,191 | 274,246 | 290,110 | -27,684 | 262,426 |
| Pipeline premiums | 125,178 | 0 | 125,178 | 117,445 | 0 | 117,445 |
| Receivables arising from reinsurance operations, net | 54,273 | -282 | 53,991 | 40,968 | -282 | 40,686 |
| **TOTAL INSURANCE RECEIVABLES** | **482,888** | **-29,473** | **453,415** | **448,523** | **-27,966** | **420,557** |

### Breakdown by maturity

| | DEC. 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | DUE | | | | |
| (in thousands of euros) | NOT DUE | -3 MONTHS | 3 MONTHS TO 1 YEAR | 1 TO 5 YEARS | +5 YEARS | TOTAL |
| **TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS** | **289,462** | **81,695** | **57,647** | **24,610** | **0** | **453,415** |

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

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

## / NOTE 11 / Other assets

| (in thousands of euros) | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Deferred acquisition costs | 43,171 | 39,547 |
| Trade receivables arising from other activities | 17,762 | 20,292 |
| Current tax receivables | 43,238 | 52,073 |
| Other receivables | 147,049 | 95,346 |
| **TOTAL** | **251,220** | **207,258** |

## / NOTE 12 / Cash and cash equivalents

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Cash at bank and in hand | 248,656 | 260,866 |
| Cash equivalents | 29,968 | 13,054 |
| **TOTAL** | **278,624** | **273,920** |

## / NOTE 13 / Share capital

| ORDINARY SHARES | NUMBER OF SHARES | PAR VALUE | SHARE CAPITAL (IN €) |
|---|---|---|---|
| Value on January 1 | 156,841,307 | 5 | 784,206,535 |
| Capital increase | 406,925 | 5 | 2,034,625 |
| **Value on December 31** | **157,248,232** | **5** | **786,241,160** |
| Treasury shares | -80,819 | 5 | -404,095 |
| **VALUE ON DECEMBER 31 (EXCLUDING TREASURY SHARES)** | **157,167,413** | **5** | **785,837,065** |

| SHAREHOLDERS | NUMBER OF SHARES AT JANUARY 1 | % ON JANUARY 1 | NUMBER OF SHARES AT DECEMBER 31 | % AT DECEMBER 31 |
|---|---|---|---|---|
| Natixis | 156,841,307 | 100% | 64,853,869 | 41.26% |
| Public | 0 | 0% | 92,313,544 | 58.74% |
| **TOTAL (EXCLUDING TREASURY SHARES)** | **156,841,307** | **100%** | **157,167,413** | **100.00%** |

Natixis holds 41.24% of Coface corresponding to securities and 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 ALLOCATED | ACQUISITION PERIOD | ACQUISITION DATE | AVAILABILITY DATE | FAIR VALUE OF THE SHARE AT THE ALLOCATION DATE | NET EXPENSE FOR THE YEAR *(in thousands of euros)* |
|---|---|---|---|---|---|---|---|
| Chief Executive Officer (CEO) Plan | Jun. 12, 2014 | 43,269 | 2 years | Jun. 12, 2016 | Jun. 12, 2016 | 10.4 | 108 |
| *Long Term Incentive Plan* | Jun. 26, 2014 | 78,842 | 3 years | Jun. 26, 2017 | Jun. 26, 2019 | 10.4 | 124 |

The settlement of the Chief Executive Officer (CEO) plan is contingent on a presence requirement.

The vesting of free shares under the long-term incentive plan is contingent on a presence requirement and achieving of annual objectives based on financial indicators.

### Measurement of free shares

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

The plans were measured on the assumptions below:

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

Based on these assumptions, a total of €232 thousand was expense under the implemented plans at December 31, 2014.

### Capital increase for employees only

On June 12, the Group gave its employees the opportunity of subscribing to a reserved capital increase at a preferential price of €8.32, 20% less than the Company's share price under the stock market listing and the international offering. 255,347 shares were subscribed, corresponding to a capital increase of €2,124 thousand.

The employee shareholders are bound by a mandatory holding period of five years, barring early release circumstances defined by law. Employees are not required to stay in the Company once they become shareholders.

The IFRS 2 expense measuring the benefit granted to employees is measured at fair value taking into account the cost of non-transferability, as recommended by the ANC (the French accounting standards-setter). The cost of non-transferability is measured through a two-stage strategy entailing the future sale of the non-transferable shares after five years, and using a loan to finance the acquisition of the same number of shares in cash (shares that can be transferred at any time). This strategy represents the cost incurred for release from the risk incurred during the inaccessible term.

The Coface Group decided not to recognise the IFRS expense under the discount given that based on the measurement assumptions, the cost of non-transferability exceeds the discount expense.

| | *(in %)* | VALUE |
|---|---|---|
| **Plan details** | | |
| Maturity *(in years)* | | 5 |
| Reference price *(in euros)* | | 10.4 |
| Subscription price *(in euros)* | | 8.32 |
| Face discount | 20 | |
| Amount subscrbed by the employees *(in euros)* | | 2,124,491 |
| Total number of shares subscribed | | 255,347 |
| **Valuation assumptions** | | |
| Risk-free interest rate at five years | 0.84 | |
| Annual borrowing rate for securities (repo) | 0.16 | |
| Borrowing rate for a market participant | 5.47 | |
| (a) Discount value *(value in euros)* | 20 | 531,123 |
| (b) Lock-in value *(value in euros)* | 21.30 | 565,589 |
| **OVERALL COST FOR COFACE (IN EUROS) (A) - (B)** | | **0** |
| ***Sensitivity*** | | |
| *Fall of 0.5% in borrowing rate for market participant* | | |
| *Overall cost for Coface (in euros)* | | *18,443* |

The Group made matching contributions to the amounts subscribed by employees or beneficiaries (foreign employee) in accordance with the conditions determined at the Board meeting of June 12, 2014 (France employee savings plan and International employee savings plan). The costs of the Group's matching contributions (€1,298 thousand) were recognised in "other operating expenses".

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

| *(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, 2013** | **101,116** | **-23,965** | **-6,114** | **71,037** | **4,448** | **75,485** |
| Fair value adjustments on available-for-sale financial assets reclassified to income | -27,722 | 0 | 7,929 | -19,793 | -60 | -19,852 |
| Fair value adjustments on available-for-sale financial assets recognised in equity | 5,754 | 0 | 2,644 | 8,398 | 460 | 8,858 |
| Change in reserves – gains and losses not reclassifiable to income (IAS 19R) | 0 | 1,544 | -468 | 1,076 | 4 | 1,080 |
| **AT DECEMBER 31, 2013** | **79,148** | **-22,421** | **3,991** | **60,719** | **4,852** | **65,571** |



## / NOTE 16 / Liabilities relating to insurance contracts

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Provisions for unearned premiums | 286,336 | 267,023 |
| Claims reserves | 1,091,668 | 1,120,922 |
| Provisions for premium refunds | 94,176 | 62,554 |
| **Liabilities relating to insurance contracts** | **1,472,180** | **1,450,499** |
| Provisions for unearned premiums | -57,403 | -41,674 |
| Claims reserves | -249,010 | -289,294 |
| Provisions for premium refunds | -22,750 | -16,254 |
| **Reinsurers' share of technical insurance liabilities** | **-329,163** | **-347,221** |
| **NET TECHNICAL PROVISIONS** | **1,143,017** | **1,103,278** |

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

The liquidation term for insurance technical provisions is less than three years, and the total of these provisions is covered by liquid assets.

Consequently, the risk of liquidity linked to insurance technical provisions is considered to be marginal.

## / NOTE 17 / Provisions for liabilities and charges

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Provisions for disputes | 7,624 | 7,056 |
| Provisions for pension and other post-employment benefit obligations | 93,752 | 86,130 |
| Other provisions for liabilities and charges | 16,416 | 18,870 |
| **TOTAL** | **117,792** | **112,056** |

| *(in thousands of euros)* | DEC. 31, 2013 | ADDITIONS | REVERSALS (UTILISED) | REVERSALS (SURPLUS) | RECLASSI-FICATIONS | CHANGES IN OCI | MERGERS AND PAR-TIAL ASSET TRANS-FERS | EX-CHANGE RATE EFFECTS | DEC. 31, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Provisions for disputes** | **7,056** | **2,002** | **-897** | **-599** | **0** | **0** | **0** | **62** | **7,624** |
| Provisions for technical disputes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions for tax disputes | 349 | 3 | 0 | 0 | 0 | 0 | 0 | 8 | 361 |
| Provisions for employee disputes | 4,246 | 2,444 | -897 | -570 | 0 | 0 | 0 | 2 | 5,225 |
| Provisions for other disputes | 2,461 | -445 | 0 | -29 | 0 | 0 | 0 | 52 | 2,038 |
| **Provisions for pension and other post-employment benefit obligations** | **86,130** | **5,278** | **-6,077** | **-359** | **16** | **8,762** | **0** | **2** | **93,752** |
| **Other provisions for liabilities and charges** | **18,870** | **2,562** | **-880** | **-3,766** | **0** | **0** | **0** | **-370** | **16,416** |
| Provisions for liabilities relating to subsidiaries | 14,347 | 2,028 | -647 | -1,634 | 0 | 0 | 0 | -370 | 13,724 |
| Provisions for restructuring costs | 2,760 | 529 | -233 | -1,793 | 0 | 0 | 0 | 0 | 1,263 |
| Other provisions for liabilities | 1,763 | 5 | 0 | -339 | 0 | 0 | 0 | 0 | 1,429 |
| **TOTAL** | **112,056** | **9,842** | **-7,854** | **-4,724** | **16** | **8,762** | **0** | **-306** | **117,792** |

| *(in thousands of euros)* | DEC. 31, 2012 | ADDITIONS | REVERSALS (UTILISED) | REVERSALS (SURPLUS) | RECLASSI-FICATIONS | CHANGES IN OCI | MERGERS AND PAR-TIAL ASSET TRANSFERS | EXCHANGE RATE EFFECTS | DEC. 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Provisions for disputes** | **4,934** | **4,444** | **-910** | **-52** | **-1,111** | **0** | **0** | **-248** | **7,056** |
| Provisions for technical disputes | 841 | 0 | 0 | 0 | -841 | 0 | 0 | 0 | 0 |
| Provisions for tax disputes | 288 | 103 | 0 | 0 | 0 | 0 | 0 | -42 | 349 |
| Provisions for employee disputes | 3,085 | 1,969 | -770 | 0 | 0 | 0 | 0 | -37 | 4,246 |
| Provisions for other disputes | 720 | 2,372 | -140 | -52 | -270 | 0 | 0 | -169 | 2,461 |
| **Provisions for pension and other post-employment benefit obligations** | **85,342** | **7,798** | **-4,931** | **-127** | **17** | **-1,568** | **0** | **-402** | **86,130** |
| **Other provisions for liabilities and charges** | **26,960** | **4,194** | **-3,050** | **-7,069** | **-2,462** | **0** | **340** | **-43** | **18,870** |
| Provisions for liabilities relating to subsidiaries | 21,528 | 3,152 | 0 | -6,792 | -3,839 | 0 | 340 | -42 | 14,347 |
| Provisions for restructuring costs | 3,096 | 1,002 | -1,101 | -186 | -50 | 0 | 0 | -1 | 2,760 |
| Other provisions for liabilities | 2,375 | 40 | -1,949 | -91 | 1,427 | 0 | 0 | 0 | 1,763 |
| **TOTAL** | **117,236** | **16,436** | **-8,891** | **-7,248** | **-3,556** | **-1,568** | **340** | **-693** | **112,056** |

## / NOTE 18 / Employee benefits

| (in thousands of euros) | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| ***Present value of benefit obligation at January 1*** | ***87,765*** | ***86,892*** |
| Acquisitions/mergers/deconsolidations | 0 | 0 |
| Current service cost | -501 | 4,087 |
| Interest cost | 2,474 | 2,450 |
| Actuarial (gains)/losses | 12,464 | 110 |
| Benefits paid | -6,706 | -5,417 |
| Other | -49 | -356 |
| **PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31** | **95,449** | **87,765** |
| **Change in plan assets** | | |
| ***Fair value of plan assets at January 1*** | ***1,635*** | ***1,551*** |
| Revaluation adjustments – Return on plan assets | 71 | 93 |
| Acquisitions/mergers/deconsolidations | 0 | 0 |
| Employee contributions | 0 | 0 |
| Employer contributions | 111 | 405 |
| Benefits paid | -124 | -412 |
| Other | 4 | 0 |
| **FAIR VALUE OF PLAN ASSETS AT DECEMBER 31** | **1,696** | **1,635** |
| **Reconciliation** | | |
| ***Present value of benefit obligation at December 31*** | ***95,449*** | ***87,765*** |
| Fair value of plan assets | 1,696 | 1,635 |
| **(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER** | **-93,752** | **-86,130** |
| **Income statement** | | |
| Current service cost | 4,907 | 4,019 |
| Past service cost | -5,407 | 68 |
| Benefits paid including amounts paid in respect of settlements | -333 | -341 |
| Interest cost | 2,474 | 2,450 |
| Interest income | -54 | -52 |
| Revaluation adjustments on other long-term benefits | 3,687 | 1,654 |
| Other | 6 | 6 |
| **EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT** | **5,279** | **7,803** |
| **Changes recognised directly in equity not reclassifiable to income** | | |
| Revaluation adjustments arising in the year | 8,762 | -1,548 |
| **REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME** | **8,762** | **-1,548** |

### ◆ Actuarial assumptions

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

| | DEC. 31, 2014 | | | |
|---|---|---|---|---|
| | FRANCE | GERMANY | AUSTRIA | ITALY |
| Inflation rate | 1.80% | 1.80% | 1.80% | 1.80% |
| Discount rate | | | | |
| *Supplementary retirement and other plans* | *0.50%* | *1.80%* | *1.80%* | *1.80%* |
| *Statutory retirement benefits* | *1.20%* | *N/A* | *1.80%* | *1.80%* |
| *Long-service awards* | *0.80%* | *1.80%* | *1.80%* | *-* |
| *Other benefits* | *1.80%* | *1.80%* | *N/A* | *1.80%* |
| Rate of salary increases (including inflation) | 2.10% | 2.30% | 3.00% | 3.00% |
| Rate of increase in medical costs (including inflation) | 4.30% | N/A | N/A | 4.50% |
| Average remaining working life until retirement | | | | |
| *Supplementary retirement and other plans* | *0.00* | *4.61* | *9.49* | *6.88* |
| *Statutory retirement benefits* | *15.55* | *N/A* | *10.81* | *13.68* |
| *Long-service awards* | *15.52* | *22.39* | *14.71* | *N/A* |
| *Other benefits* | *15.55* | *2.21* | *N/A* | *20.15* |
| Term *(years)* | | | | |
| *Supplementary retirement and other plans* | *29.26* | *12.51* | *12.25* | *25.05* |
| *Statutory retirement benefits* | *10.59* | *N/A* | *9.67* | *10.48* |
| *Long-service awards* | *7.92* | *12.40* | *6.79* | *N/A* |
| *Other benefits* | *0.00* | *1.97* | *N/A* | *22.33* |



| | DEC. 31, 2013 | | | |
|---|---|---|---|---|
| | FRANCE | GERMANY | AUSTRIA | ITALY |
| Inflation rate | 1.90% | 1.90% | 1.90% | 1.90% |
| Discount rate | | | | |
| *Supplementary retirement and other plans* | *1.40%* | *3.15%* | *3.15%* | *3.15%* |
| *Statutory retirement benefits* | *2.60%* | *N/A* | *3.15%* | *3.15%* |
| *Long-service awards* | *2.10%* | *3.15%* | *3.15%* | *-* |
| *Other benefits* | *3.00%* | *3.15%* | *N/A* | *3.15%* |
| Rate of salary increases (including inflation) | 2.30% | 2.50% | 3.00% | 3.00% |
| Rate of increase in medical costs (including inflation) | 4.40% | N/A | N/A | 4.50% |
| Average remaining working life until retirement | | | | |
| *Supplementary retirement and other plans* | *1.00* | *7.79* | *10.15* | *13.68* |
| *Statutory retirement benefits* | *17.78* | *N/A* | *11.53* | *13.68* |
| *Long-service awards* | *17.78* | *23.25* | *14.93* | *N/A* |
| *Other benefits* | *17.78* | *3.85* | *N/A* | *20.15* |
| Term *(years)* | | | | |
| *Supplementary retirement and other plans* | *26.08* | *12.66* | *12.15* | *24.98* |
| *Statutory retirement benefits* | *11.61* | *N/A* | *10.15* | *10.72* |
| *Long-service awards* | *7.85* | *12.13* | *6.79* | *N/A* |
| *Other benefits* | *0.00* | *1.19* | *N/A* | *20.72* |

| (in thousands of euros) | DEC. 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | FRANCE | GERMANY | AUSTRIA | ITALY | OTHER | TOTAL |
| ***Present value of benefit obligation at January 1*** | ***43,680*** | ***19,588*** | ***17,205*** | ***5,379*** | ***1,914*** | ***87,765*** |
| Acquisitions/mergers/deconsolidations | 0 | 0 | 0 | 0 | 0 | 0 |
| Current service cost | -3,737 | 1,694 | 274 | 854 | 414 | -501 |
| Interest cost | 1,193 | 592 | 523 | 167 | 0 | 2,474 |
| Actuarial (gains)/losses | 2,562 | 5,199 | 3,012 | 1,690 | 0 | 12,464 |
| Benefits paid | -2,046 | -1,631 | -1,106 | -1,729 | -194 | -6,706 |
| Other | 0 | 0 | 6 | 0 | -54 | -49 |
| **PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31** | **41,652** | **25,442** | **19,913** | **6,361** | **2,080** | **95,449** |
| **Change in plan assets** | | | | | | |
| ***Fair value of plan assets at January 1*** | ***0*** | ***837*** | ***978*** | ***0*** | ***-181*** | ***1,635*** |
| Revaluation adjustments – Return on plan assets | 0 | 30 | 41 | 0 | 0 | 71 |
| Acquisitions/mergers/deconsolidations | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Employer contributions | 0 | 11 | 100 | 0 | 0 | 111 |
| Benefits paid | 0 | -21 | -103 | 0 | 0 | -124 |
| Other | 0 | 4 | 0 | 0 | 0 | 4 |
| **FAIR VALUE OF PLAN ASSETS AT DECEMBER 31** | **0** | **861** | **1,016** | **0** | **-181** | **1,696** |
| **Reconciliation** | | | | | | |
| ***Present value of benefit obligation at December 31*** | ***41,652*** | ***25,442*** | ***19,913*** | ***6,361*** | ***2,080*** | ***95,449*** |
| Fair value of plan assets | 0 | 861 | 1,016 | 0 | -181 | 1,696 |
| **(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER** | **-41,652** | **-24,581** | **-18,897** | **-6,361** | **-2,261** | **-93,752** |
| **Income statement** | | | | | | |
| Current service cost | 1,670 | 1,694 | 274 | 854 | 414 | 4,907 |
| Past service cost | -5,407 | 0 | 0 | 0 | 0 | -5,407 |
| Benefits paid including amounts paid in respect of settlements | 0 | 0 | 0 | -333 | 0 | -333 |
| Interest cost | 1,193 | 592 | 523 | 167 | 0 | 2,474 |
| Interest income | 0 | -25 | -29 | 0 | 0 | -54 |
| Revaluation adjustments on other long-term benefits | -267 | 2,668 | 15 | 1,272 | 0 | 3,687 |
| Other | 0 | 0 | 6 | 0 | 0 | 6 |
| **EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT** | **-2,812** | **4,929** | **788** | **1,959** | **414** | **5,279** |
| **Changes recognised directly in equity not reclassifiable to income** | | | | | | |
| Revaluation adjustments arising in the year | 2,830 | 2,527 | 2,987 | 419 | 0 | 8,762 |
| **REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME** | **2,830** | **2,527** | **2,987** | **419** | **0** | **8,762** |

| *(in thousands of euros)* | DEC. 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | FRANCE | GERMANY | AUSTRIA | ITALY | OTHER | TOTAL |
| ***Present value of benefit obligation at January 1*** | ***43,243*** | ***18,839*** | ***18,272*** | ***4,446*** | ***2,093*** | ***86,892*** |
| Acquisitions/mergers/deconsolidations | 0 | 0 | 0 | 0 | 0 | 0 |
| Current service cost | 1,700 | 1,215 | 455 | 284 | 432 | 4,087 |
| Interest cost | 1,195 | 565 | 554 | 136 | 0 | 2,450 |
| Actuarial (gains)/losses | -902 | 918 | -419 | 512 | 0 | 110 |
| Benefits paid | -1,556 | -1,950 | -1,663 | 0 | -250 | -5,417 |
| Other | 0 | 0 | 6 | 0 | -362 | -356 |
| **PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31** | **43,680** | **19,588** | **17,205** | **5,379** | **1,914** | **87,765** |
| **Change in plan assets** | | | | | | |
| ***Fair value of plan assets at January 1*** | ***0*** | ***811*** | ***918*** | ***0*** | ***-179*** | ***1,551*** |
| Revaluation adjustments – Return on plan assets | 0 | 29 | 64 | 0 | 0 | 93 |
| Acquisitions/mergers/deconsolidations | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Employer contributions | -139 | 372 | 242 | -70 | 0 | 405 |
| Benefits paid | 139 | -374 | -247 | 70 | 0 | -412 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| **FAIR VALUE OF PLAN ASSETS AT DECEMBER 31** | **0** | **837** | **977** | **0** | **-179** | **1,635** |
| **Reconciliation** | | | | | | |
| ***Present value of benefit obligation at December 31*** | ***43,680*** | ***19,588*** | ***17,205*** | ***5,379*** | ***1,914*** | ***87,765*** |
| Fair value of plan assets | 0 | 837 | 977 | 0 | -179 | 1,635 |
| **(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER** | **-43,680** | **-18,750** | **-16,228** | **-5,379** | **-2,093** | **-86,130** |
| **Income statement** | | | | | | |
| Current service cost | 1,700 | 1,070 | 533 | 284 | 432 | 4,019 |
| Past service cost | 0 | 145 | -78 | 0 | 0 | 68 |
| Benefits paid including amounts paid in respect of settlements | 0 | -284 | -57 | 0 | 0 | -341 |
| Interest cost | 1,195 | 565 | 554 | 136 | 0 | 2,450 |
| Interest income | 0 | -25 | -27 | 0 | 0 | -52 |
| Revaluation adjustments on other long-term benefits | 12 | 1,117 | -6 | 531 | 0 | 1,654 |
| Other | 0 | 0 | 6 | 0 | 0 | 6 |
| **EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT** | **2,907** | **2,588** | **925** | **951** | **432** | **7,803** |
| **Changes recognised directly in equity not reclassifiable to income** | | | | | | |
| Revaluation adjustments arising in the year | -916 | -202 | -450 | 20 | 0 | -1,548 |
| **REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME** | **-916** | **-202** | **-450** | **20** | **0** | **-1,548** |

### Sensitivity tests on the defined benefit obligation

| | DEC. 31, 2014 | | | |
|---|---|---|---|---|
| | POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS | | OTHER LONG-TERM BENEFITS | |
| | SUPPLEMENTARY RETIREMENT AND OTHER PLANS | STATUTORY RETIREMENT BENEFITS | LONG-SERVICE AWARDS | OTHER BENEFITS |
| 1% increase in the discount rate | -16.93% | -9.43% | -9.16% | -12.52% |
| -1% increase in the discount rate | 22.85% | 11.09% | 10.63% | 16.13% |
| 1% increase in the inflation rate | 18.78% | 8.64% | 0.00% | 2.00% |
| -1% increase in the inflation rate | -13.76% | -7.45% | 0.00% | -1.93% |
| 1% increase in rate of increase in medical costs | 34.08% | 0.00% | 0.00% | 0.00% |
| -1% increase in rate of increase in medical costs | -24.17% | 0.00% | 0.00% | 0.00% |
| 1% decrease in rate of salary increase (including inflation) | 2.26% | 10.83% | 8.29% | 15.12% |
| -1% decrease in rate of salary increase (including inflation) | -2.08% | -9.35% | -7.40% | -11.90% |

| | DEC. 31, 2013 | | | |
|---|---|---|---|---|
| | 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 | -16.47% | -9.46% | -8.51% | -14.44% |
| -1% increase in the discount rate | 21.35% | 11.16% | 9.93% | 18.70% |
| 1% increase in the inflation rate | 16.99% | 10.36% | 0.00% | 0.00% |
| -1% increase in the inflation rate | -13.21% | -8.98% | 0.00% | 0.00% |
| 1% increase in rate of increase in medical costs | 14.63% | 0.00% | 0.00% | 0.00% |
| -1% increase in rate of increase in medical costs | -11.18% | 0.00% | 0.00% | 0.00% |
| 1% decrease in rate of salary increase (including inflation) | 0.92% | 12.67% | 0.59% | 18.58% |
| -1% decrease in rate of salary increase (including inflation) | -0.83% | -10.98% | -0.54% | -14.53% |

## / NOTE 19 / Deferred taxes

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Deferred tax assets | 34,125 | 81,122 |
| Deferred tax liabilities | 128,463 | 138,091 |
| **NET DEFERRED TAX LIABILITY (1)** | **94,338** | **56,968** |
| **Deferred tax assets:** | | |
| Temporary differences | 13,394 | 9,165 |
| Provisions for pension and other employment benefit obligations | 20,731 | 20,262 |
| Tax loss carryforwards (2) | 0 | 51,695 |
| **TOTAL DEFERRED TAX ASSETS** | **34,125** | **81,122** |
| **Deferred tax liabilities:** | | |
| Temporary differences (3) | 22,551 | -26,459 |
| Cancellation of the claims equalisation provision | 105,912 | 164,550 |
| **TOTAL DEFERRED TAX LIABILITIES** | **128,463** | **138,091** |

*(1) Deferred tax assets for the French entities have been calculated at the rate of 34.43% for expected recovery dates after 2014. The rate used for branches is the local tax rate.*

*(2) Deferred tax assets in 2013 concerning the carryforward of unused tax losses related to Compagnie française d'assurance pour le commerce extérieur. They corresponded to a receivable owed to Natixis when Compagnie française d'assurance pour le commerce extérieur was a member of the Natixis tax group. This receivable was repaid in 2014.*

*(3) In accordance with IAS 12, an entity must offset its deferred tax assets and liabilities if, and only if, it has a legally enforceable right to offset current tax assets against current tax liabilities.*
*This requirement was met by the Group, which explains why it is possible for negative amounts to be recorded under temporary differences for deferred tax assets or liabilities.*



### ◆ Changes in deferred tax balances by region

| *(in thousands of euros)* | DEC. 31, 2012 | CHANGE THROUGH INCOME | REVALUATION ADJUSTMENT ON AFS INVESTMENTS | CHANGE IN CURRENCY IMPACT | OTHER MOVEMENTS | DEC. 31, 2013 |
|---|---|---|---|---|---|---|
| Northern Europe | 112,236 | 11,257 | -336 | -75 | 914 | 123,996 |
| Western Europe | -50,785 | 3,218 | -7,584 | -78 | 314 | -54,916 |
| Central Europe | 3,090 | -935 | -1,429 | 5 | 104 | 835 |
| Mediterranean & Africa | -4,375 | 702 | -1,183 | -30 | -658 | -5,544 |
| North America | 116 | -94 | 191 | 6 | 0 | 218 |
| Latin America | -5,112 | -616 | -288 | 876 | 23 | -5,116 |
| Asia-Pacific | -2,486 | -741 | 28 | 693 | 0 | -2,505 |
| **TOTAL DEFERRED TAX BY REGION** | **52,684** | **12,791** | **-10,601** | **1,397** | **697** | **56,968** |

| *(in thousands of euros)* | DEC. 31, 2013 | CHANGE THROUGH INCOME | REVALUATION ADJUSTMENT ON AFS INVESTMENTS | CHANGE IN CURRENCY IMPACT | OTHER MOVEMENTS | DEC. 31, 2014 |
|---|---|---|---|---|---|---|
| Northern Europe | 123,996 | -8,826 | -755 | -620 | -788 | 113,008 |
| Western Europe | -54,916 | 47,123 | 10,707 | 72 | -984 | 2,003 |
| Central Europe | 835 | -579 | 109 | 30 | -756 | -361 |
| Mediterranean & Africa | -5,544 | -3,292 | 0 | -4 | -114 | -8,954 |
| North America | 218 | 29 | -66 | 44 | 0 | 225 |
| Latin America | -5,116 | -1,288 | 34 | 25 | -333 | -6,679 |
| Asia-Pacific | -2,505 | -2,433 | 4 | 30 | 0 | -4,905 |
| **TOTAL DEFERRED TAX BY REGION** | **56,968** | **30,734** | **10,033** | **-422** | **-2,976** | **94,338** |

Positive figures correspond to deferred tax liabilities. Conversely, negative figures correspond to deferred tax assets.

## / NOTE 20 / Financing liabilities

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Subordinated debt | 386,850 | - |
| Obligations under finance leases | 7,955 | 10,565 |
| Bank overdrafts and other borrowings | 318 | 4,568 |
| **TOTAL** | **395,123** | **15,133** |

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Due within one year:** | | |
| ■ Obligations under finance leases | 2,754 | 2,609 |
| ■ Bank overdrafts and other borrowings | 318 | 4,568 |
| **TOTAL** | **3,072** | **7,177** |
| **Due between one and five years:** | | |
| ■ Obligations under finance leases | 5,201 | 7,956 |
| **TOTAL** | **5,201** | **7,956** |
| **Due beyond five years:** | | |
| ■ Subordinated debt | 386,850 | 0 |
| **TOTAL** | **386,850** | **0** |
| **TOTAL** | **395,123** | **15,133** |

## / NOTE 21 / Payables arising from banking sector activities

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Amounts due to banking sector companies | 300,706 | 406,759 |
| Amounts due to customers of banking sector companies | 379,016 | 353,751 |
| Debt securities | 1,538,060 | 1,348,787 |
| **TOTAL** | **2,217,782** | **2,109,297** |

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

Debt securities comprised:

- €1,186 million in senior units issued by the FCT Vega fund as part of the securitisation programme set up for Coface Finanz's factoring receivables;
- €352 million in commercial paper issued by COFACE SA to finance Coface Finanz's operations, with an average maturity of around 2.5 months at December 31, 2014.

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

## / NOTE 22 / Payables arising from insurance and reinsurance operations

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Guarantee deposits received from policyholders and other | 3,034 | 2,257 |
| Amounts due to policyholders and agents | 98,798 | 67,226 |
| **PAYABLES ARISING FROM INSURANCE AND INWARD REINSURANCE OPERATIONS** | **101,832** | **69,482** |
| Amounts due to reinsurers | 64,157 | 49,590 |
| Deposits received from reinsurers | 10,640 | 6,475 |
| **PAYABLES ARISING FROM CEDED REINSURANCE OPERATIONS** | **74,797** | **56,065** |
| **TOTAL PAYABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS** | **176,628** | **125,547** |

## / NOTE 23 / Other liabilities

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Current tax payables** | **97,614** | **51,470** |
| **Derivatives and related liabilities** | **16,037** | **2,527** |
| Accrued personnel costs | 58,015 | 28,129 |
| Sundry payables | 163,291 | 150,510 |
| Deferred income | 7,190 | 7,194 |
| Other accruals | 12,938 | 9,240 |
| **Other payables** | **241,434** | **195,073** |
| **TOTAL OTHER LIABILITIES** | **355,084** | **249,070** |

## ANALYSIS OF THE MAIN INCOME STATEMENT ITEMS

## / NOTE 24 / Consolidated revenue

### 24.1 By business line

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Premiums – direct business | 1,179,321 | 1,145,144 |
| Premiums – inward reinsurance | 63,355 | 61,546 |
| Premium refunds | -98,309 | -75,564 |
| Provisions for unearned premiums | -11,640 | -2,583 |
| **EARNED PREMIUMS NET OF CANCELLATIONS** | **1,132,727** | **1,128,543** |
| **FEE AND COMMISSION INCOME** | **124,755** | **123,410** |
| **NET INCOME FROM BANKING ACTIVITIES** | **70,623** | **69,210** |
| Other insurance-related services | 9,259 | 9,710 |
| Remuneration of public procedures | 62,541 | 65,577 |
| Business information and other services | 25,264 | 25,194 |
| Receivables management | 15,367 | 18,685 |
| **REVENUE OR INCOME FROM OTHER ACTIVITIES** | **112,431** | **119,167** |
| **CONSOLIDATED REVENUE** | **1,440,536** | **1,440,330** |

### 24.2 By country of invoicing

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Northern Europe | 352,007 | 366,782 |
| Western Europe | 461,729 | 469,245 |
| Central Europe | 113,276 | 109,977 |
| Mediterranean & Africa | 226,539 | 216,651 |
| North America | 113,750 | 101,687 |
| Latin America | 76,149 | 81,209 |
| Asia-Pacific | 97,086 | 94,780 |
| **CONSOLIDATED REVENUE** | **1,440,536** | **1,440,330** |

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

### 24.3 Insurance revenue by type of insurance

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Credit insurance** | | |
| Export | 456,228 | 458,141 |
| Domestic | 587,177 | 574,982 |
| Other | 3,294 | 5,365 |
| **TOTAL CREDIT** | **1,046,699** | **1,038,488** |
| Guarantees | 54,415 | 57,883 |
| Single risk | 31,613 | 32,172 |
| **TOTAL GUARANTEES AND OTHER** | **86,028** | **90,055** |
| **TOTAL INSURANCE REVENUE** | **1,132,727** | **1,128,543** |

### 24.4 Net income from banking activities

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Financing fees | 34,832 | 34,249 |
| Factoring fees | 35,029 | 39,508 |
| Other | 762 | -4,547 |
| **TOTAL NET INCOME FROM BANKING ACTIVITIES** | **70,623** | **69,210** |



## / NOTE 25 / Claims expenses

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Paid claims, net of recoveries | -558,953 | -544,701 |
| Claims handling expenses | -25,738 | -29,787 |
| Change in claims reserves | 45,970 | -1,774 |
| **TOTAL** | **-538,721** | **-576,263** |

### ◆ Claims expenses by period of occurrence

| | DEC. 31, 2014 | | | DEC. 31, 2013 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | GROSS | OUTWARD REINSURANCE AND RETROCESSIONS | NET | GROSS | OUTWARD REINSURANCE AND RETROCESSIONS | NET |
| Claims expenses – current year | -787,116 | 164,324 | -622,792 | -812,490 | 203,162 | -609,328 |
| Claims expenses – prior years | 248,395 | -60,765 | 187,630 | 236,227 | -61,511 | 174,716 |
| **CLAIMS EXPENSES** | **-538,721** | **103,559** | **-435,162** | **-576,263** | **141,651** | **-434,612** |

## / NOTE 26 / Expenses from banking activities

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Charges to allowances for receivables | -744 | -1,895 |
| Reversal of allowances for receivables | 3,198 | 1,980 |
| Losses on receivables not covered by allowances | -1,347 | -877 |
| Losses on receivables covered by allowances | -3,153 | -1,741 |
| **Cost of risk** | **-2,046** | **-2,533** |
| **Operating expenses** | **-11,066** | **-11,884** |
| **TOTAL EXPENSES FROM BANKING ACTIVITIES** | **-13,112** | **-14,417** |

"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 / General expenses by function

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Commissions | -141,887 | -134,939 |
| Other acquisition costs | -120,967 | -121,928 |
| **TOTAL ACQUISITION COSTS** | **-262,854** | **-256,867** |
| **Administrative costs** | **-269,106** | **-263,891** |
| **Other current operating expenses** | **-74,455** | **-83,112** |
| **Investment management expenses** | **-2,039** | **-5,025** |
| *o/w insurance investment management expenses* | *-2,039* | *-2,848* |
| **Claims handling expenses** | **-25,738** | **-29,787** |
| *o/w insurance claims handling expenses* | *-25,738* | *-29,787* |
| **TOTAL** | **-634,191** | **-638,683** |
| *of which employee profit-sharing* | *-7,497* | *-5,819* |

The Coface Group's total general expenses including general insurance expenses (by function), expenses from other activities and expenses from banking activities amounted to a total of €692,595 thousand in 2014 *versus* €702,451 thousand in 2013.

At December 31, 2013, total general expenses included €8,345 thousand related to the relocation of Coface's head office.

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 / Reinsurance result

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Ceded premiums | -260,233 | -314,762 |
| Change in unearned premiums provisions | -6,440 | -1,093 |
| **Expenses from ceded reinsurance** | **-266,673** | **-315,855** |
| Ceded claims | 143,055 | 143,067 |
| Change in claims provisions net of recoveries | -40,558 | -1,415 |
| Commissions paid by reinsurers | 95,515 | 108,001 |
| **Income from ceded reinsurance** | **198,013** | **249,652** |
| **REINSURANCE RESULT** | **-68,660** | **-66,202** |

## / NOTE 29 / Investment income by category

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Investment income (excluding net gains/(losses) on assets and liabilities held for trading) | 40,695 | 37,553 |
| Fair value adjustments on financial instruments recognised at fair value through income | -42,949 | -797 |
| *of which amount hedged by exchange rate derivatives on Fonds Colombes* | *-42,941* | *-709* |
| Net gains/(losses) on disposals | 7,372 | 35,400 |
| *of which amount hedged by exchange rate derivatives on Fonds Colombes* | *-1,181* | *4,202* |
| Change in provisions: | -1,435 | 4,970 |
| *— AFS equities* | *-1,623* | *-302* |
| *— Other loans and receivables* | *-76* | *2,906* |
| *— AFS investments in non-consolidated companies* | *0* | *-1,274* |
| *— Liabilities and charges on AFS investments in non- consolidated companies* | *264* | *3,640* |
| Net foreign exchange gains/(losses) | 43,714 | -2,583 |
| *of which amount hedged by exchange rate derivatives on Fonds Colombes* | *44,695* | *-2,994* |
| Investment management expenses | -4,628 | -7,027 |
| **TOTAL INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)** | **42,769** | **67,516** |

At December 31, 2014, the significant change of the euro-dollar caused significant impacts on the accounts, which were almost entirely hedged by foreign exchange derivatives. The residual impact was +€765 thousand.

The €44,695 thousand foreign exchange gains from the Colombes funds consisted of €39,879 thousand in unrealised gains (cf. Statement of cash flows) and €4,816 thousand of realised gains.

At December 31, 2013, as part of the operation to centralise investments, a large part of the investments were sold to be reinvested in the Colombes funds, generating a capital gain of €27 million.



## / NOTE 30 / Investment income by class

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Property | 1 | 257 |
| Equities | 10,041 | -778 |
| Fixed income | 34,487 | 68,802 |
| Derivatives | -44,393 | 317 |
| **Sub-total** | **136** | **68,598** |
| Management expenses | -4,628 | -7,027 |
| Net foreign exchange gains/(losses) | 43,714 | -2,583 |
| Dividends | 2,933 | 1,389 |
| Additions to provisions for investments in non-consolidated companies | 264 | 2,366 |
| Net gains/(losses) on investments in non-consolidated companies | 349 | 4,772 |
| **TOTAL FINANCIAL INCOME BY CATEGORY** | **42,769** | **67,516** |

## / NOTE 31 / Other operating income/other operating expenses

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Other operating expenses | -11,809 | -2,590 |
| Other operating income | 1,872 | 4,311 |
| **NET** | **-9,937** | **1,721** |

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| IPO costs | -7,962 | 0 |
| *Charges linked to IPO* | *-6,664* | *0* |
| *Matching contribution paid to employees who purchased shares* | *-1,298* | *0* |
| Restructuring costs | -1,957 | 0 |
| Set-up costs | -1,777 | 0 |
| Provisions for Greek securities | 0 | 0 |
| Other operating expenses | -113 | -2,590 |
| **Total other operating expenses** | **-11,809** | **-2,590** |
| Income linked to restructuring | 1,534 | 0 |
| Other operating income | 338 | 4,311 |
| **Total other operating income** | **1,872** | **1,721** |
| **NET** | **-9,937** | **1,721** |

## / NOTE 32 / Income tax expense

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Current taxes | -29,715 | -54,589 |
| Deferred taxes | -30,652 | -12,792 |
| **TOTAL** | **-60,367** | **-67,380** |

### Tax proof

| *(in thousands of euros)* | DEC. 31, 2014 | | DEC. 31, 2013 | |
|---|---|---|---|---|
| **Net income for the year** | **125,092** | | **127,439** | |
| Non-controlling interests | 825 | | 569 | |
| Income tax expense for the year | -60,367 | | -67,380 | |
| Share of net income of associates | 2,136 | | 1,493 | |
| **Pre-tax income for the year and share in net income of associates** | **184,147** | | **193,895** | |
| Tax rate | | 34.43% | | 34.43% |
| Theoretical tax | -63,402 | | -66,758 | |
| Tax expense presented in the consolidated income statement | -60,367 | 32.78% | -67,380 | 34.75% |
| **Difference** | **-3,035** | **1.65%** | **622** | **-0.32%** |

| *(in thousands of euros)* | DEC. 31, 2014 | | DEC. 31, 2013 | |
|---|---|---|---|---|
| Impact of differences between Group tax rates and local tax rates | 12,584 | 6.83% | 13,623 | -7.03% |
| *o/w United Kingdom – 21%* | *1,513* | *0.82%* | *3,547* | *-1.83%* |
| *o/w Italy – 27.5%* | *2,685* | *1.46%* | | |
| *o/w Poland – 19%* | *1,455* | *0.79%* | *1,637* | *-0.84%* |
| *o/w Germany – 31.23%* | *1,460* | *0.79%* | *1,939* | *-1.00%* |
| *o/w Austria – 25%* | *690* | *0.37%* | *972* | *-0.50%* |
| *o/w Netherlands – 25%* | *856* | *0.47%* | *1,105* | *-0.57%* |
| *o/w Hong Kong – 16.5%* | *669* | *0.36%* | | |
| *o/w Singapore – 10%* | *-57* | *-0.03%* | *1,710* | *-0.88%* |
| *o/w Russia – 20%* | *846* | *0.46%* | | |
| *o/w other Group subsidiaries* | *2,467* | *1.34%* | *2,713* | *-1.40%* |
| Specific local taxes | -5,654 | -3.07% | -4,095 | 2.11% |
| *o/w French Corporate value added tax (CVAE)* | *-2,145* | *-1.16%* | *-4,095* | *2.11%* |
| Tax reassessments | -78 | -0.04% | -11,306 | 5.83% |
| Tax losses for which no deferred tax assets have been recognised | -2,632 | -1.43% | -6,164 | 3.18% |
| Conservatively-limited deferred tax other | -1,312 | -0.71% | | |
| Utilisation of previously unrecognised tax loss carryforwards – United Kingdom branch | 1,008 | 0.55% | 7,155 | -3.69% |
| Utilisation of previously unrecognised tax loss carryforwards – Australia branch | | | 2,086 | -1.08% |
| Utilisation of previously unrecognised tax loss carryforwards – Other subsidiaries and branches | 2,282 | 1.24% | 1,364 | -0.70% |
| Dividends paid in France non-deductible for tax purposes (5%) | -460 | -0.25% | -1,502 | 0.77% |
| Provisions for investments in non-consolidated companies | -24 | -0.01% | | |
| Non-deductible interests | -299 | -0.16% | | |
| Provisions for trade receivables | -1,000 | -0.54% | | |
| Impact of derecognition of German funds | | | -2,674 | 1.38% |
| Impact of first-time consolidation of Russia | | | 552 | -0.28% |
| Other differences | -1,378 | -0.75% | 339 | -0.17% |

At December 31, 2014, unrecognised tax loss carryforwards (base) amounted to €40,567 thousand. This primarily concerns Spain, Belgium, Sweden, Hungary and Austria. Their expiration dates vary depending on the country concerned. Out of prudence, Coface has not recorded deferred tax assets in view of allocating these losses to taxable profits in the future.

## / NOTE 33 / Share in net income of associates

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Cofacrédit | 2,136 | 1,493 |
| **TOTAL** | **2,136** | **1,493** |

## ADDITIONAL INFORMATION

## / NOTE 34 / Breakdown of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

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

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur, has been reallocated at the level of each region.

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

### ◆ Analysis of 2014 net income by segment

| *(in thousands of euros)* | NORTHERN EUROPE | WESTERN EUROPE | CENTRAL EUROPE |
|---|---|---|---|
| **REVENUE** | **345,519** | **468,142** | **118,317** |
| *o/w revenue from Insurance* | *235,951* | *354,673* | *84,753* |
| *o/w revenue from Factoring* | *61,535* | *0* | *9,088* |
| *o/w revenue from Other services and related services* | *48,033* | *113,469* | *24,476* |
| Claims expense (o/w management costs) | -123,244 | -123,487 | -57,425 |
| Cost of risk | -1,661 | 0 | -430 |
| Commissions | -21,544 | -43,979 | -4,149 |
| Internal general expenses | -136,832 | -167,948 | -38,063 |
| **UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE*** | **62,237** | **132,728** | **18,250** |
| Income/(loss) on ceded reinsurance | -11,035 | -44,702 | 423 |
| Other operating income and expenses | -1,350 | -1,835 | -184 |
| Net financial income/(loss) excluding finance costs | 12,464 | 18,642 | 4,262 |
| Finance costs | -1,234 | -833 | -14 |
| **OPERATING INCOME/(LOSS) INCLUDING FINANCE COSTS** | **61,082** | **103,999** | **22,736** |
| Share in net income of associates | 0 | 2,136 | 0 |
| **NET INCOME BEFORE TAX** | **61,082** | **106,135** | **22,736** |
| Income tax expense | -18,600 | -38,345 | -4,477 |
| **CONSOLIDATED NET INCOME/(LOSS) BEFORE NON- CONTROLLING INTERESTS** | **42,482** | **67,791** | **18,259** |
| Non-controlling interests | -2 | -1 | -767 |
| **NET INCOME/(LOSS) FOR THE YEAR** | **42,480** | **67,789** | **17,492** |

* *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.*

| MEDITERRANEAN & AFRICA | NORTH AMERICA | SOUTH AMERICA | ASIA-PACIFIC | GROUP REINSURANCE | COGERI | HOLDING COMPANY COSTS | INTER-ZONE | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **228,445** | **113,135** | **76,164** | **97,027** | **312,178** | **27,711** | **0** | **-346,102** | **1,440,536** |
| *191,079* | *100,617* | *70,525* | *95,175* | *312,178* | *0* | *0* | *-312,223* | *1,132,727* |
| *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *70,623* |
| *37,366* | *12,519* | *5,639* | *1,853* | *0* | *27,711* | *0* | *-33,879* | *237,186* |
| -114,221 | -24,295 | -42,268 | -48,899 | -187,699 | 0 | -3,645 | 186,463 | -538,721 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 46 | -2,046 |
| -22,537 | -25,737 | -8,953 | -19,865 | -77,378 | 0 | 0 | 82,256 | -141,886 |
| -73,018 | -25,372 | -24,152 | -28,735 | 0 | -27,412 | -32,301 | 30,901 | -522,932 |
| **18,669** | **37,731** | **791** | **-471** | **47,101** | **299** | **-35,946** | **-46,437** | **234,951** |
| -1,996 | -7,362 | -2,257 | -4,020 | -44,812 | 0 | 0 | 47,101 | -68,661 |
| 1,274 | -62 | -1,079 | -29 | 0 | 0 | -6,664 | -8 | -9,937 |
| 3,135 | -1,399 | 7,344 | 838 | 0 | -463 | -722 | -1,332 | 42,769 |
| -364 | -794 | -144 | -24 | 0 | -169 | -12,075 | 675 | -14,975 |
| **20,718** | **28,114** | **4,655** | **-3,706** | **2,289** | **-333** | **-55,407** | **0** | **184,147** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,136 |
| **20,718** | **28,114** | **4,655** | **-3,706** | **2,289** | **-333** | **-55,407** | **0** | **186,283** |
| -12,146 | -8,891 | -143 | 39 | -788 | 85 | 19,077 | 3,823 | -60,367 |
| **8,572** | **19,223** | **4,512** | **-3,667** | **1,501** | **-248** | **-36,330** | **3,823** | **125,916** |
| -1 | -1 | -52 | 0 | 0 | 0 | 0 | 0 | -825 |
| **8,571** | **19,222** | **4,460** | **-3,667** | **1,501** | **-248** | **-36,330** | **3,823** | **125,092** |

## Analysis of 2013 income by segment

| *(in thousands of euros)* | NORTHERN EUROPE | WESTERN EUROPE | CENTRAL EUROPE |
|---|---|---|---|
| **REVENUE** | **360,899** | **474,535** | **115,854** |
| *o/w revenue from Insurance* | *251,028* | *358,679* | *82,348* |
| *o/w revenue from Factoring* | *61,522* | *221* | *9,378* |
| *o/w revenue from Other services and related services* | *48,350* | *115,635* | *24,127* |
| Claims expense (o/w management costs) | -124,303 | -150,792 | -54,791 |
| Cost of risk | -2,728 | 0 | 194 |
| Commissions | -21,102 | -45,097 | -3,987 |
| Internal general expenses | -140,557 | -171,451 | -38,227 |
| **UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE** | **72,209** | **107,196** | **19,044** |
| Income/(loss) on ceded reinsurance | -16,756 | -31,314 | 1,816 |
| Other operating income and expenses | 2,810 | -628 | -166 |
| Net financial income/(loss) excluding finance costs | 13,454 | 23,250 | 11,909 |
| Finance costs | -668 | -3,551 | -148 |
| **OPERATING INCOME/(LOSS) INCLUDING FINANCE COSTS** | **71,049** | **94,953** | **32,455** |
| Share in net income of associates | 0 | 1,493 | 0 |
| **NET INCOME BEFORE TAX** | **71,049** | **96,446** | **32,455** |
| Income tax expense | -36,216 | -24,560 | -6,708 |
| **CONSOLIDATED NET INCOME/(LOSS) BEFORE NON- CONTROLLING INTERESTS** | **34,833** | **71,886** | **25,747** |
| Non-controlling interests | -83 | -141 | -469 |
| **NET INCOME/(LOSS) FOR THE YEAR** | **34,750** | **71,745** | **25,278** |

| MEDITERRANEAN & AFRICA | NORTH AMERICA | SOUTH AMERICA | ASIA-PACIFIC | GROUP REINSURANCE | COGERI | HOLDING COMPANY COSTS | INTER-ZONE | GROUP TOTAL |
|---|---|---|---|---|---|---|---|---|
| **219,784** | **101,667** | **81,132** | **94,780** | **129,675** | **28,315** | **0** | **-166,310** | **1,440,330** |
| *181,139* | *89,594* | *72,401* | *93,277* | *129,675* | *0* | *0* | *-129,597* | *1,128,543* |
| *0* | *0* | *0* | *0* | *0* | *0* | *0* | *-1,911* | *69,210* |
| *38,645* | *12,073* | *8,731* | *1,503* | *0* | *28,315* | *0* | *-34,802* | *242,577* |
| -127,169 | -17,336 | -76,164 | -24,208 | -65,007 | 0 | 0 | 63,508 | -576,263 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2,534 |
| -18,577 | -23,500 | -8,569 | -19,073 | -26,756 | 0 | 0 | 31,720 | -134,939 |
| -71,250 | -25,014 | -27,416 | -26,168 | 0 | -27,821 | -39,213 | 34,416 | -532,700 |
| **2,789** | **35,818** | **-31,017** | **25,331** | **37,912** | **494** | **-39,213** | **-36,667** | **193,895** |
| 2,539 | -13,281 | 1,615 | -13,828 | -34,905 | 0 | 0 | 37,913 | -66,202 |
| -42 | 0 | -1 | 0 | 0 | 0 | 0 | -253 | 1,721 |
| 12,262 | 1,640 | 7,241 | 2,321 | 0 | -67 | 0 | -4,493 | 67,516 |
| -1,033 | -814 | -76 | -14 | 0 | -231 | 0 | 3,501 | -3,035 |
| **16,514** | **23,363** | **-22,238** | **13,810** | **3,007** | **196** | **-39,213** | **0** | **193,895** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,493 |
| **16,514** | **23,363** | **-22,238** | **13,810** | **3,007** | **196** | **-39,213** | **0** | **195,388** |
| -10,805 | -8,346 | -94 | -966 | -1,035 | -26 | 13,501 | 7,876 | -67,380 |
| **5,709** | **15,016** | **-22,331** | **12,843** | **1,971** | **170** | **-25,712** | **7,876** | **128,008** |
| 19 | -29 | 187 | -53 | 0 | -1 | 0 | 0 | -569 |
| **5,729** | **14,987** | **-22,145** | **12,791** | **1,971** | **169** | **-25,712** | **7,876** | **127,439** |

## / NOTE 35 / Earnings per share

| REPORTING PERIOD | 2014 | | |
|---|---|---|---|
| | AVERAGE NUMBER OF SHARES | NET INCOME FOR THE PERIOD *(in euros)* | EARNINGS PER SHARE *(in euros)* |
| Basic earnings per share | 157,004,360 | 125,092 | 0.80 |
| Dilutive instruments | 0 | | |
| **DILUTED EARNINGS PER SHARE** | **157,004,360** | **125,092** | **0.80** |

| REPORTING PERIOD | 2013 | | |
|---|---|---|---|
| | AVERAGE NUMBER OF SHARES | NET INCOME FOR THE PERIOD *(in euros)* | EARNINGS PER SHARE *(in euros)* |
| Basic earnings per share | 156,841,307 | 127,439 | 0.81 |
| Dilutive instruments | 0 | | |
| **DILUTED EARNINGS PER SHARE** | **156,841,307** | **127,439** | **0.81** |

## / NOTE 36 / Group's headcount

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Northern Europe | 747 | 790 |
| Western Europe | 1,373 | 1,375 |
| Central Europe | 458 | 448 |
| Mediterranean & Africa | 392 | 395 |
| North America | 120 | 119 |
| Latin America | 216 | 256 |
| Asia-Pacific | 117 | 106 |
| **TOTAL** | **3,424** | **3,489** |

At December 31, 2014, the number of employees of fully consolidated companies was 3,424 full-time equivalents *versus* 3,489 at December 31, 2013, down -1.9% (-65 FTEs) year-on-year, mainly in Northern Europe (down -43 FTEs) and Western Europe (down -40 FTEs).

## / NOTE 37 / Off-balance sheet commitments

| *(in thousands of euros)* | AS OF DEC. 31, 2014 | AS OF DEC. 31, 2013 |
|---|---|---|
| **Commitments given** | **419,655** | **38,600** |
| Guarantees and letters of credit | 410,100 | 29,000 |
| Property guarantees | 7,500 | 7,500 |
| Financial commitments in respect of equity interests | 282 | 210 |
| *including consolidated companies* | | |
| Obligations under finance leases | 1,773 | 1,890 |
| **Commitments received** | **1,086,961** | **626,780** |
| Guarantees and letters of credit | 115 ,737 | 116,828 |
| Guarantees | 134,724 | 0 |
| Credit lines linked to commercial paper | 500,000 | 500,000 |
| Credit lines linked to factoring | 334,000 | |
| Financial commitments in respect of equity interests | 2,500 | 9,952 |
| *including consolidated companies* | | |
| **Reciprocal commitments** | | |
| Buying and selling of currency futures | | |
| **Guarantees received** | **305,323** | **349,488** |
| Securities lodged as collateral by reinsurers | 305,323 | 349,488 |
| **FINANCIAL MARKET TRANSACTIONS** | **36,829** | **237,133** |

Financial market transactions in the amount of €410,100 thousand for the year ended December 31, 2014, correspond mainly to a joint guarantee of €380,000 thousand in favor of Coface SA subordinated notes' investors (10 year maturity).

Credit lines correspond mostly to liquidity lines related to commercial paper issues for €500,000 thousand. The other lines represents unused bilateral credit lines with Natixis related to the Factoring business.



## / NOTE 38 / Operations carried out on behalf of the French government

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

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

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

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

Consequently:

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

## / NOTE 39 / Related parties

Natixis holds 41.26% of the Coface Group's shares including 41.24% of treasury shares.

| | NUMBER OF SHARES | % |
|---|---|---|
| Natixis | 64,853,869 | 41.26% |
| Public | 92,313,544 | 58.74% |
| **TOTAL** | **157,167,413** | **100.00%** |

### Relations with the Group's consolidated entities

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;
- income tax payables and receivables within the Natixis tax consolidation group;
- 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.

| TRANSACTIONS | DEC. 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | NATIXIS GROUP (EXCLUDING DISCONTINUED ENTITIES) | NATIXIS FACTOR (EX FACTOREM) | ELLISPHERE (FORMERLY COFACE SERVICES) | KOMPASS INTERNATIONAL | MIDT FACTORING (FORMERLY COFACE A/S FINANS DANMARK) | ALTUS GTS INC. (FORMERLY COFACE COLLECTIONS NORTH) |
| **Total revenue and income from ordinary activities** | **-4,081** | **0** | **-223** | **-1** | **17** | **6** |
| Revenue (net banking income, after cost of risk) | -4,219 | 0 | 0 | 0 | 0 | 0 |
| Revenue or income from other activities | 0 | 0 | -204 | 0 | 17 | 6 |
| Earned premiums | 0 | 0 | -16 | 0 | 0 | 0 |
| Fee and commission income | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment income, net of management expenses | 138 | 0 | -3 | -1 | 0 | 0 |
| **Total current income and expenses** | **-499** | **0** | **-522** | **-124** | **-1** | **-97** |
| Claims expenses | -32 | 0 | -21 | -8 | 0 | -166 |
| Expenses from other activities | 0 | 0 | -123 | 0 | 0 | -26 |
| Policy acquisition costs | -274 | 0 | -170 | -68 | 0 | 0 |
| Administrative costs | -118 | 0 | -162 | -29 | -1 | 95 |
| Other current operating income and expenses | -75 | 0 | -46 | -19 | 0 | 0 |
| **Current operating income** | **-4,580** | **0** | **-745** | **-125** | **16** | **-91** |

| RECEIVABLES AND PAYABLES | DEC. 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | BPCE GROUP | NATIXIS GROUP (EXCL. DISCONTINUED OPERATIONS) | NATIXIS FACTOR (FORMERLY FACTOREM) | ELLISPHERE (FORMERLY COFACE SERVICES) | KOMPASS INTERNATIONAL | MIDT FACTORING (FORMERLY COFACE A/S FINANS DENMARK) | ALTUS GTS INC. (FORMERLY COFACE COLLECTIONS NORTH AMERICA, INC.) |
| **Financial investments** | **15,006** | **10,443** | **0** | **0** | **0** | **0** | **0** |
| **Other assets** | | | **91** | **138** | **175** | **0** | **63** |
| Receivables arising from insurance and reinsurance operations | 0 | | 2 | | | | |
| Current tax receivables | 0 | | | | | | |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other receivables | 0 | | 89 | 138 | 175 | 0 | 63 |
| **Cash and cash equivalents** | **0** | **4,685** | | | | | |
| **Financing liabilities due to banking sector companies** | | | | | | | |
| Debt securities | 0 | | | | | | |
| **Liabilities relating to insurance contracts** | **0** | | | | | 0 | **76** |
| **Payables arising from banking sector activities** | **0** | **164,835** | | | | | |
| Amounts due to banking sector companies | 0 | 164,835 | | | | | |
| Amounts due to customers of banking sector companies | 0 | | | | | | |
| Debt securities | 0 | | | | | | |
| **Other liabilities** | **0** | **1,993** | **6** | **385** | | | |
| Current tax payables | 0 | 1,880 | | | | | |
| Other payables | 0 | 113 | 6 | 385 | | | |

The €164,835 thousand in amounts due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business (cf. Note 21).

| TRANSACTIONS | DEC. 31, 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | NATIXIS GROUP (EXCL. DISCONTINUED OPERATIONS) | NATIXIS FACTOR (FORMERLY FACTOREM) | ELLISPHERE (FORMERLY COFACE SERVICES) | COFACE FINANS DENMARK | KOMPASS INTERNATIONAL | COFACE SERVICES BELGIUM | KOMPASS BELGIQUE | IGNIOS | COFACE COLLECTIONS NORTH AMERICA |
| **TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES** | **-6,649** | **7** | **67** | **0** | **27** | **126** | **0** | **7** | **10** |
| Revenue (net banking income, after cost of risk) | -7,077 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue or income from other activities | 0 | 0 | 107 | 0 | 0 | 126 | 0 | 5 | 10 |
| Gross earned premiums | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fee and commission income | 0 | 6 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment income, net of management expenses | 428 | 1 | -71 | 0 | 27 | 0 | 0 | 2 | 0 |
| **TOTAL CURRENT INCOME AND EXPENSES** | **-1,307** | **-42** | **-6,077** | **7** | **1,387** | **-51** | **0** | **-264** | **-41** |
| Claims expenses | -96 | 4 | -1,339 | 0 | 102 | 1 | 0 | 7 | -108 |
| Expenses from other activities | 0 | 0 | -243 | 0 | 0 | 0 | 0 | -94 | -33 |
| Policy acquisition costs | -650 | 24 | -1,799 | 0 | 691 | 6 | 0 | 49 | -6 |
| Administrative costs | -347 | -78 | -2,102 | 7 | 366 | -61 | 0 | 20 | 108 |
| Other current operating income and expenses | -214 | 8 | -594 | 0 | 228 | 3 | 0 | -246 | -2 |
| **CURRENT OPERATING INCOME** | **-7,956** | **-35** | **-6,010** | **7** | **1,414** | **75** | **0** | **-257** | **-31** |

| RECEIVABLES AND PAYABLES | DEC. 31, 2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | BPCE GROUP | NATIXIS GROUP (EXCL. DISCONTINUED OPERATIONS) | NATIXIS FACTOR (FORMERLY FACTOREM) | ELLISPHERE (FORMERLY COFACE SERVICES) | COFACE FINANS DENMARK | KOMPASS INTERNATIONAL | COFACE SERVICES BELGIUM | KOMPASS BELGIQUE | IGNIOS | COFACE COLLECTIONS NORTH AMERICA |
| **Financial investments** | **23,317** | **214,207** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Other assets** | **0** | **55,643** | **87** | **1,236** | **0** | **1,657** | **101** | **0** | **52** | **24** |
| Receivables arising from insurance and reinsurance operations | 0 | 0 | 2 | 16 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current tax receivables | 0 | 4,710 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets | 0 | 50,933 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other receivables | 0 | 0 | 85 | 1,220 | 0 | 1,657 | 101 | 0 | 52 | 24 |
| **Cash and cash equivalents** | **0** | **-11,859** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Financing liabilities due to banking sector companies** | **0** | **27,555** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Liabilities relating to insurance contracts** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **67** |
| **Payables arising from banking sector activities** | **0** | **261,304** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Amounts due to banking sector companies | 0 | 261,304 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts due to customers of banking sector companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other liabilities** | **0** | **2,314** | **45** | **2,282** | **0** | **0** | **14** | **0** | **0** | **0** |
| Current tax payables | 0 | 2,211 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 103 | 45 | 2,282 | 0 | 0 | 14 | 0 | 0 | 0 |

Financial investments at December 31, 2013 represent investments issued and managed by Natixis and BPCE. Financial investments managed by Natixis and BPCE amounted to €50,366,000.

| OFF-BALANCE SHEET COMMITMENTS (in thousands of euros) | DEC. 31, 2014 NATIXIS GROUP (EXCLUDING DISCONTINUED ENTITIES) | DEC. 31, 2013 NATIXIS GROUP (EXCLUDING DISCONTINUED ENTITIES) |
|---|---|---|
| **Commitments given** | **0** | **300** |
| Endorsements and letters of credit | 0 | 300 |
| **Commitments received** | **349,585** | **143,537** |
| Endorsements and letters of credit | 49,585 | 43,537 |
| Credit lines | 300,000 | 100,000 |

### ◆ Key management compensation

| *(in thousands of euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Short-term benefits | 2,366 | 1,646 |
| *(gross salaries and wages, incentives, benefits in kind and annual bonus)* | - | - |
| Post-employment benefits | - | - |
| Other long-term benefits | 940 | - |
| Statutory termination benefits | - | - |
| Share-based payment | - | - |
| **TOTAL** | **3,306** | **1,646** |

In 2014, the introduction of long-term benefits was seen in the form of free share allocations, distributed as part of the Company's stock market listing.

The development of short-term employee benefits corresponds to a change in scope of the Group Management Committee, which grew from seven members at December 31, 2013 to eight members at December 31, 2014.

A total of €215,5 thousand was paid out in directors' fees to the members of the Board of Directors in 2014.

## / NOTE 40 / Events after the reporting period

No significant events that are likely to affect the financial statements occurred between the year-end and the date on which they were prepared.

## / NOTE 41 / Fees paid by Coface to the Statutory Auditors and members of their networks

| | KPMG S.A. | | | | DELOITTE & ASSOCIÉS | | | | TOTAL | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 2013 | % | 2014 | % | 2013 | % | 2014 | % | 2013 | % | 2014 | % |
| **Auditor services** | | | | | | | | | | | | |
| - COFACE SA | 150 | 11 | 159 | 8 | 150 | 10 | 159 | 7 | 300 | 11 | 318 | 7 |
| - Subsidiaries | 1,064 | 77 | 905 | 46 | 1,264 | 86 | 1,389 | 58 | 2,328 | 82 | 2,295 | 53 |
| **Services directly related to the Statutory Auditors' assignment** | | | | | | | | | | | | |
| - COFACE SA | 3 | 0 | 764 | 39 | 3 | 0 | 763 | 32 | 6 | 0 | 1,527 | 35 |
| - Subsidiaries | 0 | 0 | 8 | 0 | 35 | 2 | 11 | 0 | 35 | 1 | 19 | 0 |
| **TOTAL AUDIT FEES** | **1,217** | **88** | **1,837** | **94** | **1,452** | **99** | **2,322** | **97** | **2,669** | **94** | **4,159** | **96** |
| **Tax advice** | | | | | | | | | | | | |
| - COFACE SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Subsidiaries | 132 | 10 | 54 | 3 | 21 | 1 | 65 | 3 | 153 | 5 | 119 | 3 |
| **Other services** | | | | | | | | | | | | |
| - COFACE SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Subsidiaries | 30 | 2 | 69 | 4 | 0 | 0 | 0 | 0 | 30 | 1 | 69 | 2 |
| **TOTAL OTHER SERVICES & TAX ADVICE** | **162** | **12** | **123** | **6** | **21** | **1** | **65** | **3** | **183** | **6** | **188** | **4** |
| **TOTAL FEES** | **1,379** | **100** | **1,960** | **100** | **1,473** | **100** | **2,387** | **100** | **2,852** | **100** | **4,347** | **100** |
| - COFACE SA | 153 | 11 | 923 | 47 | 153 | 10 | 922 | 39 | 306 | 11 | 1,845 | 42 |
| - Subsidiaries | 1,226 | 89 | 1,037 | 53 | 1,320 | 90 | 1,465 | 61 | 2,546 | 89 | 2,502 | 58 |

The increase in the Other assignments and procedures item is linked to the fees cost for the stock market listing.

## / NOTE 42. / Risk management

The sections forming an integral part of the Group's financial statements that relate to risk management are presented in the sections in Chapter 2, in paragraphs 2.4.3.1 to 2.4.3.6.

# 4.3 Parent company financial statements

## 4.3.1 BALANCE SHEET

### Assets

| *(in euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Fixed Assets** | | |
| Intangible assets | 5,209,299 | |
| Interests in related companies | 1,447,744,457 | 1,333,560,572 |
| Loans to affiliates and subsidiaries | 324,038,188 | |
| Certificates of Deposit | | 160,199,778 |
| | **1,776,991,944** | **1,493,760,350** |
| **Current Assets** | | |
| French government and other authorities | 939,615 | |
| Ct Coface Finanz | 353,822,746 | 311,152,118 |
| Sundry payables | 6,682,939 | 493,275 |
| Investment securities | 343,541 | 11,536,910 |
| Treasury shares | 861,258 | |
| Cash at bank and in hand | 171,593 | 102,841 |
| Prepaid expenses | 4,889 | 137,500 |
| | **362,826,581** | **323,422,644** |
| Deferred charge | 2,971,155 | |
| Loan reimbursement premiums | 1,731,204 | |
| | **4,702,359** | |
| **TOTAL ASSETS** | **2,144,520,884** | **1,817,182,994** |

## Equity and liabilities

| *(in euros)* | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Equity** | | |
| Capital | 786,241,160 | 784,206,535 |
| Share capital premiums | 422,830,623 | 648,461,965 |
| Other reserves (RL+RAN) | 70,703,079 | 68,881,142 |
| Income for the year | -2,779,036 | 68,779,474 |
| Interim dividend | | -65,089,142 |
| | **1,276,995,826** | **1,505,239,974** |
| **Provisions for liabilities and charges** | | |
| Provision for charges | 1,340,779 | |
| | **1,340,779** | |
| **Debts** | | |
| Bank borrowings and debts | 351,952,226 | 310,946,953 |
| Other bond issues | 391,756,250 | |
| Sundry borrowings and debts | 121,075,172 | |
| Trade notes and accounts payables | 876,165 | 156,727 |
| Tax and social liabilities | 115,240 | 368,505 |
| Other payables | 409,226 | 470,836 |
| | **866,184,280** | **311,943,020** |
| **TOTAL EQUITY AND LIABILITIES** | **2,144,520,884** | **1,817,182,994** |

## 4.3.2 INCOME STATEMENT

| *(in euros)* | DEC. 31, 2014 | DEC. 31, 2013 (1) |
|---|---|---|
| **Operating income** | **5,943,605** | **192,675** |
| **Operating expenses** | **7,917,255** | **741,019** |
| Other purchases and external expenses | 5,400,703 | 624,504 |
| Income tax, taxes and similar payments | -2,866 | 60,515 |
| Other expenses | 1,610,479 | 56,000 |
| Depreciations and amortisations | 908,939 | |
| **INCOME FROM OPERATIONS** | **-1,973,651** | **-548,344** |
| **Financial income** | **14,849,342** | **72,159,958** |
| Investments income | 0 | 69,940,268 |
| Other financial income | 14,783,506 | 2,172,261 |
| Income from SICAV sales | 65,836 | 47,429 |
| **Financial expenses** | **15,663,964** | **1,655,535** |
| Interest and similar expenses | 15,471,608 | 1,655,535 |
| Depreciations and amortisations | 192,356 | |
| **FINANCIAL RESULT** | **-814,622** | **70,504,423** |
| **NON-RECURRING INCOME** | **9,237** | **0** |
| **Income tax** | **0** | **1,176,604** |
| **NET INCOME FOR THE YEAR** | **-2,779,036** | **68,779,474** |

## 4.3.3 RECONCILIATION OF THE PUBLISHED AND RESTATED FINANCIAL STATEMENTS FOR 2013

A portion of the costs of structuring the commercial paper corresponding to commissions for non-use of lines of credit was reclassified under financial income. This reclassification had no impact on the income statement or equity.

| *(in euros)* | AS OF DEC. 31, 2013 (1) | COMMISSION RECLASSIFICATION | DEC. 31, 2013 |
|---|---|---|---|
| **Operating income** | **192,675** | **-1,188,000** | **1,380,675** |
| **Operating expenses** | **741,019** | | **741,019** |
| Other purchases and external expenses | 624,504 | | 624,504 |
| Income tax, taxes and similar payments | 60,515 | | 60,515 |
| Other expenses | 56,000 | | 56,000 |
| Depreciations and amortisations | | | |
| **INCOME FROM OPERATIONS** | **-548,344** | **-1,188,000** | **639,656** |
| **Financial income** | **72,159,958** | **1,188,000** | **70,971,958** |
| Investments income | 69,940,268 | | 69,940,268 |
| Other financial income | 2,172,261 | 1,188,000 | 984,261 |
| Income from SICAV sales | 47,429 | | 47,429 |
| **Financial expenses** | **1,655,535** | | **1,655,535** |
| Interest and similar expenses | 1,655,535 | | 1,655,535 |
| Depreciations and amortisations | | | |
| **FINANCIAL INCOME** | **70,504,423** | **1,188,000** | **69,316,423** |
| **NON-RECURRING INCOME** | **0** | | **0** |
| **Income tax** | **1,176,604** | | **1,176,604** |
| **NET INCOME FOR THE YEAR** | **68,779,474** | **0** | **68,779,474** |

# 4.4 Notes to the parent company financial statements

## / NOTE 1 / Significant events

### Stock market listing

On June 27, the Coface Group, which holds 100% of Compagnie française d'assurance pour le commerce extérieur, was listed on the stock market in Compartment A of the Euronext Paris regulated market.

Following the exercise of the full over-allotment option, the total number of Coface shares offered in connection with the stock market listing amounted to 91,987,426 shares, representing 58.65% of COFACE SA's capital and voting rights. Following the listing, the Coface Group's market capitalisation stood at €1,631 million.

A concurrent employee offering was also launched in 19 countries, covering 80% of the Group's headcount. It was warmly welcomed by employees, as illustrated by the nearly 50% take-up rate.

### Subordinated debt issuance

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Coface Group's main operating entity. On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by COFACE SA).

This subordinated guarantee is recorded in off-balance sheet items. Since it is classified as an intra-group transaction, it is eliminated in consolidation and is not disclosed in the notes to the consolidated financial statements.

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

### Implementation of a liquidity agreement

With effect from July 7, 2014, the Coface Group appointed Natixis to implement a liquidity agreement for COFACE SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marchés financiers – AMAFI) dated March 8, 2011 and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months subject to tacit renewal.

The liquidity agreement is part of the share buyback programme decided by the Board of Directors' meeting of June 26, 2014.

### Coface Ré

COFACE SA includes Coface Ré, a company formed in Switzerland during the 3rd quarter of 2014, which will operate the Group's external reinsurance as of 2015.

### Buyback of minority interests

During the second quarter of 2014, COFACE SA purchased the 0.26% minority interest in Compagnie française d'assurance pour le commerce extérieur that it did not already own, which had been previously held by Natixis. Compagnie française d'assurance pour le commerce extérieur is now wholly-owned by COFACE SA. As of late December 2014, the purchase had resulted in a €4 million change in non-controlling interests.

### Exit from Natixis' integrated tax scope

COFACE SA, which was included in Natixis' integrated scope of taxation in 2007, exited the tax group in 2014 following the stock market listing.

### Issue of commercial paper and rating

Following an agreement with Banque de France on November 6, 2012, COFACE SA issued commercial paper totalling €250 million (maturing in one to three months) on November 13, 2012. This plan, which was intended to partially refinance the factoring portfolio in Germany, was rated F1 and P2 by the Fitch and Moody's rating agencies.

The amount raised was entirely loaned to Coface Finanz through a cash agreement, and all of the costs incurred were recharged.

In October 2014, this programme, managed by Société Générale and through the intermediary of seven banks, totalled €500 million.

As of December 31, 2014, €352 million were used.

After the subordinated note issue, rating agencies Fitch and Moody's confirmed the Group's Insurer Financial Strength ratings at AA- and A2 respectively.

### Significant events since the close of the year

No significant events have arisen since the close of the year.

## / NOTE 2 / Accounting principles, rules and policies

### Accounting principles and policies

The financial statements for 2014 have been prepared in accordance with generally accepted gaap and the French chart of accounts.

(Regulation 99-03 of April 29, 1999 of the Accounting Regulation Committee), in accordance with the principles of prudence and business continuity.

#### Financial assets

Investment securities are reported in the balance sheet at cost. A depreciation is recorded when the realisable value (determined according to the restated equity, income, future outlook and value in use for the Company) is less than the acquisition value.

Certificates of deposit are recorded at their acquisition price.

#### Receivables and payables

Receivables and payables are valued at their face value. They are depreciated through a provision in an effort to account for potential collection difficulties.

#### Investment Securities

Units in money-market funds (SICAV) are recorded at their acquisition price according to the FIFO (First-in First-out) method. Unrealised losses or gains resulting from an evaluation of the portfolio at the close of the financial year are reintegrated (or deducted) for calculating the tax income.

#### Start-up costs

According to Article 432-1 of the general accounting plan, the stock market listing costs incurred by the Company may be recorded as start-up costs.

These costs are amortised over five years, with the first and last year amortised pro rata temporis in accordance with the general accounting plan (PCG) instructions (Article 361-3).

#### Issuing charges

According to the general accounting plan (Article 361-2,) the costs linked to the hybrid debt issued must be in principle distributed according to the characteristics of the loan. These costs were recorded in deferred charges and amortised on a straight-line basis for the term of the loan, *i.e.* 10 years.

### Permanent nature of methods

The financial statements for the year are comparable to those of the previous year (consistency of accounting methods and time period principle).

The balance sheet, income statement and notes are expressed in euros.

## / NOTE 3 / Other disclosures

#### Consolidating entity

COFACE SA has been fully consolidated since 2007 by Natixis whose head office is located at

30, Avenue Pierre Mendes France 75013 Paris.

#### Staff and managers

COFACE SA has no staff on its payroll and has no pension commitment.

#### Off-balance sheet commitments

- Commitments received:

  This entails six credit lines unused as at December 31, 2014 linked to the issue of commercial paper for an amount of €500 million.

  Natixis, Société Générale and BNP Paribas in the amount of €100 million each, CACIB in the amount of €110 million, BRED in the amount of €50 million and HSBC in the amount of €40 million.

  On 25 March 2014, Compagnie française d'assurance pour le commerce extérieur issued a joint guarantee for the subordinated bond investors of COFACE SA in the amount of €380 million.

- Commitments given:

  On March 19, 2012, COFACE SA issued a joint surety bond in favour of Coface Finanz, a company held indirectly by COFACE SA, for the sums that will be due by Coface Factoring Poland as reimbursement for the loan granted to the latter, for a maximum amount of €350 million.

  This joint surety bond did not have to be exercised in 2012, 2013 or 2014.

## / NOTE 4 / Analyses on the main balance sheet items *(in euros)*

### ◆ Assets

### 4.1.1 Intangible assets

| | GROSS 2014 | AMORTISATION | NET 2014 |
|---|---|---|---|
| Set-up costs | 5,788,110 | 578,811 | 5,209,299 |

### 4.1.2 Interests in related companies and companies with capital ties

| RELATED COMPANY | JAN. 1, 2014 | ACQUISITIONS | DISPOSALS | DEC. 31, 2014 |
|---|---|---|---|---|
| Compagnie française d'assurance pour le commerce extérieur | 1,333,560,572 | 4,158,728 | | 1,337,719,300 |
| Coface Ré | | 110,025,157 | | 110,025,157 |
| | **1,333,560,572** | **114,183,885** | | **1,447,744,457** |

### 4.1.3 Certificates of deposit

Certificates of deposits were paid in 2014.

### 4.1.4 Loans to affiliates and subsidiaries

COFACE SA granted an intra-group subordinated loan to Compagnie française d'assurance pour le commerce extérieur for €314 million.

| RELATED COMPANY | AMOUNT | INTERESTS | TOTAL |
|---|---|---|---|
| Compagnie française d'assurance pour le commerce extérieur | 314,000,000 | 10,038,188 | 324,038,188 |
| | **314,000,000** | **10,038,188** | **324,038,188** |

### 4.1.5 Other receivables

| | DEC. 31, 2014 | UP TO ONE YEAR | 1-5 YEARS | DEC. 31, 2013 |
|---|---|---|---|---|
| Ct Coface Finanz: cash advance | 352,000,000 | 352,000,000 | | 311,037,772 |
| Interests accrued CF at Dec. 31, 14 | 84,764 | 84,764 | | 114,346 |
| Commercial paper structuring costs | 119,785 | 119,785 | | 493,275 |
| Coface Finanz guarantee | 1,618,198 | 1,618,198 | | |
| French government and other authorities | 939,615 | 939,615 | | |
| Natixis liquidity agreement | 4,147,979 | 4,147,979 | | |
| Other receivables | 2,534,961 | 2,534,961 | | |
| | **361,445,300** | **361,445,300** | | **311,645,393** |

The item "other receivables" primarily consists of income receivable that is related to the recharging of costs incurred at the time of the stock market listing in the amount of €2,217,259, €876,480 of which were charges linked to the employee offering, and €1,340,779 of which were charges linked to the allocation of bonus shares.

### 4.1.6 Investment securities

| | PURCH. VAL. | MARKET VAL. 12/2014 | UNREALISED CG |
|---|---|---|---|
| 3 OPCVM Nat.Cash Eonia Part IC FCP 3D | 343,541 | 343,547 | 7 |

### 4.1.7 Treasury shares

| | PURCH. VAL. | MARKET VAL. 12/2014 | UNREALISED CG |
|---|---|---|---|
| 80,819 shares | 861,258 | 887,393 | 26,134 |

### 4.1.8 Cash at bank and in hand

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| Natixis | 171,378 | 102,841 |
| HSBC | 215 | |
| | **171,593** | **102,841** |

### 4.1.9 Prepaid expenses

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| CACIB: fees | 4,889 | 34,000 |
| Moody's: issuer rating | 0 | 103,500 |
| | **4,889** | **137,500** |

### 4.1.10 Loan reimbursement premiums

| | GROSS 2014 | AMORTISATION | NET 2014 |
|---|---|---|---|
| Premium linked to subordinated debt | 1,923,560 | 192,356 | 1,731,204 |

## Liabilities

### 4.2.1 Changes in equity

| | DEC. 31, 2013 | ALLOCATION OF INCOME | DIVIDEND PAYMENTS | INCREASE | DEC. 31, 2014 |
|---|---|---|---|---|---|
| **Share capital** | **784,206,535** | | | **2,034,625** | **786,241,160** |
| Number of shares | 156,841,307 | | | 406,925 | 157,248,232 |
| Additional paid-in capital | 648,461,965 | | -226,982,333 | 1,350,991 | 422,830,623 |
| Legal reserves | 67,264,105 | 3,438,974 | | | 70,703,079 |
| Retained earnings | 1,617,036 | -1,599,369 | -17,667 | | |
| Interim dividend 2013 | -65,089,142 | 66,939,870 | -1,850,728 | | |
| Income for the year | 68,779,474 | -68,779,474 | | -2,779,036 | -2,779,036 |
| **TOTAL** | **1,505,239,974** | **0** | **-228,850,728** | **606,580** | **1,276,995,826** |

### 4.2.2 Composition of capital

| | DEC. 31, 2014 | | INCREASE/ DECREASE | DEC. 31, 2013 | |
|---|---|---|---|---|---|
| **Number of shares** | | **157,248,232** | | | **156,841,307** |
| Nominal value *(in €)* | | 5 | | | 5 |
| Shareholders: Financial market and other | 58.46% | 91,922,573 | 91,922,313 | | |
| Natixis | 41.24% | 64,853,869 | -91,987,426 | 100% | 156,841,295 |
| Group Employee funds | 0.25% | 390,959 | 390,959 | | |
| Treasury shares | 0.05% | 80,819 | 80,819 | | |
| Directors' loaned shares: | | 12 | | | 12 |
| *BPCE* | | *1* | | | *1* |
| *Individuals* | | *11* | | | *11* |

### 4.2.3 Debts

| | UP TO ONE YEAR | 1-5 YEARS | BEYOND 5 YEARS | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|---|---|---|
| **Bank borrowings and debts** | **351,952,226** | | | **351,952,226** | **310,946,953** |
| 26 – Commercial paper: discounted fixed rate | 351,867,462 | | | 351,867,462 | 310,832,607 |
| CP accrued interests | 84,764 | | | 84,764 | 114,346 |
| **Other bond issues** | **11,756,250** | | **380,000,000** | **391,756,250** | |
| Subordinated bonds | | | 380,000,000 | 380,000,000 | |
| Accrued interests | 11,756,250 | | | 11,756,250 | |
| **Sundry borrowings and debts** | **11,075,172** | | **110,000,000** | **121,075,172** | |
| Borrowing Cie française d'assurance pour le commerce extérieur | | | 110,000,000 | 110,000,000 | |
| Borrowing accrued interests | 147,583 | | | 147,583 | |
| Cash advance Cie Française and accrued interest | 10,927,589 | | | 10,927,589 | |
| **Trade notes and accounts payables** | **876,165** | | | **876,165** | **156,727** |
| AL – fees | 192,936 | | | 192,936 | 92,789 |
| AL – Expenses linked to CP program | 36,000 | | | 36,000 | 63,938 |
| AL – Expenses linked to stock market listing | 647,229 | | | 647,229 | |
| **Tax and social liabilities** | **115,240** | | | **115,240** | **368,505** |
| 2013 IT (tax consolidation) | | | | | 331,257 |
| CVAE: Accrued liabilities | | | | | 37,248 |
| French government and other authorities | 115,240 | | | 115,240 | |
| **Other debts** | **409,226** | | | **409,226** | **470,836** |
| AL – commissions for not using CP credit line | 393,680 | | | 393,680 | 414,620 |
| AL – commissions HSBC discounting | | | | | 215 |
| AL – Expenses linked to subordinated debt | 15,547 | | | 15,547 | |
| AL – directors' fees | | | | | 56,000 |
| | **376,184,280** | | **490,000,000** | **866,184,280** | **311,943,020** |

## / NOTE 5 / Analyses on the main balance sheet items *(in euros)*

### Operating income

| | AS OF DEC. 31, 2014 | AS OF DEC. 31, 2013* |
|---|---|---|
| **Operating income** | **5,943,605** | **192,675** |
| Commercial paper structuring costs | 425,063 | 192,675 |
| Transfer of expenses | 3,301,283 | |
| Other income | 2,217,259 | |
| **Operating expenses** | **7,917,255** | **741,019** |
| **Other purchases and external expenses** | **5,400,703** | **624,504** |
| Statutory Auditors' fees | 318,157 | 306,615 |
| Fees and Commissions linked to CP program | 232,500 | 157,140 |
| Sundry fees | 4,589 | 7,468 |
| Coface Europe fees: 8 management mandates | 105,108 | 143,241 |
| Legal advertising costs | 2,084 | 3,507 |
| Natixis charges and commissions | 7,674 | 6,534 |
| Charges linked to the offer reserved for employees | 876,480 | |
| Charges linked to stock market listing | 549,785 | |
| Charges linked to the issue of subordinated debt | 3,301,283 | |
| Costs of sundry travels | 3,042 | |
| **Income tax, taxes and similar payments** | **-2,866** | **60,515** |
| **Other expenses** | **1,610,479** | **56,000** |
| Expenses linked to the allocation of free shares | 1,340,779 | |
| Social charges on directors' fees | 54,200 | |
| Directors' fees | 215,500 | 56,000 |
| **Depreciations and amortisations** | **908,939** | |
| Amortization of set-up costs | 578,811 | |
| Amortization of costs linked to subordinated debt | 330,128 | |
| | **-1,973,651** | **-548,344** |

The entry "Commercial paper structuring costs" in the amount of €425,063 corresponds to the recharging of the costs of managing this commercial paper.

The entry "Transfer of expenses" in the amount of €3,301,283 corresponds to the transfers of expenses linked to the subordinated debt. According to Article 361-3 of the general accounting plan, these costs were recorded under "Other purchases and external expenses" and then transferred to the entry "Deferred charges" by crediting "Transfer of operating expenses".

The item "Other income" in the amount of €2,217,259 corresponds to the recharging of €876,840 in expenses linked to the employee offering under the stock market listing and to the amount of €1,340,779 for expenses linked to the allocation of bonus shares. This amount was estimated based on the number of shares allocated, valued at the market price at year-end, *i.e.* €10.98.

### Financial income

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Financial income** | **14,849,342** | **72,159,958** |
| Dividend | | 69,940,268 |
| Sundry interests | 142,303 | 454,087 |
| Interests linked to the CP program | 2,984,817 | 1 718 174 |
| Income on guarantees | 1,618,198 | |
| Loan interests | 10,038,188 | |
| Income from SICAV sales | 65,836 | 47,429 |
| *of which related companies* | *13,165,203* | *72,112,529* |

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Financial expenses** | **15,663,964** | **1,655,535** |
| Fees and Commissions linked to CP program | 2,957,102 | 1,655,535 |
| Interests on bond loan | 11,756,250 | |
| Interests on borrowings | 147,583 | |
| Interests on cash advance | 28,006 | |
| Guarantees costs | 582,667 | |
| Reimbursement premium amortization | 192,356 | |
| *of which related companies* | *1,051,590* | *129,601* |
| | **-814,622** | **70,504,423** |

Financial income primarily consists of interest on the loan in the amount of €314 million granted to Compagnie française d'assurance pour le commerce d'extérieur.

The financial expenses primarily consist of interest on the bond loan in the amount of €380 million.

### Non-recurring result

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Non-recurring expenses** | **9,237** | |
| *Gains* on treasury share sales | 9,237 | |
| | **9,237** | |

The non-recurring result consists of income on disposals of treasury shares managed under the liquidity agreement.

### Income tax

| | DEC. 31, 2014 | DEC. 31, 2013 |
|---|---|---|
| **Accounting income before CT** | **-2,779,036** | **69,956,078** |
| Deductions | -1,349,849 | -69,971,990 |
| Reintegrations | 1,340,785 | 3,506,084 |
| **Taxable income** | **-2,788,100** | **3,490,172** |
| Corporate tax (rates 33 1/3%) France | | 1,163,391 |
| Additional contributions | | 13,213 |
| **CORPORATE TAX** | **0** | **1,176,604** |

## / NOTE 6 / Subsidiaries and Interests

| | | | | | VALUE OF SECURITIES HELD | | | FISCAL YEAR 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| AT DEC. 31, 2014 | CURRENCY | CAPITAL | RESERVES AND RETAINED EARNINGS | SHARE OF CAPITAL HELD % | GROSS | NET | OUTSTANDING LOANS AND ADVANCES GRANTED BY THE COMPANY | REVENUE | NET EARNINGS OR LOSS | DIVIDENDS RECEIVED OR RECOGNISED BY THE COMPANY |
| Compagnie Française pour le Commerce Extérieur 1, Place Costes et Bellonte 92270 Bois-Colombes | EUR | 137,052,417 | 945,646,243 | 99.995 | 1,337,719,299.94 | 1,337,719,299.94 | 121,075,172.15 | 1,267,886,214 | 119,609,075 | - |
| Coface Ré SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND | CHF | 10,000,000 | 122,154,000 | 100 | 110,025,157.42 | 110,025,157.42 | - | - | - | - |

# 4.5 Five-year summary of Company results

| NATURE OF INDICATIONS | YEAR 2010 | YEAR 2011 | YEAR 2012 | YEAR 2013[(1)] | YEAR 2014 |
|---|---|---|---|---|---|
| **I - Year-end Capital** | | | | | |
| a) Share capital | 784,206,535.00 | 784,206,535.00 | 784,206,535.00 | 784,206,535.00 | 786,241,160.00 |
| b) Number of issued shares | 156,841,307 | 156,841,307 | 156,841,307 | 156,841,307 | 157,248,232 |
| c) Number of bonds convertible into shares | - | - | - | - | - |
| **II - Operations and income for the year** | | | | | |
| a) Revenue excluding tax | - | - | 197,200.00 | 192,675.00 | 2,642,322.13 |
| b) Income before tax, depreciation, amortization and provisions | 26,734,637.98 | 5,872,987.51 | 2,547,020.12 | 69,956,078.19 | -1,677,740.72 |
| c) Income tax | 415,271.00 | 2,505,799.00 | 845,350.00 | 1,176,604.00 | 0.00 |
| d) Income before tax, depreciation, amortization and provisions | 26,319,366.98 | 3,367,188.51 | 1,701,670.12 | 68,779,474.19 | -2,779,036.01 |
| e) Distributed profits | 26,200,000.00 | 26,000,000.00 | - | 66,939,869.83 | 75,007,406.66 |
| *of which interim dividends* | *26,200,000.00* | *26,000,000.00* | | *65,089,142.00* | |
| **III - Earnings per share** | | | | | |
| a) Income after tax, but before depreciation, amortization and provisions | 0.17 | 0.02 | 0.01 | 0.44 | -0.01 |
| b) Income after tax, depreciation, amortization and provisions | 0.17 | 0.02 | 0.01 | 0.44 | -0.02 |
| c) Dividend paid to each share | 0.17 | 0.17 | - | 0.43 | 0.477 |
| **IV - Staff** | | | | | |
| a) Average number of employees in the year | - | - | - | - | - |
| b) Payroll amount | - | - | - | - | - |
| c) Amount of sums paid in employee benefits | - | - | - | - | - |

*(1) A portion of the commercial paper costs corresponding to commissions for non-use of credit lines was reclassified under financial income in the amount of €1,188,000, taking the revenue from €1,380,675 to €192,675.*

# 4.6 Other information

At December 31, 2014, COFACE SA had a trade payables balance, excluding Group and provisions, of €439 thousand, for which the maturity date is less than 60 days, compared to the 2013 zero balance.

# 4.7 Statutory Auditors' report on the consolidated financial statements (1)

**Year ended 31 December 2014**

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of COFACE SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

## 1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 3 "Accounting Principles", paragraph 3.1 "Applicable accounting standards" of the notes to the consolidated financial statements regarding the possible effect of the first time application on January 1, 2014 of the new standards IFRS 10-11 and 12. The implementation of these new standards did not have a significant impact on Coface group.

## 2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters:

- Your group set up technical reserves to cover its commitments. Paragraph 3.7 of Note 3 "Accounting Principles", as well as Note 16 and 42 of the notes to the consolidated financial statements specify the estimation methodologies used. Based on the information available at the consolidated financial statements closing date, our assessment of technical reserves was based on the analysis of the calculation methodologies used as well as the assumptions made.
- Gross written premiums as well as premium refunds that represent the credit insurance revenue are determined based on the principles described in paragraph 3.7 of Note 3 "Accounting Principles" of the notes to the consolidated financial statements.

  Those elements include estimated figures, in particular pipeline premiums and premium refunds to be paid. Based on the information available at the consolidated financial statements closing date, our assessment of premiums to be written and refunds to be paid was based on the analysis of the calculation methodology used as well as the assumptions made regarding group past experience.
- Financial investments are recognized and valued using the methods described in paragraph 3.7 of Note 3 "Accounting Principles" and in Note 7 of the notes to the consolidated financial statements. We checked that, on the basis of the documentation prepared by the group, the valuation methods used had been correctly applied and then assessed, firstly, the data and assumptions used to value them and, secondly, the classification methods selected.
- Impairment tests are performed on goodwill using the methods described in paragraph 3.7 of Note 3 "Accounting Principles" and in Note 4 of the notes to the consolidated financial statements. We examined, firstly, the methods used to perform those tests on the Cash Flow Units basis and, secondly, checked the consistency of assumptions made with the business plan set up under group control.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## 3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense, March 30, 2015

The statutory auditors
French original signed by

*Francine Morelli*
*Partner*

Neuilly sur Seine, March 30, 2015

The statutory auditors
French original signed by

*Francine Morelli*
*Partner*

(1) *This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

# 4.8 Statutory Auditors' report on the Company's annual financial statements [1]

**Year ended 31 December 2014**

Ladies and Gentlemen

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying financial statements of COFACE SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## 1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

## 2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters.

The assets of your company is mainly made up of "interests in related companies" for which the methods of valuation are set out in Note 2 "Accounting principles, rules and policies" of the notes to the annual financial statements.

We assessed the approaches and valuation methods of those assets used by the company, described in the annual financial statements and based on the information available to date, performed tests to check the implementation of these methods.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## 3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders (or holders of the voting rights) has been properly disclosed in the management report.

Paris La Défense, March 30, 2015

*Francine Morelli*
*Partner*

Neuilly sur Seine, March 30, 2015

*Damien Leurent*
*Partner*

(1) *This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

# MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

5/


| | | |
|---|---|---|
| **5.1** | Risk factors | 214 |
| **5.1.1** | Risks related to the economic, financial and regulatory environment of the Coface Group's business sector | 214 |
| **5.1.2** | Risks related to the Coface Group's business activity | 217 |
| **5.1.3** | Risks related to the Company | 224 |
| **5.2** | Insurance policy | 225 |

# 5.1 Risk factors

*Prior to making an investment decision in the shares of the Company, prospective investors should consider carefully all the information set out in this registration document, including in particular the risk factors detailed below. Such risks are, as of the date of this registration document, the risks that the Coface Group believes, were they to occur, could have a material adverse effect on the Coface Group, its business, its financial condition, its results of operations or prospects, and which are material in making an investment decision. Prospective investors should nonetheless note that the risks described in this Section 5 may not be comprehensive, and that there may be additional risks that are not currently known to the Coface Group, or whose occurrence as of the date hereof is not considered likely to have a material adverse effect on the Coface Group, its business, its financial condition, its results of operations or prospects.*

## 5.1.1 RISKS RELATED TO THE ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT OF THE COFACE GROUP'S BUSINESS SECTOR

### 5.1.1.1 Risk related to the macroeconomic situation

The Coface Group is present in 67 countries and markets its services in nearly 100 countries and in the many sectors of the economy in which its policyholders operate. Given the nature of the Coface Group's business, its activity may be influenced by the economic environment on both a local level and a global level and, indirectly. Although the diversity of the sectors and regions in which the Coface Group operates gives it some resistance to economic cycles, the Coface Group's business activity is sensitive to changes in general macroeconomic conditions, global trade, levels of investment and consumption and to potential changes in economic policies that affect its policyholders.

The premium for a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the credit insurance policy, on insured client risk exposure amounts (outstanding receivables), or on a capped exposure, each of which is a function of the revenue realized by the policyholder during the coverage period under its credit insurance policy. The total volume of premiums collected by the Coface Group thus depends on the revenues of its policyholders, namely the sales volume effectively realized by its policyholders during the coverage periods under each of their respective credit insurance policies and covered by their policies.

The credit insurance policies of the Coface Group furthermore entail a minimum fixed premium, which is calculated based on an estimated volume of sales to be made by a policyholder during the period covered by the credit insurance policy. This minimum is generally billed according to a quarterly schedule, with the first payment date being at the contract effective date. The volume of sales actually made by the policyholder, which allows to determine the final premium, is only known at the end of the period covered by the credit insurance policy. The amount of the final premium, assessed on the volume of sales made by the policyholder, is generally higher than the amount of the minimum fixed premium already billed. An adjustment premium, corresponding to the difference between the fixed premium already billed and the final premium is thus charged to the policyholder. However, if the total premium calculated based on the volume of sales made by the policyholder is less than the amount of the fixed premium, the difference is retained by the Coface Group.

Even though a worsening of the economic environment could lead to an increase in the level of premiums received by the Coface Group, resulting from the signing of new policies (either by new policyholders seeking coverage or by existing policyholders extending their coverage), or to an increase in the insurance premium rates, an economic slowdown, in particular within the eurozone, where a large portion of the Coface Group's policyholders are incorporated could also result in reducing the volume of insurance premiums, due to an activity slowdown experienced by policyholders.

Difficult economic conditions, in particular in the eurozone, may cause an increase in payment delays and bankruptcies and thus in the frequency of claims, and possibly peak risks, in other words, abnormally high losses due to a single debtor or group of debtors, or even due to an accumulation of losses in a given country.

Adverse changes in the economic and business environment could in the future have a material adverse effect on the business of the Coface Group, its financial condition, its solvency margin, its results of operations or its prospects.

### 5.1.1.2 Risks related to world financial market conditions

Coface Group business lines are sensitive to changes in the financial markets in France, Europe and the rest of the world. Numerous factors, including uncertainties about the solvency of certain sovereign issuers, the stability and solvency of financial institutions, the risk of future inflation or deflation in certain markets, as well as geopolitical tensions, have led to a liquidity shortage and increased the volatility of the financial markets, and could in the future continue to weigh on the markets and the overall economy, and thus on the business activities and the prospects of the Coface Group. In addition, a liquidity shortage and the volatility of financial markets could have a material effect on the Coface Group's investment portfolio, which mainly comprises financial instruments whose value depends on the performance of the financial markets (see paragraphs 2.4.3.3 "Internal control of investment management", 2.4.3.4 "Financial risk management" and 5.1.2.5 "Risks related to the investment portfolio" below).

Adverse changes in the financial markets could in the future have a material adverse effect on the business, share price trends, solvency margin, results of operations or prospects of the Coface Group.

### 5.1.1.3 Risks related to national and international policies and regulations applicable to the activities of the Coface Group

The Coface Group operates in a strongly regulated environment, which differs according to the countries in which it performs its business. Its insurance business is subject to the control of local regulators, which can sometimes differ according to the country in which it is established.

Coface Group is headquartered in France; its activity is in a large extent governed by European directives and by French domestic regulations on non-life insurance. The supervisory and regulatory authority for the Coface Group's insurance activities in France and the European Union is the Prudential Supervisory and Resolution Authority (the Autorité de contrôle prudentiel et de résolution, or **"ACPR"**).

Most countries in which the Coface Group operates apply the laws and regulations which govern in particular solvency standards, the level of capital and reserves, the multiplicity and diversification of financial investment portfolios, business conduct (including in particular requirements to hold relevant licenses and approvals), distributions practices, anti-money laundering rules, or the Know Your Customer protection rules.

These various regulations and supervisory measures have been strengthened in the wake of the financial crisis, both at the European level and outside the European Union. Some States have adopted or are in the process of adopting measures that constitute significant changes to the current framework, notably to strengthen the solvency of insurance companies.

In this context, regulations applicable to the Coface Group's insurance activities may lead to variations or new limits to the scope of its business, including in particular increased capital and liquidity requirements, increased financing costs and increased operating costs, and may, more generally, constitute an obstacle to its development (see also sections 2.4.3.6 "Liquidity and capital risk", 2.4.3.8 "Management of legal risk and compliance" and the paragraph "Risks related to the implementation of the Solvency II Regulations" below).

The Coface Group also has factoring activities in Germany, where it is subject to specific regulations, and in Poland. In each of these two countries, a modification in the existing laws and regulations on factoring, in particular in terms of capital and liquidity requirements specific to non-banking factoring activities, could impact the course of these activities and the financial position of the Coface Group.

A significant portion of the Coface Group's business is subject to obtaining accreditation and licenses issued by the public authorities in charge of supervising and controlling credit insurance and factoring activities. As part of its sustained and profitable growth strategy, the Coface Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licenses and authorizations to carry out such activities. Any major difficulty encountered in obtaining such authorizations could delay or jeopardize the establishment of the Coface Group in these new countries. In addition, the non-renewal, suspension or loss of any authorizations could have a material adverse effect on the business, results of operations, financial condition and prospects of the Coface Group.

Lastly, the rapid evolution of the regulatory environment as well as the rigor demonstrated by the regulatory authorities in the interpretation and application of the regulations, have also led the Coface Group to be particularly vigilant in compliance issues. Despite implementing measures to comply with applicable regulations, the Coface Group may become subject to regulatory investigations and possible sanctions. These investigations and sanctions could affect the business, results of operations, financial position, prospects and reputation of the Coface Group.

More generally, the Coface Group cannot guarantee that rapid and/or significant changes in the current regulations will not have an adverse effect on the future for its business, financial position, solvency margin, dividend policy, results of operations or prospects.

### 5.1.1.4 Risks related to the implementation of the Solvency II Regulations

The Coface Group primarily performs insurance activity. For insurers that have their head office in a country in the European Union, such as the Coface Group, the regulation of their business falls within the "Solvency I" framework, which stems mainly from Directive No. 73/239/EEC dated July 24, 1973, on access to the direct insurance business other than life insurance, and its operation, as well as the texts transposing it into national law. This regulatory framework is currently under development, and should undergo major changes within the context of implementing Directive No. 2009/138/EC of the European Parliament and Council dated November 25, 2009 regarding access to insurance and reinsurance activities, and texts of application (**"Solvency II"**).

Solvency II, which will apply as of January 1, 2016, in particular aims to gain a better understanding of insurer risks. As such, Solvency II includes the Solvency Capital Requirements **("SCR")** that set minimum capital adequacy requirements for insurers for the purpose of absorbing a major shock. The SCR may be calculated based on a standard formula that is set by the regulations or by a complete or partial internal model developed by the insurer and validated by the prudential regulator. At this time, the set of texts to be applied has not been finalised and it is hence difficult to plan how exactly Solvency II could impact the insurance sector in general and the financial position, income or solvency of the Coface Group.

In preparation for Solvency II, the Coface Group, like the majority of other European insurers, nevertheless had to make a certain number of strategic choices. In particular, considering that the standard formula does not adequately represent the credit insurance risk profile, the Coface Group chose to prepare, in view of submitting it to the ACPR, a partial internal model to calculate its capital requirements in the context of Solvency II, based on the Coface Group's own risk management system. At the date of this registration document, the Coface Group cannot be sure that its internal model will be validated by the ACPR or that the ACPR will not impose significant changes to final formula. If its partial internal model is not approved, or if changes are imposed by the ACPR, such as the application of the standard formula defined by Solvency II or of a modified formula in comparison to the partial internal model, it could require the Coface Group to strengthen its capital and/or change its dividend policy (see also section 2.4.3.6 "Liquidity and capital risk" of this registration document).

Moreover, the implementation of Solvency II results in significant costs to the Coface Group and could likewise lead to more significant costs and adaptation measures than anticipated. Furthermore, if the Coface Group is unable to implement Solvency II within the time limits required by the regulations, such a delay could result in regulatory sanctions and/or a reputation risk for the Coface Group. More generally, the implementation of Solvency II, due to the costs and uncertainties it involves, could thus have a material adverse effect on the financial position, the solvency margin, the dividend policy, income and thus the business and prospects of the Coface Group.

### 5.1.1.5 Risks related to the competitive environment

The Coface Group is evolving in a strongly competitive market. The credit insurance market has a large number of players of very different sizes and status, including Export Credit Agencies (or ECAs) which have been created by countries to encourage exports. The world credit insurance market is nevertheless dominated by three major players, including the Coface Group, who are the only ones to have a global network and a significant footprint. The Coface Group's main competitors in the credit insurance sector are two European groups: Euler-Hermes group (a company based in Paris belonging to the Allianz group, whose shares are listed on the Euronext Paris regulated market) and Atradius (an unlisted company under Dutch law which belongs to Grupo Catalana Occidente). In certain markets the Coface Group competes with export credit agencies, leading players in their market, who have very significant or even monopolistic market shares, such as K-sure, an export credit agency in South Korea, or Sinosure, an export credit agency in China. Even though it believes the credit insurance market to be characterized by barriers strong entry for new global players, the Coface Group cannot rule out the possibility that new players, including those of significant size, will modify their strategy in order to enter certain markets on which the Coface Group is present, thereby accentuating already intense competition. The Coface Group is likewise facing, in certain regions, from competition regional players that are smaller but benefit from a significant local presence.

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credit, or stand-by letters of credit, or, in certain markets, factoring, which offer alternative coverage solutions to policyholders, who could decide to favour them over the services of the Coface Group. In addition, an important source of competition comes from the companies themselves, which may opt to self-insure their credit risks, and to manage their receivables internally. An increase in credit insurance costs and in the conditions in which the Coface Group proposes its other services, and more generally, unfavourable business practice in the credit insurance sector, could strengthen this trend and worsen the competitive environment.

Factoring, a market in which the Coface Group is present in Germany and Poland, is a less concentrated market than credit insurance and is shared among banking players, such as Eurofactor or Deutsche Postbank (in Germany) or Raiffeisen Polska, Millenium or ING (in Poland) and nonbanking players, such as GE Capital (in Germany).

In recent years, the Coface Group has experienced strong competitive pressure, particularly as to price and a broadening of the scope and nature of insurance coverage especially issued in Western Europe.

The Coface Group's competitors, in its various sectors of business, could, due to their size, have financial, commercial, technical and human resources, or innovative capacity greater than those of the Coface Group.

These competitors could in the future continue to adopt aggressive pricing policies, diversify or expand service offerings or their supply chains, develop strategic or contractual relationships in markets in which the Coface Group is present or seeks to expand, and thus increase competitive pressure.

In this context, the Coface Group may need to adapt its services and tariffs or its underwriting risk policy, which could affect its profitability and/or lead to a loss of market share. Similarly, in the face of such competition the Coface Group may struggle to implement its strategy for sustainable and profitable growth if it fails to offer prices, innovative products, services or quality of service at least comparable to those of its competitors. The intensification of the competition could have a material adverse effect on the Coface Group's business, its financial position, its results of operations or its prospects.

#### 5.1.1.6 Risks related to the occurrence of exceptional events (acts of terrorism, natural disasters, pandemics, etc.)

Unforeseen events such as acts of terrorism, conflicts, the spread of pandemics such as the Ebola virus, a serious natural disaster, the potential consequences of global warming, or any other emergency situation could adversely affect the business and financial condition of the Coface Group due to the economic and financial consequences of indemnifying the resulting claims. These events could also cause a temporary disruption to the Coface Group's business operations and result in significant losses to the extent they would not be, or would be insufficiently covered, by any relevant insurance policy and if the Coface Group's business continuity plans do not alleviate the consequences (see also section 2.4.3.7 "Management of operational risks" in this registration document). Such losses may relate to physical assets, financial assets, market positions or key employees. These events could likewise generate additional costs and an increase in expenses for the Coface Group (in particular increased insurance and reinsurance premiums). Although the Coface Group has not experienced such events in the past, it cannot be excluded that such events may occur in the future and have a material adverse effect on the Coface Group's business, financial condition, results of operations or prospects.

#### 5.1.1.7 Risks related to the development of accounting standards

The Coface Group's consolidated financial statements are established in accordance with international standards, as adopted by the European Union. The international accounting standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) as well as their respective interpretations, as presented in Note 3 of the Coface Group's consolidated financial statements.

Plans to develop these standards are being reviewed by the IASB (International Accounting Standards Board), which is the body in charge of the IAS/IFRS. Some of these proposals, such as phase 2 of IFRS 4 regarding insurance contracts, or IFRS 9 on financial instruments, could have a significant impact on the financial statements of insurance companies. The potential developments of international accounting standards which are inherent in these projects would concern the accounting treatment of both the Coface Group's assets and liabilities, and the income and expenses on its income statement.

At this stage, even though the date and scope of these changes are difficult to evaluate, Coface estimates that they could impact its financial position, net income and prospects.

## 5.1.2 RISKS RELATED TO THE COFACE GROUP'S BUSINESS ACTIVITY



#### 5.1.2.1 Risks related to the solvency of debtors and policyholders, it assessment and to the reliability of information relating to this solvency

The core business of the Coface Group is credit insurance. The Coface Group also offers factoring solutions in Germany and Poland. Assessing the credit risks related to these activities is an essential element of the Group's business. The credit risk includes:

- for credit insurance, the underwriting risk, inherent in the insurance business (namely, short-term credit insurance, special risks including Single Risk and surety bonds) under the Solvency II Directive, in other words the risk of losses or of an unfavourable change in the value of insurance commitments, due to inadequate assumptions in terms of pricing and provisioning; and
- for the factoring business pursuant to the regulation issued November 3, 2014, *i.e.* the risk incurred in the event of default by a counterparty or counterparties considered to be a single beneficiary under the CRBF Regulation issued November 3, 2014.

The quality and reliability of information regarding debtor solvency is essential for managing the pricing policy and the risk-underwriting decision process. The Coface Group, as with other players in the market, cannot exclude that it will face, in certain markets, difficulties in obtaining reliable and accurate information or debtor solvency data from the service providers that it may use.

Any lack of information or use of unreliable information regarding a debtor or the environment in which it operates, or a delay in the provision of such information, is likely to distort the evaluations and assessments used by the Coface Group, and therefore the estimate of the related potential claims risk. Such risks relating to solvency assessments could have a material adverse effect on Coface Group's business, financial position, results of operations, solvency margin and prospects.

Furthermore, if the credit insurance or factoring products that have been developed and sold by the Coface Group seek to meet the needs of policyholders (or customers in the case of factoring activities) and their evolution in terms of coverage, the Coface Group must likewise control the risks in terms of exposure, and thus of profitability. A poor assessment of debtor solvency (and, in cases of factoring and guarantee activities, of the Coface Group's customers) at underwriting, and for credit insurance during the lifetime of the product, or even at the time of its renewal, could result in a poor compatibility between the premium, the commitments made and the Coface Group's management, and thus bring about a potentially significant risk of loss.

### 5.1.2.2 Risks related to the establishment of insurance technical provisions, depreciations and the assumptions used

The insurance policies managed by insurance subsidiaries of the Coface Group meet the definitions of insurance contracts provided by IFRS 4. In compliance with this standard, these contracts these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on the French gaap, while awaiting the publication of an IFRS standard addressing insurance technical liabilities. Phase 2 of IFRS 4 should be published during the first half of 2015. In compliance with IFRS 4, the insurance reserves (or "**technical provisions**") are calculated according to the methods prescribed by the French gaap. A liability adequacy test is performed to verify that the insurance liabilities, as they appear in the consolidated financial statements, are sufficient to cover the future cash flows estimated at that date.

The recognition of technical provisions requires the Coface Group to carry out estimates, primarily based on statistics and assumptions about changes in events and circumstances that are related to the policyholders and their debtors, as well as their economic, financial, social, regulatory and also political environment. These assumptions may turn out to be different or insufficient when compared to the actual events and circumstances, especially if they simultaneously affect the group's main portfolios. The use of these assumptions requires a high degree of judgment by the management bodies of the Coface Group, which may affect the level of the provisions recognized and therefore may have a significant adverse effect on the Group's financial position, operating results and solvency margin (see also section 2.4.3.2 "Credit risk management" of this registration document and Note 16 to the Coface Group consolidated financial statements").

Similarly, for certain financial assets of the Coface Group, there is no active market or the observable value is either reduced or unrepresentative. In such case, the fair value of these assets is measured according to the IFRS standards, using the valuation techniques which include methods or models based on assumptions or assessments that needs a high degree of judgment. There is no guarantee that the estimates of the fair value obtained on the basis of these valuation techniques represent the price at which the financial instrument will finally 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. In light of this information and in accordance with the accounting principles and methods as described in the consolidated financial statements of the Coface group, the management bodies of the Group use their judgment to analyze the causes of any decrease in the estimated fair value of securities, its prospects of short-term recovery and the level of provisions that is considered adequate for the resulting impairments. It cannot, however, be guaranteed that the impairments or additional provisions will not have a material adverse effect on the Coface Group's financial statements, financial position and solvency margin.

### 5.1.2.3 Risks related to the geographical and sectorial distribution of debtors covered by the Coface Group's insurance policies and its policyholders

The Coface Group insures the payment default risk for more than 40,000 policyholders in around 100 countries worldwide. The debtor risks covered by the Coface Group's credit insurance policies are mainly located in Western Europe, notably in Germany, France, Italy and the United Kingdom. As at December 31, 2014, these four countries accounted for 39.8% of the Coface Group's of the Coface Group's overall exposure from its credit insurance activities, with the whole of Western Europe representing 52.8% of the Group's total exposure. At the same date, debtors in non-OECD countries accounted for 21.9% of the Coface Group's total exposure (see paragraph 2.4.3.2 "Diversification of the credit risk portfolio" of this registration document).

The Coface Group is therefore particularly exposed to the risks and economic situations of these countries within the Eurozone, and Western Europe in general. The persistence of a difficult economic situation, or the occurrence of new difficulties in these countries, and more generally in Western Europe, could increase the difficulties and worsen the financial position of the Coface Group's debtors and policyholders operating thereof. These factors could in return cause a considerable change in the Coface Group's risk profile, and thus have a material adverse effect on its business, financial position, operating results or prospects.

The Coface Group debt insurance portfolio covers a broad range of business sectors. However, as of December 31, 2014, the construction, agro-food and chemistry sectors represented 39.9% of the Coface Group's total exposure.

A presentation of a breakdown by business sector of the Coface Group's debt insurance portfolio appears in paragraph 2.4.3.2 "Diversification of the credit Risk portfolio" of this registration document.

Despite the diversity of the business sectors of the Coface Group's policyholders and debtors covered by its credit insurance policies, the Coface Group cannot disregard the fact that a significant deterioration in the economic conditions in any given sector may impact its overall levels of risks, as well as the volume of premiums received, and results in a material adverse effect on its business, financial position, income or prospects.

### 5.1.2.4 Risks related to overexposure to debtors or dependence on major policyholders

As of December 31, 2014, no debtor represents more than 1% of the Coface Group's exposure and no policyholder accounts for more than 1% of the total premiums collected by the Coface Group Although the Coface Group considers that the level of risk exposure on an major debtor (considered individually) is fairly limited, given their number and the diversity of risks that they present and the reinsurance underwritten, the occurrence of any significant risks linked to certain important debtors could affect the amount of indemnifications payable by the Coface Group, and have a material adverse effect on its financial position and operating results.

### 5.1.2.5 Risks related to the investment portfolio

The Coface Group holds an investment portfolio which is primarily comprised of financial instruments. The fair value of this investment portfolio as of December 31, 2014 totaled €2,558 million (excluding cash equivalents and investments in unconsolidated subsidiaries). The Coface Group implements a diversification policy for its investment portfolio that aims to comply with the current legal and regulatory provisions, as well as to obtain an optimal balance between risk and return (see also sections 2.4.3.3 "Internal control of investment management", 2.4.3.4 "Financial risk management" of this registration document, as well as Notes 7, 29 and 30 to the Coface Group consolidated financial statements). The occurrence of any risks described below could nevertheless have a material adverse effect on the current and future revenue, the net income, cash and the financial position of the Coface Group.

#### Interest Rate risk

A significant portion of the Coface Group's investment portfolio is invested in bonds. As of December 31, 2014, bonds represented 69.9% of the total fair value of its investment portfolio. The Coface Group is thus subject to interest rate risk, including both interest rate and spread risks which is particularly relevant to bonds. During a period when the rates drop, there is a risk that the average portfolio interest rate will drop (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future rate change). Conversely, during a period when interest rate rises, there is a risk that the market value of the bond portfolio will drop, in which case the Group would have to record unrealized losses. Any significant variation in the value of the Coface Group's bond portfolio, as a result of a change in interest rates, could have a material adverse effect on its net income, cash, solvency margin and financial position.

#### Counterparty risk

As of December 31, 2014, more than 80% of the bonds held by the Coface Group have a rating of BBB or higher, given by at least one internationally recognized rating agency. At the same date, the portfolio exposure of the Coface Group's investments is primarily geared towards countries in the Eurozone, with the exception of Greece.

Despite this risk selection policy, the Coface Group cannot exclude that its investment portfolio will experience significant changes in value due to persistent current and potential future tensions on the financial markets, in particular with regards to sovereign debt. These defaults or feared defaults of public or private issuers, or of any other third party, other counterparties, financial institutions, clearing houses or stock markets could disrupt the market, cause increased volatility of financial instruments, result in a chain reaction of defaults, or even lead to general illiquidity, and could lead the Coface Group to record losses or impairments of invested assets, or unrealized losses that are significant or makes it unable to meet future funding needs to honor its commitments. Such losses or impairments could harm the investment value of the Coface Group and reduce its profitability, having a material adverse effect on its current and future revenue, net income, cash, solvency margin and financial position..

#### Equities risk

As of December 31, 2014, 7.4% of the Coface Group's investment portfolio was invested in equity mutual funds and stocks, exposing it to upward and downward changes in the stock market which in turn depend on many factors outside the Coface Group. In the event of a drop in the values to which its portfolio is exposed, the Coface Group could be obligated to record unrealised losses, or even significant impairments of assets, which could have a material adverse effect on its current and future revenue, net income, cash and its financial position.



### 5.1.2.6 Risks related to exchange rate fluctuations

The Coface Group distributes policies in nearly one hundred countries. Due to the international nature of its activities, the Coface Group distributes policies in currencies other than those of the accounts of the issuing entities (premiums collected and claims paid). Similarly, its credit insurance contracts may cover invoices in various currencies.

Consequently, the entities of the Coface Group carry exchange rate risks on their balance sheets when they issue policies with premiums collected in a currency different from their accounting currency. In this case, they record liabilities that are indexed to another currency other than the one used in the rest of their balance sheets.

Furthermore, the Coface Group, which releases its financial statements in euros, could be exposed to exchange rate risks, mainly due to the activities of certain foreign subsidiaries that operate in foreign currencies, primarily the US dollar, the pound sterling, the Hong Kong dollar and the Brazilian real. As of December 31, 2014, 32.1% of the Coface Group's consolidated revenue was recorded in a currency other than the euro. The Coface Group's capital is hence subject to the fluctuations of these exchange rates when consolidating the net positions of the various entities of the Coface Group.

Finally, financial assets in a foreign currency that are in the Coface Group's investment portfolio may be affected by the fluctuations in the exchange rates of the currencies in which they are denominated (see also section 2.4.3.4 "Financial risk management – foreign exchange risk" of this registration document). These fluctuations could significantly affect the Coface Group's financial income.

Even though the Coface Group could seek to reduce its exposure to foreign currency fluctuations through hedging activities, fluctuations in exchange rates and any related losses as part of its hedging activities could have a material adverse effect on its financial condition, net income and solvency margin.

### 5.1.2.7 Liquidity risks

The liquidity needs of the Coface Group correspond, on one hand, to the coverage of its operating expenses, the settlement of claims and financial expenses and, on the other hand, to the liquidity needs of the factoring business in Germany and Poland. The main sources of liquidity for the insurance business are the insurance premiums received and the net income from investments. The liquidity to cover the financing needs of the factoring business totaled €1.8 billion as of December 31, 2014 and corresponded to drawdowns under bilateral credit lines of a maximum amount of €884 million (including a short-term bilateral credit line of €500 million granted by Natixis), and also by issuances in its commercial paper program for a total maximum amount of €500 million and a factoring receivables securitization program in Germany for a total maximum amount of €1.2 billion. Any early termination of the securitization programs or related financing, in the event of default (see also section 2.4.3.6 "Liquidity and capital risk" of this registration document and Note 21 to the Coface Group consolidated financial statements) could have a material adverse effect on the Coface Group's financial position.

As part of its financing policy, the Coface Group accessed and should continue to access to the capital and loan markets. To that end, the Coface Group cannot guarantee that it will be able to have sufficient financing or that the capital or loan market conditions, particularly the interest rates, and the perception on these markets of its financial condition and prospects, will be favorable enough to access the funds (bank financing or fundraising on financial markets) necessary to develop its business, in particular to cover its operating expenses, claims settlement and financial expenses. The Capital market has suffered, and could continue to suffer from strong volatility or from disturbances that limits the availability of market financing. Such insufficient liquidity and/or prolonged access restrictions to these forms of funding could have a material adverse effect on its business, financial condition, results of operations or prospects.

### 5.1.2.8 Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs

The theoretical level of exposure assessed by the Coface Group does not match with the amount of its own funds, since this theoretical level of exposure is based primarily on the fact that a certain number of claims derived from this exposure will be passed on to reinsurers under a quota share treaty. It should be remembered that such transfer of risk to reinsurance companies does not exempt the Coface Group from its commitments to pay its policyholders. Through excess loss reinsurance, the Coface Group has also implemented a reinsurance strategy against the extreme risks that it could suffer. In terms of its relations with reinsurance companies, the Coface Group is subject to the creditworthiness risks of its reinsurers and the risk that it might be unable to get reinsurance treaties or to have them on acceptable pricing terms.

The Coface Group has established management procedures to assess the solvency of its reinsurers and maintain diversification in the risk transfer to the reinsurers (see also section 2.4.3.2 "Credit risk management – intercompany risk sharing and reinsurance" of this registration document, as well as Note 22 and 28 to the Coface Group consolidated financial statements). In spite of the financial crisis, no defaults among the Coface Group's reinsurers were noted; one or more reinsurers of the Coface Group could no longer be able to meet their financial obligations, which could lead to increased losses for the Coface Group. Furthermore, the reinsurance capacities on the market and the prices of reinsurance treaties depend on the general economic situation and on many other factors, and could vary significantly. Therefore, even though such a situation has never occurred, the Coface Group could have difficulties in getting reinsurance on commercially or financially acceptable terms, thereby increasing the risk of potential losses. In turn, this could lead the group to change its pricing structures or its risk underwriting policy, which could negatively impact its profitability and competitiveness. The occurrence of any of these risks could have a material adverse effect on the financial condition, revenue, solvency margin, business and prospects of the Coface Group.

### 5.1.2.9 Risks related to rating revision

The ratings on the ability to settle claims and of financial soundness are important elements in assessing the competitive position of insurance companies. The rating agencies regularly review their ratings and methodologies, and may consequently modify at any time the ratings that they have assigned. In the current economic environment,

some rating agencies have downgraded their outlook for the insurance sector, and have downgraded the outlook and/or ratings of a growing number of companies. At the date of this registration document, the Coface Group has maintained its ratings of AA- from Fitch and A2 from Moody's, which were confirmed in December 2014 respectively with stable outlooks.

However, even a potential downward revision of the outlook and/or of these ratings, could have negative effects for the Coface Group, and cause:

- a deterioration in its competitive position;
- difficulties in distributing new credit insurance policies;
- the termination of certain existing credit insurance policies;
- an increase in reinsurance costs;
- significant financing difficulties or increasing financing costs, linked in particular to its securitisation programme and its related financing;
- the need to grant additional coverage for certain contracts;
- a negative effect on its relations with its creditors, commercial counterparties and distributor partners, in particular the fronters [1];
- a significant negative effect on public trust and the Coface Group's reputation.

A downgrading in the outlook and/or ratings could consequently have a negative impact on the business, the level of liquidity, the financial position, net income, the solvency margin and the prospects of the Coface Group.

### 5.1.2.10 Risks related to operational failures or inadequacies

The business of the Coface Group relies very strongly on a set of complex processes, involving risks of operational malfunctions that are linked to many internal or external factors. These factors can be human, organizational, material, natural or environmental, including risks of incompatibilities in these procedures, of errors, fraud or malicious acts from employees, policyholders or brokers, or non-compliance with internal and external regulations, intrusion or hacking. Although the Coface Group attaches particular attention to the quality of its services, the rigor of its internal processes and the compliance with strict ethical values in the conduct of its business, it cannot exclude the occurrence of such failures.

Possible plaintiffs could try to hold the Coface Group's employees, officers or companies responsible for such occurrences. The Coface Group could be forced to pay damages or be subject to significant fines, and or to unfavorable media coverage. The occurrence of such events could affect the Coface Group's reputation for reliability and integrity and thus affect its ability to retain the confidence of its policyholders and to attract new policyholders, causing a material adverse effect on its business, financial condition, operating results and prospects.

### 5.1.2.11 Risks related to information systems

The Coface Group's business relies very strongly on its information systems. The Coface Group manages complex information systems (in particular for the collection and management of of information on the creditworthiness of companies, management of product sales and services, centralization of its risk (pricing, invoicing, debt collection, management of claims disputes) and for its bookkeeping and reporting), which are essential for conducting its credit insurance business and additional services related to business information, factoring and debt management. The IT tools and information systems are indeed essential components for all its business, in terms of the development and the quality of its commercial offers (business information, management and collection of debts, credit insurance offers, in particular pricing and underwriting decisions of the Coface Group risk underwriters), as well as for management, back office, reporting and internal control procedures. In spite of a policy to strengthen the back-up of its information systems and its infrastructure, particularly in the context of Solvency II, and the availability of information systems backup for all its databases and emergency plans for its activities including priority information systems (see paragraph 1.4. "Information Systems" and 2.4.3.7 "management of operational risks" of this registration document), it cannot be guaranteed that the tools, systems and the databases will not be destroyed or damaged as a result of an incident or any failure of IT tools and information systems.

The Coface Group may also be subject to the targeted attacks of its IT networks. The techniques used to hack, disrupt, degrade quality or sabotage the information systems are constantly evolving, and it is often impossible to identify them before an attack is launched. The Coface Group could thus be unable to protect itself against such hacking techniques, or to quickly implement an appropriate and effective response system. It could be forced to face business interruptions, losses or damage to its databases, misappropriations of confidential information for which it could be held liable, particularly involving litigation or in a way that could negatively affect its reputation of seriousness and its image.

Any failure of IT tools or information systems, including as a result of hacking, could have a material adverse effect on the business, financial condition, results of operations or prospects of the Coface Group.

In addition, in order to manage certain information systems that are essential to its business, the Coface Group depends on a limited number of suppliers, particularly in regards as concerns the databases related to its information systems. The contracts to supply these services are renewed or renegotiated periodically. An unfavorable change in the relationship with one of the suppliers, hardening of required conditions, a failure to comply with commitments specified in the contracts, non-renewal of these contracts, or a renewal under less favorable conditions than those previously applicable, a potential default by one of the suppliers or a potential increased concentration of providers could bring delays or significant costs, and generally have a material adverse impact on the business, financial position, results of operations or prospects of the Coface Group.



*(1) Partner issuing insurance policies for the Coface Group in countries where the Group does not have a license.*

### 5.1.2.12 Risks related to the Coface Group's international activities

The Coface Group markets its services in nearly 100 countries located in Europe, North America, Latin America, Asia, and several African countries. The diversity of the Coface Group's geographical locations exposes it to various and sometimes unstable economic, financial, regulatory, commercial, social and political contexts that could have an influence on the solvency of its policyholders 'debtors or, to a lesser extent, on the solvency of its policyholders themselves, its methods of intervention and marketing, as well as the management and monitoring of risks related to its credit insurance products.

The Coface Group could be forced to face a number of external risk factors, such as:

- fluctuations in exchange rates and currency devaluations;
- Capital transfer restrictions;
- imposed restrictions related to embargoes;
- Changes in legal and tax systems, including the regulations related to transfer prices and withholding tax on payments made by the entities of the Coface Group;
- increase in interest rates;
- inflation, potential recessions and financial market volatility; or even
- political instability and the risk of terrorism and war.

The Coface Group is furthermore present in countries where the legal systems are very diverse, and where the legal and dispute resolution systems sometimes present characteristics or levels of maturity that is different from those of its most important markets in Europe. In this context, it could encounter difficulties to take legal action or to enforce the rulings.

In this context, the Coface Group may face significant difficulties and its sustainable and profitable growth strategy may be affected by the environment of certain countries in which it operates, leading to a material adverse effect on its business, financial condition, results of operations or prospects.

### 5.1.2.13 Risks related to intermediated distribution of the Coface Group's credit insurance policies

Although Coface Group has various distribution channels for its credit insurance policies and also its own sales teams, around two thirds of its sales activity is brokered, and depends on the existence and quality of its relationships with various partners who distribute credit insurance policies on its behalf, especially in countries where the Coface Group does not have a direct presence (fronting) or does not have its own license. The network of partners of the Coface Group is composed of insurance brokers, financial institutions; non-specialized business facilitators with whom it often maintains long-term relationships that are not exclusive (see 1.2.1.1, "Credit insurance and related services - A multi-channel sales network that has been strengthened by an important network of partners and business contributors" of this registration document).

Any significant difficulty encountered in the management of its partnerships or in their development could have a direct impact on the competitiveness of the Coface Group and the implementation of its strategy for sustainable and profitable growth. The Coface Group cannot rule out a drop in its business related to the breach or a renewal under less favorable terms of a partnership contract with third parties such as brokers, banks and multiple line assurers, or the bankruptcy of these partners. These difficulties, if they occur to a large extent, could have a material adverse effect on the financial position, operating results or prospects of the Coface Group.

### 5.1.2.14 Risks related to the Coface Group's factoring business

As part of its factoring activity, the Coface Group finances the client receivables of companies by acquiring their trade receivables, either insuring or not these receivables against the risk of debtor's insolvency, and collecting them on its own account. In some cases, the group has a right of recourse against the ceding company. For the financial year ended at December 31, 2014, the factoring business represented €70.6 million of net banking income and €2.2 billion of factoring receivables.Within this context, the Coface Group could bear risks related to invoice quality (risk of invoice dilution [(1)]) in the case of dispute or falsified invoices; client insolvency (i.e. ceding risk) when the client is unable to repay the cash advance made on outstanding invoices; or the solvency of buyers of products and services (see also section 2.4.3.5 "Management of risks related to factoring" of this registration document, as well as Note 8 and 26 to the Coface Group consolidated financial statements).

If these risks occur in any significant manner, they could have a material adverse effect on the financial position, solvency margin, revenues and thus prospects of the Coface Group.

(1) *Dilution is the risk that the value of the receivables transferred to the factoring company or the amount due to the factoring company is reduced by any form of rebate or cancellation granted to the debtor.*

### 5.1.2.15 Risks related to relations with the French State

In application of the legal and regulatory provisions of the French Insurance Code *(code des assurances)*, Compagnie française d'assurance pour le commerce extérieur is responsible for managing the public export credit insurance service on behalf of the French State. The procedures for managing this activity are specified in the agreements signed with the government (see paragraph 1.2.1.2 "Management of public procedures" of this Registration Document) and the note 38 of the notes to the consolidated financial statements of the Coface Group). These provisions and agreements provide that:

- the government guarantees Compagnie française d'assurance pour le commerce extérieur for all insurance operations managed on its behalf. This involves risk insurance for exports thay may be not insured by the market "**Public Procedures**");
- these operations are managed by Compagnie française d'assurance pour le commerce extérieur on behalf of the French State, which bears the risk from the opérations;
- the operations are recorded in separate accounts, and only the government may invoke the rights over public operations, even in the event of the Company's liquidation. Compagnie française d'assurance pour le commerce extérieur does not bear any risk for the operations recorded in such set of accounts;
- Compagnie française d'assurance pour le commerce extérieur is remunerated by the government for management of public credit insurance procedures, based on an agreement that governs their financial relationship. The current agreement was signed in February 2012 for a period of four years, expiring in December 2015.

There can be no guarantee that the current system of management of the Public Procedures will continue as described above, particularly whether the French State will continue to use the services of Compagnie française d'assurance pour le commerce extérieur for the public credit insurance procedures, although it is specified that the withdrawal of the public service engagement granted to Coface would require legislative approval. Moreover, the Coface Group cannot exclude a modification upon renegotiation to the current contractual specifications, especially in regards to the financial agreement signed in February 2012 with the government. Some modifications could have an impact on the activities of Compagnie française d'assurance pour le commerce extérieur, along with the market's perception of its activities and thus affect the business, financial position, operating results and prospects of the Coface Group.

Article R.442-6 of the Insurance Code provides the acquisition by any person, acting alone or in concert with others, of more than 10% of the share capital or voting rights of the company, is subject to the decision of the Board of Directors and the approval of the Minister of the Economy. This Minister's approval is deemed to be granted unless the Minister opposes it within a period of thirty days following the decision of the Board of Directors. The minister may oppose such acquisition of shares of more than 10% if it is "of a nature that would impact the interests of the country in terms of national defense or security of the energy and raw materials supplies." When interests have been acquired in disregard of these regulatory provisions, the holder(s) of the shares concerned cannot exercise their corresponding voting rights, and must sell the shares within a period of three months.

Lastly, the French State appoints a government commissioner to COFACE SA and Compagnie française d'assurance pour le commerce extérieur. The commissionner may oppose a decision of COFACE SA's Board of Directors when it is of a nature that would compromise the performance of the responsibilities entrusted by the government to COFACE, or when it is of a nature that would harm the interests of the country, in terms of national defence or security of the supply of energy resources or raw materials. This veto right is exercised in comparable conditions over any decision contemplated by at Compagnie française d'assurance pour le commerce extérieur (for more information on this specific protection, see paragraph 1.2.1.2 "Public credit insurance procedures management" and Note 38 to the Coface Group consolidated financial statements).

### 5.1.2.16 Tax Risk

As an international group operating its business in many countries, the Coface Group is subject to multiple tax regulations, and conducts its business lines globally in light of the various regulatory requirements, and with regard to its sales, financial and tax objectives.

To the extent that the current tax regulations in the various countries where the Coface Group operates its business lines do not provide clearer or definitive guidelines, the structure of the Coface Group, performance of its business and the tax system may be based, in certain circumstances, on its interpretation of the applicable tax regulations. The Coface Group cannot guarantee that these interpretations will not be challenged by the relevant tax authorities, or that the applicable regulations in some of these countries will not be subject to changes, fluctuating interpretations and contradictory applications. More generally, any breach in the tax regulations of countries in which the Coface Group, or companies of the Coface Group, are located or operate, may result in adjustments, or the payment of late interest, fines and penalties. These elements could have a negative effect on the effective tax rate, cash and operating results of the Coface Group.

### 5.1.2.17 Risks related to deferred tax assets

Furthermore, the Coface Group records deferred tax assets in its balance sheet under future tax savings resulting from the differences between the tax income and the accounting income of entities of the Coface Group, or from potential use in the future of tax loss carry-forwards available within the Coface Group entities (see Note 19 of the notes to the consolidated financial statements of the Coface Group, which are presented in paragraph 4.1.1 "Consolidated financial statements of the Coface Group" of this registration document). The effective realisation of these assets in future years depends on the tax laws and regulations, the outcome of current or future controls and disputes, and the expected future operating results of the entities concerned.

#### 5.1.2.18 Risks related to the evaluation of goodwill and intangible assets

As of December 31, 2014, goodwill totalled €155 million. The Coface Group cannot rule out the possibility that the occurrence of future events could cause an impairment of certain intangible assets and/or goodwill, or an acceleration of the rate of amortisation of discrepancies between the tax income and accounting income. Due to the amount of intangible assets and goodwill on its balance sheet, any significant impairment could have a material adverse effect on the Coface Group's financial position and operating results for the year in which such depreciation may be recorded.

#### 5.1.2.19 Risks related to potential judicial, administrative or arbitral proceedings

In the normal course of business, the Coface Group's entities could be involved in a number of judicial, administrative or arbitral proceedings, particularly following claims for compensation. Although as of today, no procedures of this type is likely to affect the business, financial position or operating results of the Coface Group, there is no guarantee that in the future new procedures could be brought against the Company or its subsidiaries. If applicable, claims for a significant amount could be made against the Company or its subsidiaries, and the outcome of these procedures could result in a significant degree of liability for the Coface Group. In such a case, although the Coface group maintains a prudent level of provisions to guard against the cost of litigation, these proceedings could have a material adverse effect on the business, reputation, financial position, operating results and prospects of the Coface Group.

## 5.1.3 RISKS RELATED TO THE COMPANY

#### 5.1.3.1 Risks related to the control of the Company and to its relations with Natixis

The Company's main shareholder is Natixis, which holds 41.24% of the Company's capital and voting rights as of December 31, 2014. Consequently, Natixis could significantly influence the Coface Group's strategic decisions, and/or have all resolutions that are submitted for the approval of the Company's shareholders at the Ordinary or Extraordinary Annual Shareholders' Meetings accepted or rejected, particularly in regards to the appointment of members of the Board of Directors, the approval of the annual financial statements and the distribution of dividends, as well as the authorisation to proceed with capital increases or other issues of securities, merger or contribution operations, or any other decision requiring the approval of the Company's shareholders.

The Company has in the past benefited from Natixis' financial support. Even though the Company considers itself to be financially independent, it cannot be guaranteed that the Company will not need additional support in the future, or that Natixis could continue to provide such financial support, given that Natixis has publicly announced its intention to reduce its shareholding in the Company.

Furthermore, it cannot be excluded that Natixis could find itself in a situation where its own interests and those of the Coface Group or of other shareholders are in conflict, particularly in the case of a liquidity contract.

#### 5.1.3.2 Risks related to the Company's holding structure

The Company is a holding company which performs its activities indirectly through operating subsidiaries, Compagnie française d'assurance pour le commerce extérieur and its subsidiaries, and has no credit insurance business or service of its own. As a holding company, the main sources of funds from the Company come from dividends paid by its subsidiaries, the proceeds of debt or equity issuances and amounts borrowed under bank or other loan facilities. The Coface Group's operating subsidiaries hold its assets, and are at the source of almost all of the profits and cash flows of the Coface Group. If the profits of these operating subsidiaries were to drop, the profits and cash flows of the Coface Group would be affected by this, and the impacted subsidiaries could be unable to honour their obligations, or pay, in part or in full, the dividends expected by the Company. The capacity of the Coface Group's operating subsidiaries to make these payments depends on economic, commercial and contractual considerations, as well as on legal or regulatory constraints, which are linked to the solvency margin, thereby restricting the use of capital and in particular the distribution of dividends also be affected by the various risk factors described in this section. In the case that the equity of the Company and/or of one of its subsidiaries were to drop below the regulatory requirements, the insurance business regulators have available to them significant means to take action. For example, they may restrict or prohibit

the signing of new contracts, prohibit the distribution of dividends and/or, in the most serious cases, request a reorganisation or insolvency proceedings in particular a reorganisation or judicial liquidation proceeding for such a subsidiary in France. Moreover, if the subsidiaries of the Coface Group were not able to maintain an adequate level of equity with regard to the regulatory requirements and/or their competitive positions, the Company could be forced to support them financially, which could have a significant impact on the status of its liquidity position, its consolidated net income and its financial position. Any drop in profits or impossibility or inability of the Coface Group's subsidiaries to make payments to other subsidiaries of the Coface Group could have a material adverse effect on the Coface Group's ability to distribute dividends, repay debt and fulfil its other obligations, which could have a material adverse effect on the Coface Group's business lines, solvency margin, income, financial position and prospects.

## 5.2 Insurance policy

Until the end of 2014, the Coface Group benefited from a credit insurance policy implemented by the Natixis group to cover general and specific risk (professional civil liability, civil operating liability, director civil liability, material damage to operating assets, business travel accidents, etc.). Since January 2015, the Coface Group has implemented its own insurance programme with leading insurance companies. The level of cover is considered suitable for the risk inherent to its business lines. The Group supplements this insurance cover locally, according to its needs or the specific regulatory requirements of certain countries.

# CORPORATE, ENVIRONMENTAL AND SOCIETAL INFORMATION

6


| | | |
|---|---|---|
| **6.1** | Reporting standards and methods | 228 |
| **6.2** | Corporate information | 229 |
| **6.2.1** | Policy on Human Resources and performance development | 229 |
| **6.2.2** | Agreement providing for employee involvement in the capital of the Company | 233 |
| **6.3** | Environmental information | 234 |
| **6.3.1** | General environmental policy | 234 |
| **6.3.2** | Waste management | 235 |
| **6.3.3** | Consideration of noise disturbances | 235 |
| **6.3.4** | Sustainable use of resources | 235 |
| **6.3.5** | Climate change | 236 |
| **6.3.6** | Protecting biodiversity | 236 |
| **6.4** | Societal information | 237 |
| **6.4.1** | Regional, economic and social impact | 237 |
| **6.4.2** | Partnerships and corporate philanthropy | 237 |
| **6.4.3** | Subcontracting and providers | 239 |
| **6.4.4** | Loyalty of practices and respect of human rights | 239 |
| **6.5** | Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report | 240 |

*Aware of its responsibility, Coface strives for corporate, environmental and societal commitment. Coface's Human Resources policy is a reflection of our economic and social plan. It accompanies and accelerates the Coface Group's strategic transformations, while ensuring the development and commitment of its employees. The activity of Coface, a service sector company, has a limited impact on the environment. Coface is nevertheless fully committed to protecting the environment. On April 22, 2003, Coface joined the United Nations Global Compact and, under that framework, committed to supporting the ten principles of that pact within its sphere of influence, which relate to the environment and sustainable development.*

# 6.1 Reporting standards and methods

The corporate, environmental and societal report was established to meet the obligations of Article 225 of the Grenelle II law of July 10, 2010 and it application decree No. 2012-557.

### Reporting general organizational structure

The information presented in this document was produced internally on the basis of information provided by the heads of each area concerned. The corporate information was supplied by the Human Resources Department France and the head of Personnel Reporting, and was coordinated by the Group Human Resources Department. The environmental information came from the Purchasing Department in France. The societal information was supplied by the department responsible for compliance. These two latter categories of information were coordinated by the Legal Department for compliance and Group purchasing.

### Reporting period

Unless stated otherwise, the figures provided are always for fiscal year 2014, the same as the civil year 2014. Comparable data, on a like-for-like basis, are sometimes presented for previous years for the purposes of comparison.

### Reporting scope

The information presented in this document was established for the first time this year, and taking account of the production and verification times for indicators, it was decided to publish the figures for France – except for the Group workforce, with an illustration of the policies, processes, tools, initiatives and actions at Group level.

France represents 24% of the Group's workforce and 19.62% of revenue at December 31, 2014.

The reporting scope will be extended for the next reporting periods.

### Methodological details on the information communicated

#### Corporate

- The corporate indicators, excluding the workforce, are based on the French scope. However, as mentioned above, the description of policies, processes and HR tools defined at Group level or by the European Committee are mentioned in this section.
- All the figures on personnel, time with the Company, age, and diversity come from Group HR Reporting, an online internal tool.
- The workforce figures provided relate to employees on December 31, 2014 on open-ended or fixed term contracts, excluding interns, work-study placements, temporary workers, or sub-contractors.
- Employees leaving the Group are accounted for during the financial year, whatever the reason for leaving: dismissal, end of fixed term contract, redundancy, resigned, retirement, or death.
- The disability data for France comes from internal corporate reporting and from the Corporate Balance Sheet 2013, as the Corporate Balance Sheet 2014 had not been presented to the employee representation bodies.
- Training in France includes in-house and external training. The figures show the number of interns benefiting from training in 2014. The reported length of a training day is seven hours. E-learning language programs are included in the training reporting.

#### Environment

- The indicator figures are for France and include the Coface head office and regional departments in France. The energy consumption scope includes the buildings open for the full year and not those opened or closed during the year.
- The greenhouse gas emissions have been calculated:
  - for energy consumption based on emission factors reported by the suppliers or the emission factors available in the ADEME Base Carbone® 2014 (Carbon Database); and

- for transport based on emission factors reported by suppliers.

- Paper consumption includes the paper bought by the printers and the internal reprography service (mainly paper certified PEFC, FSC and FSCMX). It does not include external communication action or the envelopes or other paper types.
- Water consumption is provided only for the Bois-Colombes head office.

# 6.2 Corporate information

## 6.2.1 POLICY ON HUMAN RESOURCES AND PERFORMANCE DEVELOPMENT

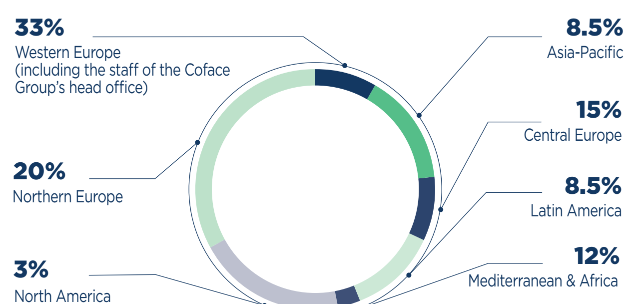
### 6.2.1.1 General presentation of staff

In 2012, the Group built an HR reporting tool, which has been online since December 2013. The database is updated in real time, and receives a steady flow of data from the local HR managers in the countries where the Company is present. Consolidation of this information occurs on the last business day of the month, which allows monthly trend reports to be produced. This reporting includes the individual data regarding contract, tool, activity and business, as well as length of service for each legal entity of the Group.

Our tool has now become a true strategic planning tool for staff and expertise, since it allows for managing recruitment actions or internal mobility within a budgetary reference context. This larger perspective on local needs and the rapid determination of trends through the trend charts has enabled the HR reporting to gradually become an instrument for managing our effectiveness and our talents.

As of December 31, 2014, the Coface Group employed 4,602 employees, who were distributed among 67 countries, compared to 4,612 as of December 31, 2013. Among them, 1,542 were assigned to Sales & Marketing business lines, 1,583 to Support functions, 1,140 to Information, Disputes and Debt Collection functions, 337 to Underwriting, 224 to the Public Cover Department, and 133 to Factoring.

As of December 31, 2014, the geographical distribution of the Coface Group's staff was as follows:




The table below shows, by types of business lines, the distribution of the Coface Group's staff as of December 31, 2012, 2013 and 2014 (1):

| TYPES OF BUSINESS LINES | AS OF DECEMBER 31 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Sales & Marketing | 33.5% | 32% | 28% |
| Support | 34.5% | 35% | 37% |
| Information, Disputes, Debt Collection | 25.0% | 25% | 25% |
| Underwriting | 7.0% | 8% | 10% |
| **TOTAL** | **100%** | **100%** | **100%** |

In France, the total workforce rose to 1,107 employees and is broken down as follows:

| | |
|---|---|
| Open-ended contracts | 99% |
| Fixed-term contracts | 1% |
| Supervising managers | 17% |

*(1) Registered (active and inactive) employees under an open-ended or fixed term contract.*

In 2014, the Company welcomed 54 new hires in France, with 120 departures, including 40 dismissals, 32 retirements and 25 redundancies.

### 6.2.1.2 Diversity management

The Coface Group is, due to the nature of its business lines and their geographic coverage, a multicultural group with an extremely international focus. For the year ended December 31, 2014, more than 70 nationalities were represented within the Coface Group; this diversity is strengthened by the frequent integration of employees from other countries into the teams, since, to date, approximately 100 employees are working outside their original countries.

The Coface Group is furthermore committed to having women well-represented within the organisation. For the year ended December 31, 2014, the distribution in France was 58% women, compared to 42% men, with women holding more than 40% of supervisory positions.

This balance is notably observed in each of the seven regions, since the proportion of women oscillates between 50% to 60% in each of them.

Female representation within the Governance bodies is as follows:

- Board of Directors: 5 women for every 12 directors or 41%.
- Executive Committee/Management Committee: representing nearly 1/3 of the Executive Committee members, women have a nearly equal representation within the Management Committee, occupying 43% of the positions of this body.

The male/female balance, as with the cultural diversity within the Company and within each region, are assets for the Coface Group, which has for several years taken steps towards promoting the internal mobility and access of its employees to roles of responsibility.

In France, the proportion of women on the staff is 57%, and women occupy nearly half of the supervisory positions. Also in France, it is noteworthy that employees represent 22 different nationalities (3% of staff in France are foreign), which reinforces the international, open nature of the teams.

### 6.2.1.3 Work organisation

In a general manner, Coface scrupulously complies with the local regulations and agreements regarding the organisation and duration of work hours of its employees, and it does so in all of the countries where it is established, either directly or through subsidiaries or branches.

It is noteworthy that 7% of Coface's employees in France choose to work under a part-time contract for personal reasons; this is in addition to the flexible organisation offered by the Company under agreements related to working time. No employee in France works according to staggered hours or at night.

In France, the absence rate was 5.82% in 2014, compared to 6.08% in 2013. Absences due to long-term illness are the primary reason for this rate (accounting for nearly half).

### 6.2.1.4 Training and performance development

In 2014, Coface wanted to affirm its leadership culture by defining its leadership model. As an integral part of all of the HR processes, these standards on our expertise are one way of sharing the essentials of our culture, helping our managers and employees to grow, and increasing each person's accountability. At the same time, and in an effort to assist in our goals, Coface provides for the transmission of knowledge and know-how through an innovative training and talent development policy. Each employee thus has the means to improve his performance and to acquire the knowledge needed to progress in the Company.

#### Training

Training at Coface has an important place with regard to the combined effect of the specific aspects of credit insurance and the regulatory obligations. It is a major tool in developing its employees' technical and behavioural knowledge, which leads the Group to broaden the employability of its teams and integrate the new needs expressed by our customers or the economic realities of our markets. In touch with their environment, Coface employees thus benefit from the possibility of supporting our business lines by paying close attention to the strategic requirements and expectations of customers.

In 2014, training in the Group centred around the major strategic priorities: development of technical and behavioural skills, managerial strengthening, regulation, languages.

Continuing from 2013, employees with experience in the areas of underwriting, information, debt collection, back-office and disputes benefited from training modules that had been adapted to their expertise. Developed internally, these units are rolled out in the regions by internal instructors.

In line with the Strong Commitment strategic plan, Coface led several initiatives to support the efficacy and success of the sales teams. The organisational structures were reviewed and defined according to a single organisational model, so that the teams became more professional and specialised, and resulted in an extensive training programme in 2014 for the entire sales function (nearly 1,200 people worldwide). This programme, which was designed and tested with operational staff, was rolled out in the 4th quarter of 2014 in 15 languages. Four different courses were offered according to the scopes of intervention. They concerned revisiting the basics of sales techniques, applying a strict prospecting methodology and increasing the value of Coface's customer portfolios. This ambitious plan relies on various learning techniques, mixing webinars, classroom sessions, e-learning, evaluation and certification tools for each participant.

Given the businesses and business lines of the Coface Group, IT security was the subject of a major awareness-raising operation among the entire population. More than 90% of employees participated in this programme.

As part of implementing the Solvency II European Directive (a regulatory reform that seeks to redefine the solvency margin of insurance companies according to their risk profile), the Group designed training modules aimed at different target audiences (Group departments, in particular the Finance and Risk Departments). Sessions began to be

rolled out at the end of 2014 for directors, the Executive Committee and the Group departments. A wide range is underway in each of Coface regions; it started with training for the Executive Committee, ensuring the operational application of the directive.

The Coface Group furthermore equipped itself with an innovative e-learning solution that allows holders of knowledge to design their own training units remotely, and distribute them independently. Development of this solution, which is available in all countries of the Group, multiplies the daily opportunities for learning and exchange between the learning communities. Topics of compliance, notably related to anti-money laundering, or even to the preparation and conducting of annual interviews, were also widely shared.

Consistently striving for improvement, the Coface Group measures the impact and efficacy of its training units through "hot" evaluations, *i.e.* occurring the day after a training session, and "cold" ones, occurring three months after the session.

In France in 2014, nearly €800 thousand were devoted to employee training. In total in 2014, 19,733 training hours were given, among which nearly 80% were external training; thus 74% of employees in France took a training session.

The 2013 Corporate Balance Sheet specifies that the training expenses during this financial year represented 3.38% of the total payroll. This data will be available for 2014 during the publication of the Corporate Balance Sheet.

## Performance management

In 2013, an annual interview process was rolled out online in 22 languages in all of the countries where the Coface Group is established, in order to determine the strategic priorities and share the standardised criteria for performance assessment. The strategic priorities were determined by major businesses, in order to facilitate defining objectives. Each party could thus record its objectives and contribution from a global perspective.

With nearly 99% of the interviews conducted at the start of 2014 within the Coface Group, the campaign addressed a need of employees to exchange views with their manager and to discuss clear individual objectives for 2014. This stage commenced a more structured HR cycle, including the updating of the mid-year objectives that was so needed.

Furthermore, the results concerning the performance and desired mobility served as a base for the first Coface Group people reviews, aimed at identifying the key positions, those with high potential, and at providing for succession plans.

In late 2014, the new annual interview campaign was launched, the process having been enriched by 2 e-learning units.

### ◆ 6.2.1.5 Compensation policy, a tool for equity and financial efficiency

Coface's compensation policy has the objectives of attracting, motivating and retaining the best talent. It encourages performance and strives to be competitive on the market, all while respecting the Group's financial equilibrium. It is managed by the Group's HR Department and passed along at the regional and country levels.

Structured in a clear and transparent manner, the compensation is aimed to be adapted to the Group's objectives and to assisting it in its development strategy:

- **fixed compensation:** according to the abilities and expertise expected for a given position, it is reviewed annually with regard to market practices, individual contribution and internal equity. The decisions notably rely on the individual evaluations established at the end of year during the annual interview;
- **variable compensation:** the Group's variable policy takes individual and collective performance into account. For the Group's 150 Top Managers, its quantitative objectives are determined annually by the Executive Committee and the business experts, in order to ensure that individual objectives are consistent with the Group's strategic goals;
- **corporate benefits:** the corporate benefits are determined by each of the Group's entities in an effort to closely address local concerns. The Group ensures practices are consistent, and guarantees a competitive level of social protection on the market, which is respectful of its employees worldwide;
- **bonus shares:** for the first time in 2014, the Group established a plan to allocate bonus shares. This plan, which is subject to attendance and performance conditions, aims to ensure that the interests of members of the Executive Committee are aligned with those of shareholders over the long-term;
- **employee stock ownership plan:** in June 2014, within the context of its stock market listing, the Company established the employee stock ownership plan, which was coined "Share". In the main countries in which the Group is established, as soon as the regulatory, legal and tax conditions permitted, *i.e.* twenty countries representing more than 80% of the Group's staff, this offer allowed employees to participate in a capital increase and to become shareholders of the Group with privileged conditions (employer matching contribution and 20% discount on the stock market listing price of COFACE SA share).

  Nearly 50% of the eligible employees participated in the offer and became shareholders, whether directly or through the intermediary of a mutual fund (France).

  In France, 40% of the eligible employees chose to participate in this mechanism.
- **collective compensation (employee savings):** in France, the Coface Group established a profit-sharing agreement with an initial term of one year, to be tacitly renewed up to three years, along with an incentive scheme with a duration of three years. These agreements benefit all employees working under a fixed or open-ended employment contract, who provide proof of more than three months' seniority within the companies forming part of the economic and corporate unit Compagnie française d'assurance pour le commerce extérieur – Fimipar (a fully-owned subsidiary of the Coface Group). Profit-sharing is distributed in proportion to each employee beneficiary's salary. The incentive scheme is calculated based on four cumulative criteria linked to the evolution of certain financial indicators.

In France, for several years Coface has led a policy managing employee increases, based on recognition of individual performance within a company that is undergoing significant change.

In 2014, the individual measures of increases and premiums represented 1.47% of total payroll (at December 31, 2014), with an individual average increase of 2.48%.

In addition to individual compensation, collective compensation in France has allowed an average amount representing 0.7 months of salary to be paid for 2013 through profit sharing and incentives.

### 6.2.1.6 Employee opinion survey: a mechanism for listening and engaging

Following the opinion survey launched for the first time in 2013, Coface Opinions, the Coface Group defined and rolled out action plans in 2014 which were designed to further strengthen employee satisfaction and engagement. Numerous projects were thus created in each of the entities. These action plans are coordinated at the level of each region, and fall within a Group action plan which emphasises developing managerial performance, assisting teams and communicating the strategic vision.

For the Group as a whole, initiatives were thus taken to strengthen team information and communications, notably establishing regular information about our markets and competitors, and disseminating local information daily on the Group intranet. Another priority in 2014 was defining and extensively communicating the leadership model specific to Coface, which was created to inform each manager about the suitable behaviour for developing and engaging teams, strengthening the effectiveness of our organisations and increasing our operational achievements.

### 6.2.1.7 Social dialogue

#### Bodies representing employees

The Coface Group maintains a quality social dialogue with its bodies representing European and national staff. Leading this dialogue allows management and the employee representatives to work towards the Group's success and sustainable development.

At least once a year, the European Works Council ("EWC"), which consists of 15 members representing employees from 23 European countries, meets to detail the activity and future strategic guidelines for the Coface Group. Throughout the year, there are also discussions between management and the restricted committee of the EWC regarding projects pending and the development of the organisation.

The Coface Group believes that social dialogue is one of the cornerstones of its strategy to mobilise employee engagement. In an effort to create conditions for the Group's sustainable development, Coface is working to reconcile the Company's performance with a process of social progress.

### 6.2.1.8 Collective bargaining and company-level agreements

Within the context of the European Committee, the Coface Group conducts regular discussions with this body, and in 2013 signed an agreement regarding the rights to information and consultation with the EWC, creating a restricted committee within it. In 2012 Coface also carried out its branch conversion plan for its European entities with this body and two special negotiation groups.

In France, the companies in the Coface Group's scope of consolidation primarily fall under the National Collective Agreement for Insurance Companies. As concerns the collective agreements, in addition to the periodic agreements relating to negotiations on employment compensation and conditions, the Coface Group in France signed a certain number of company-level agreements with its representatives during the 2011-2014 period, which notably include an agreement relating to the generation contract (2013), and an agreement relating to professional equality (2012). Agreements concerning the employment of senior citizens and the Forward-Looking Management of Employment were also signed in 2014 in France.

Locally, in accordance with each party's prerogatives, the employee-representative bodies are integrated into the processes of transforming organisations or establishing new processes, always striving to seek out agreements.

It is noteworthy that in 2014, in Germany, agreements regarding internal restructuring and a voluntary departure plan were negotiated; discussions leading to agreements on rolling out the online annual interview process were also conducted.

### 6.2.1.9 Health and hygiene

The Group ascribes significant importance to employee health and hygiene. There are medical monitoring mechanisms in compliance with the local regulations and healthcare coverage is offered to employees in all the entities.

As concerns service-sector employment, the identified risks more specifically concern occupational environment and professional transportation. To that end, certain entities have now taken initiatives to prevent these risks, notably as concerns their employees (training for driving on slippery roads, nutrition day, medical, dental or vision check-ups, etc.).

In France in 2014, 28 accidents were declared, 2 of which were work-related accidents and 26 of which were accidents that occurred going to or from work; 12 led to a work stoppage.

No occupational illnesses have been declared.

In conjunction with the CHSCT and the commission for the prevention of psychosocial risks, a set of indicators is monitored to spot trends and to learn any lessons, or to implement actions. Therefore in 2014, following these works, specific arrangements were made in the building to reduce noise nuisance generated by places where people meet (coffee or vending machines).

Regular dialogue with the bodies led the Company to improve working conditions as soon as problems arose. In 2014, the working relationship had not led to the signing of a particular agreement, as was the case in 2013.

#### 6.2.1.10 **Equal treatment and diversity**

##### Disability

The Coface Group is centred on the consulting, analysis, and customer relations businesses, and is thus able to welcome employees with disabilities.

In the upcoming years, it will promote a policy in favour of this population, and will implement conclusive indicators.

The lines of action in France are presented and discussed with the employee representation bodies on a regular basis. The employment rate of disabled people in France totalled 2.8% in 2013; it was more than 3% in 2011 and 2012. For 2014, this data will be available in the Corporate Balance Sheet 2014, not currently available.

##### Employment of senior citizens

Measures favouring the employment of senior citizens have not yet been addressed by the Coface Group, given the diversity of the legislation and defining factors in the various regions; nevertheless, a plan to define common indicators is under review so that the necessary actions can be taken.

As concerns this subject matter, France presents an age structure with a large portion of staff aged 50 or older, which attests to both seniority within the Company and to the acknowledgement of team expertise. Indeed, as of December 31, 2014, 44% of staff were older than 50 years; 18% were younger than 35 years old.

| AGE RANGES | PERCENTAGE OF STAFF IN FRANCE |
|---|---|
| < 30 years | 9% |
| 30 to 40 years | 18% |
| 40 to 50 years | 29% |
| >50 years | 44% |

In order to be able to define suitable and innovative actions (transmission of knowledge, acceptance and mentoring of young people, career development for older workers, etc.), France signed an agreement effective December 2013 relating to a generation contract.

##### Respect for the fundamental conventions of the International Labour Organization.

Since 2003, the Coface Group has been a signatory of the United Nations Global Compact which commits it to the respect of the fundamental conventions of the ILO. Therefore, Coface stands for the respect of liberty of association and the right of collective bargaining, the elimination of professional and employment discrimination, elimination of forced or mandatory labour, and the effective abolition of child labour.

## 6.2.2 AGREEMENT PROVIDING FOR EMPLOYEE INVOLVEMENT IN THE CAPITAL OF THE COMPANY

As part of its stock market listing, the Company proceeded with an offer in June 2014 reserved for employees.

# 6.3 Environmental information

## 6.3.1 GENERAL ENVIRONMENTAL POLICY

Coface is fully committed to protecting the environment. Its approach to reducing its environmental footprint is the reason for its real estate choices, most specifically in the choice of its head office, and the efforts rolled out in terms of reducing the consumption of energy and paper, along with other initiatives established in France and abroad which favour waste sorting and recycling, particularly for parts of obsolete IT equipment.

Moreover, within the context of the coverage provided for the government, Coface makes credit insurance coverage and the investment of projects financed in the medium and long-term contingent upon compliance with the environmental and corporate standards.

In compliance with the common approaches of the OECD on export credits benefiting from public support, and the duty of environmental and social due diligence, it is systematically evaluating the impacts on the environment and social aspects of projects of more than €10 million, or projects that are located in environmentally and socially sensitive areas. These projects must simultaneously meet the standards of the host country and the relevant international standards, in particular those of the World Bank. This concerns environmental protection in the broad sense: controlled waste, protection of communities, biodiversity, cultural heritage, etc., along with the consideration of social impacts (worker protection, population displacement, human rights, etc.). At least 30 days before making the decision to cover them, in an effort to inform all parties concerned and to allow them to make any comments, Coface publishes the most important projects on its website (www.coface.fr/"public coverage" heading) with the information regarding the environmental and social aspects. It then publishes the projects it covers, providing evidence that standards have been met.

Lastly, Coface is involved in the discussions in order to promote the financing of certain types of projects (for example, in renewable energies) and provide them with more favourable conditions.

Coface launched a discussion in the last quarter of 2014, in which all of its regions participated, with the aim of developing a medium-term social and environmental responsibility plan.

In 2014, there was no environmental litigation and no indemnity was paid in application of a legal decision rendered in that subject area. Therefore, the Group neither established, nor guaranteed, nor provisioned for covering that risk.

### 6.3.1.1 Actions to raise employee awareness

In order to fully associate employees with this process, various actions were conducted to raise employee awareness. Therefore, the book of best practices that was distributed to all employees during the move to the Bois-Colombes premises notably emphasizes the importance of daily gestures for sustainable development, and in particular of reducing the consumption of paper, and sorting waste. Actions to raise employee awareness were developed at numerous Coface establishments worldwide.

We can cite the recent employee campaign of Coface Belgique to reduce paper consumption. More broadly, the issue of corporate environmental responsibility, and thus of each employee's responsibility, were handled by our teams worldwide, with countries such as Brazil being particularly active and innovative (use of products labelled as recyclable (pens, paper and cardboard), corporate gifts handled by companies committed to sustainable development, etc.

### 6.3.1.2 Environmental features of the Group's buildings

Environmental aspects were a determining factor in choosing the building that has housed the Group's head office in Bois-Colombes since June 17, 2013.

This building, which accommodates approximately 1,300 employees, is certified NF MQE (High Environmental Quality for Construction) and BREEAM (BRE Environmental Assessment Method). It thus incorporates current best practices in terms of the immediate environmental impact on construction materials and processes, and on the production of waste. This building has furthermore been certified "low consumption" (BBC); its standard energy consumption is thus limited.

The building preserves natural resources, thanks to limited water needs due to rooftop water recovery, and low consumption exterior lighting.

## 6.3.2 WASTE MANAGEMENT

Coface's activity does not cause significant pollution. It has a very insignificant direct impact on the air, water and soil, and does not cause any significant noise pollution either.

In Bois-Colombes, a local waste sorting policy, with dedicated waste containers for glass, paper and ordinary industrial waste (OIW) were established. A note was distributed to employees to raise awareness.

Several Coface entities participate in programmes to recycle obsolete or out-of-use materials, and employees are called upon to participate by contributing the materials to be recycled. This is how Coface US began participating in a programme to recycle obsolete computers. In 2014, more than 900 kg of materials were thus provided for these purposes.

Since 2013, Coface Romania has belonged to a national programme with Recolamp, the Green Corner, which brings together 8,600 companies with the aim of collecting spent electronic equipment, batteries, fluorescent lights and light bulbs for recycling.

Coface Chile joined an association (Sprapa) which promotes recycling.

Coface Romania also launched an action for forest preservation. This is how non-confidential papers are stored and recycled, rather than thrown out.

In Peru and Ecuador, only recycled paper is used.

Coface Austria established a certain number of measures to decrease the use of plastic (water is served in glass bottles, installation of a purified water cooler, to prevent employees from purchasing plastic bottles).

Since Coface's business does not release waste into the soil, no specific action was taken in that area.

## 6.3.3 CONSIDERATION OF NOISE DISTURBANCES

Coface's business does not cause noise pollution to third parties. Moving the head office to premises with an open floor plan led the Company to adopt a certain number of measures to preserve the calm, in the interest of its employees and customers.

The premises include numerous conference rooms or "bubbles" intended for professional discussions between employees, in order to limit noise in the common spaces at all times. The best practices for life in an open floor plan are disseminated among employees, emphasizing the various means which help limit noise disturbances: setting phones to go directly to messaging, adjustment or elimination of ring tones, instead favouring indicator lights, setting mobile phones to vibrate, and use of the bubbles.

## 6.3.4 SUSTAINABLE USE OF RESOURCES

### ◆ Water consumption

The Group only consumes water in the operation of its service-sector premises: air-conditioning, cooling of electronic equipment, cafeteria, maintenance, sanitary facilities.

Water consumption in Bois-Colombes was 1,506 m$^3$ in 2014.

### ◆ Paper consumption

Coface is committed to reducing its consumption of paper. The Group has established a printing policy at its head office which includes the following measures: setting copiers to print two-sided copies by default, elimination of individual printers, encouraging staff to print only essential documents and to favour "economical" pagination for paper printouts.

Campaigns were undertaken in several countries to reduce paper consumption. Therefore, in Brazil, a reduction target for 2014 was established.

A dynamic campaign in view of reducing paper consumption was launched in Belgium in November 2014, which incorporates a fun component, as well as precise, monthly statistical monitoring.

The Group has likewise engaged for several years in a policy to makes its exchanges with its policyholders paperless, using the Cofanet tool, which is a secure tool that enables its customers to manage their policies online. Cofanet is available in 56 countries.

Coface's total paper consumption in France has experienced a significant drop in recent years. The drop was particularly significant in 2013, at 39 tons, a 28% drop compared to 2012, when it was 54 tons. The paper consumption reported in France was equivalent to 38 tons for 2014.



### ◆ Energy consumption

The Group's energy consumption concerns lighting, air-conditioning and heating of the premises.

The Groups is implementing actions to reduce energy consumption, which translates to the environmental choices made in terms of real estate (see the features of the building housing the head office), which has allowed energy consumption to be significantly decreased.

**REPORTED ENERGY CONSUMPTION FOR 2014 – FRANCE SCOPE**

| | TONS | $CO_2$ EQUIVALENT |
|---|---|---|
| Electricity | 37,794 Mwh | 78 Teq $CO_2$ |
| Gas | 575 Mwh | 116 Teq $CO_2$ |
| Surface area | 30,900 $m^2$ | 30,900 $m^2$ |

Coface did not use renewable energy in 2014

## 6.3.5 CLIMATE CHANGE

The Group has taken various initiatives in view of reducing its environmental footprint, in particular with regard to greenhouse gas emissions.

### Travel policy

The travel policy for Coface employees was modified as follows:

- In France, only train travel is authorized;
- Generally, travel is limited, instead favouring telephone discussions or video conferencing. All of the main Coface sites worldwide are equipped with the appropriate means. At the head office, a remote attendance room was installed which allows effective, simultaneous discussions to take place between the Group's seven regions.

Other local initiatives can be highlighted: in Colombia, for example, the use of mass transport is recommended to employees, which led to a reduction in the number of parking spaces.

| TRAVEL TYPE WITHIN FRANCE FOR FINANCIAL YEAR 2014 | GREENHOUSE GAS EQUIVALENT EMISSIONS |
|---|---|
| Aeroplane | 268 Teq $CO_2$ |
| Train | 3.48 Teq $CO_2$ |

### Vehicle policy

In France, a vehicle purchase policy was implemented, which includes a limit on $CO_2$ emissions of 105 g per vehicle referenced.

**2014 CONSUMPTION TABLE**

| NATURE OF FUEL | LITRES | $CO_2$ EQUIV. |
|---|---|---|
| Diesel | 230,913 | 635.01 Teq $CO_2$ |
| 4-star premium fuel | 29,692 | 7.07 Teq $CO_2$ |
| **TOTAL** | | **642.08 TEQ $CO_2$** |

Other initiatives were established to meet this objective, like setting printers to print in black and white by default. In Austria, non-polluting printers are used that use paper that is neutral with regard to carbon dioxide emissions.

To date, Coface's contribution to reducing greenhouse gas emissions has translated to limiting $CO_2$ emissions through the vehicle policy, and to limiting travel through the travel policy.

## 6.3.6 PROTECTING BIODIVERSITY

The building that houses the head office contributes to preserving biodiversity, to the extent that it has been established on a garden which combines plants from five continents. This garden, like the building itself, is respectful of the environment. Its plants promote the development of ecosystems and birdhouses facilitate the return of birds.

In addition, the Group's business lines have no impact on biodiversity.

# 6.4 Societal information

## 6.4.1 REGIONAL, ECONOMIC AND SOCIAL IMPACT

### 6.4.1.1 Support to customer development

Credit insurance contributes by its nature to the development of economic exchanges by offering a safer framework for commercial transactions. The Group furthermore strives to offer its customers products that are best suited to their needs, in support of their development. It has made innovation a strategic cornerstone of its development, as illustrated by the 2014 marketing of the EasyLiner offer targeted at SMEs in France and abroad, which was accessible for online subscription. It likewise established a system throughout the Group which allowed potential claims to be best identified and processed.

### 6.4.1.2 Creation of links with the social fabric and local economy

With teams located in 67 countries in an effort to pay close attention to the economic and social fabric, the Group favours the hiring of local employees, who are trained in the credit insurance businesses, and who have detailed knowledge of the business environment. It thus contributes to strengthening its expertise, all while developing local players in the countries.

In addition to hiring employees and developing partnerships, Coface does not hesitate to propose or support initiatives intended for student audiences, for example. This dialogue with the university and advanced training takes various forms, such as courses that are given by some of the Group's employees, the use of apprenticeship contracts and/or the establishment of partnerships.

In France, a specific partnership exists between Coface and the École supérieure du commerce extérieur business school. For several years the Chief Executive Officer (CEO) has represented Coface with a seat on the strategic orientation council of this school.

In partnership with the Université Paris Dauphine (Master 218), Coface welcomes recent graduates as interns each year, who can thus apply their education in a concrete way, and become ready to take on a job within the Company, if the opportunity exists.

The links established with ESCE and Paris Dauphine have likewise led several employees of the Company to provide education within the context of the curricula. Lastly, these two institutions are beneficiaries of our apprenticeship tax payments.

Coface is also represented within Formatex, the organisation specialising in training companies in international business strategies and techniques, initially created by BUSINESSFRANCE and ESCE.

In Romania, approximately ten Information Analyst employees were invited to participate in research work on the pricing models at the university; others take a qualifying course with certification.

In the United States, an internship programme was implemented to assist US students in getting to know the Company and to promote visibility of the brand. Close connections were established with student associations, meetings were organised on campus, and internship offers were disseminated online on the dedicated university sites. More than 350 students applied. Since 2008, thirty students have been welcomed to the United States under this programme.

## 6.4.2 PARTNERSHIPS AND CORPORATE PHILANTHROPY

In 2004 Coface created a non-profit association, Coface Trade Aid, the aim of which is to promote solidarity actions that are consistent with Coface's values. They are proposed by employees, whether they are individual initiatives or cooperative actions carried out with charities. These targeted actions could facilitate economic exchange, in particular between developed countries and emerging countries, as well as initiatives aimed at education or integration into the employment world. They should allow for assisting populations that, due to their economic or social position, are prevented from participating in these exchanges under normal conditions.

Coface Trade Aid targets specific, identified micro-projects, aiming to track them and to be involved from start to finish. The projects, which have been proposed by the employees, are selected for their utility, effectiveness and ambition. Financial transparency, dynamism and the involvement of associations are likewise important criteria for selection.

Initially begun in France, Coface Trade Aid was gradually extended to all countries of the Group, with the same aim of supporting local initiatives, which are grounded on education, the learning of a profession, micro-financing or the facilitation of economic exchanges. In 2013, for the first time Coface organised the "Coface Trade Aid Week", during which each company was asked to mobilise teams to benefit associations. This operation was renewed in June 2014 as a single day, with the participation of 54 countries, and now constitutes a common, positive dynamic in all entities.

The associations supported by Trade Aid include:

- APER - Pour les Enfants des Rizières

  Purpose of the association: Assistance to disadvantaged children. Construction of a protection centre for children's education. (Vietnam).

- AVNES - Association Vietnam Entraide Solidarité

  Purpose of the association: Providing support to local populations through projects based on sustainable development and micro-credit (Vietnam).

- Avenir et Partage

  Purpose of the association: Educational assistance to children in difficulty, with adapted training curricula and support (Burkina Faso).

- Enfants du Mékong

  Purpose of the association: Assistance to children in South-East Asia. Establishment of development projects aimed at improving education and daily life (Philippines).

- In Audio Veritas

  Purpose of the association: Re-educating profoundly deaf children with hearing aids and/or cochlear implants, in view of reintegrating them into normal education.

- Les Amis de JNN

  Purpose of the association: Assisting in the professional reintegration of women from a slum in Mumbai (India).

- Les Enfants du Jasmin

  Purpose of the association: Providing support to orphans in the Hué region for children's education and training (Vietnam).

- OSI - Orphelins Sida International

  Purpose of the association: Assistance with professional integration of young AIDS orphans through the establishment of early childhood professional training (Benin and Ivory Coast).

- Pacha!

  Purpose of the association: Establishment and support of rural development projects in the Potosi region (Bolivia).

- Solidarité Technologique

Purpose of the association: Promotion of work or self-employment of disadvantaged youth thanks to the recovery of second-hand IT equipment (Cameroon).

Other initiatives were begun in the area of solidarity. Coface's Czech branch also supports an institution in charge of children with disabilities known as "Splnéné detské prani".

In Bulgaria, Coface has provided its support to victims of the floods in Serbia and Croatia by selling second-hand computers to staff. A call was likewise made to customers in view of supporting the Bulgarian Red Cross.

Trade Aid also provides its support to Children's Memorial Health Institute, the biggest and most modern of the paediatric hospitals in Poland.

Coface Spain provides its support to the CESA NGO, which promotes the integration of disadvantaged youth into the Company, within the context of training, in the area of IT technologies as well as the culinary arts.

Coface Chile supports various works (Fondation Abrazante for street children), Conapivi (for young, visually impaired children).

Employees fund and monitor these actions, for which the Group matches donations. The amount of donations collected in France and paid to the associations in 2014 was €44,000, more than half of which was paid by the Company. This total amount has increased by more than 20% as compared with 2013.

All regions now participate in this project through various initiatives, associating staff. The number of countries participating in at least one project in this framework went from 45 in 2012 to 54 in 2014.

## 6.4.3 SUBCONTRACTING AND PROVIDERS

The use of subcontracting essentially concerns IT services, for which a little under two thirds of the workforce are external.

Coface code of ethics takes into account the issues related to potential conflicts of interest which could arise among employees, and draws their attention to the importance of avoiding any pressure due to gifts of excessive value, which must be declared to the Director of Compliance.

Coface reflects on the implementation of a charter regulating its relationships with its suppliers. This charter must include a certain number of ethical principles, in particular respect for commitments similar to those that Coface has committed to adopt and promote as part of the Global Compact.

## 6.4.4 LOYALTY OF PRACTICES AND RESPECT OF HUMAN RIGHTS

Within the context of controlling conflicts of interest, a code of business ethics was created for all Group employees. Its aim is to promote among all Group employees the values of integrity that are needed to properly conduct their business within the Group. The code of business ethics notably emphasises the importance of treating customers equitably by, on the one hand, avoiding conflicts of interest and, on the other, not using information in an employee's possession to the detriment of a customer, a potential customer, and co-contracting third parties.

Within the context of combating money laundering and corruption, in 2013 the Coface Group strengthened the tools and roll-out of procedures that had been established since 2011, in order to best control all of the risks linked to financial security. These measures concern all entities, employees and customers of the Coface Group.

An e-learning training program constructed by the compliance and ethics teams in 5 languages is currently being rolled out with employees, dedicated to detecting attempted fraud and the risks of fraud, money laundering, and the proper practices to be adopted in the event of doubts.

As concerns combating financial delinquency, the procedures that are regularly updated and locally transposed notably consist of a general procedure relating to the risk of money-laundering and to a KYC procedure. These procedures are accompanied by several application sheets (sheet relating to the functioning of declarations of suspicion, sheet relating to the review of atypical transactions, procedure relating to the transfers of cash flows in case of an embargo, or within the context of anti-terrorism). Furthermore, specific anti-money laundering procedures were established, notably as concerns the sales and debt collection processes, as well as in terms of the archiving of files.

The procedures are implemented by the international network of correspondents in charge of compliance within the Coface Group. To do so, there is a secure intranet and a tool for identifying, classifying and monitoring our customer portfolio across all entities.

Incidentally, approximately one hundred suspicious transactions were processed by Coface's anti-fraud network. These analyses allowed numerous acts of fraud to be avoided.

In its business lines, the systematic implementation of the diligence procedures described above allow Coface to avoid operations that are deemed suspect. Moreover, restrictions are applied in the area of arms trade guarantees, which resulted in prohibiting coverage of companies active in the manufacturing of cluster bombs and/or anti-personnel mines.

Coface's business lines do not require specific measures regarding the health and safety of consumers.

As an adherent to the United Nations Global Compact, Coface follows the principles indicated, which relate to the protection of human rights:

- to promote and respect protection of the international human rights law in their sphere of influence; and
- to ensure that it is never complicit in human rights violations.

# 6.5 Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report (1)

**Year ended 31 December 2014**

To the Shareholders,

In our capacity as Statutory Auditor of COFACE SA, appointed as Independent Third Party, accredited by the COFRAC registered under number 3-1049(2), we hereby present to you our report on the consolidated environmental, social and societal information (hereinafter the "CSR Information") for the year ended December 31st, 2014, presented in the management report. This report has been prepared in accordance with Article L.225-102-1 of the French Commercial Code.

## RESPONSIBILITY OF THE COMPANY

The Board is responsible for preparing the company's management report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code and with the guidelines used by the company (hereinafter the "Guidelines"), summarized in the management report and available on request from the company's head office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulations, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable law and regulations.

## RESPONSIBILITY OF THE STATUTORY AUDITOR

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines (opinion on the fair presentation of the CSR Information).

Our work was performed by a team of approximately six people between January 2015 and February 2015 and took around three weeks. We were assisted by our specialists in Corporate Social Responsibility.

We performed the procedures below in accordance with professional auditing standards applicable in France, with the decree dated 13 May 2013 determining the manner in which the independent third party should carry out his work, and with ISAE 3000(3) concerning our opinion on the fair presentation of CSR Information.

### ◆ 1 Statement of completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the company's sustainable development strategy with respect to the social and environmental impact of its activities and its societal commitments and, where applicable, any initiatives or programmes it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided in Article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

(1) *This is a free translation into English of the Statutor Auditor's report issued in French and it is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

(2) *Details available on www.cofrac.fr*

(3) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

We verified that the CSR Information covers the consolidation scope, i.e. the company, its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code, within the limitations set out in the methodological information presented in the chapter related to environmental, social and societal information of the management report.

Based on these procedures and taking into account the limitations mentioned above, we attest that the management report includes the required CSR Information.

## 2 Reasoned opinion on the fairness of the CSR Information

### Nature and scope of the work

We conducted three interviews with the people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, with those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and understandability, taking into account best practice, where appropriate;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the company, the social and environmental impact of its activities, its sustainable development strategy and best practice.

With regard to the CSR Information that we considered to be the most important[(1)]:

- at parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organization, policy, action), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and consolidation of the data. We also verified that the data was consistent by cross-checking it with other information in the management report;
- at the entity level for a representative sample of entities selected[(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify that the procedures were followed correctly and to identify any undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents between 24% and 100% of quantitative social information, and 100% of quantitative environmental information.

For the other consolidated CSR information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to enable us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot completely rule out the possibility that a material irregularity has not been detected.

### Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

Appointed Independent Third-Party Auditor French original signed by:

Paris La Défense, March 5, 2015

KPMG S.A.

| Anne Garans | Francine Morelli |
|---|---|
| *Partner* | *Partner* |
| *Climate Change & Sustainability Services Department* | |



(1) *Social indicators: Total headcount and distribution by gender, by age and by status (manager and non-manager), Number of recruitments, Number of departures with redundancies, Number of persons trained, Number of training hours.*
*Environmental indicators: Energy consumption, $CO_2$ emissions related to energy consumption (electricity, gas, domestic fuel, heating and cooling) and transportation (air, rail and road), Certified paper consumption.*
*Other qualitative information: Policy regarding training, organization of social dialogue, Gender equality, Environmental policy, Energy consumption and energy efficiency, Consumption of raw materials, Recycling and waste disposal, GreenHouse Gas emissions, Impact regarding regional employment and development, Impact on the local populations, Actions of partnership and sponsorship, Actions implemented against corruption.*

(2) *COFACE France head office.*

# INFORMATION REGARDING COFACE SA AND ITS CAPITAL

7.1 Incorporating documents and Articles of Association 244

7.1.1 Corporate name 244

7.1.2 Location and registration number 244

7.1.3 Date of creation and duration 244

7.1.4 Registered office, legal form and applicable legislation 244

7.1.5 Articles of Association 244

7.2 General information concerning the capital of COFACE SA 249

7.2.1 Share capital subscribed and share capital authorised but not issued 249

7.3 Distribution of capital and voting rights 252

7.3.1 Distribution of capital 252

7.3.2 Voting rights of the majority shareholder 252

7.3.3 Declaration relating to the Company's control by the majority shareholder 252

7.3.4 Crossing of threshold 252

7.3.5 Employee profit-sharing 253

7.4 Elements likely to have an impact in the event of a public offer 253

7.5 Important contracts 253

7.6 Report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting 254

7.6.1 Ordinary resolutions 254

7.6.2 Extraordinary resolutions 256

7.7 Resolutions subject to the approval of the Combined Shareholders' Meeting of May 18, 2015. 257

7.7.1 Draft agenda 257

7.7.2 Draft resolutions to be submitted to the Combined Shareholders' Meeting 257

7.8 Special report of the Statutory Auditors on the agreements entered for the year ended December 31, 2014 261

Agreements and commitments submitted for approval to the Shareholders' Meeting 261

Agreements and commitments already approved by the Shareholders' Meeting 263

# 7.1 Incorporating documents and Articles of Association

## 7.1.1 CORPORATE NAME

The corporate name of the Company is “COFACE SA”.

## 7.1.2 LOCATION AND REGISTRATION NUMBER

The Company is registered in the Nanterre Trade and Companies Register under number 432 413 599.

## 7.1.3 DATE OF CREATION AND DURATION

The Company was formed on August 7, 2000 for a term of 99 years as of the date of its registration in the Trade and Companies Register, save for early dissolution or extension.

## 7.1.4 REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LEGISLATION

Head office: 1, place Costes et Bellonte, 92270 Bois-Colombes, France.

Telephone number of head office: +33 (0)1 49 02 20 00.

Legal form and applicable legislation: public limited company *(société anonyme)* under French law with a Board of Directors.

## 7.1.5 ARTICLES OF ASSOCIATION

The Company’s Articles of Association were prepared in compliance with the legal and regulatory provisions applicable to corporations with a Board of Directors.

### ◆ 7.1.5.1 Corporate purpose (Article 2 of the Articles of Association)

The Company’s purpose is to perform any civil or commercial operations, operations involving moveable and real-estate property and financial operations, to take all direct or indirect shareholdings, and in general to perform any operations that are directly or indirectly linked to its corporate purpose.

### ◆ 7.1.5.2 Articles of association relating to the management and administrative bodies - General by-laws of the Board of Directors

#### (a) Articles of association

**BOARD OF DIRECTORS**

**Composition of the Board of Directors (Article 12 of the Articles of Association)**

The Company is administered by a Board of Directors consisting of at least three (3) and at most eighteen (18) members.

**Term of functions — Age limit — Replacement (Article 12 of the Articles of Association)**

The Board members serve for a term of four years. In case of a vacancy owing to the death or resignation of one or more directors representing the shareholders, the Board of Directors may temporarily replace these members between two General Meetings, in compliance with the terms of article L.225-24 of France’s Commercial Code. The Board must imperatively proceed to make temporary appointments within three months following the date of the vacancy if the number of directors falls below the minimum required by the Articles of Association, without however being lower than the legal minimum.

The number of directors who are aged 70 or over cannot exceed one third of the total number of serving directors. Should this proportion be exceeded, the oldest director shall be deemed to have resigned pursuant to the next Ordinary General Meeting.

The mandate of a director expires at the end of the Ordinary General Meeting that rules on the accounts of the previous financial year and is held in the year during which the director’s mandate is due to expire.

When a director is appointed to replace another director before the expiry of that director’s mandate, his mandate shall only last for the remaining duration of the mandate of his predecessor.

The directors may be re-elected without limitation, subject to legal and statutory provisions, in particular with regards to their age.

The directors are personally liable for the performance of their mandate, in accordance with commercial laws.

### Directors' shares (Article 12 of the Articles of Association)

Each director must hold at least 500 of the Company's shares.

### The Chairman of the Board of Directors (Article 13 of the Articles of Association)

The Board appoints a Chairman from the individuals serving as members for a period which cannot exceed his term of office as director.

The Chairman can be re-elected.

The age limit for performing the duties of Chairman is fixed at 65. When a serving Chairman reaches this age, he is considered to have resigned at the Ordinary General Meeting which rules on the accounts of the financial year during which the said Chairman turned 65.

The Chairman of the Board of Directors organises and guides the Board of Directors' work and reports on it to the Shareholders' General Meeting. He oversees the effective operation of the Company's corporate bodies and, in particular, ensures that the directors are in a position to fulfil their duties.

In the event of a temporary impediment or the death of the Chairman, the statutory and regulatory provisions are applicable.

Should it consider it necessary, the Board may appoint one or more Vice-Chairmen from the Directors who will, in the order of their own appointment, chair Board meetings in the event that the Chairman is absent or indisposed.

In the event of the absence or indisposition of the Chairman or Vice-Chairmen, the Board appoints, for each meeting, a member among those present to preside over it.

The amount and procedures for the remuneration of the Chairman and the Vice-Chairmen are fixed by the Board of Directors.

## EXERCISE OF THE GENERAL MANAGEMENT

### General Management (Article 14 of the Articles of Association)

The general management of the Company is handled either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The Board appoints its Chairman and decides by a simple majority whether to grant him the powers of Chief Executive Officer (CEO) or whether to grant these powers to another person. This decision as to whether the mandates of Chairman and Chief Executive Officer (CEO) should be held by the same person or by two separate persons, as well as any subsequent change to this configuration, remains in force until a contrary decision is taken by the Board of Directors, which may then decide, by a simple majority, to opt for the other configuration of the powers of general management. The Board of Directors of the Company keeps the shareholders and third parties informed about this change in accordance with applicable law.

Where the general management is handled by the Chairman, legal and statutory provisions related to the Chief Executive Officer (CEO) apply to him.

### Chief Executive Officer (CEO) (Article 15 of the Articles of Association)

The Board of Directors determines the duration of the Chief Executive Officer's (CEO) term and his remuneration.

The age limit for serving as Chief Executive Officer (CEO) is 65. Should a Chief Executive Officer (CEO) reach this age limit, he is deemed to have resigned pursuant to the General Meeting that is held to rule on the accounts of the financial year during which he reached the age limit.

The Chief Executive Officer (CEO) is invested with the broadest powers to act under all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers that the law expressly grants to the Shareholders' General Meetings of shareholders and to the Board of Directors.

He represents the Company in its dealings with third parties. The provisions of the Articles of Association or the decisions of the Board of Directors which limit the powers of the Chief Executive Officer (CEO) are unenforceable against third parties.

If the Chief Executive Officer (CEO) does not assume the duties of the Chairman of the Board of Directors and if he is not a director, then he attends Board meetings in a consultative capacity.

### Deputy Chief Executive Officer (Article 16 of the Articles of Association)

At the request of the Chief Executive Officer (CEO), the Board of Directors can appoint a natural person to assist the Chief Executive Officer (CEO), with the title of Deputy Chief Executive Officer (CEO) (directeur général délégué).

The Board of Directors determines the remuneration of the Deputy Chief Executive Officer (CEO).

The age limit for performing the duties of Deputy Chief Executive is 65. When a serving Deputy Chief Executive reaches this age, he is considered to have resigned at the Ordinary General Meeting which rules on the accounts of the financial year during which he turned 65.

In collaboration with the Chief Executive Officer (CEO), the Board determines the scope and duration of the powers conferred upon the Deputy Chief Executive. The Deputy Chief Executive has the same powers vis-à-vis third parties as the Chief Executive Officer (CEO).

If the Deputy Chief Executive is not a director, then he attends Board meetings in a consultative capacity.

### Operation of the Board of Directors (Article 18 of the Articles of Association)

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

Board meetings are convened by the Chairman. Furthermore, the directors representing at least one third of the Board members, may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. In case the duties of the Chief Executive Officer (CEO) are not performed by the Chairman, the Chief

Executive Officer (CEO) may also ask the Chairman to convene a Board meeting to consider a fixed agenda.

Board meetings are held either at the registered office or any other location indicated in the notice to attend. The notice to attend is in the form of a simple letter addressed to the Board members. If there is a degree of urgency, the notice to attend may be given by any other appropriate means, including verbally.

The meetings of the Board of Directors are presided by the Chairman of the Board of Directors, or should the latter be absent, by the oldest director present, or by one of the vice-Chairmen, if there are any.

A director may grant a mandate to another director, by means of a letter, to represent him at a session of the Board of Directors.

Each director may, during a given meeting, only have one power of attorney by virtue the foregoing paragraph.

The meeting can only validly deliberate if at least half of the serving directors are present.

Decisions are taken by means of majority voting by those directors present or represented.

In the event of a split vote, the director chairing the meeting has the casting vote.

In compliance with applicable statutory and regulatory provisions, the Board's internal rules may provide that directors who take part in a meeting via videoconferencing or other telecommunication means that meet the technical requirements set by the prevailing statutory and regulatory provisions are deemed to be present for the purposes of the calculation of the quorum and the majority.

The Board may appoint a secretary who may but need not be one of its members.

Based on a proposal by its Chairman, the Board may decide to form among its members, or with the involvement of persons who are not directors, committees or commissions in charge of looking into matters that it or its Chairman shall refer to them for assessment; these committees or commissions exercise their powers under its responsibility.

The minutes of each session shall mention the names of the directors who are present or represented and the names of the directors who are absent, to act as evidence towards third parties.

### Powers of the Board of Directors (Article 21 of the Articles of Association)

The Board of Directors determines the business strategy of the Company and oversees its implementation. Subject to powers expressly assigned to the Shareholders' General Meetings and within the limitations of the corporate purpose, the Board deliberates on all matters relating to the effective operation of the Company and rules on all matters concerning it. The Board of Directors carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer (CEO) must send to each director all the documents and information needed for the accomplishment of his duties.

The internal rules of the Board of Directors determine which decisions are to be submitted to the prior authorisation of the Board of Directors and which are to be submitted to it directly in accordance with the law.

### Directors' Fees (Article 19 of the Articles of Association)

Independently of all reimbursement of costs or allocations for particular services which may be accorded, the directors may receive, in the form of directors' fees, remuneration recorded under overheads, the total amount of which is fixed by the General Meeting of shareholders. The Board divides the aforementioned remuneration among its members as it sees fit.

## (b) Articles of association of the Board of Directors

The Articles of Association of the Board of Directors specifies, on the one hand, the method of organisation and operation, the powers, rights and prerogatives of the Board and of the committees it has established (see Articles 4, "Creation of committees – Joint Provisions" and 1.2 "Operations subject to the prior authorisation of the Board of Directors" for a description of the various committees established and the limits on the powers of general management), and on the other hand, the terms of control and evaluation of its operations.

## (c) Control and evaluation of the Board of Directors' operations

Article 2 of the Board of Director's Articles of Association provides for at least 1/3 of independent members, pursuant to the AFEP-MEDEF Code, within the Board of Directors.

Pursuant to Article 2.3.2 of the Board of Directors' Articles of Association, a director is considered to be independent if he does not maintain any relation of any kind whatsoever with the Company, the management or the Coface Group, which could compromise the exercise of its free judgement or be of a nature to put it in a conflict of interest with management, the Company or the Coface Group.

The qualification of an independent member of the Board of Directors is discussed by the Appointments and Compensation Committee, which drafts a report on this subject for the Board. Each year the Board of Directors examines, in view of this report, before publication of the registration document, the status of each director with regard to the criteria of independence defined in Article 2.3.2 of the Board of Directors' Articles of Association. The Board of Directors must provide the findings from its examination to the shareholders in the annual report and at the Annual Shareholders' Meeting during the appointment of the directors.

In addition, in compliance with Article 3.5 of the Board of Directors' Articles of Association, at least once a year, an agenda is devoted to evaluating the operation of the Board, which is reported in the Company's annual report. Given the significant modifications that were made in the composition of the Board, as well as to its operation, as of July 1, 2014, and in the absence of a sufficient period of time for proceeding, no evaluation was made in 2014.

A formal evaluation of the Board of Directors is conducted every three years, and will be entrusted to the Appointments and Compensation Committee, potentially assisted by an outside consultant.

### 7.1.5.3 Rights, privileges and restrictions attached to the shares

#### Form of shares (Article 8 of the Articles of Association)

The Company's shares shall either be registered or bearer shares, at the discretion of each shareholder.

The ownership of the Company's shares shall result from their registration in an account in the name of their holder in the registers kept by the Company or by a duly authorised intermediary.

#### Voting rights (Article 11 of the Articles of Association)

Each share grants its holder the right to vote and be represented in the Shareholders' General Meetings, in accordance with the law and the Articles of Association.

#### Double voting rights

In compliance with the applicable legal provisions, a double voting right shall be granted to shares for which an ongoing registration by name shall be justified for at least two years (as of July 1, 2014, date that the Company's shares were admitted for trading on the Euronext Paris regulated market) in the name of the same shareholder.

#### Right to dividends and profits (Article 11 of the Articles of Association)

Each share grants its holder the right to a share in any distribution of the Company's earnings, in the Company's assets and in the liquidation surplus.

The rights and obligations attached to the shares follow them into whatever hands they happen to fall.

The ownership of a share implies as of right adherence to the Articles of Association of the Company and to the decisions that are duly taken by the Shareholders' General Meetings.

The shareholders shall only bear liability to the extent of the nominal value of each share that they hold.

Whenever it is necessary to hold several shares in order to exercise a particular right, in case of an exchange, grouping or allocation of shares, or as a result of an increase or a reduction of the share capital, a merger or other corporate operation, the owners of single shares or of an insufficient number of shares may only exercise this right provided that they arrange to group together and to buy or sell any shares as may be required.

The joint owners of shares shall be represented at General Meetings by one of them or by a sole representative. Should the parties involved fail to agree over the appointment of their representative, the latter shall be appointed by a court order issued pursuant to a petition filed by the first joint owner to do so.

Unless otherwise agreed and notified to the Company, in case of division of ownership of a share, the voting right belongs to the beneficial owner (usufruitier) at Ordinary General Meetings and by the reversionary owner (nu-propriétaire) at extraordinary or special General Meetings. However, in any event, the reversionary owner has the right to take part in all General Meetings.

#### Payment of the dividend in shares (Article 24 of the Articles of Association)

The General Meeting ruling on the accounts for the financial year has the possibility to offer each shareholder, for all or part of the dividend payout, an option to receive the dividend in cash or in the form of shares. This option may also be granted in the case of interim dividends.

The procedures for dividend payments in cash are fixed by the General Meeting or, alternatively, by the Board of Directors.

#### Preferential subscription right

The Company's shares benefit from a preferential subscription right under the terms provided for by the French Commercial Code.

#### Limit on voting rights

No statutory clause restricts the voting right attached to the shares.

### 7.1.5.4 Amendment of shareholders' rights (Article 23 of the Articles of Association)

The extra Ordinary General Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

### 7.1.5.5 Annual Shareholders' Meetings (Article 23 of the Articles of Association)

#### Powers

The shareholders take their decisions in General Meetings which are designated as ordinary or extraordinary.

The Ordinary General Meeting takes all decisions which do not entail modification to the Company's share capital or Articles of Association. In particular, it appoints, replaces, re-elects and dismisses directors with the exception of those representing the employees. It also approves, rejects or corrects the accounts and rules on the breakdown and allocation of profits.

The extra Ordinary General Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

#### Convening notice and meeting location

General Meetings are convened as per the terms and conditions set forth in the law.

The meetings take place at the registered office or any other location indicated in the notice to attend.

## Access to and conduct of the meetings

Any shareholder may take part in the General Meetings in person or via a representative, in accordance with the prevailing regulations, on presentation of suitable evidence of his identity and of his ownership of shares, by registering his shares in the form prescribed by prevailing statutory and regulatory provisions.

Subject to a decision taken by the Board of Directors to make use of such means of telecommunication, said decision having to be mentioned in the announcement or convening notice to attend the General Meeting, shareholders who take part in a General Meeting by videoconferencing or other telecommunication means or by remote transmission, including over the Internet, which enable them to be identified in accordance with the prevailing regulations, are deemed to be present for the purposes of the calculation of the quorum and the majority.

Any shareholder may vote remotely or may grant a power of attorney in accordance with current rules and regulations, by means of a form drawn up by the Company and sent to the latter, including by electronic means or remote transmission, if this is permitted by the Board of Directors. This form must be received by the Company in accordance with regulatory requirements in order for it to be taken into consideration.

## Chairmanship, office, attendance sheet

Each General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for that purpose by the Board.

Where the meeting is called by the Statutory Auditors or a legal officer, the meeting is chaired by the person or individuals issuing the notice to attend.

The duties of returning officer (scrutateur) are performed by the two members present at the meeting who hold the largest number of shares and are willing to act in that capacity. The committee appoints the secretary who is not necessarily a shareholder.

An attendance sheet is kept in accordance with statutory conditions.

## Deliberations, minutes

The General Meetings deliberate as to the quorum and majority conditions prescribed by statutory provisions. Voting is on a one-share, one-vote basis.

The deliberations are recorded in the minutes kept on a special register and signed by members of the committee.

The copies or extracts of the minutes are certified as valid by the Chairman of the Board of Directors or the Secretary of the meeting.

## Shareholders' right of communication

Each shareholder has the right to receive disclosure of the documents required to enable him to make an informed decision and to form an informed opinion on the management and the operation of the Company. The latter has the obligation to make these documents available to them or to send them to them.

The nature of these documents and the terms under which they must be sent or made available are set by law.

### 7.1.5.6 Statutory clauses likely to have an impact on a change in control

None

### 7.1.5.7 Crossing of thresholds and identification of shareholders (Article 10 of the Articles of Association)

In compliance with prevailing laws and regulations, the Company may ask any duly empowered body or intermediary for information about the identity, the nationality and the address of the holders of any securities that provide an immediate or deferred right to vote in its Shareholders' General Meetings, as well as the number of securities that they each hold and any restrictions applicable to these securities.

Any natural or legal person who directly or indirectly possesses, alone or in conjunction with others, a fraction of 2% of the share capital or voting rights (calculated in accordance with the provisions of articles L.233-7 and L.233-9 of France's Commercial Code and the provisions of the general rules of AMF [French Financial Markets Authority]), or any multiple of this percentage, must notify to the Company the total number (i) of the shares and voting rights that he possesses directly or indirectly, alone or in conjunction with others, (ii) of the securities that provide deferred access to the share capital of the Company which he possesses directly or indirectly, alone or in conjunction with others, and the voting rights that are potentially attached to same, and (iii) of the shares that are already issued that this person may acquire by virtue of an agreement or a financial instrument mentioned in article L.211-1 of France's Financial and Monetary Code. This notification must take place by means of a letter sent by registered post with acknowledgement of receipt within four stock market days after the relevant threshold has been exceeded.

The obligation to inform the Company shall also apply, within the same timescales and on the same terms, whenever the shareholder's shareholding or voting rights fall to a level that is lower than any of the abovementioned thresholds.

Should a shareholder fail to comply with the obligation to declare the fact that it has exceeded or fallen below the abovementioned thresholds, then at the request of one or more shareholders who account for at least 2% of the share capital or voting rights of the Company, recorded in the minutes of the Shareholders' General Meeting, the shares which exceed the fraction that should have been declared are deprived of their voting rights for a period of two years following the date of the regularisation of the notification.

The Company is entitled to inform the public and bring to the attention of the shareholders either the information which shall have been notified to it, or any failure to comply with the abovementioned obligation by the relevant person.

### 7.1.5.8 Specific clauses governing modifications to share capital

There is no specific stipulation in the Company's Articles of Association governing modifications to its capital.

Such capital may thus be increased, reduced or amortised in any manner authorised by law.

# 7.2 General information concerning the capital of COFACE SA

## 7.2.1 SHARE CAPITAL SUBSCRIBED AND SHARE CAPITAL AUTHORISED BUT NOT ISSUED

At the date of this registration document, the Company's share capital totals €786,241,160. It is divided into 157,248,232 shares with a par value of €5 (five), fully subscribed and paid-up, all of the same category.

In compliance with Article L.225-100, paragraph 7 of the French Commercial Code, the summary table below presents the valid delegations as of December 31, 2014 that have been granted by the Annual Shareholders' Meeting to the Board of Directors in the area of capital increases, by application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

The table below summarises the resolutions voted on during the Combined Shareholders' Meeting of the Company dated June 2, 2014, as concerns capital increases.

| RESOLUTION | SUBJECT OF THE RESOLUTION | MAXIMUM FACE VALUE | DURATION OF AUTHORISATION | USE AS OF DECEMBER 31, 2014 |
|---|---|---|---|---|
| 9th | Delegation of authority to the Board of Directors to decide on an increase in share capital through the incorporation of premiums, reserves, benefits or other [1] | €200 million | 26 months | No |
| 10th | Delegation of authority to the Board of Directors to decide on increasing share capital through the issue of shares and/or securities which provide access to the capital, with the preferential subscription right [1] | €250 million concerning capital increases [1]<br>€500 million concerning debt securities | 26 months | No |
| 11th | Delegation of authority to the Board of Directors to decide on increasing share capital through the issue of shares and/or securities which provide access to the capital by a public offer without preferential subscription right [1] | €250 million concerning capital increases [1]<br>€500 million concerning debt securities | 26 months | No |
| 12th | Delegation of authority to the Board of Directors to decide on the issue without preferential subscription right, of shares and/or securities which provide access to the capital through private investment per Article L.411-2 II of the French Financial and Monetary Code [1] | €250 million concerning capital increases [1]<br>€500 million concerning debt securities | 26 months | No |
| 13th | Authorisation to the Board of Directors in the event of issue without preferential subscription right, through public offers or private investments per Article L.411-2 II of the French Financial and Monetary Code, for the purpose of setting the issue price according to the terms established by the Annual Shareholders' Meeting. | Up to the limit of 10% share capital per 12 months | 26 months | No |
| 14th | Authorisation to the Board of Directors for the purpose of increasing the number of securities to be issued in the event of a capital increase with or without preferential subscription right [1] | Limit prescribed by applicable regulations (to date, 15% of the initial issue) [1] | 26 months | No |

| RESOLUTION | SUBJECT OF THE RESOLUTION | MAXIMUM FACE VALUE | DURATION OF AUTHORISATION | USE AS OF DECEMBER 31, 2014 |
|---|---|---|---|---|
| 15th | Delegation of authority to the Board of Directors for the purpose of issuing shares or securities providing access to the capital, without preferential subscription right in compensation of contributions in kind concerning shares or securities which provide access to the capital (1) | €75 million concerning capital increases (1)<br>€200 million concerning debt securities | 26 months | No |
| 16th | Delegation of authority to the Board of Directors in view of increasing the share capital through a share issue, without preferential subscription right, following the issuance by the Company's subsidiaries of securities providing access to the Company's shares (1) | €250 million (1) | 26 months | No |
| 18th | Delegation of authority to the Board of Directors to decide on the issuance of shares reserved to members of employee savings plan, without preferential subscription rate to the benefit of said members | €15 million (1) | 26 months | Yes |
| 19th | Delegation of authority to the Board of Directors in view of increasing the share capital through issuance of shares, eliminating the preferential subscription right in favour of a determined category of beneficiaries | €15 million (1) | 18 months | Yes |

*(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation are attributed to the total cap set on the amount of €250 million, as concerns immediate and/or future capital increases.*

### 7.2.1.1 Shares not representing capital

None.

### 7.2.1.2 Independent control, holding and acquisition by the Company of treasury shares

The Combined Shareholders' Meeting of June 2, 2014 authorised the Board of Directors, for a duration of 18 months from the date of the meeting, with power to subdelegate under the legal and regulatory conditions, in compliance with the provisions of Articles L.225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-5 of the General Regulations of the French Financial Markets Authority (AMF), European Commission (EC) Regulation No. 2273/2003 dated December 22, 2003, and the accepted market practices of the AMF, to purchase, in one or more instances and at the times to be determined by it, a number of shares of the Company not to exceed 10% the total number of shares comprising the share capital, at any time whatsoever, or 5% of the total number of shares comprising the share capital, if it concerns shares acquired by the Company in view of keeping them and subsequently remitting them as payment or a trade within the context of a merger, spin-off or contribution, it being specified that the number of shares held by the Company may under no circumstance lead the Company to hold more than 10% of the shares composing its share capital at any time.

The shares may be acquired, upon decision of the Board of Directors, in order to:

- ensure liquidity and boost the market for the Company's stock through an investment services provider acting independently within the context of a liquidity contract, in compliance with the Charter of Ethics recognised by the AMF;
- allocate shares to employees of the Company and in particular within the context (i) of participating in the Company's income, (ii) of any stock options plan of the Company, pursuant to the provisions of Articles L.225-177 *et seq.* of the French Commercial Code, or (iii) of any savings plan in compliance with Articles L.3331-1 *et seq.* of the Labour Code or any bonus shares pursuant to the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code; additionally, performing all hedge operations relating to these operations, under the conditions provided for by the market authorities, and at the times to be determined by the Board of Directors or person acting by delegation of the Board of Directors;
- remit the Company's shares when exercising the rights attached to securities entitling bearers through reimbursement, conversion, trade, presentation of a warrant or in any other manner the allocation of the Company's shares pursuant to the current regulations; additionally, performing all hedge operations relating to these operations, under the conditions provided for by

the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;

- keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations, and in compliance with the AMF's accepted market practice;
- cancel all or part of the stock thus purchased;
- implement any market practice that comes to be authorised by the AMF and, more generally, perform all operations in compliance with the current regulations.

Within the context of this share buyback program, authorised by the Annual Shareholders' Meeting, shares that are independently held by the Company represent a total of 0.05% of the Company's capital, or 80,819 shares, as of December 31, 2014. The overall face value amounts to €887,392.62.

On July 7, 2014, the Company entered into a liquidity agreement with Natixis, in compliance with the provisions of the current legal framework and the Charter of Ethics established by Amafi.

The only purchases and sales made during the financial year were within the context of the liquidity agreement, and none of the Company's shares were held by one of its subsidiaries or by a third party on its own behalf.

Compensation of Natixis under the liquidity agreement amounts to €40,000 for 2014.

| | NUMBER OF SHARES PURCHASED | AVERAGE PURCHASE PRICE | NUMBER OF SHARES SOLD | AVERAGE SALE PRICE |
|---|---|---|---|---|
| July | 246,350 | €1,129,611 | 122,468 | €1,141,961 |
| August | 269,265 | €1,078,336 | 250,373 | €1,077,809 |
| September | 370,295 | €1,063,776 | 285,262 | €1,078,872 |
| October | 216,280 | €994,744 | 199,926 | €999,172 |
| November | 202,692 | €1,038,712 | 264,220 | €1,044,851 |
| December | 171,803 | €1,068,448 | 273,617 | €1,071,900 |
| **TOTAL - 2014** | **1,476,685** | | **1,395,866** | |

### ◆ 7.2.1.3 Other instruments providing access to capital

None.

### ◆ 7.1.2.4 Conditions governing any right of acquisition and/or any obligation attached to the subscribed, but not paid-up capital

None.

### ◆ 7.1.2.5 Share capital of any company in the Group that is the subject of an option or agreement providing that it be placed under an option

None.

### ◆ 7.1.2.6 Pledge, guarantees and sureties granted on the Company's share capital

At the date of this registration document, the shares comprising the Company's capital are not the subject of any pledge, guarantee or surety.

### ◆ 7.1.2.7 History of capital

The Coface Group share capital has not evolved over the last three years.

The Company has established an employee stock ownership plan, which resulted in two capital increases during the Combined Shareholders' Meeting of June 2, 2014. The capital increases were decided on by the Company's Board of Directors on June 12, 2014, and recorded July 25, 2014, in the amount of €3,385,616, 2,034,625 of which were allocated to the share capital, with the balance recorded under the item "issue premiums".

# 7.3 Distribution of capital and voting rights

## 7.3.1 DISTRIBUTION OF CAPITAL

The table below breaks down the evolution of capital and voting rights of the Company over the last three years:

| | AS OF DECEMBER 31, 2014 | | AS OF DECEMBER 31, 2013 | | AS OF DECEMBER 31, 2012 | |
|---|---|---|---|---|---|---|
| | SHARES | VOTING RIGHTS | SHARES | VOTING RIGHTS | SHARES | VOTING RIGHTS |
| Natixis | 64,853,869 | 64,853,869 | 156,841,295 | 156,841,295 | 156,841,301 | 156,841,301 |
| Employees | 390,959 | 390,959 | N/A | N/A | N/A | N/A |
| Public | 91,922,573 | 91,922,573 | N/A | N/A | N/A | N/A |
| Independent holding (liquidity agreement) | 80,819 | 0 | N/A | N/A | N/A | N/A |
| Others | 12 | 12 | 12 | 12 | 6 | 6 |

## 7.3.2 VOTING RIGHTS OF THE MAJORITY SHAREHOLDER

Natixis does not have any specific voting rights.

## 7.3.3 DECLARATION RELATING TO THE COMPANY'S CONTROL BY THE MAJORITY SHAREHOLDER

At the date of this registration document, the Company is controlled by Natixis.

In an effort to maintain transparency and inform the public, the Company established a set of measures which are in particular motivated by the recommendations of the AFEP-MEDEF Code. The Company in particular established an Audit Committee and an Appointments and Compensation Committee, composed of independent directors, in order to prevent conflicts of interest and to ensure that monitoring of the controlling shareholder is not abusive (see paragraph 2.1.2. "Functioning of administrative and management bodies" of this registration document).

## 7.3.4 CROSSING OF THRESHOLD

Instances of crossing the regulatory thresholds (Article L.233-7 of the French Commercial Code) which were declared to the French Financial Markets Authority during 2014 and at the date of this document are as follows:

- On September 12, Allianz Global Investors Europe GmbH1 (Bockenheimer Landstrasse 42-44, D-60323 Frankfurt, Germany) acting on behalf of customers and funds in the context of a management mandate, exceeded the 5% thresholds on capital and voting rights and held, on behalf of said customers and funds 7,904,356 shares, representing 5.03% of COFACE SA's capital and voting rights. On September 17, 2014, it dropped below the 5% capital and voting rights thresholds and held, on behalf of said customers and funds, 7,844,356 shares, or 4.99% of the Company's capital and voting rights. On September 24, 2014, it exceeded the 5% capital and voting rights thresholds and held, on behalf of said customers and funds, 7,956,589 shares, or 5.06% of COFACE SA's capital and voting rights.
- On December 19, 2014, the Amundi Group corporation, through its management companies Amundi SA, Amundi Luxembourg, Société Générale Gestion SA, CPR Asset Management SA and Etoile gestion SA, which it controls, exceeded the 5% thresholds on capital and voting rights, indirectly holding, on behalf of said funds, 7,902,291 shares, or 5.03% of COFACE SA's capital and voting rights.

### 7.3.5 EMPLOYEE PROFIT-SHARING

As of December 31, 2014, the Group's employees held 390,959 shares, 169,540 of which were held in France through the Coface Actionnariat mutual fund. In total, employees have a 0.25% interest in the Company's capital.

## 7.4 Elements likely to have an impact in the event of a public offer

In application of Article L.225-100-3 of the French Commercial Code, we specify the following points to you, which are likely to have an impact on a public offer:

- the structure of the capital as well as the known direct or indirect interests of the Company and all of the corresponding information is described in Section 7.3;
- there is no statutory restriction on the exercise of voting rights, with the exception of the elimination of voting rights, as concerns shares which exceed the portion that should have been declared, which are likely to be requested by one or more shareholders holding an interest which is at least equal to 2% of the capital or voting rights, in the event of a failure to declare that the statutory limit was exceeded;
- to the Company's knowledge, there are no agreements or other commitments that have been signed between shareholders;
- there are no instruments entailing special control rights;
- the voting rights attached to the shares of the Company held by staff through the company's COFACE ACTIONNARIAT mutual fund are exercised by an authorised representative that is designated by the Supervisory Board of the fund to represent it at the Annual Shareholders' Meeting;
- the rules on appointment and revocation of members of the Board of Directors are the legal and statutory rules described in Section 7.1.5.2;
- the Company's Articles of Association are amended in compliance with the legal and regulatory provisions;
- there is no significant agreement entered into by the Company that would be amended or terminated if there is a change in the Company's control.

## 7.5 Important contracts

No contract (other than those entered into in the normal course of business) has been signed by any entity of the Coface Group which contains a significant obligation or commitment for the Coface Group as a whole.

# 7.6 Report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting

The purpose of the draft report is to present the resolutions submitted by the Board of Directors at your meeting.

Twelve resolutions are submitted for this purpose, nine of which are ordinary and three of which are extraordinary.

## 7.6.1 ORDINARY RESOLUTIONS

### Approval of the 2014 financial statements – *1st and 2nd resolutions*

In the first two resolutions, the Board is asked to approve the Company financial statements (1st resolution), followed by the consolidated financial statements (2nd resolution) of COFACE SA for 2014.

### Appropriation of results – *3rd resolution*

The purpose of the third resolution is to allocate COFACE SA's corporate result.

The Company financial statements as of December 31, 2014 showed net book loss of -€2,779,036. This net loss is explained, on the one hand, by the lack of payment of dividends by Compagnie française d'assurance pour le commerce extérieur, the Group's operating subsidiary and, on the other, by the issue costs of the hybrid debt issued in 2014 and the expenses connected to the stock market listing.

It is proposed that this negative balance be allotted to retained earnings.

We recall that the amount of dividends distributed in recent years was €26,000,000 in 2011, €0 in 2012 and €66,939,869.83 in 2013.

### Approval of related-party agreements – *4th resolution*

The fourth resolution concerns the approval of related-party agreements and commitments, in application of Article L.225-38 of the French Commercial Code, authorised by the Board of Directors in 2014. These agreements and commitments are presented in the special report of the Statutory Auditors.

### Determination of the amount of directors' fees allotted to members of the Board of Directors – *5th resolution*

The purpose of the fifth resolution is to set the amount of directors' fees allotted to members of the Board of Directors.

It is proposed to set the total annual amount of directors' fees to be allotted to the Board of Directors for 2015 to €350,000.

This amount covers payment of the directors' fees assuming 100% attendance of the Board members at six meetings of the Board of Directors, of members of the Audit Committee at six meetings, and of members of the Appointments and Compensation Committee at five meetings.

### Extraordinary cash distribution – *6th resolution*

Since there is not distributable profit due to the reasons previously indicated in this report, the Board is asked to proceed with an extraordinary distribution of cash in the amount of €75,007,406.66, or €0.48 per share, taken from issue premium and corresponding to 60% of the consolidated net income for the year ended.

In this context, the Shareholders' Meeting is asked to decide, in compliance with the provisions of Article L.232-11, paragraph 2 of the French Commercial Code, to proceed with an extraordinary distribution of cash in the amount of seventy-five million seven thousand four hundred and six euros and sixty-six cents (€75,007,406.66).

This dividend would be allocated to the line item "issue premium".

The price fixing date (*date de détachement du coupon*) will be Tuesday, May 26, 2015. Payment is set for Friday, May 29, 2015.

By virtue of the provisions of Article 112 1° of the French Tax Code, the amounts distributed to shareholders as reimbursement of contributions or issue premium are not considered taxable distributed revenue, provided that all profits and reserves other than the legal reserve were already distributed. With regard to the above-mentioned tax provisions, the entire amount of the dividend is considered as a reimbursement of a contribution for tax purposes.

All shareholders, and in particular those domiciled or established outside of France, as concerns regulations applicable in the country of residence or establishment, are asked to contact their usual adviser to determine, through a detailed analysis, the tax consequences to be drawn in consideration of the amounts collected for this distribution.

In order to facilitate the distribution, you are asked to grant all powers to the Board of Directors, and the authority to subdelegate them to the Chief Executive Officer (CEO), in order to implement this resolution under the conditions noted above, and in particular to:

- implement the extraordinary distribution of cash, allocating the amount to issue premium as mentioned above;

- more generally, to do whatever is needed and take all useful measures to ensure the successful completion of the operations included in this resolution.

### Opinion on components of the compensation due or allotted for the year ended December 31, 2014 to Mr Jean-Marc Pillu, Chief Executive Officer (CEO) – *7th resolution*

In compliance with the recommendations of Article 24.3 of the AFEP-Medef Corporate Governance Code, which was revised in June 2013, to which the Company refers, the seventh resolution aims to submit for the opinion of the Board the components of the compensation due or allotted for the year ended December 31, 2014 to Mr Jean-Marc Pillu, Chief Executive Officer (CEO). These components are described in the management report relating to the consolidated financial statements.

### Authorisation to the Board of Directors to trade the Company's shares – *8th resolution*

The Board of Directors asks that you please authorise the purchase of a number of shares of the Company not to exceed 10% the total number of shares composing the share capital, or 5% of the total number of shares subsequently composing the share capital if it concerns shares acquired by the Company in view of keeping them and transfering them as payment or exchange under a merger, spin-off or contribution operation, noting that the acquisitions made by the Company may under no circumstance result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Shares may be purchased in order to: a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract in compliance with the Charter of Ethics recognized by the French Financial Markets Authority, b) allot shares to employees of the Company and in particular within the context (i) of profit-sharing, (ii) any stock option plan of the Company, pursuant to the provisions of Articles L.225-177 et seq. of the French Commercial Code, or (iii) any savings plan in compliance with Articles L.3331-1 et seq. of the French Labour Code or any allocation of bonus shares pursuant to the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, as well as performing all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting upon its delegation, c) transfer the Company's shares when the rights attached to the securities are exercised, which rights entitle their bearers through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to an allocation of shares of the Company within the context of the current regulations, as well as to perform all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors, d) keep the Company's shares and transfer them subsequently as payment or exchange within the context of potential external growth operations, and in accordance with the accepted market practice of the French Financial Markets Authority, e) cancel all or part of the securities thus purchased or f) implement all market practices that have been accepted by the French Financial Markets Authority and, more generally, perform all operations in compliance with the current regulations.

The maximum purchase price per unit may not exceed €20, excluding costs.

The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allotment of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the Company's stock.

The acquisition, disposal or transfer of these shares may be completed and paid for by all methods authorised by the current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments, or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine, excluding at the time a public offer involving the stock of the Company.

In accordance with legal and regulatory provisions, the Board of Directors, if your Shareholders' Meeting so authorises it, shall have all powers, with the authority to subdelegate, in order to proceed with the permitted reallocations of repurchased shares in view of one of the program's objectives, or one or more of its other objectives, or even in view of their disposal on or off the market.

The Board of Directors proposes that this authorisation be granted for a period of 18 months as from the date of this Shareholders' Meeting. This authorisation shall conclude the authorisation granted by the 5th resolution that was adopted by the Annual Shareholders' Meeting of June 2, 2014.

### Powers – *9th resolution*

The ninth resolution concerns the allocation of powers.

## 7.6.2 EXTRAORDINARY RESOLUTIONS

### Amendment of the Articles of Association relating to the voting rights of shareholders – *10th resolution*

It proposes:

- to expressly provide that no double voting rights be granted to shareholders registered by name for at least two years;
- to modify paragraph one of Article 11 of the Articles of Association, adding a sentence to it which provides for the principle "one share one vote". The rest of the article remains unchanged.

### Capital increase without preferential subscription right for a specific category of beneficiaries – *11th resolution*

We suggest that you delegate to the Board of Directors, for a period of 18 months, with the power to subdelegate under the conditions provided for by law, your authority to proceed with one or more capital increases reserved for the Company's employees and former employees and/or Companies affiliated with the Company pursuant to the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, which have their registered office outside of France.

This decision would cancel shareholders' preferential subscription right to the shares issued within the context of this resolution, to the profit of the category of beneficiary defined above.

Such a capital increase would have the aim of allowing employees, former employees, corporate officers or general agents of the Group who reside in various countries, to benefit, taking into account the regulatory or tax restrictions that could exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the 18th resolution of the Shareholders' Meeting of June 2, 2014.

The nominal amount of the capital increase that could be issued by virtue of this delegation would be limited to €15 million, noting that the nominal amount of any capital increase completed in application of this delegation shall be allotted towards the overall nominal amount limit of €250 million that is prescribed for the capital increases provided for in paragraph 2 of the 10th Resolution of the Shareholders' Meeting of June 2, 2014.

The subscription price of the shares issued in application of this delegation may not fall below more than 20% of the average price of the listed share during the 20 trading sessions preceding the decision determining the opening date of the subscription, nor may it exceed this average, and the Board of Directors may reduce or eliminate the 20% discount noted above if it deems it appropriate in order to, in particular, take into account the legal, accounting, tax and corporate schemes applicable in the countries of residence of some beneficiaries. The Board of Directors may likewise decide to allot bonus shares to subscribers of new shares, in substitution of the discount and/or for employer matching.

When the Board of Directors uses the delegations above, regulatory reports will be issued by the Board of Directors and the Statutory Auditors, in compliance with the current legal provisions.

### Powers – *12th resolution*

The twelfth resolution concerns the allocation of powers.

# 7.7 Resolutions subject to the approval of the Combined Shareholders' Meeting of May 18, 2015.

## 7.7.1 DRAFT AGENDA

### Within the authority of the Ordinary Shareholders' Meeting:

1. Report of the Board of Directors and report of the Statutory Auditors on the Company's operations during the year ended December 31, 2014
2. Report of the Chairman of the Board of Directors
3. Approval of the parent company financial statements for the year 2014
4. Approval of the consolidated financial statements for the year 2014
5. Appropriation of results
6. Special report of the Statutory Auditors and approval of the agreements and commitments mentioned in article L.225-38 of the French Commercial Code
7. Amount of directors' fees allotted to members of the Board of Directors
8. Extraordinary cash distribution
9. Opinion on components of the compensation due or allotted to Mr Jean-Marc Pillu, Chief Executive Officer (CEO), for the year 2014
10. Intervention of the company on the market of its own shares: authorisation to be given to the Board of Directors
11. Powers to carry out formalities.

### Within the authority of the Extraordinary Shareholders' Meeting:

1. Amendment of article 11 of the Articles of Association
2. Delegation of authority to the Board of Directors to increase the share capital by issuing shares without preferential subscription right in favour of a specific category of beneficiaries
3. Powers to carry out formalities.

## 7.7.2 DRAFT RESOLUTIONS TO BE SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

### Within the authority of the Ordinary Shareholders' Meeting:

### First resolution – *Approval of the parent company financial statements*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, after having taken due note of the report of the Chairman of the Board of Directors relating to the composition, conditions for preparing and organising the work of the Board of Directors, as well as the internal control and risk management procedures established by the company, the board's report on the company financial statements and the management report relating thereto, and the Statutory Auditors' report relating to the parent company financial statements, approves said statements as they were presented for that year, which consisted of the balance sheet, income statement and notes, as well as the operations reflected in these company financial statements and summarised in these reports.

### Second resolution – *Approval of the consolidated financial statements*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, after having taken due note of the report of the Chairman of the Board of Directors relating to the composition, conditions for preparing and organising the work of the Board of Directors, as well as the internal control and risk management procedures established by the company, the board's report on the consolidated financial statements and the management report relating thereto, and the Statutory Auditors' report relating to the consolidated financial statements, approves said statements as they were presented for that year, which consisted of the balance sheet, income statement and notes, as well as the operations reflected in these consolidated financial statements and summarised in these reports.

### Third resolution – *Appropriation of results*

The Shareholder's Meeting takes due note that the company financial statements for the financial year ended December 31, 2014 show a book loss of €2,779,036.

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, decides:

- To allot this book loss to retained earnings, which will amount to -€2,779,036 after the appropriation,

The Shareholder's Meeting recalls, in compliance with the legal provisions, that the dividends, distributed for the three preceding years were as follows:

| YEAR | NUMBER OF SHARES | TOTAL AMOUNT DIVIDEND PAID (in €) |
|---|---|---|
| 2011 | 156,841,307 | 26,000,000 |
| 2012 | 156,841,307 | 0 |
| 2013 | 156,841,307 | 66,939,869.83 |

## Fourth resolution – *Related-party agreements and commitments*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, upon having duly noted the special report of the Statutory Auditors on the agreements and commitments subject to the provisions of article L.225-38 of the French Commercial Code, approves this report and the new agreements noted therein.

## Fifth resolution – *Directors' fees*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, has decided to set up the amount of directors' fees to be allotted to the Board of Directors at €350,000, and entrusts the Board with distributing this amount among its members.

## Sixth resolution – *Extraordinary cash distribution*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, having reviewed the Board of Directors' report, decides:

- To proceed with an extraordinary distribution of the amount of €0.48 per share, representing a total amount of seventy-five million seven thousand four hundred and six euros and sixty-six cents (€75,007,704.66);
- To allocate this distribution to issue premium;
- To provide the Board of Directors with all powers, and the authority to subdelegate them to the Chief Executive Officer (CEO), in order to implement this resolution under the conditions noted above, and in particular to:
  - implement the extraordinary distribution allocating the amount to issue premium as mentioned above,
  - more generally, to do whatever is needed and take all useful measures to ensure the successful completion of the operations included in this resolution.

The ex-date ("détachement du coupon") will be Tuesday, May 26, 2015. Payment is set for Friday, May 29, 2015.

## Seventh resolution – *Opinion on components of the compensation due or allotted to Mr Jean-Marc Pillu, Chief Executive Officer (CEO), for the year 2014*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, consulted in application of recommendation 24.3 of the AFEP-Medef Corporate Governance Code of June 2013, issued a favourable opinion as to the components of the compensation due or allotted, for the year ended December 31, 2014 to Mr Jean-Marc Pillu, Chief Executive Officer (CEO), as presented in the management report relating to the consolidated financial statements.

## Eight resolution – *Authorisation to the Board of Directors to trade the company's shares*

The Shareholder's Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, having reviewed the board of director's report:

1. authorises the Board of Directors, with the power to subdelegate under the legal and regulatory conditions, in compliance with the provisions of article L.225-209 et seq; of the French Commercial Code, to purchase, in one or more instances and at the times to be determined by it, a number of shares of the company that may not exceed:

- 10% of the total number of shares composing the share capital; at any time whatsoever;
- or 5% of the total number of shares composing the share capital, if they are shares acquired by the company in view of keeping them and subsequently transfering them as payment or exchange within the context of a merger, spin-off or contribution.

These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to the Shareholder's Meeting;

The acquisitions made by the company may in no case lead it to hold more than 10% of the shares composing its share capital at any time.

**2.** decides that this authorisation may be used to:

- ensure liquidity and boost the market for the company' stock through an investment service provider acting independently within the context of a liquidity contract, in compliance with the charter of ethics recognised by the French financial markets authority;
- allocate shares to employees of the company, and in particular within the context (i) of participating in the company's income, (ii) any stock option plan of the company, pursuant to articles L.225-177 et seq. of the French Commercial Code, or (iii) any savings plan in compliance with articles L.3331-1 et seq. of the French labour code, or any allocation of bonus shares pursuant to the provisions of articles L.225-197-1 et seq. of the French Commercial Code; additionally, as well as performing all hedging operations relating to these operations, under the conditions provided for by the market authorities, and at the times to be determined by the Board of Directors or the person acting by delegation thereof;
- transfer the company's shares when the rights attached to securities entitling their bearers, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the company's shares pursuant to current regulations are exercised, additionally, performing all hedging operations relating to these operations, under the conditions provided by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
- keep the company's shares and subsequently transfer them as payment or exchange within the context of any external growth operations, and in compliance with the French financial market authority's accepted market practice;
- cancel all or part of the stock thus purchased
- implement any market practice that comes to be authorised by the French financial markets authority and, more generally, perform all operations in compliance with applicable regulations

**3.** decides that the maximum purchase price per unit may not exceed €20 per share, excluding fees. The Board of Directors may nevertheless, for operations involving the company's capital, in particular a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the company's stock.

**4.** decides that the acquisition, disposal or transfer of these shares may be completed and paid by all methods authorised by current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments, or warrants, or, more generally, securities entitling their bearers to shares of the company, at the times to be determined by the Board of Directors, excluding at the time of a public offer involving the company's stock.

**5.** decides that the Board of Directors shall have all powers, with the power to subdelegate in compliance with legal and regulatory conditions, in order to, in accordance with applicable legal and regulatory provisions, proceed with the permitted reallocations of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

All powers are consequently granted to the Board of Directors, with the power to subdelegate in accordance with legal and regulatory provisions, to implement this authorisation and specify, if necessary, the conditions and set the procedures in compliance with legal conditions and pursuant to this resolution, and in particular to issue all stock market orders, enter into all agreements, in particular for maintaining registers of purchases and sales of shares, completing all declarations with the French financial markets authority or any other competent authority, preparing all documents, for example informational documentation, completing all formalities and, generally, doing whatever is necessary.

The Board of Directors must inform in accordance with legal conditions, the Shareholders' Meeting of the operations performed by virtue of this authorisation.

**6.** decides that this delegation is granted for a period of eighteen (18) months as from the date of this Shareholders' Meeting. This terminates the delegation granted to the Board of Directors by the Shareholders' Meeting of June 2, 2014 in its fifth ordinary resolution.

### Ninth Resolution – *Powers to carry out formalities*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, grants all powers to the bearer of an original, copy or extract of the minutes from this meeting, in view of completing all filing and publication formalities.

### Within the authority of the Extraordinary Shareholders' Meeting:

### Tenth resolution – *Amendment of article 11 of the Articles of Association relating to shareholders' voting rights*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report, decides to amend article 11 of the Articles of Association. The following provision is added to article 11, paragraph 1:

"As an exception to the allocation of a double voting right for any share that has been fully paid up, as proven by the registration by name of the bearer for two years, in the name of the same shareholder, provided for in article L.225-123, paragraph 3 of the French Commercial Code, each shareholder is entitled to the same number of votes as the number of shares that he/she owns or represents."

### Eleventh resolution – *Delegation of authority to the Board of Directors to increase the share capital by issuing shares, without preferential subscription right, to a specific category of beneficiaries)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of articles L.225-129 et seq. and L.225-138 of the French Commercial Code:

1. delegates, with power to subdelegate in accordance with legal and regulatory provisions, its authority to proceed, in one or more instances, upon its own decision, in the proportions and at the times determined by them, both in France and abroad, to issue new shares, which issuance is reserved for the category of beneficiaries that meets the following characteristics: employees and former employees of the company and/or companies affiliated with the company under the provisions of article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labour Code, which have their registered office outside of France;
2. cancels, in favour of said beneficiaries, the preferential subscription right of the shareholders to the shares that would be issued by virtue of this authorisation;
3. decides that the nominal amount of the capital increase that could be carried out, by virtue of this delegation of authority, may not exceed €15 million or its equivalent in any other currency or currency unit established by reference to several currencies, noting that the nominal amount of any capital increase completed in application of this delegation shall be allotted towards the overall limit on the nominal amount of €250 million that is prescribed for the capital increases provided for in paragraph 2 of the tenth resolution of the Shareholders' Meeting of June 2, 2014. This cap shall be increased, where appropriate, by the par value of the shares to be issued in order to preserve, in compliance with legislative and regulatory provisions and, where appropriate, the applicable contractual stipulations, the rights of bearers of securities or other rights entitling their bearers to access the company's capital;
4. decides that the price of the securities issued in application of this delegation may not be more than 20% lower than the average price of the listed share in the last twenty trading sessions preceding the decision establishing the opening date of subscription, nor may it exceed that average. However, when this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. The Board of Directors may likewise decide to allot bonus shares to subscribers of new shares, in substitution of the discount and/or for employer matching;
5. decides that the Board of Directors shall have all powers, with the power to subdelegate in compliance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular for the purpose of:
   - determining the list of companies whose past and present employees may benefit from the issue, setting the conditions, particularly those pertaining to seniority, that the beneficiaries must fulfil in order to be able to subscribe to the shares to be issued to them by virtue of this delegation of authority;
   - setting the amounts of these issues and determining the prices, dates, periods, methods for each issue and the conditions for subscription, payment and delivery of the shares issued by virtue of this delegation of authority, as well as the date, even if retroactive, as of when the new shares will take effect;
   - setting the period granted to subscribers for payment of their shares;
   - recording or having recorded the completion of the capital increase in the amount of the shares to be effectively subscribed;
   - at its sole initiative, allotting the costs of the increase(s) in share capital to the premiums relating to these increases, and withdrawing from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase;
   - generally, taking all measures and performing all formalities that are useful for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation.
6. decides that this delegation is granted for a period of eighteen (18) months as from the date of this Shareholders' Meeting. This terminates the delegation granted by the Shareholders' Meeting of June 2, 2014 in its nineteenth resolution.

### Twelfth resolution – *Powers to carry out formalities*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, grants all powers to the bearer of an original, copy or extract of the minutes from this meeting, in view of completing all filing and publication formalities.

# 7.8 Special report of the Statutory Auditors on the agreements entered for the year ended December 31, 2014

*This is a free translation into English of the Statutory Auditors' Report on regulated agreements that is issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

Annual Shareholders' Meeting to approve the financial statements for the year ended December 31, 2014.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

Our responsibility is to report to shareholders, based on the information provided to us, the main terms and conditions of agreements and commitments that have been disclosed to us or that we have identified while carrying out our work. We are not required to comment on whether they are relevant or justified or to seek to identify any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

It is also our responsibility to report to you, where applicable, the information required by Article R.225-31 of the French Commercial Code relating to the performance, during the year under review, of agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted of verifying that the information provided to us was consistent with the relevant source documents.

## AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

### Agreements and commitments authorized during the year

In accordance with Article L.225-40 of the French Commercial Code, we were advised of the following agreements which received the prior authorization of your Board of Directors.

### Agreements signed in connection with the subordinated bond issue

#### Nature and purpose:

COFACE SA and Compagnie française d'assurance pour le commerce extérieur signed an agreement under which the latter guarantees the payment of all the amounts payable by COFACE SA with respect to the subordinated bond issue.

#### Term:

In return, COFACE SA undertakes to compensate Compagnie française d'assurance pour le commerce extérieur as from March 25, 2014. The annual premium rate is 0.2% with a basis for invoiced premiums of €380 million.

#### Directors involved:

COFACE SA controls la Compagnie française d'assurance pour le commerce extérieur.

#### Nature and purpose:

COFACE SA signed a loan agreement on behalf of Compagnie française d'assurance pour le commerce extérieur.

#### Terms:

The loan amounts to €314 million.

#### Directors involved:

COFACE SA controls la Compagnie française d'assurance pour le commerce extérieur

#### Nature and purpose:

COFACE SA signed an investment guarantee contract with a banking syndicate including Natixis under which all the syndicate banks undertake to do their utmost to find subscribers or otherwise subscribe themselves.

#### Terms:

In return, COFACE SA pays a compensation amounting to 0.40% of the par value of all the bonds.

#### Directors involved:

Natixis is a shareholder and director of COFACE SA

#### Nature and purpose:

COFACE SA, Compagnie française d'assurance pour le commerce extérieur and Caceis Corporate trust signed an agreement stipulating that the latter is the paying agent for the bonds.

#### Terms:

In return, it shall be compensated for a maximum amount not exceeding €15,548.

#### Directors involved:

COFACE SA controls la Compagnie française d'assurance pour le commerce extérieur.

These agreements were authorized by the Board of Directors on February 14, 2014.

### ◆ Credit agreement between Natixis and Coface Finanz Gmbh/Coface Poland Factoring:

#### Nature and purpose:

Establishment of a line of credit for financing the factoring activity in Germany and Poland.

#### Terms:

The line of credit granted to Coface Finanz Gmbh amounts to €200 million for the term from January 1, 2014 to December 31, 2014.

The line of credit for Coface Poland Factoring amounts to €300 million for a term that was initially set as January 1, 2014 to December 31, 2015, but then reduced to one year (through December 31, 2014) by the amendment No. 1 dated November 21, 2014.

#### Directors concerned:

Natixis is a shareholder and director of COFACE SA

This agreement was authorized by the Board of Directors' meeting of May 13, 2014.

### ◆ Agreement for the sale by Natixis of shares of Compagnie française d'assurance pour le commerce extérieur

#### Nature and purpose:

Natixis sold all the shares of Compagnie française d'assurance pour le commerce extérieur that it held on behalf of COFACE SA

#### Terms:

Natixis shall sell 91,683 shares representing 0.25% of the share capital and voting rights. The agreement shall be applicable subject to completion of the condition precedent of COFACE SA's stock market listing.

The share price was determined as follows: 156,841,307 X Pricing / 35,960,201.

"Pricing" represents the final Coface share price published the day before the shares are effectively listed.

#### Directors involved:

COFACE SA controls la Compagnie française d'assurance pour le commerce extérieur and Natixis is a common director of both companies.

These agreements were authorized by the Board of Directors on June 12, 2014.

### ◆ Investment guarantee contract with a pool of banks including Natixis

#### Nature and purpose:

Failing subscription to all or part of the shares, Natixis and the other banks undertake to acquire any unsubscribed shares on their own behalf.

#### Terms:

In return, compensation is payable by Natixis and mainly comprises the basic costs representing 1.85% of the total gross proceeds of the offer, discretionary costs amounting to a maximum of 1% of the total gross proceeds of the offer and coordination costs amounting to €373,000 per coordinator.

#### Directors involved:

Natixis is a shareholder and director of COFACE SA

These agreements were authorized by the Board of Directors on June 26, 2014.

### ◆ Liquidity agreement with Natixis:

#### Nature and purpose:

Under a liquidity agreement, COFACE SA authorizes Natixis to trade on the market in order to improve the liquidity of its shares.

#### Terms:

Natixis may trade for a maximum amount of €5 million and shall be paid an annual compensation of €40,000.

#### Directors involved:

Natixis is a shareholder and director of COFACE SA

These agreements were authorized by the Board of Directors on June 26, 2014.

### Commitment made to the benefit of Mr. Jean-Marc Pillu:

Officer concerned: Jean-Marc Pillu

Your Board of Directors decided at its meeting of May 13, 2014, on the terms for

compensating the COFACE SA top manager, including the following points:

- Exceptional compensation

One component of exceptional compensation linked to the change in the configuration of Coface's capital was established to the benefit of Mr. Jean-Marc Pillu.

Notional amount: €450 k

Vesting period: 2 years from the date COFACE SA shares are admitted for trading on Euronext Paris, i.e. through July 1, 2016

Conditions related to vesting:

- Admission of COFACE SA shares on the Euronext Paris market, with no performance conditions, and
- The beneficiary being in service at the company on July 1, 2016. This condition shall not apply in the event of an involuntary departure.

- Closure compensation

Mr. Jean-Marc Pillu shall benefit from severance pay in an amount equal to two years' salary (fixed + variable parts) in the event that his corporate office is terminated. The reference salary used for the fixed portion shall be the yearly salary in effect at the date of departure. The reference salary for the variable part shall be the average of the variable shares collected during the last three years preceding the date of departure. This compensation would nevertheless be excluded in the event that he voluntarily leaves the Coface Group, or if he leaves due to a serious offense or gross negligence.

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

- Achievement of at least 75% of the annual objectives on average during the last three financial years preceding the date of departure, and
- Combined net ratio of at most 95% on average during the last three years preceding the departure date.

If both conditions have been met, the full compensation shall be due. If just one of the two conditions above has been fulfilled, 50% of the compensation shall be due. If none of the conditions above has been met, no indemnity shall be due.

## AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

### Agreements and commitments authorized during previous years which have had continuing effect during the year under review

Pursuant to Article R.225-30 of the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

### Loan agreement with Natixis

#### Nature and purpose:

On October 3, 2014, Natixis and COFACE SA signed a second amendment to the 2012 agreement stipulating that Natixis agreed to grant a credit line of €100 million to COFACE SA.

#### Terms:

The amendment is valid for one year until October 3, 2015. The features of the credit line do not change compared with the initial amendment signed in 2013, i.e. the interest rate applicable to drawdowns is 1-month Euribor plus 0.91%. Furthermore, out of the total available amount of credit, Natixis shall collect an annual non-utilization fee of 0.32%.

#### Directors involved:

Natixis is a shareholder of COFACE SA.

This agreement was reviewed by the Board of Directors on October 29, 2014.

Paris La Défense et Neuilly sur Seine, March 30, 2015

The Statutory Auditors

| KPMG SA | *Damien Leurent* |
| --- | --- |
| *Francine Morelli* | Deloitte & Associés |

# ADDITIONAL INFORMATION

**8.1** Person responsible for the registration document and statement of the person responsible for the registration document 266

**8.1.1** Name and function of the person responsible for the registration document 266

**8.1.2** Statement of the person responsible for the 2014 registration document 266

**8.2** Name of the person responsible for the financial information 266

**8.3** Statutory Auditors 267

**8.3.1** Statutory Auditors 267

**8.3.2** Alternate Statutory Auditors 267

**8.4** Documents accessible to the public 267

**8.5** Cross-reference table for the registration document 268

**8.6** Cross-reference table for the annual financial report 271

**8.7** Cross-reference table for the management report 271

**8.8** Cross-reference table for the Shareholders' Meeting 272

**8.9** Cross-reference table on corporate, environmental and societal information 273

**8.10** Incorporation by reference 275

# 8.1 Person responsible for the registration document and statement of the person responsible for the registration document

## 8.1.1 NAME AND FUNCTION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Marc Pillu, Chief Executive Officer (CEO) of COFACE SA.

## 8.1.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE 2014 REGISTRATION DOCUMENT

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this registration document, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and results of the Company, and that the management report in this registration document presents an accurate picture of events, results, and the financial position of the Company and all consolidated companies, as well as a description of the principal risks and uncertainties that they face.

I have received a work completion letter from the Statutory Auditors indicating that they have verified the information about the financial position and the financial statements provided in this registration document as well as a reading of the full registration document.

The consolidated historic financial information for the financial year ended December 31, 2014 presented in this registration document has been subject to a report by the Statutory Auditors which is provided in section 4.7 of this registration document and contains an observation.

The consolidated historic financial information for the financial year ended December 31, 2013 and December 31, 2012 presented in the Core registration document registered with the AMF on May 6, 2014 under number I.14-029 has been subject to a report by the Statutory Auditors which is provided in section 20.2 of this registration document and contains an observation.

Paris, April 13, 2015

Mr Jean-Marc Pillu
Chief Executive Officer (CEO)

# 8.2 Name of the person responsible for the financial information

Nicolas Andriopoulos

Head of Reinsurance and Financial Communication

# 8.3 Statutory Auditors

## 8.3.1 STATUTORY AUDITORS

Deloitte & Associés
185 avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Represented by Damien Leurent

Deloitte & Associés was appointed by the Company's Annual Shareholders' Meeting of May 14, 2013 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2018.

Deloitte & Associés is a member of Compagnie Régionale des Commissaires aux Comptes de Versailles.

KMPG S.A.
3 cours du Triangle
Immeuble Le Palatin
92939 Paris La Défense Cedex, France

Represented by Francine Morelli

KPMG S.A. was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2019.

KPMG S.A. is a member of Compagnie Régionale des Commissaires aux Comptes de Versailles.

## 8.3.2 ALTERNATE STATUTORY AUDITORS

BEAS

195 avenue Charles de Gaulle

92200 Neuilly-sur-Seine France

Represented by Mireille Berthelot

BEAS was appointed by the Company's Annual Shareholders' Meeting of May 16, 2012 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2017.

BEAS is a member of Compagnie Régionale des Commissaires aux Comptes de Versailles.

KPMG AUDIT FS I

3 cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex France

Represented by Isabelle Goalec

KPMG AUDIT FS I was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2019.

KPMG AUDIT FS I is a member of Compagnie Régionale des Commissaires aux Comptes de Versailles.

# 8.4 Documents accessible to the public

The documents relating to the Coface Group (constituent documents, bylaws, rapports, letters and other documents, individual and consolidated historical financial information for each of the two financial years preceding publication of this document) are partly included in this document and can be freely consulted at its head office, preferably by appointment.

This registration document is available in the "Investors" section of the the corporate website www.coface.com.

Copies of this document are available free of charge at the Company's head office.

Any person wishing to obtain additional information on the Coface Group may request the documents without appointment and free of change:

- by post:

Coface
Communication financière - Relations investisseurs
1 Place Costes et Bellonte, 92270 Bois Colombes. France

- by e-mail:

Nicolas Andriopoulos / Head of Reinsurance and Financial Communication

Cécile Combeau / Investor Relations
investors@coface.com

# 8.5 Cross-reference table for the registration document

In order to facilitate reading of this document, the following cross-reference table refers to the main sections required by Annex 1 of EC regulation no. 809/2004 of April 29, 2004 applied from the "Prospectus" directive.


| SECTIONS OF ANNEX 1 OF THE EUROPEAN REGULATION NO. 809/2004 | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| **1. PERSONS RESPONSIBLE** | |
| 1.1 Persons responsible for information | 266 |
| 1.2 Statement of the person responsible for the registration document | 266 |
| **2. STATUTORY AUDITORS** | |
| 2.1 Address | 267 |
| 2.2 Changes | 267 |
| **3. SELECTED FINANCIAL INFORMATION** | |
| 3.1 Historical financial information | 3 to 4; 7 |
| 3.2 Interim financial information | n/a |
| **4. RISK FACTORS** | 213 to 226 |
| **5. INFORMATION ABOUT THE ISSUER** | |
| 5.1 History and development | 10 to 11 |
| 5.1.1 Corporate name | 244 |
| 5.1.2 Registration with the R.C.S | 244 |
| 5.1.3 Date of formation and duration | 244 |
| 5.4.1 Registered Office legal form – applicable legislation | 244 |
| 5.1.5 Important events in the development of Company business lines | 10 to 11 |
| 5.2 Investments | 125 |
| 5.2.1 Realised | 125 |
| 5.2.2 Current | n/a |
| 5.2.3 Planned | n/a |
| **6. BUSINESS OVERVIEW** | |
| 6.1 Principal activities | 12 to 23 |
| 6.1.1 Transactions and main business lines | 12 to 23 |
| 6.1.2 New products | 25 |
| 6.2 Principal markets | 24 to 37 |
| 6.3 Exceptional factors | n/a |
| 6.4 Degree of dependence | 97 |
| 6.5 Competitive positioning | 31 to 38 |
| **7. ORGANISATIONAL STRUCTURE** | |
| 7.1 Summary of the Group | 8; 139 to 144 |
| 7.2 List of significant subsidiaries | 8; 139 to 144 |
| **8. PROPERTY, PLANT AND EQUIPMENT** | |
| 8.1 Significant existing or planned property, plant and equipment | 94; 160 to 161 |
| 8.2 Environmental factors likely to influence the use of property, plant and equipment | 214 to 217 |

| SECTIONS OF ANNEX 1 OF THE EUROPEAN REGULATION NO. 809/2004 | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| **9. ASSESSMENT OF THE FINANCIAL POSITION AND INCOME OF THE COFACE GROUP** | |
| 9.1 Financial position | 116 to 118; 128 to 129 |
| 9.2 Operating results | 109 to 115; 130; 124 to 125 |
| 9.2.1 Significant factors | n/a |
| 9.2.2 Significant changes in net revenue or net income | 109 to 110 |
| 9.2.3 External influences | 109 to 115 |
| **10. GROUP CASH AND CAPITAL RESOURCES** | |
| 10.1 Issuer capital | 119 to 122 |
| 10.2 Cash flow | 116; 134 to 135 |
| 10.3 Loan condition and finance structuring | 116 to 118 |
| 10.4 Restriction on use of capital | 224 to 225 |
| 10.5 Expected financing sources | n/a |
| **11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES** | 97 |
| **12. INFORMATION ON TRENDS** | |
| 12.1 Main trends | n/a |
| 12.2 Elements likely to significantly influence the prospects | n/a |
| **13. PROFIT FORECASTS OR ESTIMATES** | |
| 13.1 Assumptions | n/a |
| 13.2 Statutory Auditors' report on the income forecasts | n/a |
| **14. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND GENERAL MANAGEMENT** | |
| 14.1 Information on the members of the Company's administrative and management bodies | 50 to 60 |
| 14.2 Conflicts of interest | 69 |
| **15. REMUNERATION AND BENEFITS** | |
| 15.1 Paid remuneration and benefits | 61 to 68 |
| 15.2 Amounts put in reserve or otherwise recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement, or other benefits | 68 |
| **16. PRACTICES OF ADMINISTRATIVE AND MANAGEMENT BODIES** | |
| 16.1. Duration of mandates | 50 to 60 |
| 16.2 Service contracts | 60 |
| 16.3 Committees | 60; 70 to 74 |
| 16.4 Compliance with corporate governance rules | 74 |
| **17. EMPLOYEES** | |
| 17.1 Company employees | 229 to 230 |
| 17.2 Interests and stock-options | 154; 169 to 170 |
| 17.3 Profit-sharing agreements | 231 to 233 |
| **18. MAJOR SHAREHOLDERS** | |
| 18.1 Distribution of capital | 252 to 253 |
| 18.2 Different voting rights | 252 |
| 18.3 Issuer control | 252 |
| 18.4 Shareholder agreements | n/a |
| **19. TRANSACTIONS WITH RELATED PARTIES** | n/a |

| SECTIONS OF ANNEX 1 OF THE EUROPEAN REGULATION NO. 809/2004 | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| **20. FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE COFACE GROUP** | |
| 20.1 Historical financial information | 128 to 212 |
| 20.2 Pro forma financial information | n/a |
| 20.3 Financial statements | 128 to 212 |
| 20.4 Verification of annual historical financial information | 211 to 212 |
| 20.4.1 Declarations | 211 to 212 |
| 20.4.2 Other verified information | 69 to 98; 229 to 239; 261 to 263 |
| 20.4.3 Other unverified information | n/a |
| 20.5 Date of latest financial information | 137; 275 |
| 20.6 Interim and other financial information | n/a |
| 20.7 Dividend distribution policy | 123; 247 |
| 20.8 Judicial and arbitration procedures | 97 |
| 20.9 Significant change in the financial or trading position | 104 |
| **21. ADDITIONAL INFORMATION** | |
| 21.1. Share capital | 252 |
| 21.1.1 Subscribed and authorised capital | 249 to 253 |
| 21.1.2 Shares not representing capital | 250 |
| 21.1.3 Independent control and holding | 250 to 251 |
| 21.1.4 Securities | 251 |
| 21.1.5 Acquisition conditions | 251 |
| 21.1.6 Options or agreements | 251 |
| 21.1.7 History of capital | 251 |
| 21.2 Memorandum and Articles of Association | 244 to 248 |
| 21.2.1 Corporate purpose | 244 |
| 21.2.2 Regulation of the management and supervisory bodies | 244 to 246 |
| 21.2.3 Share rights and privileges | 247 |
| 21.2.4 Change to shareholders' rights | 247 |
| 21.2.5 Shareholders' Meetings | 247 to 248 |
| 21.2.6 Change of control elements | 248 |
| 21.2.7 Participation threshold | 248 |
| 21.2.8 Changes to capital | 248 |
| **22. MATERIAL CONTRACTS** | 253 |
| **23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTERESTS** | n/a |
| 23.1 Expert statements | n/a |
| 23.2. Other declarations | n/a |
| **24. DOCUMENTS ACCESSIBLE TO THE PUBLIC** | 267 |
| **25. INFORMATION ON HOLDINGS** | 139 to 144 |

## 8.6 Cross-reference table for the annual financial report

| SECTIONS OF THE ANNUAL FINANCIAL REPORT | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| Parent company financial statements | 200 to 210 |
| Consolidated financial statements | 128 to 199 |
| Management Report | 100 to 125 |
| Statement of the person responsible for the annual financial report | 266 |
| Statutory Auditors' review report on the annual financial statements | 212 |
| Statutory Auditors' review report on the consolidated financial statements | 211 |
| Statutory Auditors' fees | 199 |
| Report from the Chairman of the Board of Directors on corporate governance and internal control procedures | 69 to 97 |
| Report from the Statutory Auditors on the report of the Chairman of the Board of Directors | 98 |

## 8.7 Cross-reference table for the management report

| SECTIONS OF THE MANAGEMENT REPORT | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| Business line and development of business, income, and the Company's financial position. Key indicators of financial and non-financial performance used for the Company's specific business (particularly information relating to environmental and personnel issues) | 100 to 125 |
| Indications on the Company's use of financial instruments, when relevant for the evaluation of its assets, liabilities, financial positions and it s profit and loss. | 100 to 125; 162 to 166 |
| Description of the main risks and uncertainties | 78 to 97; 214 to 226 |
| Information on the Company's capital structure and the elements that could have an impact in the case of a public offering | 102; 249 to 250 |
| Number of shares bought and sold during the year | 250 to 251 |
| Compensation of corporate officers | 61 to 67 |
| Terms of office and duties of corporate officers | 50 to 60 |
| Research and development activities, corporate, environmental and societal information | 228 to 243 |

# 8.8 Cross-reference table for the Shareholders' Meeting

| SUMMARY OF THE COMPANY'S POSITION DURING THE PAST YEAR | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|
| Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report | 240 to 241 |
| Report by the Chairman of the Board of Directors on the composition, and preparation and organisation conditions of the Board's work and on internal control procedures (Article L.225-37, paragraph 6 and L.225-115, 2 of the French Commercial Code) | 68 to 97 |
| Usual surnames and first names of directors and managers and where necessary, the details of the other companies in which these person exercise their roles of management, leadership, administration, or supervision (Article L.225-115, 1 and R. 225-83, 5 of the French Commercial Code) | 50 to 60 |
| Report of the Statutory Auditors on the Report of the Chairman of the Board (Article L.225-235 of the French Commercial Code) | 98 |
| Management report on the accounts for the year ended December 31, 2013, including the report on the Consolidated financial statements (Article L.233-26 of the French Commercial Code) | 99 to 125 |
| Inventory of the assets and liabilities elements of the Company's assets and liabilities (Article L.225-115, 1 of the French Commercial Code) | |
| Consolidated financial statements and report on Group management (Article L.225-115,1 and R.225-83, 6 of the French Commercial Code) | 100 to 125; 128 to 199 |
| Statutory Auditors' review report on the consolidated financial statements | 211 |
| Annual financial statements (balance sheet, income statement and notes) of the past year as well as the table of impacts on income (Article L.225-115,1 and R.225-83, 6 of the French Commercial Code) | 200 to 210 |
| Table showing the Company's results over the last five years (Article L.225-83, 6 and Annex 2-2 of Book II of the French Commercial Code) | 210 |

# 8.9 Cross-reference table on corporate, environmental and societal information

| REFERENCE GRENELLE II LAW | NAME | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|---|
| **1 - CORPORATE INFORMATION:** | | |
| Art. R.225-105-1-I1° a) | **a) Employment:**<br>■ total workforce and breakdown of employees by gender, age, and geographical region<br>■ hiring and redundancy<br>■ compensation and its evolution | 228 to 233 |
| Art. R.225-105-1-I1° b) | **b) Work organisation:**<br>■ working time organisation | 229 to 233 |
| Art. R.225-105-1-I1° b) | ■ absenteeism | 230 |
| Art. R.225-105-1-I1° c) | **c) Corporate relations:**<br>■ organisation of social dialogue, particularly information and personnel consultation procedures and negotiation procedures with staff<br>■ the report on collective agreements | 232 to 233 |
| Art. R.225-105-1-I1° d) | **d) Health and safety:**<br>■ health and safety at work conditions<br>■ the report on agreements signed with trade unions or employee representatives on the subject of health and safety at work | 232 to 233 |
| Art. R.225-105-1-I1° d) | ■ workplace accidents, particularly their frequency and seriousness, as well as professional illnesses | 233 |
| Art. R.225-105-1-I1° e) | **e) Training:**<br>■ training policies implemented<br>■ total number of training hours | 230 to 231 |
| Art. R.225-105-1-I1° f) | **f) Equality of treatment:**<br>■ measures taken to promote equality between men and women<br>■ measures taken to promote the employment and integration of people with disabilities<br>■ anti-discrimination policy | 233 |
| Art. R.225-105-1-I1° g) | **g) Respect for the fundamental conventions of the International Labour Organization concerning:**<br>■ respect of liberty of association and the right of collective bargaining<br>■ elimination of professional and employment discrimination<br>■ elimination of forced or mandatory labour<br>■ effective abolition of child labour | 233 |

| REFERENCE GRENELLE II LAW | NAME | PAGE NUMBER OF REGISTRATION DOCUMENT |
|---|---|---|
| **2 - ENVIRONMENTAL INFORMATION:** | | |
| Art. R.225-105-1-I2° a) | **a) General environmental policy**<br>■ organisation of the Company to take account of the environmental issues and, where necessary, approaches to environmental assessment or certification<br>■ actions on employee training and information regarding environmental protection<br>■ the means devoted to environmental risk and pollution prevention | 234 |
| Art. R.225-105-1-I2° a) | ■ the amount of provisions and guarantees for environmental risks, subject to this information not causing serious prejudice to the company in a current litigation | n/a |
| Art. R.225-105-1-I2° b) | **b) Pollution and waste management:**<br>■ prevention, reduction or repair measures for discharge into the air, water, and soil seriously affecting the environment<br>■ waste prevention, recycling and elimination measures<br>■ consideration of noise pollution and all other forms of pollution specific to an activity | 235 |
| Art. R.225-105-1-I2° c) | **c) Sustainable use of resources:**<br>■ water consumption and supply according to local restraints<br>■ consumption of raw materials and measures taken to improve the efficacy in their use<br>■ energy consumption, measures taken to improve energy efficiency and recourse to renewable energy | 235 to 236 |
| Art. R.225-105-1-I2° c) | ■ use of soil | n/a |
| Art. R.225-105-1-I2° d) | **d) Climate change:**<br>■ greenhouse gas emissions | 236 |
| Art. R.225-105-1-I2° d) | ■ adaptation to the consequences of climate change | n/a |
| Art. R.225-105-1-I2° e) | **e) Protecting biodiversity:**<br>■ measures taken to preserve or develop biodiversity | 236 |
| **3 - INFORMATION RELATING TO SOCIETAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT:** | | |
| Art. R.225-105-1-I3° a) | **a) Regional, economic, and social impact of the Company's activity:**<br>■ on employment and regional development<br>■ on local or neighbouring populations | 237 |
| Art. R.225-105-1-I3° b) | **b) Relationships with people or organisation affected by the Company's business, particularly integration organisations, teaching establishments, environmental protection organisations, consumer associations, and neighbouring populations**<br>■ conditions of dialogue with these persons or organisations<br>■ partnership and corporate philanthropy | 237 to 238 |
| Art. R.225-105-1-I3° c) | **c) Subcontracting and providers:**<br>■ consideration of social and environmental issues within the purchasing policy | 238 |
| Art. R.225-105-1-I3° c) | ■ the importance of sub-contracting and consideration of sub-contractors' and suppliers' social and environmental responsibility as part of the Company's relations with them | 238 |
| Art. R.225-105-1-I3° d) | **d) Loyalty of practices:**<br>■ anti-corruption actions<br>■ consumer health and safety measures | 239 |
| Art. R.225-105-1-II3° e) | **e) Other human rights initiatives:** | 239 |

# 8.10 Incorporation by reference

The registration document, by reference to the Core registration document registered by the Autorité des marchés financiers (French securities regulator) on May 6, 2014 under number I.14-029, incorporates the following items:

- Chapter 3 (all): pages 11 to 13;
- Chapter 9.4 (all): pages 167 to 175;
- Chapter 9.5 (all): pages 175 to 182;
- Chapter 20.1 (all): pages 246 to 366; and
- Chapter 20.2 (all): pages 367 to 368.

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