4.1 CONSOLIDATED FINANCIAL STATEMENTS

4.1.1 Consolidated balance sheet

Assets

(in thousands of euros)	Notes	Dec. 31, 2019	Jan. 1, 2019*	Dec. 31, 2018
Intangible assets		**220,844**	**220,675**	**220,675**
Goodwill	*1*	155,833	155,058	155,058
Other intangible assets	*2*	65,011	65,617	65,617
Insurance business investments	*3*	**2,990,686**	**2,833,613**	**2,833,613**
Investment property	*3*	288	288	288
Held-to-maturity securities	*3*	1,842	1,848	1,848
Available-for-sale securities	*3*	2,911,034	2,742,533	2,742,533
Trading securities	*3*	43	9,527	9,527
Derivatives	*3*	1,809	2,354	2,354
Loans and receivables	*3*	75,670	77,063	77,063
Receivables arising from banking activities	*4*	**2,346,710**	**2,509,047**	**2,509,047**
Reinsurers' share of insurance liabilities	*17*	**450,367**	**425,398**	**425,398**
Other assets		**1,053,538**	**1,013,283**	**927,888**
Buildings used for operations purposes and other property, plant and equipment	*6*	123,776	134,367	48,972
Deferred acquisition costs	*8*	40,384	42,176	42,176
Deferred tax assets	*19*	64,042	52,809	52,809
Receivables arising from insurance and reinsurance operations	*7*	532,362	498,826	498,826
Trade receivables arising from service activities	*8*	62,112	48,553	48,553
Current tax receivables	*8*	49,675	57,267	57,267
Other receivables	*8*	181,187	179,285	179,285
Cash and cash equivalents	*9*	320,777	302,419	302,419
TOTAL ASSETS		**7,382,922**	**7,304,435**	**7,219,040**

** Effects related to the first application of IFRS 16.*

Liabilities

(in thousands of euros)	Notes	Dec. 31, 2019	Jan. 1, 2019 *	Dec. 31, 2018
Equity attributable to owners of the parent		**1,924,472**	**1,806,452**	**1,806,249**
Share capital	*10*	304,064	307,799	307,799
Additional paid-in capital		810,420	810,420	810,420
Retained earnings		512,438	509,128	508,925
Other comprehensive income		150,821	56,772	56,772
Consolidated net income of the year		146,729	122,333	122,333
Non-controlling interests		**269**	**148**	**148**
Total equity		**1,924,741**	**1,806,600**	**1,806,397**
Provisions for liabilities and charges	*13*	**100,932**	**94,344**	**94,344**
Financing liabilities	*15*	**389,261**	**388,729**	**388,729**
Lease liabilities	*16*	**92,990**	**85,395**	**0**
Liabilities relating to insurance contracts	*17*	**1,827,219**	**1,746,379**	**1,746,379**
Payables arising from banking activities	*18*	**2,362,805**	**2,544,716**	**2,544,716**
Amounts due to banking sector companies	*18*	523,020	660,204	660,204
Amounts due to customers of banking sector companies	*18*	301,058	346,932	346,932
Debt securities	*18*	1,538,727	1,537,580	1,537,580
Other liabilities		**684,974**	**638,272**	**638,475**
Deferred tax liabilities	*19*	107,357	96,058	95,962
Payables arising from insurance and reinsurance operations	*20*	219,863	195,653	195,653
Current taxes payables	*21*	66,295	41,580	41,580
Derivatives	*21*	889	1,666	1,666
Other payables	*21*	290,570	303,315	303,614
TOTAL EQUITY AND LIABILITIES		**7,382,922**	**7,304,435**	**7,219,040**

** Effects related to the first application of IFRS 16.*

Effects of the first application of IFRS 16 “Leases” on the balance sheet

Assets

(in thousands of euros)	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019*
Intangible assets	**220,675**		**220,675**
Goodwill	155,058		155,058
Other intangible assets	65,617		65,617
Insurance business investments	**2,833,613**		**2,833,613**
Investment property	288		288
Held-to-maturity securities	1,848		1,848
Available-for-sale securities	2,742,533		2,742,533
Trading securities	9,527		9,527
Derivatives	2,354		2,354
Loans and receivables	77,063		77,063
Receivables arising from banking activities	**2,509,047**		**2,509,047**
Reinsurers' share of insurance liabilities	**425,398**		**425,398**
Other assets	**927,888**	**85,395**	**1,013,283**
Buildings used in the business and other property, plant and equipment	48,972	85,395	134,367
Deferred acquisition costs	42,176		42,176
Deferred tax assets	52,809		52,809
Receivables arising from insurance and reinsurance operations	498,826		498,826
Trade receivables arising from service activities	48,553		48,553
Current tax receivables	57,267		57,267
Other receivables	179,285		179,285
Cash and cash equivalents	**302,419**		**302,419**
TOTAL ASSETS	**7,219,040**	**85,395**	**7,304,435**

** Effects related to the first application of IFRS 16.*

Liabilities

(in thousands of euros)	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019*
Equity attributable to owners of the parent	**1,806,249**	**203**	**1,806,452**
Share capital	307,799		307,799
Additional paid-in capital	810,420		810,420
Retained earnings	508,925	203	509,128
Other comprehensive income	56,772		56,772
Consolidated net income for the year	122,333		122,333
Non-controlling interests	**148**		**148**
Total equity	**1,806,397**	**203**	**1,806,600**
Provisions for liabilities and charges	**94,344**		**94,344**
Financing liabilities	**388,729**		**388,729**
Lease liabilities	**0**	**85,395**	**85,395**
Liabilities relating to insurance contracts	**1,746,379**		**1,746,379**
Payables arising from banking activities	**2,544,716**		**2,544,716**
Amounts due to banking sector companies	660,204		660,204
Amounts due to customers of banking sector companies	346,932		346,932
Debt securities	1,537,580		1,537,580
Other liabilities	**638,475**	**(203)**	**638,272**
Deferred tax liabilities	95,962	96	96,058
Payables arising from insurance and reinsurance operations	195,653		195,653
Current taxes payable	41,580		41,580
Derivatives	1,666		1,666
Other payables	303,614	(298)	303,315
TOTAL EQUITY AND LIABILITIES	**7,219,040**	**85,395**	**7,304,435**

** Effects related to the first application of IFRS 16.*

4.1.2 Consolidated income statement

(in thousands of euros)	Notes	Dec. 31, 2019	Dec. 31, 2018
Gross written premiums		*1,327,635*	*1,263,364*
Premium refunds		*(95,079)*	*(106,516)*
Net change in unearned premium provisions		*3,041*	*(14,240)*
Earned premiums	*22*	**1,235,597**	**1,142,608**
Fee and commission income		*140,115*	*132,418*
Net income from banking activities		*64,106*	*66,713*
Income from services activities		*41,270*	*42,995*
Other revenue	*22*	**245,491**	**242,127**
Revenue		**1,481,088**	**1,384,735**
Claims expenses	*23*	**(536,247)**	**(504,509)**
Policy acquisition costs	*24*	*(242,675)*	*(243,236)*
Administrative costs	*24*	*(274,784)*	*(241,136)*
Other insurance activity expenses	*24*	*(70,739)*	*(82,556)*
Expenses from banking activities, excluding cost of risk	*24/25*	*(13,742)*	*(13,552)*
Expenses from services activities	*24*	*(75,198)*	*(77,739)*
Operating expenses	*24*	**(677,138)**	**(658,219)**
Risk cost	*25*	**(1,804)**	**(2,122)**
UNDERWRITING INCOME BEFORE REINSURANCE		**265,899**	**219,885**
Income and expenses from ceded reinsurance	*26*	(77,963)	(62,128)
UNDERWRITING INCOME AFTER REINSURANCE		**187,936**	**157,757**
Investment income, net of management expenses (excluding finance costs)	*27*	36,940	51,124
CURRENT OPERATING INCOME		**224,876**	**208,881**
Other operating income and expenses	*28*	(6,000)	(4,974)
OPERATING INCOME		**218,876**	**203,907**
Finance costs		(21,385)	(17,681)
Share in net income of associates		0	592
Badwill		4,662	0
Income tax expense	*29*	(55,434)	(64,132)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**146,719**	**122,686**
Non-controlling interests		10	(353)
NET INCOME FOR THE YEAR		**146,729**	**122,333**
Earnings per share *(in €)*	*31*	0.97	0.79
Diluted earnings per share *(in €)*	*31*	0.97	0.79

4.1.3 Consolidated statement of comprehensive income

(in thousands of euros)	Notes	Dec. 31, 2019	Dec. 31, 2018
Net income of the period		**146,729**	**122,333**
Non-controlling interests		(10)	353
Other comprehensive income			
Currency translation differences reclassifiable to income		**19,163**	**(2,870)**
Reclassified to income		*0*	*0*
Recognised in equity		*19,163*	*(2,870)*
Fair value adjustments on available-for-sale financial assets	*3;12;19*	**78,024**	**(17,985)**
Recognised in equity – reclassifiable to income – gross		*107,140*	*(39,298)*
Recognised in equity – reclassifiable to income – tax effect		*(21,795)*	*20,627*
Reclassified to income – gross		*(8,927)*	*1,913*
Reclassified to income – tax effect		*1,606*	*(1,227)*
Fair value adjustments on employee benefit obligations	*3;12;19*	**(3,229)**	**1,395**
Recognised in equity – not reclassifiable to income – gross		*(4,386)*	*1,823*
Recognised in equity – not reclassifiable to income – tax effect		*1,157*	*(428)*
Other comprehensive income of the period, net of tax		**93,958**	**(19,460)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**240,677**	**103,226**
♦ attributable to owners of the parent		240,679	102,979
♦ attributable to non-controlling interests		(2)	247

4.1.4 Consolidated statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
Equity at December 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**
Effect of the first application of the standard IFRS 9				**(198)**	
2017 net income to be appropriated				83,213	
Payment of 2017 dividends in 2018				(52,895)	
Total transactions with owners		**0**	**0**	**30,318**	**0**
December 31, 2018 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(6,697)		(23,303)	30,000
Treasury shares elimination					(46,786)
Free share plans expenses				515	
Transactions with shareholders				18	
Equity at December 31, 2018		**307,799**	**810,420**	**530,377**	**(21,452)**
Effect of the first application of the standard IFRS 16				**202**	
2018 net income to be appropriated				122,333	
Payment of 2018 dividends in 2019				(119,424)	
Total transactions with owners		**0**	**0**	**2,909**	**0**
December 31, 2019 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity	*3; 12; 14; 19*				
Fair value adjustments on available-for-sale financial assets reclassified to income statement	*3; 12; 14; 19*				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(3,735)		(11,265)	15,000
Treasury shares elimination					(4,738)
Free share plans expenses				1,277	
Transactions with shareholders				128	
EQUITY AT DECEMBER 31, 2019		**304,064**	**810,420**	**523,628**	**(11,190)**

Other comprehensive income						
Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(24,913)	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**
				(198)		**(198)**
			(83,213)	0		0
				(52,895)	(6)	(52,901)
0	**0**	**0**	**(83,213)**	**(52,895)**	**(6)**	**(52,901)**
			122,333	122,333	353	122,686
	(18,668)			(18,668)	(3)	(18,671)
	686			686	0	686
		1,395		1,395	0	1,395
(2,767)				(2,767)	(103)	(2,870)
				0	0	0
				(46,786)	0	(46,786)
				515	0	515
(5)	0			13	(253)	(240)
(27,685)	**106,641**	**(22,184)**	**122,333**	**1,806,249**	**148**	**1,806,397**
				202		**202**
			(122,333)	0		0
				(119,424)	(6)	(119,430)
0	**0**	**0**	**(122,333)**	**(119,424)**	**(6)**	**(119,430)**
			146,729	146,729	(10)	146,719
	85,338			85,338	7	85,345
	(7,320)			(7,320)	(1)	(7,321)
		(3,229)		(3,229)	0	(3,229)
19,161				19,161	2	19,163
				0		0
				(4,738)	0	(4,738)
				1,277	0	1,277
99	0			227	129	356
(8,425)	**184,659**	**(25,413)**	**146,729**	**1,924,472**	**269**	**1,924,741**

4.1.5 Consolidated statement of cash flows

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Net income for the period	**146,729**	**122,333**
Non-controlling interests	(10)	353
Income tax expense	55,434	64,132
+/- Share in net income of associates		(592)
Finance costs	21,385	17,681
Operating income (A)	**223,538**	**203,907**
+/- Depreciation, amortization and impairment losses	43,499	(5,282)
+/- Net additions to/reversals from technical provisions	26,210	57,428
+/- Unrealized foreign exchange income/loss	(4,845)	(6,958)
+/- Non-cash items	26,181	(15,051)
Total non-cash items (B)	***91,045***	***30,137***
Gross cash flows from operations (C) = (A) + (B)	***314,583***	***234,044***
Change in operating receivables and payables	(8,074)	(74,892)
Net taxes paid	(39,389)	(64,772)
Net cash related to operating activities (D)	***(47,463)***	***(139,664)***
Increase (decrease) in receivables arising from factoring operations	167,125	2,612
Increase (decrease) in payables arising from factoring operations	(44,727)	(74,491)
Increase (decrease) in factoring liabilities	(141,814)	102,295
Net cash generated from banking and factoring operations (E)	***(19,416)***	***30,416***
Net cash generated from operating activities (F) = (C+D+E)	**247,704**	**124,796**
Acquisitions of investments	(773,793)	(341,747)
Disposals of investments	(708,711)	375,163
Net cash used in movements in investments (G)	***(65,082)***	***33,416***
Acquisitions of consolidated subsidiaries, net of cash acquired	(11,186)	
Disposals of consolidated companies, net of cash transferred		14,202
Net cash used in changes in scope of consolidation (H)	***(11,186)***	***14,202***
Acquisitions of property, plant and equipment and intangible assets	(14,299)	(20,541)
Disposals of property, plant and equipment and intangible assets	(12,942)	4,196
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(1,357)***	***(16,345)***
Net cash used in investing activities (J) = (G+H+I)	**(77,625)**	**31,273**
Proceeds from the issue of equity instruments	-	-
Treasury share transactions	(4,122)	(46,786)
Dividends paid to owners of the parent	(119,424)	(52,895)
Dividends paid to non-controlling interests	(6)	(6)
Cash flows related to transactions with owners	***(123,552)***	***(99,687)***
Proceeds from the issue of debt instruments	-	-
Cash used in the redemption of debt instruments	-	-
Lease liabilities variations	(10,902)	
Interests paid	(20,854)	(16,276)
Cash flows related to the financing of Group operations	***(31,756)***	***(16,276)***
Net cash generated from (used in) financing activities (K)	**(155,308)**	**(115,963)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**3,587**	**2,012**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**18,358**	**38,094**
Net cash generated from operating activities (F)	247,704	124,796
Net cash used in investing activities (J)	(77,625)	31,273
Net cash generated from (used in) financing activities (K)	(155,308)	(115,963)
Impact of changes in exchange rates on cash and cash equivalents (L)	3,587	(2,012)
Cash and cash equivalents at beginning of period	**302,419**	**264,325**
Cash and cash equivalents at end of period	**320,777**	**302,419**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**18,358**	**38,094**

4.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as at December 31, 2019 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and as adopted by the European Union [1]. They are detailed in the "Accounting principles" section.

The balance sheet is presented with comparative financial information at January 1, 2019 and December 31, 2018. The income statement is presented with comparative financial information at December 31, 2018.

The comparison on January 1, 2019 following the application of IFRS 16 is provided for detailed information on balance sheet notes.

These IFRS consolidated financial statements for the year ended December 31, 2019 were reviewed by the Coface Group's Board of Directors on February 5, 2020.

SIGNIFICANT EVENTS

Acquisition of SID – PKZ (Slovenia)

On April 15, 2019, Coface announced the acquisition of 100% of the capital of SID – PKZ, the market leader in credit insurance in Slovenia. The business operates under the new brand name Coface PKZ. Founded by SID Bank in 2005, SID – PKZ recorded €14.3 million of gross written premium in 2018. The transaction had a neutral impact on Coface's solvency ratio. The initial recognition of assets and liabilities is finalised and negative goodwill of €4.7 million has been recognised in the income statement. The contribution of Coface PKZ (excluding the impact of negative goodwill) in the Group's net income as at December 31, 2019 is not significant.

Coface launches credit insurance offer in Greece

The country has undertaken reforms which pave the way for a promising credit insurance market. This opening of an entity in the country extends Coface's historically strong presence in the Mediterranean & Africa region, which represented 27% of the Group's revenues in 2019. The impact of the new entity on the Groups' financial statements for the year 2019 is not significant.

Coface South Africa new partnership

Following the strategic partnership signed on November 16, 2018, approved by the South African regulatory authorities during the second quarter 2019, Coface South Africa, the South African subsidiary of Compagnie française d'assurance pour le commerce extérieur, opened its capital up to 2.5% to the South African investment fund – B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd.

Through this operation Coface South Africa strengthens its local footprint and also marks its desire to strengthen its consideration of B-BBEE (Broad-Based Black Economic Empowerment) legislation. The opening of Coface South Africa's capital could be increased by up to 25% over a 10-year horizon. In addition, Coface has a call option for the shares of these minority shareholders. The impacts of this transaction on the financial statements for the year is not significant.

Takeover of minority shareholders of Brazilian subsidiary SBCE (Seguradora Brasileira C.E.)

Compagnie française d'assurance pour le commerce extérieur has acquired the minority shareholders in its Brazilian subsidiary SBCE (Seguradora Brasileira C.E.). This acquisition of 24.2% of the capital was made through two local banks, each owning 12.1%. This operation is part of the Group's desire to rationalise its presence in Brazil. The purchase of minority interests without any change in the integration method has no impact on the net income and no significant impact on the equity.

Integration into the SBF 120 index

The Expert Indices Committee of Euronext has decided to include COFACE SA in the SBF 120 index and this decision was effective on June 26, 2019. The SBF 120 is one of the leading Paris stock market indices. It tracks the top 120 companies in terms of market capitalisation and liquidity. This entry follows the increased market capitalisation and share liquidity of Coface, which reflect the strengthening of its fundamentals since the launch of its Fit to Win strategic plan.

Fitch affirms Coface AA- rating, with "stable" outlook

Fitch Ratings affirmed, on July 10, 2019, Coface's AA- Insurer Financial Strength (IFS) rating. The outlook remains stable. The AA- IFS ratings of Coface North America Insurance Company and Coface Re, two other major insurance entities of the Group, have also been affirmed with a stable outlook.

In Fitch's press release, the rating agency highlights that these affirmations "are primarily driven by Coface's very strong business profile, very strong "capitalisation and leverage", and strong profitability".

Fitch views Coface's financial performance and earnings as "strong, underpinned by underwriting profitability and effective risk management, across the cycle".

(1) *The standards adopted by the European Union can be consulted on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.*

Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of April 24, 2019, decided to cancel the 1,867,312 shares bought under the share buyback programme, as announced on October 25, 2018; and correlatively, to reduce the share capital of the Company.

Therefore, the share capital of COFACE SA now stands at €304,063,898 divided into 152,031,949 shares with a nominal value of €2 each.

Approval for partial internal model

On July 25, 2019, Coface submitted to the ACPR, the French Prudential Supervision and Resolution Authority, its partial internal model. On December 4, 2019, COFACE SA received authorisation from the ACPR to use the Group's partial internal model for calculating its regulatory capital requirement under the Solvency II Directive from December 31, 2019. Coface's partial internal model has been the subject of extensive discussion and review by the Group's supervisory authority since the launch of the pre-application phase in 2016. This model covers the insurance underwriting risk module. The other modules (market risk, counterparty risk, operational risk) still use the parameters of the standard formula.

SCOPE OF CONSOLIDATION

Change in the scope of consolidation in 2019

First-time consolidation

Coface PKZ was fully acquired in 2019. Coface Greece and the Lausanne 5 mutual fund (FCP), held by Coface Re, were created in 2019.

Exit from consolidation scope

No company left the Group in 2019.

Capital opening

Coface South Africa has opened up 2.5% of its capital in 2019. Coface Group now holds 97.5% of the capital.

Buyout of minority interests

In 2019, Coface Group acquired 24.2% of SBCE (Seguradora Brasileira C.E) minority interests. Coface Group now holds 100% of the SBCE capital.

Special purpose entities (SPE)

SPEs used for the credit insurance business

Coface Group'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 Group has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

Coface does not sponsor securitisation arrangements. It plays the role of a mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the Group's financial statements.

SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French special purpose vehicle (SPV), the Vega securitisation fund (fonds commun de titrisation – FCT). The sold receivables are covered by credit insurance.

The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue asset-backed commercial paper (ABCP) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the securitisation fund.

The Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations

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

The European branches of Compagnie française d'assurance pour le commerce extérieur, which do not have any specific local regulatory requirements, participate in the centralised management of their assets, set up by Compagnie française d'assurance pour le commerce extérieur. They receive a share of the global income resulting from the application of an allocation key representing the risks subscribed by each branch and determined by the technical accruals.

Fonds Lausanne were created in 2015 in order to allow Coface Re to subscribe to parts in investment funds. The management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

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

All Coface entities are consolidated using the full integration method.

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2019	Percentage Interest Dec. 31, 2019	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018
Northern Europe						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung)	-	Branch*		Branch*	
Germany	Coface Finanz GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg KG	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation)	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland	-	Branch*		Branch*	
Denmark	Coface Denmark	-	Branch*		Branch*	
Sweden	Coface Sverige	-	Branch*		Branch*	
Western Europe						
France	COFACE SA	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur	Full	100.00%	100.00%	100.00%	100.00%
France	Cofinpar	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 *bis*	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *bis*	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *ter*	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *quater*	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 *bis*	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium	-	Branch*		Branch*	
Switzerland	Coface Suisse	-	Branch*		Branch*	
Switzerland	Coface Re	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 *bis*	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 *bis*	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 5	Full	100.00%	100.00%	-	-
Switzerland	Fonds Lausanne 6	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 6	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Holdings	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK	-	Branch*		Branch*	
Ireland	Coface Ireland	-	Branch*		Branch*	

			Percentage			
			Control	Interest	Control	Interest
Country	**Entity**	**Consolidation Method**	**Dec. 31, 2019**	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2018**
Central Europe						
Austria	Coface Austria Kreditversicherung Service GmbH	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG	Full	100.00%	100.00%	100.00%	100.00%
Austria	Compagnie francaise d´assurance pour le Commerce Exterieur SA Niederlassung Austria	-	Branch*		Branch*	
Hungary	Compagnie francaise d´assurance pour le commerce extérieur Hungarian Branch Office	-	Branch*		Branch*	
Poland	Coface Poland Credit Management Services Sp. z o.o.	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Factoring Sp. z o.o.	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie francaise d'assurance pour le commerce extérieur Spółka Akcyjna Oddział w Polsce	-	Branch*		Branch*	
Czech Republic	Compagnie francaise d'assurance pour le commerce extérieur organizační složka Česko	-	Branch*		Branch*	
Romania	Coface Romania CMS	Full	100.00%	100.00%	100.00%	100.00%
Romania	Compagnie francaise d'assurance pour le commerce extérieur S.A. Bois – Colombes – Sucursala Bucuresti	-	Branch*		Branch*	
Romania	Coface Technologie – Roumanie	-	Branch*		Branch*	
Slovakia	Compagnie francaise d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu	-	Branch*		Branch*	
Slovenia	Coface PKZ	Full	100.00%	100.00%	-	-
Lithuania	Compagnie Francaise d'Assurance pour le Commerce Exterieur Lietuvos filialas	-	Branch*		Branch*	
Bulgaria	Compagnie Francaise d'Assurance pour le Commerce Exterieur SA – Branch Bulgaria	-	Branch*		Branch*	
Russia	CJSC Coface Rus Insurance Company	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy *(Succursale)*	-	Branch*		Branch*	
Italy	Coface Italia	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface Israel	-		Branch*		Branch*
Israel	Coface Holding Israel	Full	100.00%	100.00%	100.00%	100.00%
Israel	BDI – Coface (business data Israel)	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa	Full	97.50%	97.50%	100.00%	100.00%
South Africa	Coface South Africa Services	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica	-	Branch*		Branch*	
Portugal	Coface Portugal	-	Branch*		Branch*	
Greece	Coface Greece	-	Branch*		Branch*	
Turquey	Coface Sigorta	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2019	Percentage Interest Dec. 31, 2019	Control Dec. 31, 2018	Interest Dec. 31, 2018
North America						
United States	Coface North America Holding Company	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance company	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada	-	Branch*		Branch*	
Latin America						
Mexico	Coface Seguro De Credito Mexico SA de CV	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina SA de CV	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface Do brasil Seguros de Credito SA	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE)	Full	100.00%	100.00%	75.82%	75.82%
Chile	Coface Chile SA	Full	100.00%	100.00%	100.00%	100.00%
Chile	Coface Chile	-	Branch*		Branch*	
Argentina	Coface Argentina	-	Branch*		Branch*	
Ecuador	Coface Ecuador	-	Branch*		Branch*	
Asia-Pacific						
Australia	Coface Australia	-	Branch*		Branch*	
Hong Kong	Coface Hong Kong	-	Branch*		Branch*	
Japan	Coface Japon	-	Branch*		Branch*	
Singapore	Coface Singapore	-	Branch*		Branch*	
Taiwan	Coface Taiwan	-	Branch*		Branch*	

** Branch of Compagnie française d'assurance pour le commerce extérieur.*

ACCOUNTING PRINCIPLES

Applicable accounting standards

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Coface as at December 31, 2019 are prepared in accordance with IAS/IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted in the European Union and applicable at that date.

Standards applied since January 1, 2019

IFRS 16

IFRS 16 "Leases", adopted by the European Commission on October 31, 2017, will replace IAS 17 "Leases" and interpretations relating to the accounting of such contracts. It is applicable since January 1, 2019 retrospectively following specific transitional arrangements.

According to IFRS 16, the definition of leasing contracts implies, on the one hand, the identification of an asset and, on the other hand, the control by the lessee of the right to use this asset. From the lessors' point of view, the expected impact should be limited, the measures remaining substiantially unchange from the present IAS 17 standard. For the lessee, the standard will impose the accounting on the balance sheet of all leases as right of use, registered in the tangible and intangible assets and in the liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period.

Note 6 regarding buildings used for operational purposes and Note 16 on lease liabilities indicate the impacts of the first application of IFRS16.

Furthermore, IFRIC issued amendments to clarify some aspects of the standard in 2019. These relate in particular to the unlimited enforceable period for some contracts and the impact of non-movable adjustments on assessing the enforceable period of contracts. IFRIC published its final decision about this topic on November 26, 2019. This amendment is under investigation by Coface to measure impacts on its accounting.

IFRIC 23 Interpretation

The IFRIC 23 "Uncertainty over income tax treatments" was adopted by the European Commission on October 23, 2018 and is mandatorily applicable from January 1, 2019. This interpretation clarifies the accounting and valuation procedures for current and deferred tax where there are uncertainties over tax treatment. If there are some doubts about tax treatment validation by tax authorities in accordance with tax legislation, tax treatment is classified as "uncertain". If there is a likelihood that the tax authorities might not accept the tax treatment applied, IFRIC 23 indicates that the uncertainty value to use in financial statements should be estimated using the method that can best project the outcome of the uncertainty. To determine this amount, there are two approaches: the most probable number procedure or the expected value procedure (weighted average of all possible scenarios). IFRIC 23 also requires that the assessment method selected be monitored.

Tax uncertainties should be booked according to their interpretation and type of tax (income tax or deferred tax) under "Deferred Tax Assets", "Current Tax receivable", "Deferred Tax Liabilities" and "Current Tax liabilities".

The first application of IFRIC 23 interpretation on January 1, 2019 had no impact on shareholders' equity at opening, or on the presentation of Coface's financial statements as regards uncertainties over tax treatment. The collection, analysis and monitoring procedure has been updated to allow better documentation of compliance between the accounting methods applied by Coface and IFRIC 23 requirements.

IAS 28

The IAS 28 "Investments in associates and joint ventures" amendment, adopted by the European Commission on February 8, 2019 is mandatory from January 1, 2019. Long-term interests corresponds to items where payment is neither foreseeable nor planned in the foreseeable future and which belong to net investment in the associated firm or joint venture. This amendment specifies that IFRS 9 "Financial Instruments" (including requirements regarding depreciation) applies to financial instruments representing long-term interests in associated firms or joint ventures when these financial instruments are not valued using the equity method. This amendment has no impact on Coface's accounts.

IAS 19

The amendment to the IAS 19 "Plan amendment, curtailment or settlement" standard, adopted by the European Commission on March 13, 2019, is mandatory from January 1, 2019. This amendment specifies that in case of an event which amends, curtails or settles a plan, the cost of the services provided and the amount of net interests subsequent to this event must be determined using the actuarial assumptions selected at the date of the change. This amendment had no impact on Coface's accounts.

Annual improvements to IFRS 2015–2017 Cycle

On March 14, 2019, the European Commission adopted the amendment "Annual improvements to IFRS 2015–2017 Cycle". This amendment stems from the annual improvement process aimed at simplifying and clarifying international accounting standards. The following standards have been amended: IFRS 3 "Business combinations", IFRS 11 "Joint arrangements", IAS 12 "Income taxes", and IAS 23 "Borrowing costs".

The amendment of the standard IAS 12 (Section 57A) specifies whether the tax effects on distributions related to instruments and paid coupons recorded through equity according to IAS 32 should be recorded in the income statement, among Other Comprehensive Income, depending on the origin of the amounts distributed. Hence, if the amounts are treated as dividends (according to IFRS 9), the tax effects should be recorded in the income statement, when the liability that constitutes the obligation to pay dividends is recognised. If they are not treated as dividends, the tax effects should be recognised in equity. This amendment had no impact on Coface's accounts.

Amendments to IFRS 9, IAS 39 and IFRS 7

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform" were published by IASB on September 26, 2019. These amendments aim to define exceptions to the application criteria of hedge accounting provided by IFRS 9 and IAS 39 and to specify the information to disclose related to the effects of the Interest Rate Benchmark Reform. The European Commission adopted these amendments on January 15, 2020. Their application date has been set for January 1, 2020 with possible early application. Coface has not applied these amendments in advance.

The following standards, adopted by the European Union on December 31, 2019, but not yet in force, have not been applied in advance by Coface.

Amendments to IAS 1 and IAS 8

The amendment to IAS 1 and IAS 8 "Definition of material" adopted by the European Commission on November 29, 2019 is mandatory from January 1, 2020. These amendments clarify the definition of the term "significant" in order to facilitate judging whether or not information is significant and to improve the relevance of the information presented in notes to financial statements.

Amendments to the IFRS Conceptual Framework

The amendment to the Conceptual Framework, adopted by the European Commission on November 29, 2019, is mandatory from January 1, 2020. The purpose of this amendment is to replace, in several standards and interpretations, existing references to previous frameworks with references to the revised conceptual framework.

IFRS 17

IFRS 17 "Insurance contracts" published by the IASB on May 18, 2017 will replace IFRS 4 "Insurance contracts" from January 1, 2022. A draft amendment "Exposure Draft ED/2019/4 Amendments to IFRS 17" was published on June 26, 2019.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation.

At present, insurance contracts are recorded at historical costs and will be recorded at current value after the application of IFRS 17. Therefore, insurance contract values will be based on future cash flows generated, including a risk margin in order to take into account the uncertainty regarding these flows. IFRS 17 introduces the concept of contractual service margin. This margin represents the benefit not earned by the insurer and will be released over time, depending on the service provided by the insurer to the policyholder.

The standard requires a higher level of granularity regarding details of calculations than before as it requires estimation by group of contracts.

These accounting changes will modify the profile of the insurance income statement.

Given the importance of the changes made and despite the uncertainties still affecting the standard, Coface has set up a project structure that will enable it, within various themes, to analyse all aspects of the standard: modelling, adaptation of systems and organisations, production of accounts and scales strategy, financial communication and change management.

IFRS 9

The new IFRS 9 "Financial instruments" was adopted by the European Commission on November 22, 2016 and has been applicable retrospectively since January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for the classification and measurement of financial assets and liabilities, the new methodology for credit risk impairment of financial assets, and the treatment of hedging transactions, with the exception of macro-hedging transactions for which a separate draft standard is under study by the IASB.

Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial instruments" with IFRS 17 "Insurance contracts" with specific measures for financial conglomerates was adopted on November 3, 2017 and has been applicable since January 1, 2018. This European regulation allows European financial conglomerates to opt to postpone the application of IFRS 9 for their insurance sector until January 1, 2022 (date of application of the new IFRS 17 Insurance Contracts standard) provided that:

- they do not transfer financial instruments between the insurance sector and the other sectors of the conglomerate (other than instruments measured at fair value through the profit or loss account);
- they state which insurance entities are applying the IAS 39 standard;
- they provide additional specific information in the attached notes.

Coface, meeting the eligibility criteria of a financial conglomerate, applies this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2021. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

Scope of application

Consequently, the entities concerned by the application of IFRS 9 are exclusively entities in the factoring business, an activity operated by Coface in Germany and in Poland.

Pursuant to the option opened by IFRS 9, Coface has chosen not to restate prior years published as comparative information for its financial statements.

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.

Materiality is determined based on specific thresholds and on a qualitative assessment of the relevance of each entity's contribution to Coface's consolidated financial statements. The main thresholds applicable are as follows:

- total balance sheet: €40 millions;
- technical result: €5 millions;
- net income+/-: €2 millions.

Moreover, the sum of the net income of entities excluded from the consolidation scope must not exceed 2% of consolidated net income.

The consolidation methods applied are as follows:

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

All the entities of the Coface Group scope are fully consolidated.

IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" in relation to consolidated financial statements as well as SIC-12 on special purpose entities. The control of an entity must now be analysed through three aggregate criteria: the power over the relevant activities of the entity, exposure to the variable returns of the entity, and the investor's ability to affect the variable returns through its power over the entity. The analysis of special purpose entities in Coface Group is presented in the notes under "Scope of consolidation".

Intercompany transactions

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

Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

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

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

If the disposal does not take place within 12 months of an asset being classified under "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;
- the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations without representing a separate major line of business or geographical area of business; 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 the net income from discontinued operations until they are sold, and the post-tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

Year end and accounting period

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

Foreign currency translation

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the 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.

Hyperinflationary economies

The application of IAS 29 "Financial reporting in hyperinflationary economies" is required as of July 1, 2018, for entities whose functional currency is the Argentine peso.

The Group has activities in Argentina whose contribution to the total consolidated balance sheet and net income is not significant as of December 31, 2019 and as of December 31, 2018.

Thus, the impact of the application of this standard is likewise not significant at Group level and was not taken into account in the financial statements as of December 31, 2019 and as of December 31, 2018.

General principles

The insurance business

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

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

However, IFRS 4:

- prohibits the use of equalisation and natural disaster provisions; 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 IFRS 15 "Revenue from contracts with customers".

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

The factoring business

Companies engaged in the factoring business apply IFRS 9 "Financial instruments". A financial instrument is a contract that gives rise 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).

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

IFRS 15 "Revenue from contracts with customers" standard is also applies to the factoring business according to the same rules as for the service business.

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

Breakdown by function of insurance company expenses

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

Factoring companies

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

Other companies outside the insurance business and factoring business

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

Revenue

Consolidated revenue includes:

- premiums, corresponding to the compensation of the Group's commitment to cover the risks planned in the following insurance policies: credit insurance (short term), Single Risk (medium term) and surety bond (medium term). The bond is not a credit insurance product because it represents a different risk type (in terms of the underlying and the duration of the risk), but its remuneration takes the form of a premium; it responds to the definitions of insurance contracts given in IFRS 4;
- other revenues which include:
  - revenue from services related to credit insurance contracts ("fee and commission income" and "other insurance-related services"), corresponding to debtor information services, credit limit monitoring, management and debt recovery. They are included in the calculation of the turnover of the credit insurance activity,
  - revenue from services which consist of providing customer access to information on the creditworthiness of companies and on marketing and debt collection services to clients without credit insurance contracts,
  - net income from banking activities, which are revenues from factoring entities. They consist mainly of factoring fees (collected for the management of factored receivables) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring customers, less interest paid on refinancing of the factoring debt). Premiums paid by factoring companies to insurance companies (in respect of debtor and ceding risk) are deducted from net banking income.

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

Insurance operations

Gross earned premiums

Gross written premiums

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

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

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

Premium refunds

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with 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 end of the coverage period of the premium.

Gross earned premiums

Gross earned premiums consist of gross premiums issued, net of premium refunds, and variation in reserves for unearned premiums.

Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as 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.

Contract service expenses

Paid claims

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

Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at year end. Claims provisions also include provisions for 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 and validated by a committee (special reserves committee).

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

Subrogation and salvage

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

Subrogation and salvage includes a provision for debt collection costs.

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

Reinsurance operations

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

Inward reinsurance

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

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

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

Ceded reinsurance

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

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

Funds received from reinsurers are reported under liabilities.

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

Other operating income and expenses

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

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

Goodwill

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

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

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

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

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

Impairment tests on goodwill and intangible assets

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

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

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

The seven groups of CGUs are as follows:

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

Measuring groups of CGUs and performing goodwill impairment tests

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

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

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

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

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

Method used for measuring the value of Coface entities

Value in use: discounted cash flow method

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

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

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

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

Fair value

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

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

Intangible assets: IT development costs

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

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

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

Property, plant and equipment

Property, 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 on a straight-line basis over their useful life.

Coface has identified the following components of property assets:

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

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

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

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

Financial assets

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

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

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Equity securities 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 correspond 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 under this heading. These assets are recognised at amortised cost using the effective interest method.

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

Fair value

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

Impairment test

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

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

Impairment indicators include the following:

- for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);
- for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument's market price over a given period, or information relating to the issuer's financial position. Where appropriate, an impairment loss is recognised based on the instrument's market price at the period end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period end, or has represented an unrealised loss for more than 24 months;
- for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

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

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

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

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

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

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

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

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

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

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

Financing liabilities

This item mainly includes subordinated debt.

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

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

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

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

Accounting treatment of debt issuance costs

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

Transaction costs include:

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

Transaction costs do not include:

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

Payables arising from banking sector activities

This item includes:

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

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

Factoring receivables

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax.

Two categories of provisions are recorded and are shown in deduction of the receivables:

- provisions booked by way of a charge to the income statement (under "Cost of risk") when it appears probable that all or part of the amount receivable will not be collected;
- provisions evaluated through expected credit loss calculation also recorded as an expense in the income statement (under "Cost of risk").

The expected credit loss (ECL) calculation, introduced by IFRS 9, relies on calculation models using the internal ratings of debtors (Debtor Risk Assessment – DRA). The ECL methodology for calculating depreciation is based on three main parameters: the probability of default (PD), the loss given default (LGD), and the amount of exposure in case of default, or exposure at default (EAD). The depreciation will be the product of PD x LGD x EAD, over the lifetime of the receivables. Specific adjustments are made to take into account the current conditions and the prospective (forward-looking) macroeconomic projections.

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

Cash and cash equivalents

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

Provisions for liabilities and charges

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

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

The provisions for liabilities and charges include the provisions for tax risks (except income tax risk), for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

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

Employee benefits

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

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

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

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

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

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

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

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

Stock options

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

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

In connection with its stock market listing, the Coface Group awarded certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (see Note 11).

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

Operating leases

According to IFRS 16 "Leases", applied since January 1, 2019, the definition of leasing contracts implies, on one hand, the identification of an asset and, on the other hand, the control by the lessee of the right to use this asset. Control is established when the lessee has both of the following rights throughout the period of use:

- the right to have almost all economical benefits coming from the asset use;
- the right to decide the use of the asset.

For the lessee, the standard imposes the accounting on the balance sheet of all leases as a right of use, registered as tangible and intangible assets, and as liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period. Coface uses the exemptions provided by the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or leases relating to low-value underlying assets (less than USD 5,000).

The right of use is amortised on a straight-line basis and the financial debt is amortised actuarially over the duration of the lease. The interest expenses on the financial debt and the amortisation expenses of the right to use will be made separately on the income statement.

Income tax

Income tax expense includes both current taxes and deferred taxes.

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

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

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

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

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

Receivables and payables denominated in foreign currencies

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

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

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

Segment information

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

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

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

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

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

Related parties

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

Estimates

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

Estimates	Notes	Type of information required
Goodwill impairment	*1*	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of CGUs is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Depreciation of receivables on banking activity	*4*	Depreciation of receivables on banking activity includes a provision calculated using the ECL methodology introduced by IFRS 9.
Provision for earned premiums not yet written	*17*	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	*17; 22*	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	*17; 23*	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	*17; 23; 42*	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	*17; 23; 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	*14*	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

NOTE 1. GOODWILL

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

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,394	8,396
Mediterranean & Africa	22,672	21,993
North America	6,201	6,087
Latin America	895	911
TOTAL	**155,833**	**155,058**

The carrying amount of goodwill increased by €775 thousand in 2019 due to the fluctuation of the currency translation variation.

Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2019. 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 is the present value of future cash flows that may result from an asset or 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, 2019:

(in millions of euros)	**Northern Europe**	**Western Europe**	**Central Europe**	**Mediterranean & Africa**	**North America**	**Latin America**
Cost of capital	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	528.8	472.1	199.5	262.6	59.6	57.2

The assumptions used in 2018 were as follows:

(in millions of euros)	**Northern Europe**	**Western Europe**	**Central Europe**	**Mediterranean & Africa**	**North America**	**Latin America**
Cost of capital	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	615.3	406.5	182.1	218.1	58.5	54.0

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019;
- 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 an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019;
- loss ratio and cost ratio sensitivity for the last two years of the business plan (2022 and 2023): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. It appears that an increase of 1 point and 2 points in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table. It verifies that the value of the CGU remains greater than the contribution to the Group's net assets for each one of the CGU.

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets(1)	528.8	472.1	199.5	262.6	59.6	57.2
Value in use of CGU	859.4	525.6	439.1	708.9	97.1	58.5
Sensitivity: Long-term growth rate -0.5 point(2)	830.8	503.3	424.6	681.6	89.3	55.6
Sensitivity: WACC +0.5 point	821.4	495.0	419.9	672.6	87.9	53.4
Sensitivity: Loss Ratio 2024 +1 point(2)	849.9	312.6	433.7	694.1	88.3	54.0
Sensitivity: Loss Ratio 2024 +2 points(2)	840.4	244.0	428.2	679.2	83.0	49.5
Sensitivity: Cost Ratio 2024 +1 point(2)	844.8	309.6	429.3	686.2	84.6	53.8
Sensitivity: Cost Ratio 2024 +2 points(2)	830.1	237.8	419.5	663.6	75.5	49.2

(1)The Contribution to consolidated net assets corresponds to the difference between the value in use of the CGUs and their book value.
(2)The sensitivity analyses were carried out on the Contribution to consolidated net assets.

NOTE 2. OTHER INTANGIBLE ASSETS

	Dec. 31, 2019	Dec. 31, 2018
(in thousands of euros)	Net value	Net value
Development costs and software	62,359	62,955
Purchased goodwill	2,212	2,194
Other intangible assets	440	468
TOTAL	**65,011**	**65,617**

	Dec. 31, 2019		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	210,814	(148,455)	62,359
Purchased goodwill	3,873	(1,661)	2,212
Other intangible assets	2,928	(2,488)	440
TOTAL	**217,615**	**(152,604)**	**65,011**

	Dec. 31, 2018		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	197,670	(134,716)	62,954
Purchased goodwill	6,748	(4,553)	2,195
Other	2,820	(2,352)	468
TOTAL	**207,238**	**(141,621)**	**65,617**

Group mainly makes investments in hardware and IT licences.

These investments amounted to €12.1 million in the 2019 financial year compared to €15.7 million in the 2018 financial year.

Change in the gross amount of intangible assets

(in thousands of euros)	Dec. 31, 2018	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2019
Development costs and software	197,670	1,099	12,027	(2,159)	2,177	210,814
Purchased goodwill	6,747	0	0	(3,089)	215	3,873
Other intangible assets	2,821	0	70	(14)	51	2,928
TOTAL	**207,238**	**1,099**	**12,097**	**(5,262)**	**2,443**	**217,615**

In 2019, PKZ integrated the scope of consolidation.

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Currency translation variation	Dec. 31, 2018
Development costs and software	187,178	15,369	(4,292)	(585)	197,670
Purchased goodwill	7,831	0	(1,266)	182	6,747
Other intangible assets	2,722	300	(152)	(49)	2,821
TOTAL	**197,731**	**15,669**	**(5,710)**	**(452)**	**207,238**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2018	Scope entry	Additions	Reversals	Curency translation variation and other	Dec. 31, 2019
Accumulated amortisation – development costs and software	(132,455)	(803)	(13,187)	2,135	(2,308)	(146,618)
Accumulated impairment – development costs and software	(2,260)	0	0	0	423	(1,837)
Total amortisation and impairment – development costs and software	**(134,715)**	**(803)**	**(13,187)**	**2,135**	**(1,885)**	**(148,455)**
Accumulated amortisation – purchased goodwill	(4,554)	-	(104)	3,089	(92)	(1,661
Accumulated impairment – purchased goodwill	0	-	0	0	0	0
Total amortisation and impairment – purchased goodwill	**(4,554)**	**0**	**(104)**	**3,089**	**(92)**	**(1,661)**
Accumulated amortisation – other intangible assets	(2,352)	-	(128)	14	(22)	(2,488)
Accumulated impairment – other intangible assets	0	-	0	0	0	0
Total amortisation and impairment – other intangible assets	**(2,352)**	**0**	**(128)**	**14**	**(22)**	**(2,488)**
TOTAL	**(141,621)**	**(803)**	**(13,419)**	**5,238**	**(1,999)**	**(152,604)**

NOTE 3. INSURANCE BUSINESS INVESTMENTS

3.1. Analysis by category

As at December 31, 2019, the carrying amount of available-for-sale (AFS) securities amounted to €2,911,034 thousand, securities held for trading ("trading securities") came to €43 thousand and held-to-maturity (HTM) securities was €1,842 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments.

The distribution of the bonds portfolio by rating at December 31, 2019 was as follows:

- bonds rated "AAA": 11.6%;
- bonds rated "AA" and "A": 43.8%;
- bonds rated "BBB": 36.6%;
- bonds rated "BB" and lower: 8.0%.

	Dec 31, 2019					Dec. 31, 2018				
(in thousands of euros)	**Amortized cost**	**Revalu-ation**	**Net value**	**Fair value**	**Unrealized gains and losses**	**Amortized cost**	**Revalu-ation**	**Net value**	**Fair value**	**Unrealized gains and losses**
AFS securities	**2,706,300**	**204,734**	**2,911,034**	**2,911,034**		**2,635,835**	**106,698**	**2,742,533**	**2,742,533**	
Equities and other variable-income securities	171,089	145,867	316,956	316,956		207,560	99,425	306,985	306,985	
Bonds and government securities	2,314,927	43,680	2,358,607	2,358,607		2,211,474	(2,144)	2,209,330	2,209,330	
o/w direct investments in securities	*2,075,248*	*42,097*	*2,117,346*	*2,117,346*		*1,774,405*	*(1,061)*	*1,773,344*	*1,773,344*	
o/w investments in UCITS	*239,679*	*1,582*	*241,261*	*241,261*		*437,069*	*(1,083)*	*435,986*	*435,986*	
Shares in non-trading property companies	220,284	15,190	235,473	235,473		216,801	9,417	226,218	226,218	
HTM securities										
Bonds	1,842		1,842	1,842	0	1,848		1,848	1,848	0
Fair value through income – trading securities										
Money market funds (UCITS)	43	0	43	43		9,527		9,527	9,527	
Derivatives (positive fair value)		**1,809**	**1,809**	**1,809**			**2,354**	**2,354**	**2,354**	
(derivatives negative fair value for information)		*(889)*	*(889)*	*(889)*			*(1,666)*	*(1,666)*	*(1,666)*	
Loans and receivables	**75,670**		**75,670**	**75,670**		**77,063**		**77,063**	**77,063**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(407)**	**288**	**288**	
TOTAL	**2,784,550**	**206,137**	**2,990,687**	**2,990,687**	**0**	**2,724,968**	**108,645**	**2,833,613**	**2,833,613**	**0**

(in thousands of euros)	Gross Dec 31, 2019	Impairment	Net Dec 31, 2019	Net Dec. 31, 2018
AFS securities	**2,948,645**	**(37,609)**	**2,911,034**	**2,742,533**
Equities and other variable-income securities	354,557	(37,601)	316,956	306,985
Bonds and government securities	2,358,607		2,358,607	2,209,330
o/w direct investments in securities	*2,117,346*		*2,117,346*	*1,773,344*
o/w investments in UCITS	*241,261*		*241,261*	*435,986*
Shares in non-trading property companies	235,482	(8)	235,473	226,218
HTM securities				
Bond	1,842		1,842	1,848
Fair value through income – trading securities				
Money market funds (UCITS)	43		43	9,527
Derivatives (positive fair value)	**1,809**		**1,809**	**2,354**
(for information, derivatives with a negative fair value)	*(889)*		*(889)*	*(1,666)*
Loans and receivables	**75,765**	**(95)**	**75,670**	**77,063**
Investment property	**288**		**288**	**288**
TOTAL	**3,028,392**	**(37,704)**	**2,990,687**	**2,833,613**

Impairments

(in thousands of euros)	Dec. 31, 2018	Additions	Reversals	Exchange rate effects and other	Dec 31, 2019
AFS securities	**33,493**	**8,702**	**(4,603)**	**17**	**37,609**
Equities and other variable-income securities	31,492	8,702	(2,610)	17	37,601
Bonds and government securities	*1,993*	*0*	*(1,993)*	*0*	*0*
Shares in non-trading property companies	8	*0*	*0*		8
Loans and receivables	**94**	**1**	**0**	**0**	**95**
TOTAL	**33,587**	**8,703**	**(4,603)**	**17**	**37,704**

Reversals are related to the disposal of AFS securities.

Change in investments by category

	Dec. 31, 2018	Dec 31, 2019					
(in thousands of euros)	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,742,533**	**746,089**	**(705,791)**	**97,823**	**(4,097)**	**34,477**	**2,911,034**
Equities and other variable-income securities	306,985	19,617	(52,214)	45,634	(6,090)	3,025	316,956
Bonds and government securities	2,209,330	720,232	(651,385)	46,417	1993	32,019	2,358,607
Shares in non-trading property companies	226,218	6,241	(2,192)	5,772		(567)	235,473
HTM securities							
Bonds	1,848	(5)	(1)			0	1,842
Fair value through income – trading securities	**9,527**	**0**	**(9,481)**	**0**		**(3)**	**43**
Loans, receivables and other financial investments	**79,705**	**27,248**	**(20,452)**	**(1,339)**	**1**	**(7,394)**	**77,767**
TOTAL	**2,833,613**	**773,331**	**(735,725)**	**96,484**	**(4,097)**	**27,081**	**2,990,687**

Derivatives

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

During 2019, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks *via* swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

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

Regarding the bond portfolio, some of our exposure to European sovereign debt, which was hedged through future rates, was released during the first half of 2019. Coface may put this back in place. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

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

3.2. Financial instruments recognised at fair value

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

Level 1: Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 84% of the Group's portfolio. They correspond to:

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

Level 2: Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

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

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data.

Securities classified as level 3 represent 13% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or CGU. The valuation, using the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two further years based on standardised management ratios (loss ratios and target cost ratios). Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

Breakdown of financial instrument fair value measurements as at December 31, 2019 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	**2,911,034**	**2,911,034**	**2,520,706**	**23**	**390,308**
Equities and other variable-income securities	316,956	316,956	162,097	23	154,835
Bonds and government securities	2,358,607	2,358,607	2,358,607	0	0
Shares in non-trading property companies	235,473	235,473			235,473
HTM securities					
Bonds	1,842	1,842	1,842		
Fair value through income – trading securities					
Money market funds (UCITS)	43	43	43		
Derivatives	**1,809**	**1,809**	**682**	**1,018**	**109**
Loans and receivables	**75,670**	**75,670**		**75,670**	
Investment property	**288**	**288**			**288**
TOTAL	**2,990,687**	**2,990,687**	**2,523,272**	**76,711**	**390,705**

Movements in Level 3 securities as at December 31, 2019

		Gains and losses recognized in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2018	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2019
AFS securities	**367,453**	**(8,701)**	**20,393**	**13,000**	**(2,192)**	**354**	**390,308**
Equities and other variable-income securities	141,234	(8,701)	14,620	6,760	0	921	154,835
Shares in non-trading property companies	226,219		5,772	6,241	(2,192)	(568)	235,473
Derivatives	**109**		**0**			**0**	**109**
Investment property	**288**			**0**			**288**
TOTAL	**367,850**	**(8,701)**	**20,393**	**13,000**	**(2,192)**	**354**	**390,705**

Breakdown of financial instrument fair value measurements as at December 31, 2018 by level in the fair value hierarchy

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,742,533**	**2,742,533**	**2,375,057**	**23**	**367,453**
Equities and other variable-income securities	306,985	306,985	165,728	23	141,234
Bonds and government securities	2,209,330	2,209,330	2,209,330	0	
Shares in non-trading property companies	226,218	226,218			226,219
HTM securities					
Bonds	1,848	1,848	1,848		
Fair value through income – trading securities					
Money market funds (UCITS)	9,527	9,527	9,527		
Derivatives	**2,354**	**2,354**	**858**	**1,387**	**109**
Loans and receivables	**77,063**	**77,063**		**77,063**	
Investment property	**288**	**288**			**288**
TOTAL	**2,833,613**	**2,833,613**	**2,387,291**	**78,473**	**367,850**

Movements in Level 3 securities in 2018

		Gains and losses recognized in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2017	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2018
AFS securities	**347,367**	**(1,314)**	**16,012**	**9,073**	**(8,097)**	**4,411**	**367,453**
Equities and other variable-income securities	128,521	(1,314)	12,357	680	(35)	1,025	141,234
Shares in non-trading property companies	218,846		3,655	8,393	(8,062)	3,387	226,219
Derivatives	**609**			**2,751**		**(3,251)**	**109**
Investment property	**288**				**0**		**288**
TOTAL	**348,264**	**(1,314)**	**16,012**	**11,824**	**(8,097)**	**1,160**	**367,850**

SPPI Financial assets as at December 31, 2019 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
Direct investments in securities – SPPI financial assets	2,094,788	41,791
Direct investments in securities – No SPPI financial assets	22,558	472
Direct investments in securities	**2,117,346**	**42,263**
Loans and receivables – SPPI financial assets	75,670	
Loans and receivables	**75,670**	**0**
Cash and cash equivalents – SPPI financial assets	287,136	
Cash and cash equivalents	**287,136**	**0**
SPPI financial assets	**2,457,593**	**41,791**
No SPPI financial assets	**22,558**	**472**
TOTAL	**2,480,151**	**42,263**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	**149,358**	**153,251**

NOTE 4. RECEIVABLES ARISING FROM BANKING ACTIVITIES

Breakdown by nature

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Receivables arising from banking sector	2,346,710	2,509,047
Non-performing receivables arising from banking sector	55,777	61,354
Allowances for receivables arising from banking sector	(55,777)	(61,354)
TOTAL	**2,346,710**	**2,509,047**

Breakdown by age

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

They are recognised at cost within assets in the balance sheet and they are classified as level 2. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

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

(in thousands of euros)	Dec. 31, 2019					
		Due				
	Not due	- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	Total
Receivables arising from banking and other activities	1,655,909	690,801				2,346,710
Non-performing receivables arising from banking and other activities			1,402	30,459	23,915	55,777
Allowances for receivables arising from banking and other activities	0	0	(1,402)	(30,459)	(23,915)	(55,777)
Total receivables arising from banking and other activities	**1,655,909**	**690,801**	**0**	**0**	**0**	**2,346,710**
Claims reserve as hedge for factoring receivables						
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,655,909**	**690,801**	**0**	**0**	**0**	**2,346,710**

(in thousands of euros)	Dec. 31, 2018					
		Due				
	Not due	- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	Total
Receivables arising from banking and other activities	1,856,362	652,686	0	0	0	2,509,047
Non-performing receivables arising from banking and other activities	0	0	6,008	30,753	24,593	61,354
Allowances for receivables arising from banking and other activities	99	(99)	(6,008)	(30,753)	(24,593)	(61,354)
Total receivables arising from banking and other activities	**1,856,461**	**652,586**	**0**	**0**	**0**	**2,509,047**
Claims reserve as hedge for factoring receivables	0	0	0	0	0	0
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,856,461**	**652,586**	**0**	**0**	**0**	**2,509,047**

NOTE 5. INVESTMENTS IN ASSOCIATES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Investments in associates at January 1	0	15,780
Share in net income of associates	0	592
Dividends paid	0	0
Change in scope	0	(16,372)
TOTAL INVESTMENTS IN ASSOCIATES	**0**	**0**

Investments in associates were related to investment in Cofacrédit; it was ceded at the end of June 2018.

NOTE 6. TANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2019 Net value	Dec. 31, 2018 Net value
Buildings used for operational purposes	22,363	33,114
Other property, plant and equipment	15,800	15,858
Right-of-use assets for lessees	85,613	-
TOTAL	**123,776**	**48,972**

	Dec. 31, 2019		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	85,281	(62,919)	22,362
Other property, plant and equipment	56,195	(40,395)	15,800
Right-of-use assets for lessees	103,919	(18,305)	85,614
TOTAL	**245,395**	**(121,619)**	**123,776**

	Dec. 31, 2018		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	107,794	(74,680)	33,114
Other property, plant and equipment	54,599	(38,741)	15,858
TOTAL	**162,393**	**(113,421)**	**48,972**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2018	Impact FTA IFRS 16	Jan. 01, 2019	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2019
Land used for operational purposes	14,010	0	14,010	0	0	(6,870)	0	7,140
Buildings used for operational purposes	93,784	0	93,784	2,296	0	(17,939)	0	78,141
Right-of-use assets for lessees – Buildings leasing	0	73,632	73,632	0	14,270	0	107	88,009
Total buildings used for operational purposes	**107,794**	**73,632**	**181,426**	**2,296**	**14,270**	**(24,809)**	**107**	**173,290**
Operating guarantees and deposits	3,412	0	3,412	0	305	(25)	(152)	3,540
Other property, plant and equipment	51,187	0	51,187	1,364	1,897	(1,493)	(299)	52,656
Right-of-use assets for lessees – Equipment leasing	0	11,763	11,763	0	4,122	0	24	15,909
Total other property, plant and equipment	**54,599**	**11,763**	**66,362**	**1,364**	**6,324**	**(1,518)**	**(427)**	**72,105**
TOTAL	**162,393**	**85,395**	**247,788**	**3,660**	**20,594**	**(26,327)**	**(320)**	**245,395**

IFRS 16 application generates accounting of all lease contracts in balance sheet as right of use. Therefore, the property, plant and equipment increased by € 85.4 million.

Decrease of land value and operating buildings is linked with the disposal of a building which belonged to Coface Italy.

The increase of the right of use in the year comes from the accounting a new building lease contrat by Coface Italy. Other rises are investments in tangible assets related to office arrangement.

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Currency translation variation	Dec. 31, 2018
Land used for operational purposes	14,010	0	0	0	14,010
Buildings used for operational purposes	93,785	1	0	(1)	93,785
Total buildings used for operational purposes	**107,795**	**1**	**0**	**(1)**	**107,795**
Operating guarantees and deposits	5,257	1,846	(3,859)	169	3,413
Other property, plant and equipment	50,575	3,027	(2,022)	(395)	51,185
Total other property, plant and equipment	**55,832**	**4,873**	**(5,881)**	**(226)**	**54,598**
TOTAL	**163,627**	**4,874**	**(5,881)**	**(227)**	**162,393**

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

(in thousands of euros)	31 Dec. 31, 2018	Scope entry	Additions	Reversals	Currency translation variation and other	Dec. 31, 2019
Accumulated depreciation – Building used for operational purposes	(74,680)	0	(1,643)	13,404	0	(62,919)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0	0
Accumulated depreciation – Right-of use assets for lessees – Buildings leasing		0	(12,653)	(213)	214	(12,652)
Accumulated impairment – Right-of-use assets for lessees – Buildings leasing		0	0	0	0	0
Buildings used for operational purposes	**(74,680)**		**(14,296)**	**13,191**	**214**	**(75,571)**
Accumulated depreciation other property, plant & equipment	(36,194)	(961)	(3,596)	2,610	(239)	(38,380)
Accumulated impairment other property, plant & equipment	(2,547)	0	(14)	0	546	(2,015)
Accumulated depreciation – Right-of-use assets for lessees – Equipment leasing	0	0	(5,643)	0	(10)	(5,653)
Accumulated impairment – Right-of-use assets for lessees – Equipment leasing	0	0	0	0	0	0
Other property, plant and equipment	**(38,741)**	**(961)**	**(9,253)**	**2,610**	**297**	**(46,048)**
TOTAL	**(113,421)**	**(961)**	**(23,549)**	**15,801**	**511**	**(121,619)**

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Currency translation variation and other	Dec. 31, 2018
Accumulated depreciation – Building used for operational purposes	(72,451)	(2,228)	0	(1)	(74,680)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0
Buildings used for operational purposes	**(72,451)**	**(2,228)**	**0**	**(1)**	**(74,680)**
Accumulated depreciation other property, plant & equipment	(34,397)	(3,762)	1,717	248	(36,194)
Accumulated impairment other property, plant & equipment	(2,099)	(471)	0	23	(2,547)
Other property, plant and equipment	**(36,496)**	**(4,233)**	**1,717**	**271**	**(38,741)**
TOTAL	**(108,947)**	**(6,461)**	**1,717**	**270**	**(113,421)**

Market value of buildings used in the business

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Carrying amount	22,363	33,114
Market value	43,995	61,933
UNREALISED GAINS	**21,632**	**28,819**

Buildings held by Coface Group do not represent any unrealised losses; no impairment is therefore recorded as at December 31, 2019.

NOTE 7. RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

Breakdown by nature

	Dec. 31, 2019			Dec. 31, 2018		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	302,755	(36,864)	265,891	304,247	(35,149)	269,098
Earned premiums not written	123,755		123,755	115,355		115,355
Receivables arising from reinsurance operations, net	142,937	(221)	142,716	114,655	(282)	114,373
TOTAL	**569,447**	**(37,085)**	**532,362**	**534,257**	**(35,431)**	**498,826**

Breakdown by age

	Dec. 31, 2019					
		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	**393,216**	**83,053**	**42,816**	**12,257**	**1,020**	**532,362**

	Dec. 31, 2018					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**358,857**	**93,211**	**34,444**	**7,829**	**4,485**	**498,826**

The risk of liquidity linked to insurance receivables is considered to be marginal as:

- the insurance business operates on a reverse production cycle: premiums are earned before claims are paid out;
- furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

NOTE 8. OTHER ASSETS

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Deferred acquisition costs	40,384	42,176
Trade receivables arising from other activities	62,112	48,553
Current tax receivables	49,675	57,267
Other receivables	181,187	179,285
TOTAL	**333,358**	**327,281**

The line "Other receivables" mainly includes:

- receivables in factoring entities towards credit insurance entities for €52 million;
- loans granted to non-consolidated Coface entities for €33 million.

NOTE 9. CASH AND CASH EQUIVALENTS

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Cash at bank and available	296,121	275,567
Cash equivalents	24,656	26,852
TOTAL	**320,777**	**302,419**

As at December 31, 2019, operating cash rose by €18.4 million mainly due to the expectation of payment on Coface Re and the French entity. Operating cash without these two pending transactions decreased slightly during 2019 compared to December 31, 2018.

Cash and cash equivalents are all available; no amount is placed on escrow type accounts.

NOTE 10. SHARE CAPITAL

Ordinary shares	Number of shares	Per value	Share capital *(in €)*
At December 31, 2018	153,899,261	2	307,798,522
Cancellation of shares	(1,867,312)	2	(3,734,624)
At December 31, 2019	**152,031,949**	**2**	**304,063,898**
Treasury shares deducted	(1,000,752)	2	(2,001,504)
AT DECEMBER 31, 2019 (EXCLUDING TREASURY SHARES)	**151,031,197**	**2**	**302,062,394**

	Dec. 31, 2019		Dec. 31, 2018	
Shareholders	Number of shares	%	Number of shares	%
Natixis	64,153,881	42.48%	64,853,881	42.86%
Public	86,877,316	57.52%	86,445,140	57.14%
TOTAL EXCLUDING TREASURY SHARES	**151,031,197**	**100%**	**151,299,021**	**100%**

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

Natixis holds, at the end of December 2019, 42.48% of the COFACE Group's shares excluding treasury shares, and 42.20% including treasury shares.

NOTE 11. SHARE-BASED PAYMENTS

Ongoing free share plans

Coface Group awarded, since its stock market listing in 2014, free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year *(in thousands of euros)*
Long-term Incentive Plan 2016	Nov. 03, 2016	268,602	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	**214**
Long-term Incentive Plan 2017	Feb. 08, 2017	333,197	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	**350**
Long-term Incentive Plan 2018	Feb. 12, 2018	289,132	3 years	Feb. 15, 2021	Feb. 15, 2021	8.5	**614**
Long-term Incentive Plan 2019	Feb. 11, 2019	368,548	3 years	Feb. 14, 2022	Feb. 14, 2022	7,9	**701**

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2018	Number of new free share grants in 2019	Number of free shares cancelled in 2019	Number of free shares acquired in 2019	Number of shares to be acquired at Dec. 31, 2019
Long-term Incentive Plan 2016	298,997		(30,395)	(268,602)	0
Long-term Incentive Plan 2017	366,146		(32,949)		333,197
Long-term Incentive Plan 2018	298,132		(9,000)		289,132
Long-term Incentive Plan 2019		372,268	(3,720)		368,548

The total number of shares allocated to the *Long-term Incentive Plan 2019* amounts to 434,055 shares; only 400,788 shares were affected nominatively to beneficiaries including 372,268 shares and 28,520 performance units.

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

Free shares under the *Long-term Incentive Plan* are definitely granted based upon presence in the group and performance achievement.

Measurement of free shares

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

The plans were measured on the assumptions below:

- discount rate corresponding to a risk-free rate over 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 €1,879 thousand was expensed under the implemented plans at December 31, 2019.

NOTE 12. REVALUATION RESERVES

(in thousands of euros)	Investment instruments	Reserves – gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2019	**116,607**	**(30,314)**	**(1,836)**	**84,457**	**(122)**	**84,335**
Fair value adjustments on available-for-sale financial assets reclassified to income	(8,926)		1,606	(7,320)	(1)	(7,321)
Fair value adjustments on available-for-sale financial assets recognised in equity	107,131		(21,793)	85,338	6	85,344
Change in reserves – gains and losses not reclassifiable to income statement (IAS 19R)		(4,386)	1,157	(3,229)	0	(3,229)
Transactions with shareholders	0		0	0	0	0
AT DECEMBER 31, 2019	**214,812**	**(34,700)**	**(20,866)**	**159,246**	**(117)**	**159,129**

(in thousands of euros)	Investment instruments	Reserves – gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2018	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,913		(1,227)	686	0	686
Fair value adjustments on available-for-sale financial assets recognised in equity	(39,294)		20,627	(18,667)	(1)	(18,668)
Change in reserves – gains and losses not reclassifiable to income statement (IAS 19R)		1,823	(428)	1,395	0	1,395
Transactions with shareholders	0		0	0	0	0
AT DECEMBER 31, 2018	**116,607**	**(30,314)**	**(1,836)**	**84,457**	**(122)**	**84,335**

NOTE 13. PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Provisions for disputes	2,769	3,441
Provisions for pension and other post-employment benefit obligations	66,447	62,564
Other provisions for liabilities and charges	31,716	28,339
TOTAL	**100,932**	**94,344**

(in thousands of euros)	Dec. 31, 2018	Scope entry	Additions	Reversals (utilised)	Reversals (surplus)	Reclas- sifications	Changes in OCI	Currency translation variation	Dec. 31, 2019
Provisions for employee	2,893	0	872	(850)	(360)	0	0	(2)	2,553
Provisions for other disputes	548	0	185	0	(492)	(19)	0	(6)	216
Provisions for disputes	**3,441**	**0**	**1,057**	**(850)**	**(852)**	**(19)**	**0**	**(8)**	**2,769**
Provisions for pension	**62,564**	**127**	**5,201**	**(4,995)**	**(973)**	**0**	**4,386**	**137**	**66,447**
Provisions for liabilities	15,138	0	3,166	(1,038)		0	0	678	17,946
Provisions for restructuring	11,426	0	7,014	(7,652)	(259)	0	0	0	10,529
Provisions for taxes (excl. income taxes)	695	0	0	0		19	0	(9)	577
Other provisions for liabilities	1,080	0	919	(48)	(128)	713	0	0	2,664
Other provisions for liabilities and charges	**28,338**	**0**	**11,099**	**(8,738)**	**(385)**	**732**	**0**	**669**	**31,715**
TOTAL	**94,344**	**127**	**17,357**	**(14,583)**	**(2,210)**	**713**	**4,386**	**798**	**100,932**

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals (utilised)	Reversals (surplus)	Reclas- sifications	Changes in OCI	Currency translation variation	Dec 31, 2018
Provisions for employee	3,094	350	(308)	(232)	0	0	(11)	2,893
Provisions for other disputes	2,558	707	0	(2,513)	(12)	0	(192)	548
Provisions for disputes	**5,652**	**1,057**	**(308)**	**(2,745)**	**(12)**	**0**	**(203)**	**3,441**
Provisions for pension	**66,141**	**3,294**	**(4,907)**	**(239)**	**0**	**(1,823)**	**98**	**62,564**
Provisions for liabilities	14,151	1,310	(135)	0	0	0	(188)	15,138
Provisions for restructuring	30,838	2,095	(10,466)	(11,041)	0	0	0	11,426
Provisions for taxes (excl. income taxes)	2,045	0	(1,334)	0	12	0	(28)	695
Other provisions for liabilities	2,889	527	(271)	(2,065)	0	0	0	1,080
Other provisions for liabilities and charges	**49,923**	**3,932**	**(12,206)**	**(13,106)**	**12**	**0**	**(216)**	**28,339**
TOTAL	**121,716**	**8,283**	**(17,421)**	**(16,090)**	**0**	**(1,823)**	**(321)**	**94,344**

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

Provisions for liabilities on non-consolidated entities show a net increase of €2.1 million. This is mainly related to Coface Emirates Services (€2 million) and Coface West Africa (€0.5 million).

The provisions linked to the strategic plan Fit to Win (classified in provision for restructuring) amount to €3.8 million at December 31, 2019. A significative part booked in the past years has been removed this year by German entities (€2 million), French entities (€ 3.8 million) and Italian entities (€1.4 million).

NOTE 14. EMPLOYEE BENEFITS

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Present value of benefit obligation at January 1	***64,585***	***68,203***
Current service cost	1,455	2,241
Interest cost	2,803	619
Actuarial (gains)/losses	4,506	(1,672)
Benefits paid	(4,934)	(4,688)
Acquisitions/mergers/deconsolidations	127	0
Other	142	(118)
Present value of benefit obligation at December 31	**68,684**	**64,585**
Change in plan assets		
Fair value of plan assets at January 1	***2,021***	***2,062***
Revaluation adjustments – Return on plan assets	156	52
Employee contributions	0	0
Employer contributions	83	64
Benefits paid	(23)	(158)
Other	0	1
Fair value of plan assets at December 31	**2,237**	**2,021**
Reconciliation		
Present value of benefit obligation at December 31	***68,684***	***64,585***
Fair value of plan assets	2,237	2,021
(Liability)/Asset recognised in the balance sheet at December	**(66,447)**	**(62,564)**
Income statement		
Current service cost	1,474	2,279
Past service cost	(19)	0
Benefits paid including amounts paid in respect of settlements	0	(4,789)
Interest cost	965	978
Interest income	0	0
Revaluation adjustments on other long-term benefits	1,804	0
Other	141	(320)
(Income)/Expenses recorded in the income statement	**4,365**	**(1,852)**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	4,386	(1,823)
Revaluation adjustments recognised in equity not reclassifiable to income	**4,386**	**(1,823)**

	Dec. 31, 2019					
(in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	***16,267***	***24,666***	***16,578***	***3,312***	***3,762***	***64,585***
Acquisitions/mergers/deconsolidations	0	0	0	0	127	127
Current service cost	678	403	201	296	(123)	1,455
Interest cost	103	2,255	317	128	0	2,803
Actuarial (gains)/losses	(1,383)	2,470	3,206	213	0	4,506
Benefits paid	(1,241)	(2,567)	(1,067)	(59)	0	(4,934)
Other	0	0	0	0	142	142
Present value of benefit obligation at December 31	**14,424**	**27,227**	**19,235**	**3,890**	**3,908**	**68,684**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,248***	***773***	***0***	***0***	***2,021***
Revaluation adjustments – Return on plan assets	0	63	93	0	0	156
Employer contributions	0	8	75	0	0	83
Benefits paid	0	(6)	(17)	0	0	(23)
Other	0	0	0	0	0	0
Fair value of plan assets at December 31	**0**	**1,313**	**924**	**0**	**0**	**2,237**
Reconciliation						
Present value of benefit obligation at December 31	***14,424***	***27,227***	***19,235***	***3,890***	***3,908***	***68,684***
Fair value of plan assets	0	1,313	924	0	0	2,237
(Liability)/Asset recognised in the balance sheet at December 31	**(14,424)**	**(25,914)**	**(18,311)**	**(3,890)**	**(3,908)**	**(66,447)**
Income statement						
Current service cost	678	403	201	315	(123)	1,474
Past service cost	0	0	0	(19)	0	(19)
Benefits paid including amounts paid in respect of settlements	0	0	0	0	0	0
Interest cost	234	407	283	41	0	965
Interest income	0	0	0	0	0	0
Revaluation adjustments on other long-term benefits	(131)	1,827	20	88	0	1,804
Other	0	0	0	0	141	141
(Income)/Expenses recorded in the income statement	**781**	**2,637**	**504**	**425**	**18**	**4,365**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(1,383)	2,429	3,127	213	0	4,386
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,383)**	**2,429**	**3,127**	**213**	**0**	**4,386**

	Dec. 31, 2018					
(in thousands of euros)	**France**	**Germany**	**Austria**	**Italy**	**Other**	**TOTAL**
Present value of benefit obligation at January 1	***17,070***	***26,330***	***18,159***	***3,213***	***3,431***	***68,203***
Current service cost	696	839	202	116	388	2,241
Interest cost	194	98	290	37	0	619
Actuarial (gains)/losses	(569)	173	(1,273)	(3)	0	(1,672)
Benefits paid	(1,123)	(2,764)	(748)	(53)	0	(4,688)
Other	(1)	(10)	(52)	2	(57)	(118)
Present value of benefit obligation at December 31	**16,267**	**24,666**	**16,578**	**3,312**	**3,762**	**64,585**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,221***	***841***	***0***	***0***	***2,062***
Revaluation adjustments – Return on plan assets	0	52	0	0	0	52
Employer contributions	0	10	54	0	0	64
Benefits paid	0	(37)	(121)	0	0	(158)
Other	0	1	0	0	0	1
Fair value of plan assets at December 31	**0**	**1,247**	**774**	**0**	**0**	**2,021**
Reconciliation						
Present value of benefit obligation at December 31	***16,267***	***24,666***	***16,578***	***3,312***	***3,762***	***64,585***
Fair value of plan assets	0	1,247	774	0	0	2,021
(Liability)/Asset recognised in the balance sheet at December 31	**(16,267)**	**(23,419)**	**(15,804)**	**(3,312)**	**(3,762)**	**(62,564)**
Income statement						
Current service cost	696	810	269	116	388	2,279
Past service cost	0	0	0	0	0	0
Benefits paid including amounts paid in respect of settlements	(1,123)	(2,811)	(802)	(53)	0	(4,789)
Interest cost	205	431	305	37	0	978
Interest income	0	0	0	0	0	0
Revaluation adjustments on other long-term benefits	0	0	0	0	0	0
Other	(13)	(292)	(15)	0	0	(320)
(Income)/Expenses recorded in the income statement	**(235)**	**(1,862)**	**(243)**	**100**	**388**	**(1,852)**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(569)	173	(1,273)	(3)	(150)	(1,823)
Revaluation adjustments recognised in equity not reclassifiable to income	**(569)**	**173**	**(1,273)**	**(3)**	**(150)**	**(1,823)**

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, 2019			
	France	**Germany**	**Austria**	**Italy**
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
Supplementary retirement and other plans	*0.00%*	*0.80%*	*0.80%*	*N/A*
Statutory retirement benefits	*0.40%*	*N/A*	*0.80%*	*0.80%*
Long-service awards	*0.00%*	*0.80%*	*0.80%*	*0.80%*
Other benefits	*0.50%*	*0.80%*	*N/A*	*0.80%*
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	2.50%	N/A	N/A	4.20%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*1.26*	*4.39*	*8.40*
Statutory retirement benefits	*16.83*	*N/A*	*10.04*	*12.10*
Long-service awards	*16.83*	*14.88*	*19.38*	*8.50*
Other benefits	*0.00*	*3.78*	*N/A*	*0.00*
Term (years)				
Supplementary retirement and other plans	*3.76*	*13.55*	*18.24*	*22.10*
Statutory retirement benefits	*14.57*	*0.00*	*10.04*	*9.63*
Long-service awards	*8.93*	*10.57*	*9.31*	*10.80*
Other benefits	*14.18*	*1.66*	*N/A*	*N/A*

	Dec. 31, 2018			
	France	Germany	Austria	Italy
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
Supplementary retirement and other plans	*0.30%*	*1.85%*	*1.85%*	*N/A*
Statutory retirement benefits	*1.40%*	*N/A*	*1.85%*	*1.85%*
Long-service awards	*1.00%*	*1.85%*	*1.85%*	*1.85%*
Other benefits	*1.70%*	*1.85%*	*N/A*	*1.85%*
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	4.20%	N/A	N/A	4.20%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*1.28*	*3.82*	*7.30*
Statutory retirement benefits	*14.92*	*N/A*	*10.51*	*12.20*
Long-service awards	*14.92*	*14.92*	*19.26*	*8.80*
Other benefits	*0.00*	*1.46*	*N/A*	*0.00*
Term (years)				
Supplementary retirement and other plans	*4.09*	*12.26*	*16.75*	*17.50*
Statutory retirement benefits	*11.46*	*0.00*	*9.31*	*10.03*
Long-service awards	*7.90*	*10.31*	*10.06*	*10.69*
Other benefits	*14.46*	*1.14*	*N/A*	*N/A*

Sensitivity tests on the defined benefit obligation

	Dec. 31, 2019			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	(12.83%)	(11.26%)	(8.11%)	(1.64%)
-1% increase in the discount rate	16.27%	13.54%	9.70%	1.70%
1% increase in the inflation rate	8.12%	9.70%	0.96%	1.66%
-1% increase in the inflation rate	(6.73%)	(8.26%)	(1.20%)	(1.64%)
1% increase in rate of increase in medical costs	15.90%	0.00%	0.00%	0.00%
-1% increase in rate of increase in medical costs	(12.97%)	0.00%	0.00%	0.00%
1% decrease in rate of salary increase (including inflation)	11.85%	11.85%	2.04%	1.66%
-1% decrease in rate of salary increase (including inflation)	(9.83%)	(10.15%)	(2.15%)	(1.64%)

	Dec. 31, 2018			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	(11.95%)	(9.97%)	(8.92%)	(1.06%)
-1% increase in the discount rate	14.91%	11.82%	10.40%	1.09%
1% increase in the inflation rate	7.84%	10.12%	0.95%	1.08%
-1% increase in the inflation rate	(6.58%)	(8.62%)	(1.13%)	(1.07%)
1% increase in rate of increase in medical costs	15.28%	0.00%	0.00%	0.00%
-1% increase in rate of increase in medical costs	(12.78%)	0.00%	0.00%	0.00%
1% decrease in rate of salary increase (including inflation)	10.61%	11.93%	1.97%	1.08%
-1% decrease in rate of salary increase (including inflation)	(8.87%)	(10.20%)	(2.05%)	(1.07%)

NOTE 15. FINANCING LIABILITIES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Due within one year		
♦ Interest	11,756	11,756
♦ Amortization of expenses	(547)	(524)
Total	**11,209**	**11,232**
Due between one and five years		
♦ Amortization of expenses	(1,948)	(2,343)
♦ Nominal	380,000	
Total	**378,052**	**(2,343)**
Due beyond five years		
♦ Amortization of expenses	-	(160)
♦ Nominal	-	380,000
Total	**-**	**379,840**
TOTAL	**389,261**	**388,729**

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly attributable transaction costs.

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

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

As at December 31, 2019, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €389,261 thousand, and is composed of:

- nominal amount of bonds: €380,000 thousand;
- less the debt issuance costs and the issue premium for €2,495 thousand;
- plus accrued interest of €11,756 thousand.

The impact on consolidated income statement income as at December 31, 2019 mainly includes interest related to the period for €16,208 thousand.

NOTE 16. LEASE LIABILITIES

Lease liabilities ageing

	Dec. 31, 2019							
(in thousands of euros)	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Lease liabilities not discounted (before interest deduction)	93	4,122	5,061	10,173	13,702	28,583	44,092	105,827

Leases as lessee – Reconciliation table between minimum future payments as at December 31, 2018 and lease liabilities amounts recorded as at January, 1 2019

(in thousands of euros)	
Future minimum lease payments on operating leases as of December 31, 2018	**109,306**
Commitments on leases that have not yet started	(6,937)
Exemption for short term or low-value contracts	(607)
Gross value of lease liabilities as at January 1, 2019	**101,763**
Discounting effect	(14,170)
Lease liabilities recognised in the balance sheet as at January 1, 2019	**85,395**

The weighted average marginal rate applied to lease liabilities on the date of first application is 3.02%.

NOTE 17. LIABILITIES RELATING TO INSURANCE CONTRACTS

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Provisions for unearned premiums	281,465	280,584
Claims reserves	1,361,352	1,290,857
Provisions for premium refunds	184,402	174,938
Liabilities relating to insurance contracts	**1,827,219**	**1,746,379**
Provisions for unearned premiums	(59,130)	(60,752)
Claims reserves	(341,936)	(321,289)
Provisions for premium refunds	(49,301)	(43,357)
Reinsurers' share insurance liabilities	**(450,367)**	**(425,398)**
NET TECHNICAL PROVISIONS	**1,376,852**	**1,320,981**

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €737 million at December 31, 2019.

NOTE 18. PAYABLES ARISING FROM BANKING SECTOR ACTIVITIES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Amounts due to banking sector companies	523,020	660,204
Amounts due to customers of banking sector companies	301,058	346,932
Debt securities	1,538,727	1,537,580
TOTAL	**2,362,805**	**2,544,716**

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

NOTE 19. DEFERRED TAX

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets	(64,042)	(52,809)
Deferred tax liabilities	107,357	95,962
NET DEFERRED TAX – LIABILITIES	**43,315**	**43,153**
Timing differences	(16,705)	(19,128)
Provisions for pensions and other employment benefit obligations	(9,951)	(9,397)
Tax loss carry forwards	(7,290)	(6,619)
Cancellation of the claims equalization provision	77,261	78,298
NET DEFERRED TAX – LIABILITIES	**43,315**	**43,153**

Deferred tax assets and liabilities are assessed at the rate applicable on the date on which the asset will be realised or the liabilities will be settled.

The French finance law for 2020 planned a gradual decrease in corporate income tax rate from 33.33% to 25% for companies with more than €250 million in turnover. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of Coface Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorised to compensate due tax assets and liabilities.

Changes in deferred tax balances by region

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

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2019*	Change through income	Revaluation adjustment on AFS investments	Currency translation variation	Other movements	Dec. 31, 2019
Northern Europe	58,943	58,943	(9,113)	58	0	(761)	49,127
Western Europe	15,618	15,714	(7,353)	19,834	(15)	909	29,089
Central Europe	(1,069)	(1,069)	(796)	38	109	(409)	(2,127)
Mediterranean & Africa	(17,233)	(17,233)	(7,244)	0	97	0	(24,380)
North America	1,404	1,404	427	537	34	0	2,402
Latin America	(2,902)	(2,902)	(3,449)	(487)	812	0	(6,026)
Asia-Pacific	(11,608)	(11,608)	6,786	209	(157)	0	(4,770)
TOTAL	**43,153**	**43,249**	**(20,742)**	**20,189**	**880**	**(261)**	**43,315**

**Effects related to the first application of IFRS 16.*

(in thousands of euros)	Jan. 1, 2019	Dec. 31, 2018	Effect of the first application of IFRS 16
Northern Europe	58,943	58,943	
Western Europe	15,714	15,618	96
Central Europe	(1,069)	(1,069)	
Mediterranean & Africa	(17,233)	(17,233)	
North America	1,404	1,404	
Latin America	(2,902)	(2,902)	
Asia-Pacific	(11,608)	(11,608)	
TOTAL	**43,249**	**43,153**	**96**

(in thousands of euros)	Dec. 31, 2017	Jan. 1, 2018*	Change through income statement	Revaluation adjustment on AFS investments	Currency translation variation	Other movements	Dec. 31, 2018
Northern Europe	55,548	55,498	3,420	79	0	(54)	58,943
Western Europe	10,562	10,562	20,242	(15,671)	67	418	15,618
Central Europe	(386)	(406)	(823)	(51)	(107)	318	(1,069)
Mediterranean & Africa	(14,930)	(14,930)	(2,073)	0	(231)	1	(17,233)
North America	(221)	(221)	1,639	(206)	192	0	1,404
Latin America	(3,241)	(3,241)	2,020	(3,486)	1,760	45	(2,902)
Asia-Pacific	(13,253)	(13,253)	2,141	(65)	(431)	0	(11,608)
TOTAL	**34,079**	**34,009**	**26,566**	**(19,400)**	**1,250**	**728**	**43,153**

Effects related to the first application of IFRS 9.

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

Deferred taxes related to tax losses

The breakdown by region of deferred tax assets linked to tax deficits is as follows:

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	986	0
Western Europe	1,422	136
Central Europe	609	542
Mediterranean & Africa	717	271
North America	0	854
Latin America	1,083	1,097
Asia-Pacific	2,472	3,719
NET DEFERRED TAX – LIABILITIES	**7,290**	**6,619**

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognised at the level of entity's income tax results estimated for the period from 2020 to 2024, *i.e.* a recoverability horizon of five years.

This recognition results from a Business Tax Plan prepared by each entity on the basis of the Business Plan approved by the management.

NOTE 20. PAYABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Guarantee deposits received from policyholders	2,630	2,472
Amounts due to policyholders and agents	78,446	67,981
Payables arising from insurance and inward reinsurance operations	**81,076**	**70,453**
Amounts due to reinsurers	135,454	121,321
Deposits received from reinsurers	3,333	3,879
Payable arising from ceded reinsurance operations	**138,787**	**125,200**
TOTAL	**219,863**	**195,653**

NOTE 21. OTHER LIABILITIES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Current tax payables	**66,295**	**41,580**
Derivatives and related liabilities	**888**	**1,666**
Accrued personnel costs	*56,621*	*54,873*
Sundry payables	*206,781*	*215,872*
Deferred income	*9,340*	*8,224*
Other accruals	*17,828*	*24,645*
Other payables	**290,570**	**303,614**
TOTAL	**357,754**	**346,860**

NOTES TO THE INCOME STATEMENT

NOTE 22. REVENUE

Breakdown of consolidated revenue

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Premiums – direct business	*1,224,651*	*1,169,260*
Premiums – inward reinsurance	*102,984*	*94,102*
Gross written premiums	**1,327,635**	**1,263,364**
Premium refunds	**(95,079)**	**(106,516)**
Change of provisions for unearned premiums	**3,041**	**(14,240)**
Earned premiums	**1,235,597**	**1,142,608**
Fees and commission income	**140,114**	**132,418**
Net income from banking activities	**64,106**	**66,713**
Other insurance-related services	94	3,637
Business information and other services	31,108	28,550
Receivables management	10,069	10,809
Income from other activities	**41,271**	**42,995**
Revenue or income from other activities	**245,491**	**242,127**
CONSOLIDATED REVENUE	**1,481,088**	**1,384,735**

Consolidated revenue by country of invoicing

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	307,464	303,081
Western Europe	294,650	283,965
Central Europe	148,078	133,843
Mediterranean & Africa	394,175	370,370
North America	138,475	126,502
Latin America	80,653	71,528
Asia-Pacific	117,593	95,447
CONSOLIDATED REVENUE	**1,481,088**	**1,384,735**

Consolidated revenue by business line

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Earned premiums – Credit	*1,164,752*	*1,068,404*
Earned premiums – Single risk	*21,193*	*26,779*
Earned premiums – Credit insurance	**1,185,945**	**1,095,183**
Fees and commission income	**140,114**	**132,418**
Other insurance-related services	**94**	**3,637**
Revenue of credit insurance activity	**1,326,153**	**1,231,238**
Earned premiums – Guarantees	**49,652**	**47,425**
Financing fees	35,226	35,295
Factoring fees	30,304	32,416
Other	(1,424)	(998)
Net income from banking activities (factoring)	**64,106**	**66,713**
Business information and other services	31,108	28,550
Receivables management	10,069	10,809
Revenue of business information and other services activity	**41,177**	**39,359**
CONSOLIDATED REVENUE	**1,481,088**	**1,384,735**

NOTE 23. CLAIMS EXPENSES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Paid claims, net of recoveries	(456,416)	(444,072)
Claims handling expenses	(31,212)	(28,020)
Change in claims reserves	(48,619)	(32,417)
TOTAL	**(536,247)**	**(504,509)**

Claims expenses by period of occurrence

	Dec. 31, 2019			Dec. 31, 2018		
(in thousands of euros)	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(866,463)	219,596	(646,867)	(828,774)	208,960	(619,814)
Claims expenses – prior years	330,216	(80,145)	250,071	324,265	(72,213)	252,052
TOTAL	**(536,247)**	**(139,451)**	**(396,796)**	**(504,509)**	**136,747**	**(367,762)**

NOTE 24. OVERHEADS BY FUNCTION

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Policy acquisition costs	(242,675)	(243,236)
Administrative costs	(274,784)	(241,136)
Other insurance activity expenses	(70,739)	(82,556)
Expenses from banking activities, excluding cost of risk	(13,742)	(13,552)
Expenses from services activities	(75,198)	(77,739)
Operating expenses	**(677,138)**	**(658,219)**
Investment management expenses	**(4,037)**	**(4,006)**
Claims handling expenses	**(31,212)**	**(28,020)**
TOTAL	**(712,387)**	**(690,245)**
of which employee profit-sharing	*(7,038)*	*(6,219)*

Total overheads include general insurance expenses (by function), expenses from services activities and expenses from banking activities. This amounted to €712,387 thousand at December 31, 2019 *versus* €690,245 thousand at December 31, 2018.

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

NOTE 25. EXPENSES FROM BANKING ACTIVITIES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Charges to allowances for receivables	(138)	(5,858)
Reversal of allowances for receivables	6,559	6,763
Losses on receivables	(8,225)	(3,027)
Cost of risk	**(1,804)**	**(2,122)**
Operating expenses	**(13,742)**	**(13,552)**
TOTAL	**(15,546)**	**(15,674)**

"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 26. INCOME/(LOSS) FROM CEDED REINSURANCE

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Ceded claims	126,829	124,536
Change in claims provisions net of recoveries	12,622	12,211
Commissions paid by reinsurers	136,171	128,666
Income from ceded reinsurance	**275,622**	**265,413**
Ceded premiums	(350,573)	(326,730)
Change in unearned premiums provisions	(3,012)	(811)
Expenses from ceded reinsurance	**(353,585)**	**(327,541)**
TOTAL	**(77,963)**	**(62,128)**

NOTE 27. INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Investment income	50,635	46,272
Change in financial instruments at fair value through income	1,287	(1,976)
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*0*	*0*
Net gains on disposals	(299)	6,621
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*(15)*	*22*
Additions to/(reversals from) impairment	(6,148)	(4,581)
Net foreign exchange gains/losses	(695)	9,976
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds(1)	*(4,291)*	*(4,043)*
Investment management expenses	(7,840)	(5,188)
TOTAL	**36,940**	**51,124**

(1) The Colombes and Lausanne funds exchange rate difference covered by derivatives amounts to €(4,291) thousand. This amount is broken down into €(7,724) thousand in realised profit and €3,433 thousand in unrealised losses.

Investment income by class

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Equities	6,591	5,473
Fixed income	39,771	30,914
Investment properties	8,411	8,985
Sub-total	**54,773**	**45,372**
Associated and non consolidated companies	(4,734)	3,133
Exchange rate – change profit/loss	(5,259)	7,807
Financial and investment charges	(7,840)	(5,188)
TOTAL	**36,940**	**51,124**

NOTE 28. OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Fit to Win restructuring charges	(1,308)	(10,607)
Restructuring provisions	(5,300)	
Loss on Cofacredit disposal		(2,170)
Other operating expenses	(2,829)	(719)
Total other operating expenses	**(9,437)**	**(13,496)**
Gain on sale of italian operationnal building	2,312	
Renegociation of Bois-Colombes lease contract		5,179
Other operating income	1,125	3,343
Total other operating income	**3,437**	**8,522**
TOTAL	**(6,000)**	**(4,974)**

Other operating income and expenses amounted to €(6.0) million as at December 31, 2019.

Other operating income includes the gain on disposal of the office building in Milan (Italy) for €2.3 million (classified as business premises).

Other operating expenses mainly include:

- €1.3 million of expenses net of reversals of provisions related to Fit to Win strategic plan;
- €5.3 million of restructuring provisions.

NOTE 29. INCOME TAX EXPENSE

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Income tax	(76,177)	(37,566)
Deferred tax	20,743	(26,566)
TOTAL	**(55,434)**	**(64,132)**

Tax proof

(in thousands of euros)	Dec. 31, 2019		Dec. 31, 2018	
Net income	**146,729**		**122,333**	
Non-controlling interests	10		(353)	
Income tax expense	(55,434)		(64,132)	
Badwill	4,662			
Share in net income of associates	0		592	
Pre-tax income before share in net income of associates and badwill	**197,490**		**186,226**	
Tax rate		34.43%		34.43%
Theoretical tax	(67,996)		(64,118)	
Tax expense presented in the consolidation income statement	(55,434)	28.07%	(64,132)	34.44%
Difference	**(12,562)**	**(6.36%)**	**14**	**0.01%**
Impact of differences between Group tax rates and local tax rates	24,547	12.43%	16,423	8.82%
Specific local taxes	(3,118)	(1.58%)	(750)	(0.40%)
o/w French corporate value added tax (CVAE)	*(1,375)*	*(0.70%)*	*(1,023)*	*(0.55%)*
Tax losses for which no deferred tax assets have been recognised	(4,934)	(2.50%)	(14,769)	(7.93%)
Utilisation of previously unrecognised tax loss carryforwards	1,266	0.64%	1,183	0.64%
Dividends paid in France non deductible for tax purposes (1%)	-	0.00%	(580)	(0.31%)
Liability method impact	(6,175)	(3.13%)	1,388	0.75%
Other differences	976	0.49%	(2,909)	(1.56%)

The effective income tax rate decreased by 6 points from 34.44% at December 31, 2018 to 28.07% at December 31, 2019.

The difference between theoretical tax and actual tax expense presented in the consolidated income statement comes from a positive impact of differences between Group tax rates and local tax rates. This is offset by the negative impact of tax losses for which no deferred tax assets have been recognised and the liability method impact (mainly in France).

OTHER INFORMATION

NOTE 30. BREAKDOWN OF NET INCOME BY SEGMENT

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is 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 correspond to the debtor's location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur and Coface Re, has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

Analysis of net income by segment as at December 31, 2019

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
Revenue	**309,295**	**290,567**	**149,538**	**396,060**
o/w Earned Premium	*208,165*	*255,701*	*120,842*	*334,348*
o/w Factoring	*53,931*	*(705)*	*10,880*	
o/w Other insurance-related,services	*47,199*	*35,571*	*17,816*	*61,712*
Claims-related expenses (including claims handling costs)	(85,109)	(88,467)	(51,340)	(154,749)
Cost of risk	(2,353)		549	
Commissions	(20,997)	(39,093)	(9,549)	(42,259)
Other internal general expenses	(114,141)	(98,847)	(54,412)	(113,335)
Underwriting income before reinsurance*	**86,695**	**64,160**	**34,786**	**85,717**
Income/(loss) on ceded reinsurance	(9,115)	(37,432)	(9,596)	(15,235)
Other operating income and expenses	(5,231)	(1,618)	(27)	1,626
Net financial income excluding finance costs	2,239	8,998	5,855	7,737
Finance costs	(258)	(2,851)	(612)	(862)
Operating income including finance costs	**74,330**	**31,257**	**30,406**	**78,983**
Badwill			4,662	
Net income before tax	**74,330**	**31,257**	**35,068**	**78,983**
Income tax expense	(20,383)	(8,571)	(9,616)	(21,659)
Consolidated net income before non-controlling interests	**53,947**	**22,686**	**25,452**	**57,324**
Non-controlling interests	(2)	(1)	(2)	15
NET INCOME FOR THE PERIOD	**53,945**	**22,685**	**25,450**	**57,339**

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

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
138,474	**80,653**	**117,593**	**978,189**	**26,567**		**(1,005,848)**	**1,481,088**
124,784	*77,881*	*113,875*	*978,189*			*(978,188)*	*1,235,597*
							64,106
13,690	*2,772*	*3,718*		*26,567*		*(27,660)*	*181,385*
(57,103)	(46,796)	(40,893)	(408,105)		(5,698)	402,013	(536,247)
							(1,804)
(20,412)	(10,412)	(22,629)	(373,998)			374,001	(165,348)
(42,940)	(28,618)	(38,555)		(26,535)	(29,174)	34,767	(511,790)
18,019	**(5,173)**	**15,516**	**196,086**	**32**	**(34,872)**	**(195,067)**	**265,899**
(2,869)	(2,873)	4,037	(200,966)			196,086	(77,963)
(994)	244						(6,000)
3,669	10,394	2,850		237	(1,057)	(3,982)	36,940
(1,498)	(312)	(996)		(94)	(16,207)	2,305	(21,385)
16,327	**2,280**	**21,407**	**(4,880)**	**175**	**(52,136)**	**(658)**	**197,491**
							4,662
16,327	**2,280**	**21,407**	**(4,880)**	**175**	**(52,136)**	**(658)**	**202,153**
(4,477)	(625)	(5,870)	1,338	(48)	14,297	180	(55,434)
11,850	**1,655**	**15,537**	**(3,542)**	**127**	**(37,839)**	**(478)**	**146,719**
							10
11,850	**1,655**	**15,537**	**(3,542)**	**127**	**(37,839)**	**(478)**	**146,729**

Analysis of net income by segment as at December 31, 2018

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
Revenue	**299,979**	**274,376**	**136,856**	**371,880**
o/w Earned Premium	*201,397*	*241,693*	*106,463*	*313,738*
o/w Factoring	*57,083*	*(894)*	*10,524*	
o/w Other insurance-related services	*41,498*	*33,577*	*19,869*	*58,142*
Claims-related expenses (including claims handling costs)	(98,411)	(83,673)	(52,951)	(153,197)
Cost of risk	(2,233)		111	
Commissions	(22,666)	(40,212)	(9,232)	(37,626)
Other internal general expenses	(117,417)	(106,223)	(47,457)	(112,634)
Underwriting income before reinsurance*	**59,253**	**44,267**	**27,327**	**68,422**
Income/(loss) on ceded reinsurance	(10,310)	(25,716)	(2,937)	(6,133)
Other operating income and expenses		(370)	67	(1,613)
Net financial income excluding finance costs	4,220	16,052	5,239	10,965
Finance costs	(177)	692	(968)	(383)
Operating income including finance costs	**52,986**	**34,925**	**28,729**	**71,259**
Share in net income of associates		592		
Net income before tax	**52,986**	**35,517**	**28,729**	**71,259**
Income tax expense	(17,262)	(18,772)	(6,317)	(17,000)
Consolidated net income before non-controlling interests	**35,724**	**16,745**	**22,412**	**54,259**
Non-controlling interests	(1)	(2)	(1)	(2)
NET INCOME FOR THE PERIOD	**35,723**	**16,743**	**22,411**	**54,257**

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

	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
	129,665	**71,584**	**96,850**	**962,581**	**26,890**		**(985,926)**	**1,384,735**
	117,252	*68,757*	*93,308*	*962,581*			*(962,581)*	*1,142,608*
								66,714
	12,412	*2,826*	*3,543*		*26,890*		*(23,345)*	*175,413*
	(45,856)	(39,783)	(22,038)	(411,501)		(4,914)	407,814	(504,509)
								(2,122)
	(24,175)	(7,694)	(18,267)	(361,531)			358,202	(163,203)
	(35,058)	(25,625)	(35,482)		(26,220)	(20,817)	31,919	(495,015)
	24,575	**(1,519)**	**21,063**	**189,549**	**671**	**(25,731)**	**(187,992)**	**219,886**
	(6,610)	(5,170)	2,572	(197,374)			189,549	(62,128)
	(5,441)	2,382						(4,974)
	1,826	14,196	3,700		(49)	(1,057)	(3,968)	51,124
	(1,382)	(204)	(1,264)		(238)	(16,169)	2,411	(17,681)
	12,969	**9,685**	**26,071**	**(7,825)**	**383**	**(42,957)**		**186,225**
								592
	12,969	**9,685**	**26,071**	**(7,825)**	**383**	**(42,957)**		**186,818**
	(2,422)	(5,717)	(9,351)	2,694	(132)	14,790	(4,644)	(64,132)
	10,547	**3,969**	**16,720**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,685**
		(347)	2					(353)
	10,547	**3,621**	**16,721**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,333**

NOTE 31. EARNINGS PER SHARE

	Dec. 31, 2019		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	151,165,109	146,729	0.97
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**151,165,109**	**146,729**	**0.97**

	Dec. 31, 2018		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	154,018,359	122,332	0.79
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**154,018,359**	**122,332**	**0.79**

NOTE 32. GROUP HEADCOUNT

(in full time equivalent)	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	598	625
Western Europe	906	884
Central Europe	622	529
Mediterranean & Africa	596	597
North America	192	162
Latin America	201	225
Asia-Pacific	132	134
TOTAL	**3,248**	**3,156**

At December 31, 2019, the number of employees of fully consolidated companies was 3,248 full-time equivalents (FTE) *versus* 3,156 at December 31, 2018, up by 92 FTEs.

NOTE 33. RELATED PARTIES

As at the end of December 2019, Natixis holds 42.48% of the Coface Group's shares excluding treasury shares, and 42.2% including treasury shares.

	Number of shares	%
Natixis	64,153,881	42.48%
Public	86,877,316	57.52%
TOTAL	**151,031,197**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

Income statement *(in thousands of euros)*	Dec. 31, 2019		
	Natixis SA	**Natixis Factor**	**Ellisphere**
Net income from banking activities	(2,297)	0	0
Claims expenses	0	4	0
Expenses from services activities	0	0	0
Policy acquisition costs	0	7	0
Administrative costs	0	15	0
Other insurance activity expenses	0	9	0
OPERATING INCOME	**(2,297)**	**35**	**0**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2019			
	BPCE group	**Natixis SA**	**Natixis Factor**	**Ellisphere**
Financial investments	**53,109**	**0**		
Other assets		**0**	**0**	**0**
Cash and cash equivalents		**6,613**	**0**	**0**
Liabilities relating to insurance contracts				**0**
Amounts due to banking sector companies		97,226		0
OTHER LIABILITIES		**0**		**15**

The €97,226 thousand in financing liabilities due to banking sector companies at the end of December 2019 correspond to borrowings taken out with Natixis to finance the factoring activity.

Income statement *(in thousands of euros)*	Dec. 31, 2018		
	Natixis SA	Natixis Factor	Ellisphere
Net income from banking activities	(3,573)	0	0
Claims expenses	0	0	0
Expenses from services activities	0	0	(34)
Policy acquisition costs	0	1	0
Administrative costs	(46)	1	0
Other insurance activity expenses	0	1	0
OPERATING INCOME/(LOSS)	**(3,619)**	**3**	**(34)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2018			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	**34,554**	**9**		
Other assets		**1,631**	**0**	**0**
Cash and cash equivalents		**1,849**	**0**	**0**
Liabilities relating to insurance contracts				**0**
Amounts due to banking sector companies		135,235		0
Other liabilities		**0**		**11**

NOTE 34. KEY MANAGEMENT COMPENSATION

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Short-term benefits (gross salaries and wages, incentives, benefits in kind and annual bonus)	4,185	3,618
Other long-term benefits	1,017	1,164
Statutory termination benefits	0	88
Share-based payment	642	0
TOTAL	**5,844**	**4,870**

The Group Management Committee is composed of eight members on December 31, 2019 and of the Coface CEO.

The line "Other long-term benefits" corresponds to the free performance shares allocation (fair value).

The line "Share-based payment" corresponds to the free performance shares delivered in 2019 and allocated under the 2016 Long-Term Incentive Plan (fair value).

A total of €348 thousand was paid out in directors' fees to the members of the Board of Directors and the Audit, the Risk and the Compensation Committees in 2019.

NOTE 35. BREAKDOWN OF AUDIT FEES

	KPMG				Deloitte				Total			
(in thousands of euros)	2019	%	2018	%	2019	%	2018	%	2019	%	2018	%
Statutory and IFRS Audit												
COFACE SA	(337)	24%	(451)	28%	(310)	15%	(447)	20%	(647)	18%	(898)	23%
Subsidiaries	(973)	69%	(941)	59%	(1,792)	85%	(1,735)	78%	(2,765)	79%	(2,676)	70%
Sub-total	**(1,310)**	**93%**	**(1,392)**	**87%**	**(2,102)**	**100%**	**(2,182)**	**98%**	**(3,412)**	**97%**	**(3,574)**	**93%**
Other fees than Statutory and IFRS Audit												
COFACE SA	(56)	4%	(59)	4%	30	(1%)	(30)	1%	(26)	1%	(89)	2%
Subsidiaries	(37)	3%	(153)	10%	(28)	1%	(21)	1%	(65)	2%	(174)	5%
Sub-total	**(93)**	**7%**	**(212)**	**13%**	**2**	**0%**	**(51)**	**2%**	**(91)**	**3%**	**(263)**	**7%**
TOTAL	**(1,403)**	**100%**	**(1,604)**	**100%**	**(2,100)**	**100%**	**(2,233)**	**100%**	**(3,503)**	**100%**	**(3,837)**	**100%**

NOTE 36. OFF-BALANCE SHEET COMMITMENTS

	Dec. 31, 2019		
(in thousands of euros)	Total	Related to financing	Related to activity
Commitments given	**1,055,215**	**1,037,195**	**18,021**
Endorsements and letters of credit	1,037,195	1,037,195	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	10,521		10,521
Commitments received	**1,503,862**	**1,018,308**	**485,554**
Endorsements and letters of credit	140,575		140,575
Guarantees	342,478		342,478
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	318,308	318,308	
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**382,200**		**382,200**
Securities lodged as collateral by reinsurers	382,200		382,200
Financial market transactions	**281,096**		**281,096**

Endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of investors in COFACE SA subordinated bonds (10-year maturity);
- a guarantee from Cofinpar of €7,000 thousand;
- a joint guarantee of €650,195 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €346,600 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

(in thousands of euros)	Dec. 31, 2018 Total	Related to financing	Related to activity
Commitments given	**1,098,565**	**1,075,637**	**22,928**
Endorsements and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
Commitments received	**1,443,393**	**1,026,777**	**416,616**
Endorsements and letters of credit	140,063		140,063
Guarantees	174,052		174,052
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**356,927**		**356,927**
Securities lodged as collateral by reinsurers	356,927		356,927
Financial market transactions	**250,081**		**250,081**

NOTE 37. OPERATING LEASES

Lease commitments given consist of non-cancellable lease agreements. They are broken down below. These off-balance sheet amounts have sharply decreased due to the application of IFRS 16 on January 1, 2019.

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Less than 1 year	2,413	12,341
Between 1 and 5 years	311	49,084
More than 5 years	0	47,882
TOTAL	**2,724**	**109,306**

NOTE 38. RELATIONSHIP BETWEEN PARENT COMPANY AND SUBSIDIARIES

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

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

- financing:
  - COFACE SA and la Compagnie have granted each other one 10-year loan,
  - in net terms, COFACE SA finances la Compagnie,
  - la Compagnie stands as surety for the bond issue floated by COFACE SA,
  - a two-way cash flow agreement exists between COFACE SA and la Compagnie,
  - COFACE SA delegates to la Compagnie management of its commercial paper programme and of its cash management;
- dividends:
  - la Compagnie pays dividends to COFACE SA;
- tax consolidation:
  - la Compagnie forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of la Compagnie française d'assurance pour le commerce extérieur and its principal financial flows as at December 31, 2019:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other entities	Eliminations	Total
Revenue	2,966	1,471,977	1,026,051	(1,019,906)	1,481,088
Current operating income	12,119	145,961	103,555	(36,759)	224,876
Net income	(6,905)	67,829	85,805		146,729
Fixed assets	1,828,575	5,246,791	1,299,083	(5,039,143)	3,335,306
Indebtedness outside the Group	389,261	0	0		389,261
Cash and cash equivalent	6,330	165,236	149,211		320,777
Net cash generated from operating activities	4,361	132,880	110,463		247,704
Dividends paid to the quoted company		125,135	15,721		140,856

NOTE 39. INITIAL CONSOLIDATION OF COFACE PKZ

Coface PKZ is part of the Coface Group's consolidation scope since April 1, 2019.

In accordance with IFRS 3 "Business combinations", initial recognition of assets, liabilities and minority interests shall be adjusted up to 12 months after the acquisition date, to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

The review ended and the initial recognition of assets and liabilities was finalized in the consolidation financial statement at December 31, 2019.

The main balance sheet aggregates at April 1, 2019 are summarized in the chart below:

(in thousands of euros)	Opening balance
Asset aggregates	
Insurance business investment	21,016
Reinsurers' share of insurance liabilities	11,051
Building used in the business and other property, plant and equipment	2,700
Receivables arising from insurance and reinsurance operations	2,471
Trade receivables	215
Cash	8,934
Liability aggregates	
Liabilities relating to insurance contracts	20,343
Payables arising from insurance and reinsurance operations	1,182
Other payables	1,345

The contribution of Coface PKZ to the 2019 net income of Coface Group is summarized in the chart below:

(in thousands of euros)	Income statement
Revenue	11,606
Net income before badwill	170
Badwill	4,662

NOTE 40. BREXIT

The UK's exit from the European Union under Brexit will lead to a loss of the European passport (freedom to provide services).

The Coface Group has started discussions with its customers in order to adapt the insurance policies affected by this matter.

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

On February 5, 2020, Coface signed a binding agreement with the Norwegian Ministry of Trade, Industry and Fisheries to acquire GIEK Kredittforsikring in full.

Created in 2001, GIEK Kredittforsikring underwrites and manages the short-term export credit insurance portfolio previously underwritten by the Norwegian export credit guarantee agency, GIEK. In 2018, the company recorded a total of around €9 million (NOK 92 million) of gross written premiums on a portfolio mostly consisting of export policies. The company is well known in the market for the quality of its customer service and for the relevance of its pricing model. It also benefits from a solid market presence with Norwegian exporters.

The acquisition of GIEK Kredittforsikring by Coface is subject to the usual regulatory approvals.

NOTE 42. RISK MANAGEMENT

The sections forming an integral part of the Group's financial statements related to risk management are presented in Chapter 5, Section 5.1 “Risk Management and Internal Control” and Section 5.2 “Risk Factors”.