COFACE SA
Société anonyme (public limited company) with a share capital of €784,206,535
Registered office: 1 Place Costes et Bellonte, 92270 Bois Colombes, France
Registered with the Nanterre Trade and Companies Registry under company number 432 413 599

REGISTRATION DOCUMENT

The *Autorité des marchés financiers* (French Financial Markets Authority) registered the French language version of the *document de base* on May 6, 2014 under number I.14-029, pursuant to, and in accordance with, Article 212-23 of its General Regulations (*Règlement General*). This document may only be used for the purposes of a financial transaction if it is supplemented by a securities note in respect of which the AMF has granted a visa. It was prepared by the issuer and all its signatories are liable for its contents.

The registration was only granted upon, *inter alia*, verification by the AMF that this document is complete, clear and coherent as per the requirements of Article L.621-8-1-I of the French *Code monétaire et financier*. The AMF has not, and cannot be construed as having, verified any of the accounting and financial information contained herein.

DISCLAIMER

By accepting this document, you acknowledge, and agree to be bound by, the following statements. This document is a translation of the Coface Group's *document de base* dated May 6, 2014 (the "**document de base**" or "**registration document**"). The document de base, in its original French version, is publicly available at www.amf-france.org. This translation (the "**Translation**") is provided for your convenience only and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part for any purpose. This translation has not been prepared for use in connection with any offering of securities. It does not contain all of the information that an offering document would contain.

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NOTE

*The company, COFACE SA, is a public limited company incorporated under French law, with a share capital of €784,206,535, which has its registered office at 1 Place Costes and Bellonte, 92270 Bois Colombes, France and is registered under company number 432 413 599 with the Nanterre Trade and Companies Registry (hereinafter, the "**Company**"). Unless otherwise stated, references in this registration document to the "**Group**" or the "**Coface Group**" are references to the Company and its subsidiaries, branches and holdings.*

Forward-looking Statements

This document contains forward-looking statements regarding the growth, prospects and strategies of the Coface Group. These forward-looking statements are sometimes identified by the use of future and conditional tenses, as well as by terms such as "consider", "envisage", "think", "aim", "expect", "intend", "should", "anticipate", "think", "believe" "wish", or "might" or, if applicable, the negative form of such terms and other similar words, terminology and phrases. Such information has nohistorically factual basis and should not be interpreted as a guarantee of future performance. It is based on data, assumptions and estimates from which the Coface Group considers it reasonable to draw inferences. Such information is subject and susceptible to change or modification due to uncertainties in economic, financial, competitive or regulatory environments. In addition, the materialization of one or more of the risks described in the Section 4 "Risk Factors" in this registration document may have a material adverse effect on the business, financial stability and results and future operations of the Coface Group, as well as its ability to attain its objectives. This information is contained in several sections of this registration document and includes statements relating to the Coface Group's intentions, estimates and objectives with respect to its markets, strategies, growth,operational outcomes, financial stability and cash flow. The forward-looking statements given in this registration documentare provided as apposite information and statements solely as at the date of this registration document and for no other date or time. Subject to applicable legal or regulatory requirements, the Coface Group expressly disclaims any obligation to update, by way of publication, supplement or any other means, any forward-looking statements or information contained in this registration document so as to reflect any change in its expectations or to reflect any change in events, conditions or circumstances on which any forward-looking statement contained in this registration document is based.

The forward-looking statements contained in this registration document also refer to known and unknown risks, uncertainties and other factors which, if they materialize, may affect the future operational outcomes, performance and accomplishments of the Coface Group. In particular, these factorsinclude changes in the commercial and economic circumstances, as well as the manifestation of any of the risk factors described in Section 4 "Risk Factors" of this registration document.

Risk factors

Prior to contemplating or making any investments decision, investors are strongly encouraged to carefully consider, the risk factors described in the Section 4 "Risk Factors" in this registration document. The materialization of all or any of these risks is likely to have a material adverse effect on the business, financial stability and/or operational outcomes of the Coface Group. Furthermore, other risks that have not yet been identified or that are not considered material by the Coface Group as at the date of this registration document could also result in such a material adverse effect, potentially causing investorsto lose all or part of their investment.

Information about the Market and Competitive Positioning

This registration document contains information about the Coface Group's markets and its competitive position therein, including information about the size of such markets. Unless otherwise indicated, this information is based on the Coface Group's estimates and is provided for illustrative *purposes only. Such estimates are based on information obtained from the Coface Group's customers, suppliers, trade organizations and other stakeholders in the markets in which the Coface Group operates. While the Coface Group believes its estimates to be reliable as at the date of this registration document, it neither guarantees that the data on which its estimates are based are accurate and/or exhaustive, nor that its competitors define the markets in which they operate in the same manner. These estimates and the data on which they are based have not been verified by independent experts. The Coface Group does not guarantee that a third party using other methods to analyze or compile the same market data would obtain the same results. To the extent that the data relating to market share and market size included in this registration document are based solely on the Coface Group's estimates, they do not constitute official data.*

*Unless otherwise indicated, figures used in this registration document, particularly in the Section 6 "Business Overview", are extracts from the Coface Group's consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**").*

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1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1.1 Name and function of the person responsible for the registration document

Jean-Marc PILLU, *Directeur Général* of Coface SA.

1.2 Statement of the person responsible for the registration document

"I declare, having taken all reasonable care to ensure that such is the case, that the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained from the statutory auditors a letter (*letter de fins de travaux*) stating that they have completed their assignement and in which they indicate that they have checked the information on the financial position and the financial statements given in this registration document and that they have read the entire registration document.

The statutory auditors have rendered reports on the historic and forward-looking financial information presented in this registration document. The audit report relating to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 is reproduced in Section 20.2 of this registration document. The limited review report for the quarterly consolidated financial statements for the three-month period ended March 31, 2014 is reproduced in Section 20.4 of this registration document. The audit report relating to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 contains one observation.

The auditors' report on the profit forecasts is reproduced in Section 13.3 of this registration document.

On May 6 2014

Jean-Marc PILLU

Directeur Général of Coface SA

1.3 Name and function of the person responsible for the financial information

Nicolas ANDRIOPOULOS

Responsable Réassurance et Communication Financière Groupe

COFACE SA
1 Place Costes et Bellonte
92270 Bois-Colombes
France

Tel.: +33 (0)1 49 02 20 00

2. STATUTARY AUDITORS

2.1 Statutory auditors

Deloitte & Associés
185 avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Represented by Damien Leurent

Deloitte & Associés was appointed by the Company's general meeting of shareholders of May 14, 2013 for a period of six financial years ending after the general meeting convened to approve the financial statements for the year ended December 31, 2018.

Deloitte & Associés is a member of the *Compagnie Régionale des Commissaires aux Comptes* of Versailles.

KMPG S.A.
3 cours du Triangle
Immeuble Le Palatin
92939 Paris La Défense Cedex

Represented by Francine Morelli

KPMG S.A. was appointed by the Company's general meeting of shareholders of April 14, 2014 for a period of six financial years ending after the general meeting convened to approve the financial statements for the year ended December 31, 2019.

KPMG S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes* of Versailles.

2.2 Substitute statutory auditors

Isabelle GOALEC
1 cours Valmy
92923 Paris La Défense Cedex

Isabelle Goalec was appointed by by the Company's general meeting of shareholders of April 14, 2014 for a period of six financial years ending after the general meeting convened to approve the financial statements for the year ended December 31, 2019.

Isabelle Goalec is a member of the *Compagnie Régionale des Commissaires aux Comptes* of Versailles.

BEAS
195 avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Represented by Mireille Berthelot

BEAS was appointed by the Company's general meeting of shareholders of May 16, 2012 for a period of six financial years ending after the general meeting convened to approve the financial statements for the year ended December 31, 2017.

BEAS is a member of the *Compagnie Régionale des Commissaires aux Comptes* of Versailles.

3. SELECTED FINANCIAL INFORMATION

The selected financial information presented below is extracted from the Company's consolidated financial statements for the financial years ended December 2011, 2012 and 2013, which were prepared in accordance with IFRS and addressed in the statutory auditor's report. This key accounting and operating data must be read in conjunction with the information contained in Sections 9 "*Review of the Financial Position and Results of the Coface Group*" and 20 "*Financial Information Concerning the Assets and Liabilities, Financial Position and Income of the Coface Group*" of this registration document.

− *Financial information selected from the income statement and main indicators*

The table below presents the changes in the Coface Group's consolidated revenue, operating profit and net income for the financial years ended December 31, 2011, 2012 and 2013 and for the quarter ended March 31, 2014 (in millions of euros):

	As at March 31		**As at December 31**		
	2014	**2013**	**2013**	**2012**	**2011**
Consolidated revenue	370	370	1,440	1,487	1,474
BY BUSINESS LINE					
Credit Insurance and Related Services					
Credit Insurance - gross earned premiums excluding premiums	273	273	1,071	1,100	1,079
Related Services	38	38	133	136	122
Public Procedures Management	16	16	66	69	70
Additional Services					
*Net income from banking activities**	16	16	69	77	99
Surety bonds – Gross earned premiums net of cancellation	14	15	58	60	59
Services	11	11	44	45	44
Total	**370**	**370**	**1,440**	**1,487**	**1,474**
BY COUNTRY OF INVOICING					
Western Europe	122	120	469	505	498
Northern Europe	94	90	367	347	406
Mediterranean & Africa	58	56	217	213	202
Central Europe	29	29	110	111	100
North America	27	29	102	113	98
Asia-Pacific	21	22	95	113	97
Latin America	20	24	81	85	73
Total	**370**	**370**	**1,440**	**1,487**	**1,474**
Operating income	53	47	197	197	140
Net income of the consolidated entity	37	30	128	125	65
Net income attributable to owners of the parent	37	30	127	124	64

**Factoring activity in Germany and Poland*

Other main indicators over the 2011-2013 period and the quarter ended March 31, 2014

Ratios relating to credit insurance and surety bonds gross earned premiums net of concellation	**As at March 31**		**As at December 31**		
	2014	**2013**	**2013[1]**	**2012**	**2011**
Loss ratio before Reinsurance*	47.4%	52.1%	51.1%	51.5%	51.7%
Loss ratio after Reinsurance*	52.3%	55.1%	53.8%	53.3%	54.5%
Cost ratio before Reinsurance*	27.2%	28.1%	30.5%	29.4%	28.8%
Cost ratio after Reinsurance*	25.0%	26.3%	28.7%	26.9%	27.7%
Combined ratio before Reinsurance*	74.6%	80.2%	81.5%	80.9%	80.6%
Combined ratio after Reinsurance*	77.3%	81.5%	82.5%	80.2%	82.2%
Return on Equity Ratio is used to measure the return on the capital invested by the Coface Group	As at 31 March				
RoATE[2]	9.4%		8.4%	8.6%	5.3%
Indicators to measure the solvnency of the Coface Group	As at 31 December				
Solveny Margin (Solvency I)	8.3		7.1[3]		
Economic capital of the Coface Group	138%		153%[4]		

* *A definition of these operational ratios is given in Section 9.1 "General introduction - Principal Operating Data" of this registration document.*
[1] *Excluding the relocation costs of the Company's head office (-€8.3 million).*
[2] *A definition of this ratio and of its calculation method is given in Section 10.4 "Return on Equity"of this registration document.*
[3] *Restated for the impact of the issuance of hybrid securities, as described in Section 10.3 "Economic Capital" of this registration document.*
[4] *Restated for the impact of the issuance of hybrid securities and exceptional distribution based on the financial situation as at Decmber 31, 2013, as described in Section 10.3 "Economic Capital" of this registration document.*

- *Selected financial information from the balance sheet*

The table below presents the development in the main line items of the Coface Group's consolidated balance sheet for the financial years ended December 31, 2011, 2012 and 2013 and the quarter ended March 31, 2014:

in millions of euros	**As at March 31**	**As at December 31**		
ASSETS	**2014**	**2013**	**2012**	**2011**
Intangible assets	239	240	251	260
Including - *goodwill*	154	154	154	154
Including other *intangible assets*	85	87	97	106
Insurance business investments	2,323	2,209	2,221	2,185
Receivables arising from banking and other activities	2,059	2,121	2,109	3,373
Investments in associates	18	18	17	16
Reinsurers' share of insurance liabilities in insurance and financial contracts	358	347	353	380
Other assets	929	785	875	845
Cash and cash equivalent	609	274	257	243
TOTAL ASSETS	**6,536**	**5,993**	**6,082**	**7,302**

in millions of euros	**As at March 31**	**As at December31**		
LIABILITIES	**2014**	**2013**	**2012**	**2011**
Equity attributable to owners of the parent	1,828	1,780	1,763	1,630
Non-controlling interests	13	13	14	12
Total equity	1,841	1,793	1,776	1,643
Provisions for liabilities and charges	114	112	117	93
Financing liabilities	387	15	13	15
Technical liabilities relating to insurance contracts	1,478	1,450	1,484	1,532
Resources arising from banking sector activities	2,041	2,109	2,081	3,363
Other liabilities	676	513	611	655
TOTAL LIABILITIES	**6,536**	**5,993**	**6,082**	**7,302**

4. RISK FACTORS

Prior to making an investment decision in the shares of the Company, prospective investors should consider carefully all the information set out in this registration document, including in particular the risk factors detailed below. Such risks are, as of the date of this registration document, the risks that the Coface Group believes, were they to occur, could have a material adverse effect on the Coface Group, its business, its financial condition, its results of operations or prospects, and which are material in making an investment decision. Prospective investors should nonetheless note that the risks described in this Section 4 may not be comprehensive, and that there may be additional risks that are not currently known to the Coface Group, or whose occurrence as of the date hereof is not considered likely to have a material adverse effect on the Coface Group, its business, its financial condition, its results of operations or prospects.

4.1 Risks related to the economic, financial and regulatory environment of the Coface Group's sectors of activity

Risks related to macroeconomic conditions

The Coface Group is present in 67 countries and markets its services in nearly 100 countries and in the many sectors of the economy in which its policyholders operate. Given the nature of the Coface Group's business, its performance may be influenced by the economic environment on both a local level and a global level and, indirectly, by the international financial markets. Although the diversity of the sectors and regions in which the Coface Group operates gives it some resistance to economic cycles, the Coface Group's business activity is sensitive to changes in general macroeconomic conditions, global trade, levels of investment and consumption and to potential changes in economic policies that affect its policyholders.

Difficult economic conditions, in particular in the euro zone, may cause an increase in payment delays and bankruptcies and consequently in the frequency of claims and possibly peak risks, such as abnormally high losses for the same debtor or group of debtors, or even an accumulation of losses stemming from a single country. While a deterioration in the economic environment can lead to an increase in the level of premiums received by the Coface Group, resulting from the signing of new policies (either by new policyholders seeking coverage or by existing policyholders extending their existing coverage) or to an increase in insurance premium rates, an economic slowdown, in particular in the euro zone where a significant portion of policyholders of the Coface Group are incorporated, can also result in a decrease in the volume of insurance premiums due to weaker activity experienced by policyholders, whose turnover serves directly or indirectly as a calculation base for the amount of insurance premiums received by the Coface Group, or even due to the termination of insurance policies, including by the Coface Group for policies which have become unprofitable. See "Risks related to the geographical and sectorial distribution of debtors covered by the Coface Group's insurance policies and its policyholders" below.

Adverse changes in the economic and business environment could in the future have a material adverse effect on the business of the Coface Group, its financial condition, solvency margins, results of operations or prospects.

Risks related to conditions in the global financial markets

The Coface Group's business activities are sensitive to changes in financial markets in France, Europe and the rest of the world. Many factors, including uncertainties about the solvency of certain sovereign issuers, the stability and solvency of financial institutions, the risk of future inflation or deflation in certain markets and geopolitical tensions have led to a liquidity shortage and increased volatility in financial markets and may in the future continue to weigh on the markets and the overall economy and consequently on the business activities and prospects of the Coface Group. Furthermore, a liquidity shortage and financial market volatility could have a material effect on the Coface Group's investment portfolio, which mainly comprises financial instruments whose value depends on the performance of the financial markets (see also "Risks related to the investment portfolio" below).

Adverse changes in the financial markets could in the future have a material adverse effect on the business, financial condition, solvency margins, results of operations or prospects of the Coface Group.

Risks related to national and international policies and regulations applicable to the activities of the Coface Group

The Coface Group operates in a highly regulated environment, which differs depending on the country in which it operates. Its insurance activities are subject to control by local regulators, which can sometimes differ significantly from one country to another in which the Coface Group operates (see Section 6.7 "*Regulatory Environment*" of this registration document).

As the Coface Group is headquartered in France, its activity is largely governed by European legislation and French domestic regulations relating to non-life insurance. The supervisory and regulatory authority for the Coface Group's insurance activities in France and the European Union is the Prudential Supervisory and Resolution Authority (the Autorité de Contrôle Prudentiel et de Résolution, or "**ACPR**").

Most countries in which the Coface Group operates have laws and regulations which govern in particular solvency standards, levels of capital and reserves, the number and diversification of financial investment portfolios, business conduct (including in particular requirements to hold relevant licenses and approvals) distribution practices, anti-money laundering rules or customer protection and KYC (Know Your Customer) rules (see Section 6.7 "*Regulatory Environment*" for a detailed description of these laws and regulations).

These various regulations and supervisory measures have been strengthened in the wake of the financial crisis, both at the European level and outside the European Union. Some States have adopted or are in the process of adopting measures that constitute significant changes to the current framework, in particular to strengthen the solvency of insurance companies. In this context, regulations applicable to the Coface Group's insurance activities may lead to variations or new limits to the scope of its business, including in particular increased capital and liquidity requirements, increased financing costs and increased operating costs, and may, more generally, constitute an obstacle to its development (see below paragraph "Risks related to the implementation of the Solvency II regulations" below).

The Coface Group also has factoring activities in Germany, where it is subject to specific regulations, and in Poland. In both of these countries, changes to existing laws and regulations relating to factoring, in particular as to capital and liquidity requirements specific to non-banking factoring activities, could affect the conduct of these activities and the financial condition of the Coface Group.

A significant part of the Coface Group's activities is subject to obtaining the relevant approvals and licenses from the public authorities responsible for supervising and controlling credit insurance and factoring activities. As part of its sustained and profitable growth strategy, the Coface Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licenses and authorizations to carry out such activities. Any major difficulty encountered in obtaining such authorizations could delay or jeopardize the establishment of the Coface Group in these new countries. In addition, the non-renewal, suspension or loss of any authorizations could have a material adverse effect on the business, results of operations, financial condition and prospects of the Coface Group.

Finally, the rapidly changing regulatory environment and rigor shown by regulatory authorities in the interpretation and application of rules and regulations have in addition caused the Coface Group to be especially vigilant regarding its compliance policies and procedures. Despite implementing measures to comply with applicable regulations, the Coface Group may become subject to regulatory investigations and possible sanctions. These investigations and sanctions could affect the business, results of operations, financial condition, prospects and reputation of the Coface Group.

More generally, the Coface Group cannot give any assurances that rapid and/or significant changes to current regulations will not in the future have a material adverse effect on its business, financial condition, solvency margin, dividend policy, results of operations or prospects.

Risks related to the implementation of the Solvency II regulations

The Coface Group operates principally in the insurance business. For insurers that have their registered office in a country of the European Union, such as the Coface Group, the regulation of their activities is governed by the "Solvency I" framework, which stems mainly from Council Directive No. 73/239/EEC of July 24, 1973 relating to access to and participation in the business of direct insurance, other than life insurance, as well as the legislation transposing it into national law. This regulatory framework is currently developing and is expected to undergo major changes as part of the implementation of Directive No. 2009/138/EC of the European Parliament and of the Council of November 25, 2009 relating to access to and participation in the business of insurance and reinsurance, and the related implementing regulations ("**Solvency II**").

Solvency II, which comes into effect on January 1, 2016, aims to achieve in particular a better understanding of insurer risk. As such, Solvency II includes the Solvency Capital Requirements ("**SCR**") that set minimum capital adequacy requirements for insurers for the purpose of absorbing a major shock. The SCR may be calculated on the basis of either a standard formula established by regulation or a total or partial internal model developed by the insurer itself and approved by the national prudential regulator (see Section 4.8 "*Regulatory Environment*" for a detailed description of Solvency II). To date, not all implementing legislation has been finalized and it is therefore difficult to predict exactly how Solvency II could impact the insurance industry in general and the financial condition, results of operations or solvency of the Coface Group.

In preparation for Solvency II, the Coface Group, like most other European insurers, has had to make a number of strategic choices. In particular, given that in its opinion the standard formula does not adequately represent the risk profile of credit insurance, the Coface Group has chosen to develop and submit to the ACPR a partial internal model to calculate its capital requirements in the context of Solvency II, based on the Coface Group's own risk management system. As of the date of this registration document, the Coface Group cannot be certain that its internal model will be approved by the ACPR or that the ACPR will not require significant changes to the final formula. If its partial internal model is not approved or such changes are imposed, application of the standard formula defined by Solvency II may require the Coface Group to strengthen its capital and/or change its dividend policy.

Moreover, the implementation of Solvency II results in significant costs to the Coface Group, including giving rise to greater than anticipated adaptation costs and measures. In addition, if the Coface Group fails to implement the necessary measures to comply with Solvency II within the time required by the regulations, such delay could result in regulatory sanctions and/or reputational risk for the Coface Group. More generally, the implementation of Solvency II could, through its resulting costs and uncertainties, have a material adverse effect on the financial condition, solvency margin, dividend policy, results of operations and therefore the business and prospects of the Coface Group.

Risks related to the competitive environment

The Coface Group operates in a highly competitive market. The credit insurance market comprises a large number of participants of varying size and status, including export credit agencies ("**ECA**") created by States to encourage exports. Nevertheless, the global credit insurance market is dominated by three principal players, one of which is the Coface Group. These entities are the only credit insurance providers with a significant global network and footprint. The two global competitors of the Coface Group are European groups: Euler Hermes (a French company belonging to the Allianz group, whose shares are listed on Euronext Paris) and Atradius (a non-listed Dutch company owned by Grupo Catalana Occidente). In certain markets, the Coface Group competes with ECAs, which are major players in their markets that can have very significant market shares or even a monopoly position, such as K-sure, the export credit agency in South Korea, or Sinosure, the export credit agency in China. Although it considers the credit insurance market to be characterized by strong entry barriers for new global players, the Coface Group cannot exclude the possibility that new players, including those of significant size, change their strategy in order to enter certain markets in which the Coface Group is present, thereby increasing the already intense competition. In some areas, the Coface Group also faces competition from regional players that are smaller but have a significant local presence.

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credit or standby letters of credit or, in certain markets, factoring, that offer alternative coverage solutions to policyholders, who may decide to purchase such alternative products instead of using the services of the Coface Group. Moreover, a significant source of competition comes from companies themselves, which may opt to self-insure their credit risks and manage their receivables internally. Higher costs of credit insurance, the conditions under which the Coface Group offers other services and, more generally, unfavorable business practices in the field of credit insurance could reinforce this trend and worsen the competitive environment.

The factoring markets in Germany and Poland, in which the Coface Group operates, are less concentrated than the credit insurance markets, and divided between banking institutions, such as BNP Paribas Factor, Eurofactor and Deutsche Postbank in Germany, or Raiffeisen Polska, Millenium or ING in Poland, and non-banking institutions such as GE Capital in Germany.

In recent years, the Coface Group has experienced strong competitive pressureacross all its sectors of activity, particularly as to price and a broadening of the scope and nature of insurance coverage especially issued in Western Europe.

The Coface Group's competitors, in its various fields of activity, may, because of their size, have financial, commercial, technical or human resources or capacity of innovation greater than those of the Coface Group. These competitors may in the future continue to adopt aggressive pricing policies, diversify or expand service offerings or their distribution channels, establish strategic and contractual relationships in markets in which the Coface Group operates or seek to expand and thus increase competitive pressure.

In this context, the Coface Group may need to adapt its services and tariffs or its underwriting risk policy, which could affect its profitability and/or lead to a loss of market share. Similarly, in the face of such competition the Coface Group may struggle to implement its strategy for sustainable and profitable growth if it fails to offer prices, innovative products, services or quality of service at least comparable to those of its competitors. Such increased competition could have a material adverse effect on the Coface Group's business, financial condition, results of operations or prospects.

Risks related to the occurrence of exceptional events (such as terrorism, natural disasters or pandemics)

Unforeseen events such as acts of terrorism, conflicts, the spread of pandemics such as H5N1 or H1N1, significant natural disasters, the possible consequences of global warming, or any other emergency situation could adversely affect the business and financial condition of the Coface Group due to the economic and financial consequences of indemnifying the resulting claims. These events could also cause a momentary disruption to the Coface Group's business operations and result in significant losses to the extent they are not covered, or are insufficiently covered, by any relevant insurance policies and if the Coface Group's business continuity plans fail to mitigate the consequences. Such losses may relate to physical assets, financial assets, market positions and key employees. These events could also lead to additional costs and an increase in expenses for the Coface Group (in particular increased insurance and reinsurance premiums). Although the Coface Group has not experienced such events in the past, it cannot be excluded that such events may occur in the future and have a material adverse effect on the Coface Group's financial condition, results of operations or prospects.

Risks related to changes in accounting standards

The Coface Group's consolidated financial statements are prepared in accordance with international standards as adopted by the European Union. International accounting standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) and their respective interpretations as presented in note 4 of the Coface Group's consolidated financial statements.

Proposed changes to these standards are under consideration by the IASB (International Accounting Standards Board, the international body responsible for the development of IAS/IFRS). Some of these proposals, such as Phase 2 of IFRS 4 on insurance contracts or IFRS 9 on financial instruments, may have a significant impact on the financial statements of insurance companies. Potential changes in international accounting standards underpinned by these proposals concern both the recognition of the Coface Group's assets and liabilities and income and expenses on its income statement.

At this stage, although the date and extent of these changes are difficult to assess, the Coface Group estimates that they are likely to have an effect on the financial condition, earnings and prospects of the Coface Group.

4.2 Risks relating to the Coface Group's business activity

Risks related to the creditworthiness of debtors and policyholders, its assessment and to the reliability of the information relating to such creditworthiness

The core business of the Coface Group is credit insurance. The Coface Group also offers factoring solutions in Germany and Poland. Assessing the credit risks related to these activities is a key aspect of the Coface Group's business. Credit risks include, in respect of credit insurance, the underwriting risk, inherent in the insurance business and corresponding to the risk of loss or of an unfavorable change in the value of insurance commitments due to inadequate pricing or provision assumptions and, in respect of factoring solutions, the risks incurred in the event of default of the counterparty.

The quality and reliability of information relating to the solvency of debtors is essential for the risk underwriters to set pricing policy and conduct the risk-underwriting decision process. The Coface Group, as with other players in the market, cannot exclude that it will face, in certain markets, difficulties in obtaining reliable and accurate information or debtor solvency data from the service providers that it uses.

Any lack of information or use of unreliable information regarding a debtor or the environment in which it operates, or a delay in the provision of such information, is likely to distort the evaluations and assessments used by the Coface Group, and therefore the estimate of the related potential claims risk. Such risks relating to solvency assessments are likely to have a material adverse effect on Coface Group's business, financial condition, results of operations, solvency margin and prospects.

Moreover, even though credit insurance or factoring products developed and sold by the Coface Group are designed to meet the needs of policyholders (or clients in the case of factoring products) and their development in terms of coverage, the Coface Group also needs to control risk in terms of exposure and therefore profitability. Poor assessment of the solvency of debtors (and, in the case of factoring and surety bond, of the Coface Group clients) for underwriting, and, in respect of credit insurance, during the life of the product or upon renewal, can lead to a mismatch between the premium, the commitments and the management thereof by the Coface Group and thus create a potentially significant risk of loss.

Risks related to the constitution of insurance technical provisions, impairment and assumptions

The policies managed by the insurance subsidiaries of the Coface Group meet the definition of insurance contracts given by 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 French general accepted accounting principles ("**French GAAP**") pending the publication of an IFRS that deals with insurance liabilities. Phase 2 of IFRS 4 is expected to be published during the first half of 2015. In accordance with IFRS 4, insurance provisions ("**technical provisions**") are calculated using the methods prescribed by French GAAP. A liability adequacy test is performed to verify that the insurance liabilities, as they appear in the consolidated financial statements, are sufficient to cover the estimated future cash flows at that date.

The recognition of technical provisions requires the Coface Group to carry out estimates, which are primarily based on statistics and assumptions concerning changes in events and circumstances related to the policyholders and its debtors as well as to their economic, financial, social, regulatory or political environment, which may be different or insufficient when compared with actual events and circumstances, particularly if they simultaneously affect the Coface Group main portfolios. The use of these assumptions requires a high degree of judgment by the management bodies of the Coface Group, which may affect the level of provisions recognized and therefore have a material adverse effect on the financial condition, results of operation and solvency margin of the Coface Group.

Similarly, for certain Coface Group financial assets for which there is no active market or where the observable values are reduced or unrepresentative, the fair value is measured using valuation techniques, according to the IFRS standards, which include methods or models that are based on assumptions or assessments requiring a high degree of judgment. There can be no assurance that the fair value estimates obtained using such valuation techniques represent the price at which a security may ultimately be sold or at which it could be sold at a specific time. Valuations and estimates are revised when circumstances change or when new information becomes available. In light of this information and in accordance with the objective principles and methods detailed in the consolidated financial statements of the Coface Group, the management bodies of the Coface Group regularly analyze, according to their assessment of the causes of a decline in the estimated fair value of securities, the likelihood of their value recovering in the short term and the level considered adequate for provisions for resulting impairments. It cannot be guaranteed that additional impairments or provisions recognized will not have a material adverse effect on the results of operations, financial condition and solvency margin of the Coface Group in the future published financial statements of the Coface Group.

Risks related to the geographical and sectorial distribution of debtors covered by the Coface Group's insurance policies and its policyholders

The Coface Group insures the payment default risk for more than 37,000 policyholders worldwide. Debtor risks covered by credit insurance policies of the Coface Group are mainly located in Western Europe, in particular Germany, France, Italy and the United Kingdom. As at December 31, 2013, these four countries accounted for 42% of the Coface Group's overall exposure from its credit insurance activities, with the whole of Western Europe representing 55% of the Coface Group's total exposure. As at December 31, 2013, debtors located in non-OECD countries accounted for 20.3% of the Coface Group's overall credit insurance exposure (see Section 4.4.2.3 "*Credit Risk Management - Diversification of Credit Risks*" of this registration document).

The Coface Group is therefore particularly exposed to the economic conditions and risks of these countries within the euro zone and Western Europe in general. Persistently difficult economic conditions or the occurrence of new problems in these countries and more generally in Western Europe could increase difficulties and deteriorate the financial position of the Coface Group's debtors and policyholders operating thereof. In turn, these factors are likely to cause a significant development of risk for the Coface Group and have a material adverse effect on its business, financial condition, results of operations or prospects.

The Coface Group debt insurance portfolio covers a wide range of industries. However, as at December 31, 2013, the construction, agro-food and chemical industries accounted for 39.4% of the overall exposure of the Coface Group. A breakdown by industry sector of the Coface Group's debt insurance portfolio amounts is set out in Section 4.4.2.3 "*Credit Risk Management - Diversification of Credit Risks*" of this registration document).

Despite the diversity of sectors in which the Coface Group policyholders and debtors covered by its credit insurance policies operate, the Coface Group cannot rule out that a significant deterioration in the economic conditions in any given sector may impact overall levels of risk, as well as overall volumes of insurance premia collected, which could thus result in a material adverse effect on the business, financial condition, results or prospects of the Coface Group.

Risks related to over exposure to debtors or dependence on major policyholders

As at December 31, 2013, no debtor represented more than 0.7% of the Coface Group's exposure and no policyholder accounted for more than 1% of the total premiums collected by the Coface Group. Although the Coface Group believes that the level of risk exposure to a major debtor taken in isolation is quite limited, given the number of debtors and the diversity of the risks they present and the reinsurance underwritten, the occurrence of significant risks related to certain major debtors could affect the amount of compensation payable by the Coface Group and have a material adverse effect on its financial condition or results.

Risks related to the investment portfolio

The Coface Group holds an investment portfolio mainly comprising financial instruments. The fair value of the investment portfolio as at December 31, 2013 amounted to €2,106 million (excluding cash equivalents and investments in non-consolidated subsidiaries). The Coface Group adopts a diversification policy for its investment portfolio that aims to comply with applicable legal and regulatory provisions, and to obtain an optimum balance between risk and return. The occurrence of any of the risks described below is nevertheless likely to have a material adverse effect on current and future revenue, net income, cash flows and the financial condition of the Coface Group.

Interest rate risk

A significant portion of the Coface Group investment portfolio is invested in bonds. As at December 31, 2013, bonds represented 63.8% of the total fair value of its investment portfolio. The Coface Group is therefore exposed to interest rate risk. It includes both interest rate and spread risks which are particularly sensitive with regard to bonds. In periods of declining interest rates, the risk is that the average portfolio rate will decline (with reinvestment taking place at lower rates) or that the duration of the portfolio will increase (thus making the portfolio more sensitive to future rate changes). Conversely, in periods of rising interest rates, the risk is that the value of the bond portfolio will decrease, which could result in the Coface Group having to record unrealized losses.

Any significant change in the value of the Coface Group bond portfolio related to a change in interest rates is capable of having a material adverse effect on its net income, cash flow, solvency margin and financial condition.

Counterparty risk

As at December 31, 2013, more than 86.4% of the bonds held by the Coface Group had a rating greater than or equal to BBB assigned by at least one internationally-recognized rating agency. As at the same date, the Coface Group's investment portfolio was only marginally invested in the sovereign debt of "peripheral" euro zone countries, with exposure to the sovereign debt of these countries accounting for only 6.1% of the Coface Group's bond portfolio. Notwithstanding this policy of risk selection, the Coface Group cannot exclude the possibility that its investment portfolio will not experience significant changes in value due to current persistent or potential future financial market tensions, in particular with regard to sovereign debt. These defaults or fears of default by public or private issuers or any other third parties, counterparties, financial institutions, clearing houses or securities exchanges could disrupt markets, result in an increase in the volatility of financial instruments or a chain of defaults or even lead to a generalized liquidity risk and may result in the Coface Group recording losses or impairments of invested assets, or unrealized losses that are significant or do not allow it to meet future funding needs to honor its commitments. Such losses or impairments may affect the value of the Coface Group's investments and reduce their profitability and have a material adverse effect on its current and future revenue, net income, cash flow, solvency and financial condition.

Equity risk

As at December 31, 2013, 4.7% of the Coface Group's investment portfolio was invested in equity mutual funds and stocks, which expose it to upward or downward stock market changes, which in turn are dependent on many external factors. In the event of a decrease in value of the equity portion of its investment portfolio, the Coface Group could be required to record unrealized losses or impairment of material assets, which could have a material adverse effect on its current and future revenue, net income, cash flow and financial condition.

Risks related to exchange rate fluctuations

The Coface Group distributes policies in nearly 100 countries. Due to the international nature of its activities, the Coface Group may distribute policies in currencies different from the accounting currency of the issuing entities (premiums received and claims paid). Similarly, its credit insurance may cover invoices payable in various currencies.

As a result, the Coface Group entities record foreign exchange risks on their balance sheets when issuing policies with premiums payable in a currency different from that of their accounting currency; in this case they record liabilities indexed on a currency other than the one used in the rest of their balance sheet.

In addition, the Coface Group, which publishes its financial statements in euros, may be exposed to foreign exchange risk primarily due to the activity of certain foreign subsidiaries operating in foreign currencies, mainly the US dollar, the Pound Sterling, the Hong Kong dollar and the Brazilian real. As at December 31, 2013, 31.6% of the Coface Group's consolidated revenue were in a currency other than the euro. The Coface Group's capital is therefore exposed to fluctuations in these exchange rates when consolidating the net positions of the various Coface Group entities.

Furthermore, foreign-currency financial assets in the Coface Group's investment portfolio can be affected by fluctuations in the exchange rates of the currencies in which they are denominated. These fluctuations are likely to have a material adverse effect on the results of operations of the Coface Group.

Although the Coface Group may seek to reduce its exposure to currency fluctuations through hedging activities, changes in exchange rates and any losses on exchange rates as part of its hedging activities may have a material adverse effect on its financial condition, results of operations and solvency margin.

Liquidity risks

The Coface Group's liquidity needs correspond in part to the coverage of its operating costs, the settlement of claims and its financial expenses, and in part to its factoring business in Germany and Poland. The principal sources of financing relating to its insurance business comprise the insurance premiums collected and the net product of its investments. The liquidity required to cover the needs of its factoring business amounted to €1.756 billion as at December 31, 2013 and was financed by drawdowns under bilateral credit lines in a total maximum amount of €903 million (including a €500 million bilateral short-term credit line granted by Natixis) and by issuances under its commercial paper program for a total maximum amount of €500 million and a factoring receivables securitization program in Germany for a total maximum amount of €1.1 billion. Any early termination of its factoring receivables securitization program or related financing, including pursuant to a breach of covenant or event of default (see Section 4.4.6 "*Liquidity and Funding Risk*" of this registration document) could significantly affect the financial condition of the Coface Group.

As part of its financing policy, the Coface Group accesses and expects to continue to access the capital and loan markets. In this regard, the Coface Group cannot give any assurance that it will be able to obtain sufficient financing or that the conditions on the capital or loan markets, in particular interest rates, and the perception on these markets of its financial condition and prospects, will be sufficiently favorable to access the funds (bank loans or capital markets issues) necessary for the development of its activities, in particular to cover its operating expenses, the settlement of claims and its financial charges. Capital markets have been and may continue to experience high volatility or disruption in the availability of market financing. This insufficient liquidity and/or prolonged access restrictions to these forms of funding could have a material adverse effect on its business, financial condition, results of operations or prospects.

Risks related to relationships with reinsurers, the capacity of the reinsurance market and reinsurance costs

The estimated theoretical level of exposure of the Coface Group would not be matched by the amount of its ownfunds, since this theoritcal level of exposure is based primarily on the fact that a certain number of claims resulting from this exposure will be passed on to reinsurers under a proportional reinsurance policy, it being understood that this transfer of risk to reinsurance companies does not relieve the Coface Group of its indemnification obligations to its policyholders. The Coface Group has also put in place a reinsurance strategy against the extreme risks it could suffer through excess loss reinsurance (see Section 4.4.2.8 "*Credit Risk Management - Intercompany Risk Sharing and Reinsurance*" of this registration document).

In the context of reinsurance, the Coface Group is subject to the creditworthiness risks of its reinsurers and to the risks attached to its inability to place its reinsurance treaties or place them on acceptable pricing terms.

The Coface Group has put in place management procedures to assess the creditworthiness of its reinsurers and and maintain diversification in the transfer of risks to reinsurers. Although, notwithstanding the financial crisis, no default among any of the Coface Group's reinsurers has been recorded, one or more of the Coface Group's reinsurers may not be able to meet their financial obligations, which could lead to increased losses for the Coface Group.. In addition, reinsurance capacities on the market and the price of reinsurance depend on general economic conditions and many other factors and can vary significantly. Therefore, although such a situation has never occurred, the Coface Group may encounter difficulties with entering into reinsurance arrangements on commercially or financially acceptable terms, which could increase the risk of potential losses. In turn, this could cause it to change its insurance and factoring price structures or its underwriting risk stratgey, which could negatively impact its profitability and competitiveness. The occurrence of any of these risks could have a material adverse effect on the financial condition, results of operation, solvency margin, business and prospects of the Coface Group.

Risks related to a rating revision

Ratings of the ability to settle claims and of financial strength are an important element in assessing the competitive position of insurance companies. Rating agencies regularly review their ratings and methodologies and can therefore modify the ratings they assign at any time. In the current economic context, some rating agencies have downgraded their outlook for the insurance industry and have downgraded the outlook and/or ratings of a growing number of companies. At the date of this Prospectus, the Coface Group maintains a rating of AA- by Fitch and A2 by Moody's, which were confirmed in March 2014, respectively, with a stable outlook.

However, a downward revision, even potential, of outlook and/or these ratings, could have negative effects for the Coface Group, and in particular lead to:

– deterioration in its competitive position;

– difficulties in distributing new insurance policies;

– termination of certain existing insurance policies;

– increases in reinsurance costs;

– significant financing difficulties or increased financing costs, including in respect of its factoring receivables securitization program and related financing;

– need to provide additional guarantees for certain contracts;

– negative effects on relationships with creditors or commercial counterparties and its distributor partners and in particular its fronters[1];

– negative effects on public confidence and the Coface Group's reputation.

A downward revision of the outlook and/or ratings could therefore have a negative impact on the business, the level of liquidity, financial condition, results of operations, solvency margin and prospects of the Coface Group.

[1] Partners issuing insurance policies on behalf of the Coface Group in countries where it is not licensed.

Risks related to operational failures or inadequacies

The activity of the Coface Group relies heavily on a set of complex processes that involve risks of operational malfunctions related to many internal and external human, organizational, material, natural or environmental factors, including risks pertaining to the inadequacy of these procedures, or to errors, fraud or malicious actions by employees, policyholders or brokers, or non-compliance with internal and external regulations, intrusion or hacking. Although the Coface Group attaches particular attention to the quality of its services, to the rigor of its internal processes and to comply with strict ethical standards in the conduct of its business, it cannot exclude the occurrence of such failures.

Possible plaintiffs could try to hold the Coface Group's employees, officers or companies responsible for such occurrences. The Coface Group could be required to pay damages or be subject to significant fines and unfavorable media coverage. The occurrence of such events could affect the Coface Group's reputation for reliability and integrity and thus affect its ability to retain the confidence of its policyholders and to attract new policyholders and have a material adverse effect on its business, financial condition, results of operations or prospects.

Risks associated with information systems

The Coface Group's business activity relies heavily on its information systems. The Coface Group manages complex computer systems (in particular, for the collection and management of information on the creditworthiness of companies, management of product sales and services, centralization of its risk and for its bookkeeping and reporting) that are essential to the conduct of its credit insurance business and additional services related to business information, factoring and debt management. IT tools and information systems are essential for all of its activities in both the development and the quality of its commercial offerings (business information, management and collection of debts, credit insurance offers, including pricing and underwriting decisions of the Coface Group risk underwriters) as well as for management, back office, reporting and internal control procedures. Notwithstanding a policy of strengthening emergency programs for its computer systems and infrastructure, particularly in the context of Solvency II, and the availability of information systems backup for all of its databases and emergency plans for its activities including priority information systems (see Section 4.4.7 "*Operational Risk Management*" and 6.5.5 "*Information Systems*" of this registration document), there can be no assurance that the tools and systems and the databases will not be damaged or destroyed as a result of an incident or any failure by these IT tools and information systems.

The Coface Group may also be subject to targeted attacks on its computer networks. The techniques used to hack, disrupt, damage the quality of or sabotage information systems are constantly changing, and it is often impossible to identify them before the launch of an attack. The Coface Group could therefore not be able to guard against such hacking techniques or quickly implement an appropriate and effective response system. It might have to face business interruptions, loss or damage to these databases, misappropriation of confidential information for which it could be held responsible, particularly involving litigation or in a way that could negatively affect its reputation of seriousness and its image.

Any failure of IT tools and information systems, including as a result of hacking, could have a material adverse effect on the business, financial condition, results of operations or prospects of the Coface Group.

Moreover, for the management of certain information critical to its business systems, the Coface Group depends on a limited number of suppliers, particularly as regards databases related to its information systems. Contracts for the provision of these services are renewed or renegotiated periodically. An adverse change in the relationship with a supplier, stricter requirements, non-compliance with undertakings specified in the contract, the non-renewal of such contracts or renewal on less favorable terms than the conditions previously applicable, a potential default by any of them or an increased concentration of suppliers could result in delays or significant costs and generally have a material adverse effect on the business, financial condition, results of operations or prospects of the Coface Group.

Risks related to the Coface Group's international activities

The Coface Group markets its services in nearly 100 countries in Europe, North America, Latin America, Asia and certain African countries. The diversity of the Coface Group's geographical locations exposes it to diverse and sometimes unstable economic, financial, regulatory, commercial, social and political contexts that can have an effect on the solvency of debtors in respect of which policies are written or, to a lesser extent, the policyholders themselves, its methods of intervention and marketing, and the management and control of risks related to its credit insurance products.

The Coface Group could be faced with a number of external risks such as:

- fluctuations in exchange rates and monetary devaluations;
- capital transfer restrictions;
- changes in legal and tax regimes, including regulations relating to transfer pricing and withholding tax on payments made by members of the Coface Group;
- rises in interest rates;
- inflation, possible recessions and financial market volatility; or
- political instability or risks of terrorism or war.

In addition, the Coface Group is present in countries whose legal systems are very varied and where the court and dispute resolution systems sometimes present certain characteristics or degrees of maturity different from those of its key European markets. This context, could make it difficult for the Coface Group to bring a claim before a court or to enforce the rulings it may be granted.

In this context, the Coface Group may face significant difficulties and its sustainable and profitable growth strategy may be affected by the environment of certain countries in which it operates, which could have a material adverse effect on the business, financial condition, results of operations or prospects.

Risks related to intermediated distribution of the Coface Group's credit insurance policies

Although the Coface Group has various distribution channels for its credit insurance policies, including its own sales teams, about two-thirds of its business is intermediated and depends on the existence and quality of its relationships with various partners that distribute credit insurance policies on its behalf, especially in countries where the Coface Group is not directly present or does not have its own license ("fronting"). The Coface Group's partnership network is composed principally of insurance brokers, financial institutions, non-specialized intermediaries with which most often it has a long-standing relationship that are not exclusive distributers or intermediaries (see Section 6.5.1 "*Credit Insurance and Related Services – Distribution Network and Partnerships*" of this registration document).

Any significant problems encountered in the management of its partnerships or in their development are capable of having a direct impact on the competitiveness of the Coface Group and the implementation of its strategy for sustainable and profitable growth. The Coface Group cannot rule out a decrease in activity relating to the termination or renewal on less favorable terms of partnerships with third parties, such as brokers, banks and multiline insurers, or the bankruptcy of any of them. These difficulties, if they occurred in any significant scale, could have a material adverse effect on the financial condition, results of operations or prospects of the Coface Group.

Risks relating to the factoring activities of the Coface Group

As part of its factoring services, the Coface Group finances trade receivables of companies by acquiring their trade receivables outright and handling their collection for its own account, in some cases, subject to a right of recourse against the company. For the year ended December 31, 2013, the factoring activity represented a net income from banking activities of €69 million and a total amount of receivables arising from banking and other activities of €2.121 billion for the Coface Group. In this context, the Coface Group may potentially bear the risks associated with the quality of invoices (i.e. the risk of debt dilution[2]) in the case of litigation or false invoices; client's insolvency (i.e. client risk) when the customer is not able to repay the cash advance realized on the unpaid invoices; or the solvency of buyers of products and services.

If these risks occur in any significant manner, they could have a material adverse effect on the Coface Group's financial condition, solvency margin, financial results and, therefore, prospects.

Risks related to relations with the French government

In accordance with the statutory and regulatory provisions of the French Insurance Code, Compagnie française d'assurance pour le commerce extérieur is responsible for managing the public service of export credit insurance on behalf of the French government. The arrangements for the management of this activity are set out in agreements with the government (see Sections 6.5.1 "*Credit Insurance and Related Services – Public Procedures Management*" and 6.7.2 "*Management and Coverage of Public Procedures*" of this registration document). These provisions and agreements provide that:

– the French government guarantees Compagnie française d'assurance pour le commerce extérieur for all insurance operations managed on its behalf. This involves risk insurance for exports that may not be insured by the market ("**Public Procedures**");

– the operations are managed by Compagnie française d'assurance pour le commerce extérieur on behalf of the French government, which bears the risk from the operations;

– the operations are recorded in separate accounts and only the French government can claim rights relating to public operations, even in the event of liquidation of the company, since Compagnie française d'assurance pour le commerce extérieur cannot be liable for any risks related to operations recorded in such set of accounts;

– Compagnie française d'assurance pour le commerce extérieur is remunerated by the French government for the management of the Public Procedures on the basis of an agreement governing their financial relationship. The current agreement was signed in February 2012 for a period of four years ending in December 2015.

There can be no assurance that the current system of management of the Public Procedures will continue as described above, in particular whether the French government will continue

[2] Dilution is the risk that the value of the receivables transferred to the factoring company or the amountdue to the factoring company is reduced by any form of rebate or cancellation granted to the debtor.

to use the services of Compagnie française d'assurance pour le commerce extérieur regarding Public Procedures, although it is understood that any change to this system would require legislative approval. In addition, the Coface Group cannot exclude that if the French government agrees with Compagnie française d'assurance pour le commerce extérieur to renew the current management agreement upon its expiry, it may do so on renegotiated contractual terms which may be less favorable. The aforementioned possibilities may have an impact on the activities of Compagnie française d'assurance pour le commerce extérieur and the perception of its position in the market, and thus affect the business, financial condition, results of operations and prospects of the Coface Group.

Moreover, article R.442-6 of the French Insurance Code, as incorporated in the by-laws of Compagnie française d'assurance pour le commerce extérieur, provides that the acquisition by a person, acting alone or in concert with others, of more than 10% of the share capital or voting rights of the company is subject to the prior approval of the Board of Directors, itself subject to the approval of the Minister of the Economy. This Minister's approval is deemed to be granted unless the Minister opposes it within fifteen days of the decision of the Board of Directors. If an acquisition of shares is made in breach of these regulations, the holder or holders of the relevant shares cannot exercise their corresponding voting rights and must sell the shares within three months.

In addition, the French government has appointed a commissioner with responsibility for monitoring the implementation of the French government's guarantee in the context of the Public Procedures in order to ensure that Compagnie française pour le commerce extérieur does not compromise the exercise of the responsibilities entrusted to it by the French government. Indeed, the commissioner has a power of veto over any decision contemplated by the Compagnie française d'assurance pour le commerce extérieur that may be detrimental to the Public Procedures (for more information on this specific guardianship, see Section 6.7.2 "*Management and Coverage of Public Procedures*" of this registration document).

Tax risk

As an international group operating in many countries, the Coface Group is subject to multiple tax regulations and conducts its business globally in view of various regulatory requirements and its business, financial and tax objectives.

Insofar as tax regulations in the various countries in which the Coface Group operates do not always provide clear or definitive guidelines, the structure of the Coface Group, the conduct of its business and its internal tax policies may be based on its own interpretation of the applicable tax regulations. The Coface Group cannot give any assurance that these interpretations will not be challenged by the relevant tax authorities or that applicable regulations in some of these countries will not be subject to change, fluctuating interpretations and conflicting applications. More generally, any breach of tax regulations of the countries in which the Coface Group or Coface Group companies are located or operate may result in adjustments, or the payment of late interest, fines and penalties. These factors could have a negative impact on the Coface Group's effective tax rate, cash flow and results of operations.

Risks related to deferred tax assets

In addition, the Coface Group recognizes deferred tax assets on its balance sheet in respect of future tax savings resulting from differences between taxable income and accounting income of Coface Group entities or from potential use in the future of tax loss carry-forwards available within the Coface Group entities (see note 19 of the notes to the consolidated financial statements of the Coface Group set out in Section 20.1 "*Coface Group consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document). The actual realization of these assets in future years depends on tax laws and regulations, the outcome of any audits and pending or future litigation, and the expected future results of operations of the entities concerned. As at December 31, 2013 consolidated deferred tax assets of the Coface Group amounted to €81.1 million, €50.1 million of which corresponds to a receivable owed to Natixis as Compagnie française d'assurance pour le commerce extérieur is a member of the Natixis tax group (see note 40 to the Coface Group's consolidated financial statements set out in Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document and notes 2 and 21 to the quarterly condensed consolidated financial statement set out in Section 20.3 "*Interim Consolidated Financial Statements - Three Months Ended March 31, 2014*" of this registration document). The compensation provided in the exit agreement from the tax-consolidation will result in the cancellation of this debt against Natixis (see Section 19.1 "*Transactions with the Natixis Group*" of this registration document).

Risks related to goodwill and intangible assets valuation

As at December 31, 2013, the value of the Coface Group's goodwill amounted to €153.7 million. The Coface Group cannot exclude that future events may occur which could result in the impairment of certain intangible assets and/or goodwill or in the acceleration of the rate of amortization between taxable income and accounting income. Given the considerable value of intangible assets and goodwill on its balance sheet, any significant depreciation could have a material adverse effect on the financial situation and results of operations of the Coface Group for the accounting period during which such depreciation may be recorded.

Risks associated with potential judicial, administrative or arbitral proceedings

In the normal course of business, Coface Group entities may be party to a number of judicial, administrative or arbitral proceedings, especially following claims for compensation. Although as of the date of this registration document no such proceeding is likely to affect the Coface Group's business, financial condition or results of operations, it cannot be excluded that in the future new proceedings may be initiated against the Company or its subsidiaries. Depending on the circumstances, claims for a significant amount could be made against the Company or its subsidiaries and the outcome of these proceedings could result in a significant level of liability for the Coface Group. In such a case, although the Coface Group maintains a prudent level of provisioning to guard against the cost of litigation, such proceedings could have a material adverse effect on the business, reputation, financial condition, results of operations and prospects of the Coface Group.

4.3 Risks related to the Company

Risks related to the control of the Company and its relations with Natixis

The main shareholder of the Company is Natixis, which holds 99.99% of the capital and voting rights of the Company as at the date of this registration document. Following the contemplated initial public offering of the Company, Natixis intends to maintain a significant portion of the share capital and voting rights of the Company. As a consequence, Natixis may exercise significant influence over the strategic decisions of the Coface Group, and/or cause the adoption or rejection of resolutions submitted for approval by the shareholders of the Company at general shareholders' meetings and extraordinary shareholders' meetings, in particular with respect to the appointment of members of the board of directors, approval of the annual financial statements and dividend distributions as well as authorizations related to capital increases or other securities issuances, mergers, contributions or any other decision requiring the approval of the Company's shareholders.

The Company has in the past benefitted from financial support provided by Natixis. While the Company considers that it is currently financially autonomous, there can be no assurance that the Company will not require additional financial support in the future and that Natixis will continue to provide any financial support to the Company, considering the fact that Natixis publicly announced its intention to reduce its shareholding in the Company.

In addition, it cannot be excluded that Natixis own interest will be in a conflict situation with other shareholders' interest.

Risks associated with the holding structure of the Company

The Company is a holding company that operates indirectly through operating subsidiaries, including Compagnie française d'assurance pour le commerce extérieur and its subsidiaries, and does not by itself conduct credit insurance activities or any other services. As a holding company, the main sources of funding of the Company come from dividends paid by its subsidiaries, the proceeds of debt or equity issuances and amounts borrowed under bank or other loan facilities. The Coface Group's operating subsidiaries own its assets and are responsible for almost all of the profits and cash flows of the Coface Group. If the profits of these operating subsidiaries diminish, the Coface Group's overall profits and cash flows may be affected and the affected subsidiaries may not be able to honor their obligations or pay, in whole or in part, expected dividends to the Company. The ability of the operating subsidiaries of the Coface Group to make dividend payments depends on economic, commercial and contractual considerations, as well as certain legal or regulatory constraints related in particular to the solvency margin, restricting the use of capital and to the dividend. It can also be affected by various risk factors described in this Section. In addition, in the event of a failure by any of the Company's insurance subsidiaries to meet minimum regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions, including limiting or prohibiting a company from entering into new business, prohibiting payment of dividends and/or in extreme cases, putting a company under reorganization or insolvency proceedings, including opening a judicial reorganization procedure (procédure de redressement judiciaire) or a judicial liquidation procedure (procédure de liquidation judiciaire) if such subsidiary is located in France. A failure of any of the Company's insurance subsidiaries to maintain an appropriate level of capital in view of their regulatory capital requirements and/or their competitive position, may result in the Company deciding to inject significant amounts of new capital into such subsidiaries which could adversely affect the Company's liquidity position, consolidated net income and financial position. Any decline in profits or failure or inability of the Coface Group's subsidiaries to make payments to other subsidiaries of the Coface Group could have a material adverse effect on the ability of the Coface Group to distribute dividends, repay debt and meet its other obligations, and could have a material adverse effect on the business, solvency margin, results of operations, financial condition and prospects of the Coface Group.

4.4 Quantitative Disclosures about Risk Factors and Risk-Management Policy

To deal with internal as well as external risk factors, the Coface Group has established a risk-management system designed to ensure proper operation of all its internal processes, compliance with laws and regulations of all countries in which it has a presence as well as compliance with group-wide regulations by all operating entities in order to manage operational risks and to optimize effectiveness.

4.4.1 Organization of risk oversight

4.4.1.1 Governance

The Board of Directors examines and approves the annual report relating to internal controls and ensures compliance with rules relating to insurance regulation and internal risk management rules and procedures.

The Audit Committee guarantees the quality of the implemented management and risk-control system.

The group Risk Committee is chaired by the Chief Executive Officer and meets every quarter. It comprises the members of the executive Committee, the body responsible for the Coface

Group's strategic and operational management, the group risk Director, the group legal and compliance Director, as well as the relevant representatives of the operational and functional departments who attend depending on the subject matter. The Group Risk Committee is responsible for:

- setting risk policies;
- monitoring the company's exposure to risk;
- measuring the effectiveness of risk-management systems;
- approving and defining control plans and the audit plan;
- verifying the company's ability to face crisis situations (business continuity plan, solvency); and
- ensuring compliance with organization processes.

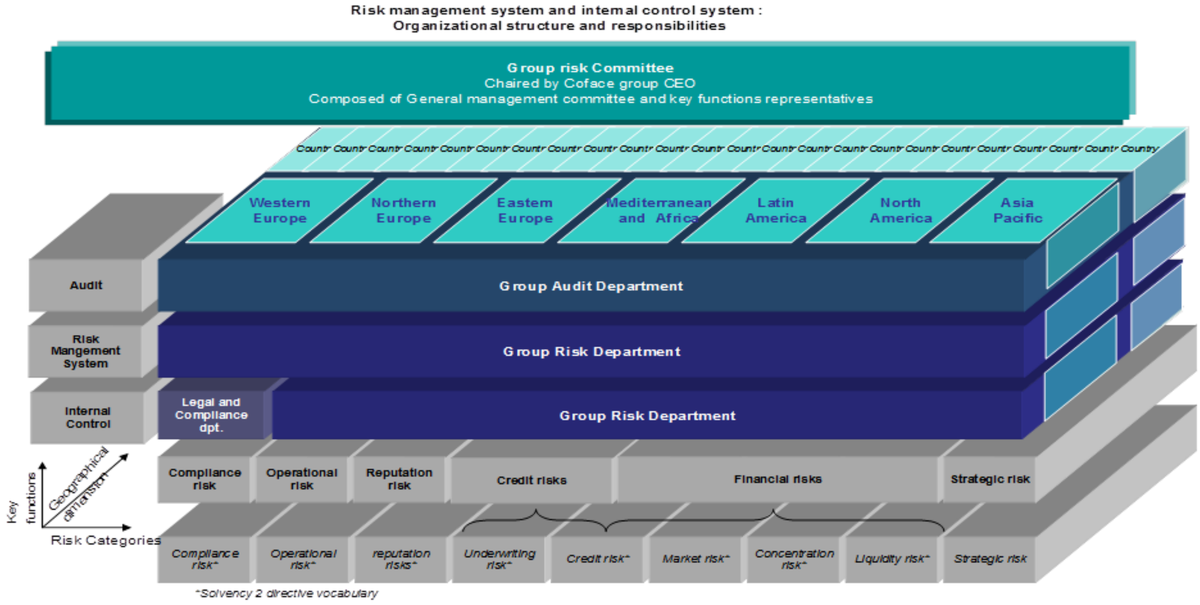
4.4.1.2 General Risk-Management System

The Coface Group has implemented a risk-control system in compliance with the Solvency II Directive and the Regulation of the Banking and Financial Regulations Committee ("**CRBF**") No. 97-02.

The Coface Group defines the internal control system as a set of measures aimed at ensuring control of the development, profitability, risks and operation of the company. Generally speaking, the purpose of these measures is to ensure that:

As a result, the Coface Group has put in place a general risk-control system organized as follows:

- all types of risks are identified, assessed and managed;
- transactions and behaviors are in line with the decisions made by the executive bodies and comply with laws, regulations, values and internal rules applicable to the Coface Group. More specifically, with regard to financial and management information, these measures are aimed at ensuring that they faithfully reflect the Coface Group's financial condition and activity;
- these transactions are conducted with the effectiveness and the efficient use of resources in mind.



4.4.1.3 Classification of risks

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

- **Credit risks**

The core business of the Coface Group being the protection of the trade receivables of its policyholders, i.e. supporting its policyholders' in the management of their debtor risk, the Coface Group needs to control effectively its own risks in order to monitor those of its policyholders.

Credit risks include all risks related to the underwriting of insurance contracts as well as risks inherent in the factoring business:

Thus, credit risks include:

– the underwriting risk inherent in the insurance business (i.e. short-term credit insurance, special risks including single risk and surety bonding) as defined in the Solvency II Directive, that is the risk of loss or of an unfavorable change in the value of insurance commitments due to inadequate pricing and provisioning assumptions; and

– credit risk inherent in the factoring business as defined in the Regulation CRBF No. 97-02, i.e. the risk incurred in the event of default of a counterparty or counterparties deemed to be the same beneficiary pursuant to article 3 of Regulation CRBF No. 93-05.

- **Financial risks**

Financial risks include risks related to balance-sheet management (including interest rates, foreign-exchange rates, technical provisions and factoring non-related credit risks), investment portfolio management (in particular with respect to values, exposures, etc), liquidity and concentration risks as well as reinsurance (default, reinsurance treaties) and other techniques used to reduce risks.

- **Operational risk**

Operational risk is a risk of loss due to an inadequacy or failure attributable to procedures or persons in all areas of activity, to internal systems or to external events, including risks of internal or external fraud. Operational risk includes **legal risks** (other than risks resulting either from strategic decisions or from reputational risk), i.e. the risk of any dispute with a counterparty resulting from any inaccuracy, flaw or deficiency likely to be attributable to the company in connection with its operations.

- **Other risks**

Other risks include risks of **non-compliance**, as well as **reputational risk** and **strategic risks**.

4.4.1.4 Risk-management system

The risk-management system implemented within the Coface Group is based on three levels of control in compliance with the provisions of the Solvency II Directive:

– level 1 operational controls performed by the business lines, based on operational application procedures;

– level 2 controls performed by the group risk Department and the group legal and compliance Department (the "**GLCD**");

– level 3 periodic controls performed by the group audit Department.

It relies on different key functions:

– internal audit function (i);

– risk-management function (ii);

– actuarial function (iii); and

– internal control and compliance function (iv).

(i) Internal audit function

The main purpose of the internal audit function performed by the group Audit Department is to assess and report, for each audited unit:

– the quality of the financial condition;

– the level of risks actually incurred;

– the quality of the organization and its management;

– the consistency, adequacy and efficiency of the assessment and risk-management systems;

– the reliability and integrity of the accounting and management information;

– compliance with laws, regulations and rules of the Coface Group;

– the effective implementation of the recommendations of previous missions and of regulators.

This control is carried out through periodic missions aimed at covering the entire scope of the Coface Group over a limited number of financial years. It results in the issue of a report and the formulation of recommendations.

In the context of the Solvency II Directive, the internal audit function must assess the adequacy and the efficiency of the internal control system and the other elements of the governance system.

(ii) Risk-management function

The risk-management function consists in defining risk policies and monitoring their implementation, assessing the relevance and the efficiency of the internal control system, tracking the business continuity plan, gathering claims and losses and updating risk mapping.

This function is performed by the group risk Department.

The group risk Department was created in order to conform the Coface Croup's risk-management system to the new Solvency II regulation. It is in charge of rolling out and coordinating the Solvency II regulation at the Coface Group level.

The group risk Department reports on its activity to the group risk Committee, which meets quarterly. This committee decides on or approves action plans, monitors their implementation and addresses any risk-management issues referred to it.

The group risk Department coordinates a network of seven correspondents in each region. These correspondents are in charge of monitoring a network of "control and compliance" correspondents in the countries within their geographic scope.

These correspondents are responsible for the implementation at the local level of the level 2 controls defined by the Coface Group, ensuring compliance with the group rules and monitoring the progress of any decided action plans.

The organizing principles are outlined in the charter of the risk-management function that defines the purpose, the responsibilities and the skills required to carry out these functions.

(iii) Actuarial function

The actuarial function, performed by the Actuarial division of the group risk Department, is in charge of modeling, the review of the Debtor Risk Assessment ("**DRA**") ratings, the provisioning methods, the management of capital adequacy requirements, pricing models as well as internal risk and solvency assessments.

(iv) Internal control and compliance functions

The internal control and compliance function monitor compliance of the procedures with the rules and carry out the management of the operational activities. The internal control function is performed by the group risk Department and the compliance function is performed by the GLCD.

They perform their respective duties through level 2 controls and reporting.

a. Internal control function

The internal control function is organized in line with the Coface Group's new matrix organization based on geographic zone and group function. The group risk Department coordinates a network of seven correspondents in each region tasked with monitoring a network of correspondents in the countries within their geographic scope.

In addition to the existing controls at levels 1 (business lines) and 3 (audit), level 2 control programs applicable to all countries have been established.

The group risk Department establishes a group minimum control program. This annual program is communicated to the correspondents (regional and local), as well as to the regional managers. These programs can be supplemented at the regional or country level depending on local regulatory needs (mandatory additional controls), local priorities or other factors. The frequency of the controls depends on their type (from monthly to annual). The correspondents are responsible for implementing, at the local level, the level 2 controls defined at group level, ensuring compliance with group rules and monitoring the progress of the decided action plans.

These controls are carried out based on procedures that identify the persons responsible for the controls, the periodicity of the controls, the methodology (preparation of samples, documents used, terminology, control points), as well as the methods for reporting any identified anomalies and monitoring of subsequent action plans. After the controls have been effected, action plans are defined in order to resolve any identified malfunctioning. Corrective actions decided upon immediately at the local level are implemented in cooperation with the operational management bodies under the authority of the country and regional managers.

A quarterly report allows the different levels (group, region, country) to track the results (i.e., results of control plans and progress with remediation plans). A summary of the results is communicated quarterly by each correspondent to the group risk Department, which then reports to the group risk Committee.

b. Compliance function

The compliance function, in accordance with the provisions of the Solvency II Directive, is responsible for overseeing risks of non-compliance by establishing rules applicable to all Coface Group entities, training programs aimed at promoting a proper understanding and correct implementation of those rules, as well as setting up a meaningful and effective non-compliance risk-control system.

The risk of non-compliance is the possibility of incurring legal, administrative or disciplinary penalties, or of sustaining significant financial loss or damage to reputation resulting from the failure to comply with the provisions applicable to banking and financial activities of a legislative or regulatory nature or from the failure to comply with professional and ethical standards or instructions from the executive body.

Compliance risk is managed by the GLCD in which the compliance function is responsible in particular for:

– implementing the Coface Group’s compliance rules among the various entities of the Coface Group;

– setting up level 2 controls ensuring the proper application of local and group standards;

– reporting the results of the level 2 controls and the incidents of non-compliance uncovered during the controls or outside the controls to the group risk Committee.

To accomplish its mission, the GLCD is assisted in the different regions by regional compliance correspondents and in various countries by local compliance correspondents depending on the functional matrix put in place within the Coface Group.

The GLCD reports regularly to the Coface Group’s executive bodies to describe the situation with regard to non-compliance risk, quarterly in the case of the group risk Committee and, periodically directly to the Executive Management in the event of major incidents.

4.4.2 Credit Risk Management

The debtor credit risk, directly linked to the economic environment, is the risk of losses generated by the insurance policy portfolio and can determine to a significant degree any change in the activity and in the earnings of the Coface Group.

A distinction is typically made between frequency risk and catastrophe risk:

– frequency risk is the risk of a sudden and significant increase in default by a large number of debtors;

– catastrophe risk is the risk of unusually high losses with respect to a single debtor or group of debtors, or an accumulation of losses sustained in the same country.

The Coface Group manages credit risk using a large number of procedures described below.

4.4.2.1 Control and monitoring of products

– *Approval of new products*: the Coface Group relies on a group products Committee in order to ensure consistency of the distributed product range with the company's strategy. It approves the launching of new product lines and monitors the products distributed in each region. It brings together the marketing, business, organizational, compliance and risk functions and any other functions depending on the project.

– *Validation of product development*: any development regarding any of the terms of the insurance policy, the pricing policy, the distribution method or the target (policyholders, country) must be notified to the group marketing Department and to the GLCD.

– *Business delegations*: in order to secure the profitability of the insurance policies, the contractual terms of the insurance policy having a significant influence on the performance of the insurance policy or risk-management are subject to a delegation system with eight levels of responsibility.

– *Pricing*: the Coface Group uses a common pricing system (PEPS) enabling any of its users to create pricing projects using simulation tools and to formulate pricing proposals in line with the profitability targets of the Coface Group.

4.4.2.2 Centralized management of the credit risk

Frequency risk and catastrophe risk are monitored locally and regionally, and also centralized and analyzed at headquarters.

Frequency risk is covered by technical provisions calculated using a statistical claims model that simulates loss ratios based on observed development patterns and ongoing claims. This risk is measured for each region and country by monitoring the instant loss ratio[3] and the monthly indicator that measures domestic/export credit trends by the DRA (see Section 6.5.1 "*Credit-Insurance and Related Services – Risk Underwriting Implemented through a Harmonized Process*" of this registration document) and business sector, by acceptance rate in the DRA scale and by product lines (surety bonding, "Single Risk"). As a result, defaults are analyzed on a weekly basis by the group executive Committee and on a monthly basis by

[3] The instant loss ratio is a weekly indicator enabling to monitor the evolution of the loss ratio. It is monitored for each region and country and is subject to weekly reporting within the Coface Group enabling, notably, the risk underwriters to monitor the evolution of their portfolios and to detect each eventual deterioration in order to put in place preventive measures at an early stage

the group risk underwriting Committee. The loss ratios of the various underwriting regions are also monitored at the consolidated Coface Group level.

The main purpose of the Coface Group's reinsurance strategy is to cover catastrophe risk (see Section 4.4.2.8 "*Intercompany Risk Sharing and Reinsurance*" below). In addition to the weekly and monthly controls carried out at the level of each country and region, the Coface Group has put in place a central system based on:

– centralizing potential claims in excess of a certain ceiling (currently €0.5 million for all Coface Group underwriting centres) which then are subject to post mortem analysis enabling to improve the performance of the information, factoring and collection functions;

– a maximum standard exposure monitoring process of risk underwriting, which is established and approved by the group risk underwriting Department for exposures in excess of previously established amounts calculated on the basis of a DRA;

– a risk assessment system through the DRA which covers all debtors.

4.4.2.3 Diversification of credit risks

The Coface Group maintains a diversified insurance portfolio so as to minimize the risk that default by a given debtor, a downturn in any particular industry or an adverse event in any particular country do not have a disproportionate impact on the Coface Group's overall loss ratio. In addition, the Coface Group policies include clauses that provide for the amendment of credit limits during the validity of the insurance policy.

• Exposure to debtor risk

The Coface Group insurance policies cover the risk of non-payment by almost 2.5 million debtors worldwide. As of December 31, 2013, the average risk per debtor was €182,400. 79.7% of debtors covered by the Coface Group's credit insurance policies are located in OECD countries, mainly in Europe and more particularly in Germany, France, Italy, Spain and the United Kingdom, and in the United States.

The vast majority of debtors taken individually do not represent a material risk since no individual debtor represents more than 1% of the Coface Group's exposure.

The following table analyzes debtors breakdown at December 31, 2011, 2012 and 2013, respectively, based on the Coface Group's total credit risk exposure in each case. An analysis of the number of debtors by debtor exposure band demonstrates a low risk concentration profile:

	2013				**2012**				**2011**				**Change in exposure**	
Debtor Exposure Band	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**2013/2012**	**2012/2011**
Refusal	0	876,862	614,149	0.0	0	781,262	548,556	0.0	0	672,815	486,835	0	0%	0
1 - 10 KE	3,709	524,909	481,172	0.8	3,956	552,087	511,020	0.9	4,188	571,354	536,087	0.9	-6%	-6%
11 - 20 KE	6,052	476,234	376,206	1.3	6,490	498,923	393,623	1.5	6,846	510,250	406,418	1.5	-7%	-5%
21 - 30 KE	4,671	286,931	178,201	1.0	4,904	298,474	184,119	1.1	4,899	295,902	183,638	1.1	-5%	0%
31 - 40 KE	3,546	192,870	97,736	0.8	3,678	202,482	100,028	0.8	3,734	205,000	101,323	0.8	-4%	-2%
41 - 50 KE	4,591	176,365	96,474	1.0	4,983	188,753	104,026	1.1	5,636	202,725	117,626	1.2	-8%	-12%
51 - 60 KE	3,102	124,769	54,738	0.7	2,949	126,864	51,860	0.7	3,256	133,778	57,086	0.7	5%	-9%
61 - 70 KE	2,611	101,178	39,250	0.6	2,812	109,879	42,418	0.6	2,797	110,874	41,985	0.6	-7%	1%
71 - 80 KE	3,519	102,646	46,864	0.8	3,550	105,959	46,523	0.8	3,645	109,462	47,893	0.8	-1%	-3%
81 - 90 KE	2,017	71,293	23,431	0.4	1,943	73,955	22,477	0.4	2,077	75,339	24,084	0.5	4%	-6%
91 - 100 KE	5,059	98,524	51,437	1.1	5,522	107,085	56,156	1.3	5,778	112,116	58,614	1.3	-8%	-4%
101 - 150 KE	12,781	296,686	101,842	2.8	12,299	306,035	98,141	2.8	12,805	315,425	102,211	2.8	4%	-4%
151 - 200 KE	10,075	199,009	56,712	2.2	10,598	208,734	59,791	2.4	11,163	217,622	62,847	2.4	-5%	-5%
201 - 300 KE	17,077	276,986	69,033	3.8	16,647	286,982	67,152	3.8	17,519	296,433	70,510	3.8	3%	-5%
301 - 400 KE	14,078	195,205	40,293	3.1	13,944	199,478	39,867	3.2	14,320	204,876	40,920	3.1	1%	-3%
401 - 500 KE	11,916	145,010	26,403	2.6	11,597	147,997	25,670	2.6	12,004	151,018	26,555	2.6	3%	-3%
501 - 800 KE	27,537	283,401	43,502	6.1	26,767	290,364	42,195	6.1	27,917	302,055	44,003	6.1	3%	-4%
801 – 1 500 KE	41,388	322,587	38,020	9.1	40,113	328,500	36,864	9.1	41,746	347,229	38,415	9.1	3%	-4%
1 500 KE – 3 ME	50,895	272,411	24,241	11.2	49,149	275,176	23,552	11.2	50,320	288,650	24,091	11.0	4%	-2%
3 ME – 5 ME	39,288	149,993	10,219	8.7	37,570	148,828	9,812	8.5	37,903	153,929	9,907	8.3	5%	-1%
5 ME - 10 ME	50,359	141,414	7,257	11.1	48,638	141,295	7,042	11.1	50,348	147,161	7,309	11.0	4%	-3%
10 ME - 50 ME	89,611	142,863	4,732	19.8	86,837	144,355	4,604	19.7	89,551	151,281	4,780	19.6	3%	-3%
50 ME - 100 ME	21,360	17,798	321	4.7	22,707	17,777	332	5.2	23,345	18,042	346	5.1	-6%	-3%
100 ME - 200 ME	14,191	10,221	110	3.1	11,587	8,609	91	2.6	14,399	9,484	109	3.1	22%	-20%
200 ME et +	13,094	5,693	32	2.9	10,716	4,917	28	2.4	10,994	4,616	28	2.4	22%	-3%
Total	**452,530[4]**	**5,491,858**	**2,482,375**	**100**	**439,958[4]**	**5,554,770**	**2,475,947**	**100**	**457,188**	**5,607,436**	**2,493,620**	**100**	**2.9%**	**-3.8%**

[1] *The exposure amounts in the above table are before reinsurance (direct business and accepted business) and correspond to maximum insured amounts granted by the Coface Group to its policyholders. They do not correspond to the actual amounts used by the Coface Group policyholders.*

[2] *A limit is an authorization granted to a policyholder following its request to have its commercial exposure covered with respect to a given debtor.*

[3] *The debtors referred to in the above table are clients of the Coface Group's policyholders.*

[4] *The €12.57 billion increase in the total exposure between December 31, 2012 and December 31, 2013 includes a negative exchange rate impact of €11.8 billion.*

• Geographical breakdown of risks

The debtors covered by the Coface Group credit insurance policies are located mainly in Western Europe. At December 31, 2011, 2012 and 2013, the ten largest countries in terms of exposure accounted for 66.6%, 65.2% and 64.1%, respectively, of the Coface Group's overall exposure resulting from its activities:

Debtor country	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposure (in €m)	%	Exposure (in €m)	%	Exposure (in €m)	%	2013/2012	2012/2011
Germany	74,576	16.5	72,269	16.4	73,339	16.0	3.2%	-1.5%
France	50,831	11.2	52,266	11.9	59,178	12.9	-2.7%	-11.7%
Italy	38,837	8.6	42,857	9.7	48,794	10.7	-9.4%	-12.2%
United States	29,684	6.6	25,969	5.9	24,547	5.4	14.3%	5.8%
United Kingdom	26,079	5.8	24,425	5.6	24,550	5.4	6.8%	-0.5%
Spain	19,093	4.2	19,530	4.4	24,281	5.3	-2.2%	-19.6%
China	15,636	3.5	14,557	3.3	12,958	2.8	7.4%	12.3%
Netherlands	13,900	3.1	13,499	3.1	14,139	3.1	3.0%	-4.5%
Brazil	11,413	2.5	11,728	2.7	13,142	2.9	-2.7%	-10.8%
Poland	10,201	2.3	9,891	2.2	9,500	2.1	3.1%	4.1%
Total	**290,250**	**64.1**	**286,990**	**65.2**	**304,428**	**66.6**	**1.1%**	**-5.7%**

A breakdown of the Coface Group's exposure to debtor risk by region at December 31, 2011, 2012 and 2013, respectively, is shown in the table below:

Region	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposure (in €m)	%	Exposure (in €m)	%	Exposure (in €m)	%	2013/2012	2012/2011
Western Europe	135,797	30.0	133,908	30.4	147,931	32.3	1%	-9%
Northern Europe	91,275	20.2	87,833	20.0	88,873	19.4	4%	-1%
Mediterranean & Africa	63,283	14.0	66,647	15.1	74,436	16.3	-5%	-10%
Asia-Pacific	61,214	13.5	56,940	12.9	52,393	11.5	8%	9%
North America	34,824	7.7	31,141	7.1	29,531	6.5	12%	5%
Central Europe	34,317	7.6	33,188	7.5	33,630	7.4	3%	-1%
Latin America	31,820	7.0	30,301	6.9	30,394	6.6	5%	0%
Total	**452,530**	**100**	**439,958**	**100**	**457,188**	**100**	**3%**	**-4%**

• Exposure by debtor's business sector

Business segment	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposures (in €m)	**%**	**Exposures (in €m)**	**%**	**Exposures (in €m)**	**%**	**2013/2012**	**2012/2011**
Minerals, chemicals, oil, plastics, pharmaceutical and glass	65,029	14.4	60,059	13.7	56,971	12.5	8%	5%
Agriculture. livestocks, agro-business and wine	62,792	13.9	61,230	13.9	62,068	13.6	3%	-1%
Construction	50,291	11.1	50,960	11.6	54,573	11.9	-1%	-7%
Electrical equipment, electronics, IT and telecommunications	43,326	9.6	40,322	9.2	42,665	9.3	7%	-5%
Non-specialist commerce	42,706	9.4	41,976	9.5	44,146	9.7	2%	-5%
Metals	35,097	7.8	35,820	8.1	37,224	8.1	-2%	-4%
Cars and cycles, other vehicles and transportation	33,773	7.5	34,014	7.7	31,120	6.8	-1%	9%
Mechanics and measurements	26,221	5.8	25,542	5.8	25,586	5.6	3%	0%
Miscellaneous	25,449	5.6	25,404	5.8	36,072	7.9	0%	-30%
Textile. leather and apparel	16,959	3.7	16,212	3.7	16,117	3.5	5%	1%
Business and private services	14,874	3.3	13,819	3.1	13,617	3.0	8%	1%
Paper, packing and printing	13,100	2.9	12,658	2.9	13,364	2.9	3%	-5%
Collective services	11,539	2.5	11,304	2.6	11,608	2.5	2%	-3%
Financial services	7,208	1.6	6,512	1.5	8,015	1.8	11%	-19%
Wood and furniture	4,166	0.9	4,125	0.9	4,042	0.9	1%	2%
Total	**452,530**	**100**	**439,958**	**100**	**457,188**	**100**	**2.9%**	**-3.8%**

4.4.2.4 Duration of risks

95% of the Coface Group's credit insurance portfolio consists of short-term risks. The maximum duration of these policies rarely exceeds 180 days.

Level 2 controls are performed to ensure compliance with Coface Group's credit risk rules.

4.4.2.5 Shared interests with the policyholders

The aim of credit insurance is to prevent losses insofar as possible, in the common interest of both the policyholders and the insurer. The service offered to the policyholders includes not only coverage for realized losses, but also loss-prevention services and assistance in developing a profitable customer base. These shared interests, contributing to maintaining a prudent credit-risk management system, are reflected in several aspects of the Coface Group's risk-management policies, as described below.

• Decision-making

For the insurer, this principle involves approving each new debtor proposed by the policyholder, within the limits of the granted approval, and establishing the maximum exposure level that it is prepared to accept for that debtor. The insurer also determines the maximum exposure level that it is prepared to accept for that debtor with regard to all its policyholders.

Credit risk is generally underwritten through global policies in which the policyholders entrust the insurer the totality of their turnover in order to avoid anti-selection. The credit insurer can reduce or cancel credit limits for new sales to a given debtor at any time. Exceptionally, depending on the expertise of the policyholder, the Coface Group may allow certain policyholders some discretion for setting credit limits, up to a ceiling stipulated in the policy.

- Quality of risks for the calculation of the premium

Premiums are determined on the basis of both the statistical loss experience for the profile of a population of policyholders with similar characteristics and the policyholder's actual loss experience. Premiums are reviewed when policies are renewed, generally annually. They are calculated on the basis of the actual loss experience and the risk generated by the policy on the renewal date. In addition, a number of policies have built-in profit-sharing schemes, giving insured companies an incentive to monitor the credit quality of their policyholder base.

- Risk sharing between the Coface Group and the policyholder

In general, between 10% and 15% of the risk is borne by the policyholder. Policies may also provide for a first-loss per claim and, occasionally, first-loss on an annual basis. The principle of global cover is also applied in most cases: all sales for a given activity are covered, without the option for the policyholder to select coverage of individual risks.

- Collection-recovery system management by the Coface Group

The Coface Group requires the majority of its policyholders to assign the responsibility for collecting unpaid receivables to it. The Coface Group initiates recovery actions immediately upon declaration of a payment default, with a view to limiting the extent of the losses and, as far as possible, maintaining the policyholder's commercial relations with the debtor. Negotiations and, if necessary, legal procedures are initiated through the world-wide collection network, which includes the internal resources of the Coface Group and its CreditAlliance partners, as well as collection agencies and a network of attorneys.

4.4.2.6 A sophisticated underwriting system: Advanced Technology for Limit Assessment System ("ATLAS")

Underwriting decisions are made by groups of risk underwriters located in various underwriting centers, working in real time and online using Atlas, an underwriting and risk-management IT tool for each Coface Group entity which contains information on more than 65 million debtors located worldwide (see Section 6.5.1 "*Credit-Insurance and Related Services – Information Relating to Solvency of Debtors at the Center of the Coface Group's Activities*" of this registration document).

Underwriting decisions comply with the underwriting rules established for the Coface Group as a whole.

The group risk underwriting Department is responsible for implementing a global underwriting policy. Moreover, the group risk underwriting Committee defines the risk policy for each country by setting exposure limits and risk-management guidelines and monitors the underwriting activity within the framework of the targets set.

Accepted reinsurance (i.e. reinsurance of policies distributed by CreditAlliance partners accepted for reinsurance) is underwritten in accordance with the same procedures as direct insurance. Compagnie française d'assurance pour le commerce extérieur policy is to reinsure only risks that have been specifically accepted within Atlas.

4.4.2.7 Valuation of Provisions

The Coface Group maintains claims provisions against possible losses arising on its credit insurance portfolio. Specific provisions are made in respect of claims that have been reported at year-end but not settled. In addition, the Coface Group records provisions to reflect estimates of future claims it will have to settle on the basis of events that have occurred up to the year-end. Estimates are based on statistical models using historical loss experience in relevant industries and countries, adjusted to take into account major events that are likely, in the Coface Group's opinion, to have an impact on its claims.

Claims provisions recorded at any given moment are composed as follows:

– provisions for reported claims, which are subject to a case-by-case analysis based on the characteristics of the relevant insurance policy and related claim. Such provisions are calculated on the amount of reported unpaid receivables which are the subject of an indemnification claim;

– "**IBNR**" (Incurred But Not Reported) provisions, covering both risks related to uncertainties for case-by-case reported claims and late claims (i.e. claims incurred but not reported at the closing date); and

– an estimate of future recoveries on settled claims.

Credit-insurance technical provisions are not subject to discounting.

IBNR provisions estimates are based on the estimate of an ultimate loss ratio, which is an estimate of the final amount of claims. The determination of this ultimate loss ratio is the result of periodic actuarial analyses conducted by the Actuarial division of the group risk Department.

This Department is also responsible for ensuring that the Coface Group's overall provisions level is sufficient to cover future indemnification payments and establishing and ensuring the effective implementation of the actuarial principles that must be complied with when calculating the estimated provisions.

To date, the main actuarial methods used by the Coface Group's entities are based on loss triangles (Chain Ladder, Bootstrapping method, etc.) and other methods (Bornhuetter-Fergusson, etc.). These methods define the reasonable actuarial estimated range within which the group risk Department recommends fixing an ultimate loss ratio.

Based on this actuarial estimated range, the actuaries' recommendations and on other analyses whether or not actuarial in nature, management decides upon the amount of provisions to be established at each quarter end at a loss reserving Committee meeting. The committee convenes at the level of each entity, then the Coface Group level. Meetings take place at least quarterly, but can be convened in the event of major incidents requiring a significant revision of the amount of the provisions (in particular, in the event of an important claim). Estimates are also refined through economic, risk underwriting and debt collection information examined during an "economic expectations" quarterly committee meeting.

• Loss Ratio

The Coface Group measures its loss experience mainly by reference to its loss ratio, which corresponds to the ratio of paid claims, claims handling expenses and changes in technical provisions to gross written premiums. The Coface Group's loss ratio, calculated on the basis of consolidated accounting data, was 51.1% in 2013. The development of the Coface Group's annual average recorded loss ratio between 2008 and 2013 is shown in the table below:

Year	2008	2009	2010	2011	2012	2013
Loss ratio	75.3%	102.5%	53.6%	51.7%	51.5%	51.1%

The loss ratios have been directly affected by the increase in defaults among companies following the economic and financial crisis of the 2008-2010 period. In a still difficult economic environment during the 2011-2013 period, the Coface Group has successfully completed optimization work in terms of risk management. In response to the deterioration of the economic environment, the Coface Group, through its ability to reduce or cancel the credit insurance coverage at any given times effectively monitored its risk management by implementing certain necessary corrective actions with a view to reducing its exposure to certain countries.

As at December 31, 2013, a +/- one percentage point variation[4] of the gross accounting loss ratio would have had an impact of +/- €11 million on claims expense, of +/- €8 million on the claims expense after reinsurance, of +/- €6 million on net income and of +/- €6 million on equity. The Coface Group considers that a one percentage point variation of the gross accounting loss ratio is reasonable compared to previous years' experienced loss ratio.

• Expenses related to claims at the Coface Group's level

In the table below, the gross aggregate transactions represent the cost of claims recorded in the Coface Group's balance sheet under direct business and acceptances. The outward reinsurance and retrocessions represent the share of the Coface Group's external reinsurance which was ceded.

In euro millions	**As at December 31**								
	2013			**2012**			**2011**		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	-812	148	-664	-854	158	-696	-802	190	-612
Claims expenses – prior years	236	-7	229	256	-2	254	208	-32	176
Claims expenses	**-576**	**142**	**-435**	**-598**	**156**	**-442**	**-594**	**158**	**-437**

• Technical provisions at the Coface Group's level

In the table below, the provisions for unearned premiums correspond to the premium part that continues to accrue between the closing date and the due date of the premium. They are calculated pro-rata temporis for each insurance contract. The provisions for the bonuses correspond to an estimate of the bonuses cost still outstanding at the end of the financial year. Bonuses are a contractual stipulation that consist of refunding the policyholder a part of the profit that may flow from the contract at the end of a defined period.

In euro millions	**As at December 31**		
	2013	**2012**	**2011**
Provisions for unearned premiums	267	275	263
Claims provisions	1,121	1,153	1,222
Provisions for policyholder's bonuses and rebates	63	56	46
Technical liabilities relating to contracts	**1,450**	**1,484**	**1,532**
Provisions for unearned premiums	-42	-43	-51
Claims provisions	-289	-295	-316

[4] i.e. a variation from n% to (n+1)%.

Provisions for policyholder's bonuses and rebates	-16	-15	-13
Reinsurers' share of technical liabilities relating to insurance contracts	**-347**	**-353**	**-380**
Net technical provisions	**1,103**	**1,131**	**1,152**

- Development of claims provisions

The table of the development of claims provisions shows the change in the loss ratio from 2004 to 2013, based on the accounting standards previously applied in accordance with IFRS 4.

The first tables set out for a given line N, the anticipated estimates on each of the following year-ends (N+1, N+2, etc.). The loss ratio estimates vary depending on the increasing reliability of information related to the ongoing claims.

The difference between the initial and the ultimate loss ratios measures the excess or the shortfall of the initially recorded provisions.

Development triangle for ultimate loss ratio (before reinsurance and claims handling expenses)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
2004	53 %	48 %	46 %	45 %	45 %	44 %	42 %	41 %	41 %	42 %
2005	54 %	48 %	46 %	45 %	44 %	44 %	43 %	42 %	42 %	
2006	58 %	48 %	49 %	47 %	46 %	47 %	46 %	46 %		
2007	62 %	61 %	66 %	66 %	66 %	63 %	64 %			
2008	94 %	115 %	115 %	114 %	109 %	107 %				
2009	75 %	64 %	58 %	60 %	56 %					
2010	58 %	44 %	38 %	35 %						
2011	74 %	61 %	55 %							
2012	77 %	68 %								
2013	73 %									

Development triangle for ultimate loss ratio (before reinsurance, policyholders' bonuses and rebates, and claims handling expenses)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
2004	51 %	46 %	44 %	42 %	42 %	42 %	40 %	39 %	39 %	40 %
2005	53 %	46 %	44 %	42 %	41 %	41 %	41 %	40 %	40 %	
2006	56 %	46 %	46 %	44 %	43 %	44 %	43 %	43 %		
2007	59 %	58 %	63 %	63 %	63 %	60 %	60 %			
2008	90 %	111 %	110 %	108 %	103 %	101 %				
2009	72 %	62 %	55 %	56 %	53 %					
2010	56 %	42 %	35 %	33 %						
2011	71 %	57 %	52 %							
2012	75 %	64 %								
2013	69 %									

The model for estimating claims provisions used by the Coface Group is based on historical data including, in particular for the year 2008, characterized by a shortfall in provisions of 11 points (between 90 % estimated in 2008 compared to 101 % restated in 2011). As a consequence, this provisioning model historically led the Coface Group to estimate, on a prudential basis, higher loss-ratios than were actually realised. Given the proper monitoring of its loss levels, the Coface Group has systematically recorded surpluses since 2009 (excesses of claims provisions compared to the loss ratio actually realised).

The table below shows the evolution of such surpluses over the 2011-2013 period and for the three months period ended March 31, 2014:

Period	**Ultimate loss ratio (before reinsurance and claims handling expenses)**	**Loss ratio before reinsurance**	**Surpluses**
2011	73.8 %	49.4 %	(24.4 %)
2012	77.4 %	49.2 %	(28.2 %)
March 31, 2013	75.0 %	49.8 %	(25.2 %)
June 30, 2013	72.5 %	51.4 %	(21.2 %)
September 30, 2013	73.9 %	50.4 %	(23.2 %)
2013	72.6 %	48.4 %	(24.1 %)
March 31, 2014	73.0 %	44.9 %	(28.1 %)

The second table "Triangle of development for cumulative claims paid net of recourse (before reinsurance)" shows the cumulated amount of payments related to the year of occurrence N and previous years, effected since December 31, N. The claims reporting, compensation and potential litigation process generally last for several years, which implies that the claims are supervised by year of occurrence.

Development triangle for cumulative claims paid net of recourse (before reinsurance)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
(in euro millions)										
2004	62,522	240,319	287,913	303,019	307,510	314,170	315,329	315,449	316,850	318,293
2005	72,845	269,446	321,324	331,841	338,473	339,591	339,545	340,341	339,227	
2006	68,633	311,988	372,473	394,417	395,738	398,681	400,081	405,711		
2007	74,349	378,298	510,005	546,410	555,623	578,160	584,840			
2008	120,012	808,249	982,228	1,022,135	1,043,854	1,044,573				
2009	144,768	431,483	494,796	511,138	516,142					
2010	55,685	270,061	341,468	354,831						
2011	67,010	458,102	565,976							
2012	118,049	447,181								
2013	83,255									

4.4.2.8 Intercompany risk sharing and reinsurance

The Coface Group risk-management system operates through a sophisticated risk-sharing mechanism implemented in each company of the Coface Group to cover abnormally high levels of loss, and a centralized reinsurance system operated by Compagnie française d'assurance pour le commerce extérieur to protect against both frequency losses and catastrophe losses. The system works as follows:

• Inter-Company Risk Coverage for Coface Group Network Entities

The subsidiaries and branches of the Coface Group are covered against abnormally high losses by Compagnie française d'assurance pour le commerce extérieur through an inter-company reinsurance treaty. This treaty is generally a stop-loss treaty per accounting year under which, when the annual loss ratio exceeds the threshold provided in the treaty, all loss supplements are borne by Compagnie française d'assurance pour le commerce extérieur. These annual treaties are designed to encourage the subsidiaries and branches to manage risk carefully as the collection costs for any past losses are invoiced to them.

• Centralized Coverage of the Coface Group's Frequency Risks and Catastrophe Risks

The cumulative risks associated with insurance policies underwritten directly by Coface Group entities and the policies accepted for reinsurance with Compagnie française d'assurance pour le commerce extérieur's CreditAlliance partners are covered by a centralized reinsurance program that involves a coverage on a proportional basis in the form of a quota-share treaty based on gross written premiums and a coverage on a non-proportional basis in the form of excess of loss program, which covers the risks retained by the Coface Group after ceded quota-share reinsurance, against losses by debtor in excess of certain thresholds. It is calculated to ensure that no single claim represents more than 3% of own funds.

The reinsurance treaties cover, on an underwriting year basis, the whole insurance portfolio of the Coface Group for a one year period, from January 1 to December 31.

The reinsurance programs for 2012, 2013 and 2014 are described below.

The reinsurance program for 2012 is composed of:

– a group quota-share treaty whose cession rate was reduced from 30% to 25%; and

– an excess-of-loss by debtor treaty, covering the retained risks after ceded quota-share reinsurance.

The reinsurance program for 2013 is composed of:

– a group quota-share treaty whose cession rate was reduced from 30% to 25%; and

– two excess-of-loss treaties, one by debtor and the other by country covering the retained risks after ceded quota-share reinsurance. Country risk coverage was reinstated in 2013 and adjusted for liquidation in 2012 i.e. covering the subscribed insurances in 2012 in exception to the usual reinsurance functioning. It covers only the Single Risk.

The reinsurance program for 2014 is composed of:

– a group quota-share treaty whose cession rate was reduced from 25% to 20%, and

– two excess-of-loss treaties, one by debtor and the other by country (only for the Single Risk) covering the retained risks after ceded quota-share reinsurance.

The reinsurance treaty for 2014 of Compagnie française d'assurance pour le commerce extérieur was entered into by a pool of 22 reinsurance companies. All the reinsurance companies on the Compagnie française d'assurance pour le commerce extérieur's 2014 panel are rated between A and AA- by at least one of the major international ratings agencies.

The Coface Group continues to systematically require collateral (cash, securities, letters of credit) from its reinsurers on each proportional treaty including "IBNR". This target was 100%-achieved as at December 31, 2013 for all counterparties of the master treaty. The collateral requirements relate individually to the excess of loss as assessed by the Coface Group and are updated each year. Under the reinsurance treaty for 2014, it is provided that the three first Coface Group reinsurers represent a 44% portion of the reinsured risks.

Since 1990, when excess of loss reinsurance treaties were first put in place, Compagnie française d'assurance pour le commerce extérieur has never made a claim with respect to an excess loss reinsurance treaty.

- Accepted reinsurance

Reinsurance acceptance schemes exist solely where the Coface Group carries out its credit insurance activities through fronters, i.e. in countries where it does not have a license to carry out its insurance business. In this context, underwriting and risk management rules are identical to those applied for insurance policies that are directly underwritten and provisions are recorded according to the methods applied for directly underwritten policies.

4.4.3 Internal control of investment management

At year-end 2012, the Coface Group decided to centralize the management of its investments and to delegate its management to different agents under the control of a single investment provider, the asset management company Amundi.

This is aimed at optimizing investment management by centralizing the assets of the Coface Group as a whole and by outsourcing all administrative tasks to a single administrative management platform managed by the asset management company Amundi.

The main missions of the platform are as follows:

– advising on strategic and tactical allocation of assets;

– reporting (economic, risks, Solvency II and accounting reports);

– back-office and middle-office functions; and

– providing tools/software as the case may be.

With this platform, the Coface Group's overall portfolio can be managed on the basis of a target allocation of each calculated asset class by including (i) risk and liquidity limitations, (ii) regulatory and insurance constraints, (iii) capital expenses and investment adequacy in terms of risk and duration with the Coface Group's liabilities, (iv) the selection of asset managers and the implementation of related mandates.

In order to optimize this organization, it was decided to unify and centralize as much as possible the custodian and valuation functions at the Coface Group level, performed by Caceis as regards the assets custody functions (Caceis Bank) and the valuation functions (Caceis Fund administration).

In terms of operational risk, delegating these functions (management and valuation) results in the identification of the Amundi and Caceis companies as key service providers for the Coface Group. In this regard, controls were conducted on the services performed during 2013 before selection by the group finance Department and the group risk Department: this included site visits, providing and analyzing assessment procedures, transactions processing, operational and compliance controls, identifying back-up systems, continuity plans, etc. These controls were also performed after the selection during the second half of 2013 and will be maintained with compliance visits to be made every year to both service providers or at any time if necessary (in the case of service-quality deterioration, a serious operational incident, organizational change, etc.).

This new organization gives the Group access to more diversified and sophisticated asset classes and management techniques with the aim of obtaining a stable long-term performance for its investment portfolio while maintaining high quality and liquidity for the underlying assets.

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

– the Board of Directors ensures compliance with insurance regulations (i.e., representation of the regulated commitments, assets dispersion, congruency and solvency). To that end, it relies on the solvency report and the different annual statements presented every year. Those statements report on all investments and the investment policy implemented during the year;

– at least once a year the Coface Group’s Chief Executive Officer defines the strategic allocation and the maximum limits allowed for each asset, on the basis of the elements presented by the asset manager during the investment strategy Committee. The general investment policy that defines all the rules pertaining to the Coface Group’s investments and specific limits is also approved at that time. This policy includes the limits permitted by issuer and country, specific limits for some asset classes based on their financial rating, a list of strictly-prohibited products, and specific limits applied to subsidiaries and branches that are still engaged in a direct investment management activity.

– the Coface Group’s strategic allocation proposed by the asset manager is reviewed twice a year by the investment strategy Committee in consultation with the group financing and investment Department. The committee defines the general guidelines in terms of investment policy and exposure to the different asset classes, imposed by the market conditions, the changes in the Coface Group’s collections and liabilities, yield optimization and the changes in applicable regulatory constraints. The committee analyzes all of the Coface Group’s investments, its subsidiaries and branches and conducts a general review of the managed portfolios, the agents and the risks applicable to the portfolio (control of compliance with risk limits, review of overall risk limits, etc.).

In addition to these three bodies that govern the Coface Group’s general organization in terms of investment policy, other committees ensure the on-going monitoring of the investment management and results:

– the investment Committee: this monthly committee deals with changes in the financial markets and the detailed review of the Coface Group’s investments through its dedicated UCITS or local management mandates set by the Coface Group’s subsidiaries and branches. Macro-economic scenarios and underlying risk factors are reported by the asset manager as well as an analysis of investment strategies and any tactical recommendations.

– the investment risk Committee: this semi-annual committee includes the same representatives as the Investment Committee along with the Coface Group’s heads of permanent control and financial risk. This committee deals with the coverage control and the risk management pertaining to the services under this agreement. It covers investment risks (financial risk, spread risk (including counterparties and derivatives), liquidity risk and operational risks. These risks have the meaning ascribed to them in the Solvency II Directive.

4.4.4 Financial risks management

The Coface Group has put in place an investment policy that takes into account the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies and the investment constraints resulting from the management of its liabilities. The investment strategy implemented shall allow the Coface Group to honor its commitments regarding its policyholders while optimizing the return on investments and improving performance in a framework of defined risk.

The Coface Group's investment policy, which is reviewed twice a year, covers strategic asset allocation, the assets and product classes eligible for investment, the target maturity of the portfolio, the management of any hedging and the Coface Group's income management policy. The allocation defined each year relies on an analysis of liabilities, simulations and stress on yield/risk behaviors of the different asset classes of the portfolio and compliance with the defined parameters related to the Coface Group's activity and its commitments: sensitivity of the target, use of own funds, maximum loss depending on the behavior of the financial markets, and on the quality and liquidity of the investment portfolio.

Managing financial risk thereby relies on a strict system of standards and controls reviewed constantly.

4.4.4.1 Management of asset allocation risk

- Investment assets

As an insurance company, the Coface Group maintains an asset allocation focused primarily on fixed income products that offer more stable and recurring income.

Investment portfolio (fair value)[1]	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	%	in €m	%	in €m	%
Equities	100	4.7	24	1.2	22	1
Bonds	1,343	63.8	1,352	64.1	1,218	57.8
Loans, deposits and other financial investments	662	31.4	731	34.7	867	41.1
Real-estate investments	1	0.1	1	0.1	2	0.1
Total	**2,106**	**100**	**2,109**	**100**	**2,108**	**100**

[1] *Excluding non-consolidated subsidiairies.*

At December 31, 2013, bonds accounted for 63.8% of the investment portfolio.

In connection with the review of its strategic allocation and more specifically for tactical reasons, in 2013 the Coface Group maintained its exposure to the sovereign debt of the main issuers in the financial markets and increased its investment in the credit assets class by exposing itself for a longer period to the debt of companies domiciled in OECD markets (primarily Europe and the United States).

Breakdown by type of debt in bond portfolio

Breakdown by type of debt in bond portfolio (fair value)	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
Sovereign and equivalent	420	31.3	819	60.6	895	73.5
Non sovereign	923	68.7	533	39.4	323	26.5
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

These investments are realized in a strictly-defined risk framework; the quality of the issuers, the sensitivity of the issuances, the dispersion of issuer positions and geographical areas are subject to precise rules defined in the different management mandates granted to the Coface Group's dedicated managers.

Specific limits applying to the entire investment portfolio are also defined in terms of portfolio rating and limits per counterparty and country. The liquidity of the credit portfolio, changes in spreads and total exposure of the Coface Group to the main asset/liability exposures are monitored regularly. If applicable, hedging is used systematically for foreign exchange risk and on a discretionary basis for interest rate and spread risk.

The chart below shows the main characteristics of the bond portfolio as at December 31, 2011, 2012 and 2013:

Breakdown by type of rate of the bond portfolio(fair value)	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
Fixed rate	1,268	94.4	1,306	96.6	1,096	89.9
Variable rate	74	5.5	27	2.0	121	10
Other	1	0.1	19	1.4	1	0.1
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

Breakdown by geographical area of the bond portfolio (fair value)	As at December 31					
	2013		2012		2011	
	in €m	%	in €m	%	in €m	%
Asia	37	2.7	18	1.3	19	1.6
Emerging Markets [1]	60	4.5	53	3.9	62	5.1
EMU	894	66.5	1,053	77.9	954	78.4
Europe ex-EMU [2]	112	8.4	121	8.9	52	4.3
North America	240	17.9	108	8.0	130	10.7
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

[1] Countries in which the Coface Group is present, mainly Brazil, Mexico, Poland and Chile.
[2] Mainly the United Kingdom, Switzerland, Norway and Sweden.

The risk associated with sovereign issuers of the euro zone has been significant over the 2012 and 2013 years in particular. The financial crises affecting Greek debt increased the uncertainty over the ability of some sovereign issuers to service their debt. This uncertainty was especially pronounced with regard to countries like Ireland, Italy, Spain and Portugal despite the support plans put in place.

Special attention was paid to those risks, leading the Coface Group to very significantly reduce or to eliminate altogether its exposure to the sovereign debt of these countries in 2012 and 2013.

Proportion of PIIGS in the bond portfolio	As at December 31					
	2013		2012		2011	
	in €m	% of bond portfolio	in €m	% of bond portfolio	in €m	% of bond portfolio
Portugal	0	0.0	1	0.1	0.5	0
Italy	82	6.1	89	6.6	95.1	7,8
Ireland	0	0.0	0	0.0	2.6	0,2
Greece	0	0.0	0	0.0	3.4[1]	0,3
Spain	0	0.0	4	0.3	4.2	0,3
Total	**82**	**6.1**	**94**	**7**	**105.9**	**8,7**

[1] Exposure of €3.4 million net of exceptional recorded depreciations, up to an amount of €7.6 million.

The bond portfolio mainly invests in investment-grade[5] companies and countries.

[5] According to the scale of the Standard & Poor's credit rating agency, debt securities attributed with a credit rating of at least BBB- are considered investment grade, whereas debt securities with a credit rating equal to BB+ or less are considered as high yield.

Breakdown by rating[1] of bond portfolio (fair value)	As at December 31					
	2013		2012		2011	
	in €m	%	in €m	%	in €m	%
AAA	109	8.1	398	29.4	659	54.2
AA – A	722	53.7	755	55.8	492	40.4
BBB	330	24.6	197	14.6	63	5.1
BB – B	181	13.5	2	0.2	1	0.1
CCC and below	0	0.0	0	0.0	3	0.2
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

[1] *Median rating between Fitch, Moody's and Standard & Poor's.*

Investments in corporate bonds account for 20% of the total portfolio, more than 60% of which is concentrated on companies of investment-grade quality. Investment in high yield debt consists exclusively of European and US companies with a rating of BB and B with average sensitivity and strictly under 2.5 years maturity. Within the framework of its investment portfolio diversification strategy, the Coface Group has gradually implemented, in a context of historically low interest rates, a reallocation of its investments towards bonds with a view to searching for yield, thus explaining the increase in the percentage of high yield bonds in its portfolio between 2012 and 2013. With respect to the bond portfolio, such measures have in particular led to an increase in the investments in the credit asset class through a more sustained exposure to the debt of companies incorporated in the OECD markets (mainly in Europe and the United States) to the detriment of exposures to sovereign bonds. These investments were made within the framework of a strictly-defined risk policy and special attention was paid, in the different management mandates granted to the Coface Group's dedicated managers, to the quality of the issuers, the sensitivity of the issuances, the dispersion of the issuers' positions and geographical areas.

The interest-rate risk borne by the Coface Group on its financial portfolio is limited, as the maximum sensitivity authorized on the bond asset class is deliberately capped at 4[6]. As of December 31, 2013, the sensitivity of the bond portfolio stood at 2.1.

The risk Committee meets every six months and systematically reviews credit risks and the overall liquidity of the portfolio.

- Hedging policy

The Coface Group's investment Department, responsible for directing and managing the investment portfolio, can authorize the use of liquid forward financial instruments (swaps, futures and options) traded on regulated markets or over-the-counter transactions entered into with counterparties rated A- or higher, to hedge the risk of a rise in interest rates.

These operations are carried out exclusively for hedging purposes in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is limited to the amount of the underlying assets held in the portfolio (equities or fixed-income products) so as to hedge the assets actually held in the portfolio.

At December 31, 2013, only Compagnie française d'assurance pour le commerce extérieur held put options with long maturities out-of-the-money on equities listed in the euro zone. This hedging strategy is applied to the equity exposure of the investment portfolio; its level and management are defined and reviewed upon market conditions and the management of unrealized capital gains and losses during the monthly investment Committee meetings

6 The sensitivity of a bond measures its real loss in value in the event of an interest rate rise. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if rates rise by 1%.

between the Coface Group's Management and the manager of the investment platform, Amundi.

4.4.4.2 Foreign exchange risk

As of December 31, 2013, 31.6% of the Coface Group's consolidated revenue was earned outside the euro zone and as such were subject to foreign exchange risk.

Most of Coface Group's investment instruments are denominated in euros. The subsidiaries or branches having accounts prepared in euro and underwriting insurance in other currencies must abide by the same principles of congruency (matching between assets and liabilities denominated in a currency other than the currency used as the reference currency with the issuance of the financial statements). Exceptionally, positions opened in other currencies may be hedged. No currency investments are made by the Coface Group for speculative purposes.

Most in investment securities are denominated in euros. Exposure to foreign exchange risk in the investment portfolios is limited; at December 31, 2013, 75% of investments were denominated in euros.

Breakdown by currency of investment portfolio	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
EUR	1,580	75.0	1,629	77.2	1,676	79.5
USD	294	14.0	178	8.5	114	5.4
Other[1]	232	11.0	302	14.3	318	15.1
Total	**2,106**	**100**	**2,109**	**100**	**2,108**	**100**

[1] *Mainly the Singapore dollar, the Canadian dollar and the Brazilian real*

Moreover, for most of the securities in the portfolio, which groups together all of Coface's European entities, the foreign exchange risk is hedged systematically for currencies investments departing from congruence rules. Thus, as of December 31, 2013, investments in bonds denominated in U.S. dollars, pounds sterling, Canadian dollars, and Australian dollars in this portfolio were systematically hedged against the Euro by the managers in charge of the portfolios concerned. As of December 31, 2013, these operations represented €146 million.

- Sensitivity of foreign currency entities' net income to exchange rates

	Average foreign exchange rate December 2013	**Net income – Group share in euro December 2013**	**Net income – Group share in local currency**	**Assumption - 10 per cent variation of foreign exchange rate**	**Net income – Group share in euro following variation of foreign exchange rate**	**Spread between actual rate and 10-per cent increased foreign exchange rate**
Australian dollar	0.7259	6,875	9,471	0.7984	7,562	687
Pound Sterling	1.1775	30,939	26,275	1.2953	34,033	3,094
Singapore dollar	0.6017	6,936	11,527	0.6619	7,630	694

	Average foreign exchange rate December 2013	Net income – Group share in euro December 2013	Net income – Group share in local currency	Assumption - 10 per cent variation of foreign exchange rate	Net income – Group share in euro following variation of foreign exchange rate	Spread between actual rate and 10-per cent increased foreign exchange rate
US dollar	0.7530	9,001	11,955	0.8283	9,902	900
Other		12,147			13,361	1,215
Euro		61,541			61,541	
Total		**127,439**			**134,029**	**6,590**

4.4.4.3 Equity risk

The equity markets are prone to volatility, which causes a significant risk for an insurer that is also subject to specific rules in terms of provisioning (provisions for long-term impairment) and the use of equity (Solvency II Directive, which introduces heavy penalties for equities risk).

In this context, the Coface Group reviewed its equity exposure in 2013 when reviewing its strategic allocation. Its potential equity exposure is strictly limited to less than 10% of its portfolio. It is concentrated mostly in the euro zone, which is associated with its core business. The Coface Group’s equity risk is not exposed to any specific concentration on one or more particular economic sectors. Allocation management is benchmarked against the MSCI EMU reference index[7]. These investments can sometimes be hedged in order to mitigate any extreme shocks. The hedging strategy is dynamic; its level, scope and extent are defined by the Investment Department in collaboration with the asset manager in charge of the management platform.

As of December 31, 2013, equity securities accounted for 4.7% of the investment portfolio, of which 4% were shown listed on a euro zone market. These investments were hedged as to 50% of the invested portfolio by means of Eurostoxx indexed put options, maturing from December 2014 and June 2015 at a strike price of around 20% out-of-the-money. Such hedging can be adjusted according to the investments and the amount of unreleased optional gain or loss of the shares held.

4.4.4.4 Concentration Risk / counterparty default

The Coface Group has introduced an investment policy that defines a general framework for counterparty risk. This approach involves defining limits for bond investments and consolidating all exposures through all financial instruments in order to limit the total potential loss to the Coface Group following a default or a bankruptcy by the counterparty concerned.

The maximum exposure limit to a single counterparty has been set as a percentage of the investment portfolio. The limit is set at 5% of the managed funds outstanding with possible

[7] Published by Morgan Stanley Capital International, the MSCI EMU index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within the euro zone.

derogations on an exceptional and temporary basis only on exposures associated with short-term investments.

Concerning the bond portfolio more specifically, 62% have a rating above or equal to A-, a rating awarded according to the median rating principle[8] .

As at December 31, 2013, the ten main sovereign and non-sovereign exposures of the bond portfolio amounted to € 528.6 million, representing 39.4% of the bond portfolio's fair value.

More generally, the Coface Group has implemented within its investment portfolio and for all asset classes, management rules requiring geographical and sectoral diversification in order to protect against or lessen the impact of any possible defaults. The 10 main "non-sovereign" exposures of the bond portfolio amounted to €306 million, representing 22.7% of the bonds portfolios' fair value.

4.4.4.5 Sensitivity tests

Additionally, monthly simulations are conducted on the investment portfolio and presented during investment Committee meetings. The simulations cover for different periods the maximum loss foreseeable in terms of economic performance by asset class with special emphasis on the credit spread risk in particular.

These sensitivity tests cover all asset classes in which the Coface Group is invested, making it possible to assess the overall risk to which the portfolio is exposed in the case of an adverse scenario every month and to take possible measures to reduce the risk if necessary (reducing exposure to certain risk factors, implementing hedging strategies, protecting financial income over a given period, etc.).

The results of these tests are intended to be representative of the different risks related to the investments but, as for any quantitative analysis, present inherent limits related to the data and models used.

• Risk related to equity and bonds of the portfolio as of December 31, 2011, 2012 and 2013

The following table shows that, at December 31, 2013, the portfolio is less sensitive to combined effects of a 100-basis point increase in bond rates of interests and a 10 per cent. decrease of the equity market as compared to December 31, 2012. This is justified by the decrease in the bonds portfolio average sensitivity.

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2013

(in euro millions)	**Market value at December 31, 2013**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities****	**Impact of a 20% fall in equities****
Bonds	1,343	-28.2	-	-
Equities	100	-	-10	-20
Total	1,443	0	0	0

* *Average sensitivity of bond portfolio at end-2013: 2.1*

** *Before hedging, where applicable*

8 Second-highest rating amongst the three ratings available from the three international rating agencies; if one of these ratings is provided by only two such agencies, the lowest rating is taken into account; if only one such rating is available, then that rating will be taken into account.

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2012

(in euro millions)	**Market value at December 31, 2012**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities**	**Impact of a 20% fall in equities**
Bonds	1,352	-38.7	-	-
Equities	24	-	-2.4	-4.8
Total	1,376	0	0	0

** Average sensitivity of bond portfolio at end-2012: 2.9*

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2011

(in euro millions)	**Market value at December 31, 2011**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities**	**Impact of a 20% fall in equities**
Bonds	1,218	-31,2	-	-
Equities	22	-	-2.2	-4.4
Total	1,240	0	0	0

** Average sensitivity of bond portfolio at end-2012: 2.56*

Given that bonds and equities are classified in the available-for-sale category, the sensitivity would impact “other comprehensive income”, which affects equity in the balance sheet. Unrealized gains and losses on these securities do not impact net income. In case of disposal, the realized gain or loss would impact the operating income in the income statement.

4.4.4.6 Real-estate risks

Real-estate accounts for a limited portion of the Coface Group’s assets (less than 4%). Moreover, the Coface Group’s current portfolio is composed almost exclusively of properties used in connection with its operating activities.

Real-estate risk corresponds to a reduction in market value thereby impacting on unrealized capital gains recorded on those properties and could even result in the recognition of unrealized capital losses.

As of December 31, 2013, the Coface Group held properties for a current market value (excluding related taxes) of €73 million, of which €48.9 million related to Germany and €22.9 million related to Italy.

4.4.5 Management of risks related to factoring

The risks inherent in the factoring activity are credit risks, in the sense of banking regulatory standards or counterparty risk, within the meaning of the Solvency II Directive, given the invoice “pre-financing” granted to clients.

The risks can relate to:

– the quality of invoices: invoice dilution risk (in particular arising from litigation, false invoices);

– client insolvency (transferor risk): the insolvent client cannot reimburse the cash advance made in respect of unpaid invoices (in the case of a recourse contract, meaning without credit insurance, or in the case of write-offs linked to financed invoices);

– the buyer's solvency risk, in particular in the case of factoring contracts with a credit insurance component (non-recourse contracts).

Client risk-management is based on the assessment, for each client, of the probability of the occurrence of the risk and the amount of the potential loss. Different procedures are put in place to manage this risk:

– analysis of the financial position of the client, particularly via internal rating tools;

– on-site audit activities to check the reliability of the data related to the receivables being acquired from new clients or during the monitoring period for existing clients;

– regular verity tests to ensure the existence of acquired receivables;

– specific procedures during the debt collection phase.

When the contract is negotiated, the type of product, the client's and/or buyer's solvency analysis and the conditions and pricing applied influence the credit risk assumed by the Coface Group.

During the lifetime of the contract, the acceptance of invoices through buyers' solvency analysis can be seen as a form of risk underwriting. The receivables financing give rise to the credit risk and creates the Coface Group's risk exposure. In the case of a factoring contract without recourse, an underwriting risk (credit insurance) is taken by the Coface Group over the transferor's buyers.

As with all sensitive activities of the Coface Group, the factoring business is governed by specific group rules.

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

Only certain products have been authorized to be marketed by such entities (see Section 6.5.2 "*Additional Services – Factoring*" of this registration document):

– in-house factoring with or without recourse ;

– full factoring;

– maturity factoring and reverse factoring.

The factoring limits on buyers are granted and monitored by the risk underwriting departments pursuant to the same rules and delegations as in credit insurance. These processes enable the monitoring of the total exposure of the Coface Group in this business and for ensuring the same level of expertise.

A single tool forms the structure of the factoring business (Magellan). It concentrates all data relating to the life of the contracts: client data, buyer, invoice, contract (already implemented in Germany with planned roll out in Poland). The factoring exposures are registered within the Atlas system. This allows the Coface Group to exercise a consolidated management of its exposure on a buyer or a group of buyers.

The factoring business is hedged by the Coface Group's reinsurance treaty (buyers risks are hedged by the credit insurance section and transferor risk by the dedicated factoring section).

4.4.6 Liquidity and funding risk

- Liquidity risk management relating to credit insurance activity

Insurance activity is led by a reverse production cycle: premiums are collected before claim payments are made. In addition, the average period of provision liquidation is less than three years and all such provisions are covered by liquid assets. As a result, the liquidity risk linked to the insurance activity is regarded as marginal.

Liquidity risk is monitored through analysis of available funds by the Coface Group's treasury Department and cash flow projections from the different group entities. This data is analyzed constantly so that liquidity for working capital or financial investment purposes can be managed in the event of recurring excess liquidity.

A large portion of the Coface Group's investments are comprised of money market products with an average maturity of three months.

Most of the other fixed income products and all shares in the Coface Group's portfolio are listed on OECD markets and have a liquidity risk that is considered low.

The liquidity of the OECD bond portfolio and of emerging market sovereign bonds is overseen regularly via market indicators (flow trends, credit spreads, buying and selling ranges), and the asset manager conducts regular analyses on the time needed to liquidate any line in the portfolios and the costs related thereto (duration of partial or total liquidation, instant liquidity cost and under conditions of market stress, etc.).

The Coface Group's bond portfolio has a short maturity, in hline with its liabilities. The chart below shows a breakdown of bond maturities:

Breakdown by maturity of the bond portfolio	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
< 1 y	502	37.4	481	35.6	309	25.3
1 y < >3 y	385	28.7	460	34.0	456	37.4
3 y < >5 y	255	19.0	128	9.5	176	14.4
5 y < >10 y	190	14.2	228	16.9	210	17.2
>10 y	10	0.8	54	4.0	68	5.6
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

More than 66% of the securities in the bond portfolio have a maturity of less than three years as of December 31, 2013.

The standard measurement of an insurance company's liquidity is based on its ability to fulfill its financial commitments.

- Management of liquidity risk related to factoring

The average duration of the factoring receivables is very short (less than six months). This reduces the liquidity risk within the factoring business.

In order to ensure the refinancing of its factoring activities, the Coface Group has established several financing programs: a trade receivables securitization program, bilateral credit lines with various partners up to a maximum of €903 million and a €500 million commercial paper program (for a detailed description of these financing programs, see Section 10.2.2 "*Principal Sources of Financing of the Coface Group*" of this registration document).

- Management of interest rate risks related to factoring

The Coface Group, through its factoring business, buys and finances its clients' trade receivables. These are mainly short-term credit risks (less than six months) and therefore the interest rate risk is limited.

In order to ensure the refinancing of its business, the Coface Group has set up several financing programs: a securitization program, a commercial paper program and bilateral credit lines with various partners, as described above.

The cost of financing depends on fluctuations in short-term rates and, in particular, the 1-month Euribor rate, other than for commercial paper with a maturity varying between one and three months. This cost is essentially the 1-month Euribor rate plus a fixed margin. On the assets side, the Coface Group receives revenue from its factoring clients consisting of two parts: on the one hand, a factoring commission based on the outstanding amount of receivables during the life of the contract and, on the other hand, a financing cost indexed to the 3-month Euribor rate. In addition, it should be noted that factoring assets are financed in the same currency.

- Solvency margin

Solvency I

According to the Solvency I regulation, the solvency margin corresponds to the required level of shareholders' funds, taking into account activity levels as measured by premium income weighted by the average loss ratio. The Coface Group is required to maintain its solvency margin at or above the level set in the insurance regulations. The Coface Group has calculated its minimum solvency margin requirement in accordance with French regulations, as set out in Decree no. 2002-360 dated 14 March 2002 relating to the additional supervision of insurance companies. At December 31, 2013, the Coface Group's solvency margin represents approximately 7 times the required minimum (after estimation of the dividend payment).

Solvency II

After some uncertainty and debate, the EU Commission, Council and Parliament decided that the Solvency II regulation would come into force on November 14, 2013. Consequently, as from January 1, 2016, European insurers must apply new methods when calculating their own funds requirements. This involves insurers having to quantify their exposure to risks and comparing their financial results against their level of available capital (pillar 1). Insurers will also have to establish that their chosen structure will only ever allow for sound management, as well as both a prudently and efficiently run organization (pillar 2). Furthermore, the increased regulatory framework governing reporting standards, requiring both quantitative and qualitative information, will have to be produced with a view to evidencing the quality of the risk management and the financial stability of the insurer (pillar 3).

The Coface Group is actively preparing for implementation of this new legislation. With respect to pillar 1, as described above, the Coface Group is developing a partial internal model on credit risk, submitted for prior approval to the ACPR. In this context, regular discussions are carried out with a view to obtaining such approval of the Coface Group's internal model. Equally, the Coface Group organizes its governance and risk management structure is such a way as to conform to the requirements of pillar 2. Finally, with respect to pillar 3, the Coface Group is finalizing an integrated process of producing regulatory statements which will enable it to ultimately deliver reports that meet the standards expected by the regulator from 2014 onwards.

Indeed, even though final regulations have not yet been published, the ACPR, under the authority of European regulators, has defined measures for the interim period from 2014 to 2015 so as to prepare the French market and enable a progressive and successful adoption of the Solvency II directive. Thus, in 2014, in addition to the regulatory reporting statements, a report on the evaluation of internal and insolvency risks (FLOAR (Forward Looking Assessment of Own Risks)) will have to be delivered to the regulator.

4.4.7 Operational risk management

- Operational risk mapping

In order to improve knowledge of operational risk, the Coface Group has mapped risk using a so-called qualitative method. This risk mapping was updated for all the entities of the Coface Group in 2013.

For every business line or support process for which the entity is responsible, a list is drawn up of risk scenarios that can affect that business line or support process. For every risk scenario there is a detailed form containing a description of the risk, an assessment of the inherent risk (i.e., before level 1 controls), a description and assessment of level 1 controls, an assessment of residual risk and action plans.

Risk-assessment is based on an evaluation of the risk's frequency and on the intensity of its impact. A three-tier assessment scale is used (low, average, high).

- Gathering of incidents and losses

An incident is the occurrence of an operational risk that could result or might have resulted in a financial loss, an unjustified gain or other non-financial consequences.

All operating incidents and losses are identified. A monthly overview is prepared and disseminated.

Reported incidents are subject to corrective action and taken into account when operational risk mapping has been updated.

- Action plans and reports

The purpose of implementing the methods described above is to fully identify operational risks. When necessary, preventive or corrective action plans are designed and implemented to reduce or gain control of operational risks.

The group risk Department is in charge of reporting to the group risk Committee and to the Coface Group's executive bodies.

- Business continuity

The Coface Group has prepared a business continuity plan ("**BCP**") to deal with any prolonged or permanent unavailability of its premises or of its IT systems or staff.

The BCP is based on group rules, updated in April 2013, that define the Coface Group's policy in terms of business continuity. Each entity designs its BCP locally. The needs of users are identified by assessing the impact on business activities.

The overall policy is consistent with the main standards in terms of business continuity. The BCP's main operational elements are the crisis management plan and the business-line continuity plans. Two data centers located in the Paris area are responsible for backing up the principal data and computer applications used by the Coface Group (see Section 6.5.5 "*Information Systems*" of this registration document).

4.4.8 Legal and compliance risks management

The Coface Group operates its business in a highly regulated environment in France and abroad, in particular regarding its insurance, factoring and surety bonding activities.

The legal and compliance risks are controlled by the GLCD supplemented by the compliance correspondents in the various regions and countries. In addition, the GLCD provides a regulatory oversight. Furthermore, the GLCD is responsible for the development and coordination of the level 2 controls within its fields of expertise, which cover, in addition to the regulation applicable to insurance activities, the anti-money laundering rules, the prevention of corruption and more generally the combat against financial crime.

- Legal and arbitration proceedings

As of the date of this registration document, the Coface Group is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12-month period immediately preceding the date of this registration document, a significant effect on the Company or the Coface Group's financial position or profitability.

4.5 Insurance

As of the date of this registration document, the Coface Group's general and specific risks are covered by insurance policies.

As a subsidiary of Natixis, the Coface Group benefits, in the context of the Natixis group's insurance program, from the insurance policies described below.

Global Bank Program & General Liability Insurance Policy

This program covers in particular, within a €162 million ceiling per insurance year, professional civil liability risks of the Company and the wrongful acts committed by one or more representatives and or third party(ies).

Business Operations General Liability Insurance Policy

This insurance policy covers, within a €75 million ceiling per claim, the costs of defense, legal actions and civil damages arising from the incurrence of general liability from third parties with respect to any bodily injury, damage to property and consequential losses to third parties through its business operations (whether human or not) or as owner of material or equipment.

Directors' and Officers' Insurance Policy

This insurance policy covers in particular, within a €200 million ceiling per claim and per insurance year, the personal assets of individual directors and officers arising from the incurrence of their personal general liability, in particular in the context of mismanagement or breach of applicable laws or regulations committed in the performance of their duties.

Immaterial Computer Damage Insurance Policy

This insurance policy covers, within a €60 million per claim and per insurance year, the consequences of any immaterial computer damage (malicious intrusion, alteration, destruction or loss of data) absent any physical damage to the hardware containing such data.

Material Damage to Operational Assets Insurance Policy

This insurance policy covers, on a reinstatement and/or replacement value basis (within a €300 million ceiling per claim), damage to operational assets (business premises and their content, consequential losses and costs, tenant risk, third party(ies) legal recourse).

Business Travel Accident

This insurance policy coverts in particular employees and directors and officers in case of bodily injury (resulting in disability or death of the insured) suffered in the context of business trips.

Employees' Car Insurance Policy

This insurance policy covers damages to personal vehicles of employees when used for professional purposes as well as general motor liability incurred in case of damages to third parties, within a ceiling of €100 million.

In addition to the Natixis group's insurance policies described above, the Coface Group supplements such insurance coverage at the local level according to its needs or country-specific laws or regulations.

Each of the abovementioned insurance policies is subscribed with recognized solvent companies. Given the specific nature of its activities and the insurance policies described above, the Coface Group considers it benefits from an adequate level of insurance coverage with respect to the risks inherent to its activities.

In the context of its contemplated initial public offering, the Coface Group initiated a process aiming at implementing its own insurance policies with comparable levels of coverage by subscribing from best-in-class brokers and insurance companies, in the event the Coface Group would no longer benefit from the Natixis group's insurance policies as such group coverage would be terminated if Natixis group's holding in the share capital of the Company was to fall below the 50% threshold.

5. INFORMATION ABOUT THE COFACE GROUP

5.1 History and development

(a) Company name

The Company's registered name is "COFACE SA".

(b) Registration place and name

The Company is registered with the Nanterre Trade and Companies Registry under company number 432 413 599.

(c) Date of incorporation and term

The Company was incorporated on August 7, 2000 for a 99-year period starting from the date of its registration in the Nanterre Trade and Companies Registry, such period being subject to early dissolution or extension.

(d) Registered office, legal form and applicable legislation

Registered office: 1 place Costes et Bellonte, 92270 Bois-Colombes, France.

Telephone number at the registered office: +33(0)1 49 02 20 00.

Legal form and applicable legislation: French law public limited corporation with board of directors (see also Section 6.7 "*Regulatory Environment*" of this registration document).

(e) History of the Coface Group

The Company is the holding company of the Coface Group. It operates its business indirectly through its main operating subsidiary, the Compagnie française d'assurance pour le commerce extérieur and its subsidiaries.

The Coface Group originates from Compagnie française d'assurance pour le commerce extérieur, which was created by decree in 1946 and incorporated in 1948 to support French foreign trade. The initial shareholders of the Compagnie française d'assurance pour le commerce extérieur – insurance companies, banks and other financial institutions - were predominantly controlled by the French State. The indirect participation of the French State diminished progressively as many of these companies were privatized in the 1980s. In 1994, with the privatization of its main shareholder SCOR (as a result of the privatization of UAP), Compagnie française d'assurance pour le commerce extérieur came under the control of *Assurances Générales de France* (AGF) while continuing to manage public guarantees on behalf of the French State.

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

In 2002, *Natexis Banques Populaires*, established through the acquisition by the *Caisse Centrale des Banques Populaires de Natexis*, the latter resulting from the merger of the two original shareholders of the Coface Group (*Banque Française du Commerce Extérieur* and *Crédit National*), acquired 35.26% of the Company's share capital from SCORE and became its majority shareholder, owning 54.4% of the Company's share capital. Following its delisting in 2004, Compagnie française d'assurance pour le commerce extérieur, became a 100% subsidiary of Natixis in 2006, established from the merger of *Natexis Banques Populaires* and *Ixis CIB*. Natixis is the *Groupe BPCE's* financing, management and financial services arm. *Groupe BPCE* is one of the largest banking groups in France, created by the merger of *Banques Populaires* and *Caisses d'Epargne* in 2009. In 2009 and 2010, the Company strengthened its equity by means of two share capital increases entirely subscribed by Natixis, amounting respectively to €50 million and €175 million, in order to, *inter alia*, maintain the solvency margin of the Coface Group in the context of the economic slowdown at the time.

International Growth of the Coface Group

The Coface Group, which currently has a direct or indirect presence in 97 countries, has grown both organically and externally.

During the 1990s and early 2000s, the Coface Group engaged in a policy of international growth by acquiring various credit insurance companies and expanding through the creation of new subsidiaries and branches. These strategic acquisitions included, La Viscontea, an Italian surety and credit insurance company acquired in 1992; London Bridge Finance, a British finance company offering credit insurance services acquired in 1993, whose activity has since been taken over by the Coface Group's local branch (Coface LBF); Allgemeine Kredit, a German company offering both domestic and export credit insurance services acquired in 1996, Osterreichische Kreditversicherung, the most prominent credit insurance company in Austra acquired in credit1996 and 1997; and the US portfolio of Continental acquired in 2002. The Company's international growth has also been supported by the creation in 1992 of the CreditAlliance network, which has led to the establishment of different strategic partnerships, especially in emerging market economies (such as Latin America, Asia and Africa). Since 2002, the Coface Group has positioned itself as a multi-services player, specializing in trade receivables management.

*Refocusing on its core business, credit insurance, and preparing for the challenges ahead through the implementation of the 2011-2013 strategic plan ("**Strong Commitment I**")*

In 2011, in order to support the refocusing of its activities on its core business, credit insurance, the Coface Group implemented Strong Commitment I. Outlining the framework for 80 structural changes for the Coface Group over two years, Strong Commitment I sought to clarify and optimize the Coface Group's business model, centering it around one core business: credit insurance. This refocusing led the Coface Group to divest or liquidate all of its non-strategic interests (Coface Services, Kompass, Graydon, Coface Finans A/S Danmark, TKB and Coface Collection North America).

In addition, in the context of regulatory changes related to the implementation of the Solvency Directive (see Section 6.7 "*Regulatory Environment*" of this registration document) and Strong Commitment I, the Coface Group converted all of its subsidiaries into branches providing insurance services located within the European Union (see Section 7.1 "*Coface Group Legal Organization Chart*" of this registration document) in order to streamline the Coface Group's organization and to have a single regulatory contact at the European level.

Its implementation addressed three major challenges for the Coface Group: focusing on credit insurance fundamentals, the Coface Group's core business; preparing the conditions of a sustainable and profitable growth model; and implementing a structured and flexible governance, model focused on innovation. The main achievements of Strong Commitment I include the:

- reorganization of the the Coface Group's internal governance through the implementation of a matrix organization allowing close relationship with its policyholders and ensuring greater efficiency in the Group's decision-making process (see Section 6.6 "*Functional Organization and Operational Departments*" of this registration document);
- strengthening of risk analysis, assessment and management tools (see Section 4.4.1 "*Organization of Risk Oversight*" of this registration document);

- redeployment of the Coface Group's risk underwriting services, much closer to the underlying risk, through to the creation of 25 new underwriting centers (now 44 in total), an organization by business sectors, (ii) the creation of enriched processed information centers (now 45 in total) and three centers dedicated to the mass treatment of queries generated through the Coface Group's IT systems and (iii) further harmonization of its IT systems (see Section 6.5.1 "*Credit Insurance and Related Services - Information on the Solvency of Debtors in the Center of the Activities of Coface Group*" of this registration document);

- harmonization of the commercial delegation rules and the review of the pricing policy aimed at standardizing subscription rules and procedures worldwide, in particular through a common pricing tool "PEPS" (see Section 6.5.5 "*Information Systems*" of this registration document);

- implementing a product governance policy, aimed at changing the Coface Group's product lines, including a new categorization of policyholders, with the creation of various product lines aimed at specific categories of policyholders, such as "Coface Global Solutions", dedicated to multinationals, or "Topliner", which provides supplementary coverage wider than classic credit insurance (see Section 6.5.1 "*Credit Insurance and Related Services*" of this registration document); and

- preparation and implementation of the Solvency II Directive (see Section 6.7 "*Regulatory Environment*" of this registration document) and the development of the Coface Group's internal model.

As part of its ongoing transformation, the Coface Group revealed its new visual identity in 2013 and now sports a new logotype and signature - *"Coface for safer trade"* - representing an upgraded and modernized image. The Coface Group also moved its head office to Bois-Colombes in June 2013, with both the French and head office activities of the Coface Group being undertaken there.

With a view to further optimizing its operational organization, improving its products and services and effecting greater development, the Coface Group launched a new multi-annual business plan ("**Strong Commitment II**"). Structural actions are currently being implemented in order to capitalize on the achievements of Strong Commitment I and further improve them, particularly through the Coface Group's commercial development (see Section 6.3 "*Strategy*" of this registration document).

5.2 Investments

5.2.1 Investments since 2011

The main investments carried out by the Coface Group in the 2011-2013 period, save for investments made for the purposes of managing its investment portfolio (see Section 4.4.4 "*Financial Risks Management*" of this registration document), whose fair value amounted to €2.1 billion for the financial years ended December 31, 2011, 2012 and 2013, concerning primarily tangible assets (in particular relating to the layout or planning of office buildings in use, as well as investments in computer hardware or licenses).

For the financial years ended December 31, 2011, 2012 and 2013, these investments, concerning the acquisition of tangible assets, excluding deposits, guarantees and buildings in use, amounted respectively to €22.1 million, €10.4 million and €20.5 million (including around €15 million related to the refurbishment of the new Coface Group head office).

5.2.2 Ongoing major investments

During the current financial year, ending on December 31, 2014, the Coface Group aims to continue investing as necessary in its tangible assets for amounts considered immaterial.

5.2.3 Main investments under consideration

Although no firm commitment has been made by the Coface Group, it intends to continue in investments related to its tangible assets. To date, the Coface Group considers that this type of investment should not exceed 3% of the annual amount of its expenses.

6. BUSINESS OVERVIEW

6.1 General Introduction

For almost 70 years, the Coface Group has ranked among the world leaders in the field of credit insurance. It offers companies solutions aimed at protecting them against the risk of financial default by their debtors, as part of the management of their accounts receivable, on both the domestic and export markets. The Coface Group this regard, it offers:

- credit insurance products and related services (risk prevention, management and collection of debts, "Single Risk", Insurance products and public procedures management); and
- additional services (mainly factoring and surety bond in certain countries).

For the financial year ended December 31, 2013, the Coface Group's consolidated revenue amounted to €1,440.3 million, with operating income of €195 million and net income (group share) of €127 million. Credit insurance products and related services, the Coface Group's core business represented 88% of the consolidated revenue, the balance consisting of additional services offered primarily to its policyholders (see Section 6.5.2 "*Additional Services*" of this registration document).

For the three months ended March 31, 2014, the Coface Group's consolidated revenue amounted to €370.0 million, with operating income of €54.8 million and net income (group share) of €36.7 million, with credit insurance products and related services representing 89% of the consolidated revenue of the Coface Group.

The services and guarantees offered by the Coface Group play a key role in the management of financial risks for over 37,000 companies with debtors in more than 200 countries in a variety of sectors ranging from the agro-food sector to the aerospace industry. With 4,440 employees worldwide[9], the Coface Group relies on an international network of local offices, giving it a direct presence in 67 countries (through its subsidiaries and branches) as well as a network of local partners, managed through the CreditAlliance network, which market its credit insurance solutions and additional services in 97 countries.

The Coface Group benefits from a strong financial structure. It is rated AA-, with stable outlook by Fitch Ratings and A2, with stable outlook by Moody's.

Credit Insurance and Related Services

As an expert in trade risk, the Coface Group provides its policyholders with expertise in business assessments and risk prevention and offers credit insurance solutions that aim to protect policyholders against the risk of financial default by their debtors as well as to support them domestically or internationally, regardless of their business sector, size or nationality. It relies on its expertise in the acquisition and management of data on debtors and their environment, which is essential for the analysis and monitoring of debtor risks both for its policyholders as well as for its risk underwriters responsible for assessing those risks.

The main credit insurance solutions offered by the Coface Group can take the form of global guarantees in relation to a particular business activity through "Globalliance", the leading product of the Coface Group, ad hoc guarantees for specific and/or complex operations ("Globalliance Projects Cover" and "Single Risk"), or even consist of supplementary coverage ("TopLiner") (see Section 6.5.1 "*Credit Insurance and Related Services*" of this registration document).

[9] Registered active employees with permanent or fixed-term contracts.

In addition, the Coface Group offers its policyholders expertise in management and debt collection through a full range of services.

Moreover, Compagnie française d'assurance pour le commerce extérieur, one of the Company's subsidiaries, provides public procedures management on behalf of, and with the guarantee of, the French State, (see Section 6.5.1 "*Credit Insurance and Related Services – Public Procedures Management*" of this registration document).

Additional Services

The Coface Group also markets factoring solutions in Germany and Poland, enabling companies to finance their account receivables and optimize their cash flow.

Moreover, it offers surety bond services, mainly in Germany, Austria, Italy and France, to meet the specific needs of its policyholders in certain markets.

Finally, in some countries, mainly in Central Europe, the Coface Group supplements its offers with a range of information and collection products for companies without credit insurance.

Key Indicators

Consolidated revenue (en millions d'euros)	**As at March 31**				**As at December 31**					
	2014		**2013**		**2013**		**2012**		**2011**	
BY BUSINESS LINE										
Credit Insurance and Related Services										
Credit Insurance - gross earned premiums excluding premiums	273	74%	273	74%	1,071	74%	1,100	74%	1,079	73%
Related Services	38	10%	38	10%	133	9%	136	9%	122	8%
Public Procedures Management	16	4%	16	4%	66	5%	69	5%	70	5%
Additional Services										
*Net income from banking activities**	16	4%	16	4%	69	5%	77	5%	99	7%
Surety bonds – Gross earned premiums net of cancellation	14	4%	15	4%	58	4%	60	4%	59	4%
Services	11	3%	11	3%	44	3%	45	3%	44	3%
Total	370	100%	370	100%	1,440	100%	1,487	100%	1,474	100%
BY COUNTRY OF INVOICING										
Western Europe	122	33%	120	33%	469	33%	505	34%	498	34%
Northern Europe	94	25%	90	24%	367	25%	347	23%	406	28%
Mediterranean & Africa	58	16%	56	15%	217	15%	213	14%	202	14%
Central Europe	29	8%	29	8%	110	8%	111	7%	100	7%
North America	27	7%	29	8%	102	7%	113	8%	98	7%
Asia-Pacific	21	6%	22	6%	95	7%	113	8%	97	7%
Latin America	20	5%	24	7%	81	6%	85	6%	73	5%

Total	370	100%	370	100%	1,440	100%	1,487	100%	1,474	100%

**Facturing activity in Germany and Poland*

(in euro millions)	As at March 31		As at December 31		
	2014	**2013**	**2013**	**2012**	**2011**
Operating income	53	47	197	197	140
Net income of the consolidated entity	37	30	128	125	65
Net income attributable to owners of the parent	37	30	127	124	64

Other main indicators over the 2011-2013 period and the quarters ended March 31, 2013 and 2014

Ratios relating to credit insurance and surety bonds gross earned premiums net of concellation	**As at March 31**		**As at December 31**		
	2014	**2013**	**2013[1]**	**2012**	**2011**
Loss ratio before Reinsurance*	47.4%	52.1%	51.1%	51.5%	51.7%
Loss ratio after Reinsurance*	52.3%	55.1%	53.8%	53.3%	54.5%
Cost ratio before Reinsurance*	27.2%	28.1%	30.5%	29.4%	28.8%
Cost ratio after Reinsurance*	25.0%	26.3%	28.7%	26.9%	27.7%
Combined ratio before Reinsurance*	74.6%	80.2%	81.5%	80.9%	80.6%
Combined ratio after Reinsurance*	77.3%	81.5%	82.5%	80.2%	82.2%

[1] Excluding the relocation costs of the Company's head office (-€8.3 million).
** A definition of these operational ratios is given in paragraph 9.1 "General introduction - Principal operating Data".*

6.2 Competitive Strengths

The Coface Group considers its main competitive strengths to be the following:

One of Three Leading Global Players in the Credit-Insurance Market with a Strong Market Position

With revenue of €1,440 million for the year ended December 31, 2013, the Coface Group is positioned as one of the three global players in the credit insurance market, with significant size and a geographic footprint over all continents.

It considers itself to be the leading player in the Latin America region, the first of the three leading global players in the Asia Pacific region, the second leading player in the North America, Mediterranean & Africa and Central European regions, and the third leading player in the Western Europe and Northern Europe regions.

Its size, global footprint and market positions constitute major strengths in a market that favors large-scale players, characterized by a need to rely on players with a truly international presence, an important direct and indirect marketing force, and first-class information systems and debt-recovery capacity.

The World's Leading Credit-Insurance Network

Due to its direct presence in 67 countries, the Coface Group considers it benefits from the largest geographic coverage amongst the three principal global players in credit insurance. This dense geographic coverage, together with the ability to distribute solutions through fronting agreements (in the form of reinsurance treaties supplemented by partnership agreements) in 33 countries, constitutes an advantage for market and local risk knowledge and sales development, the collection of data on buyers and debt collection efficiency. The breadth of the Coface Group network, together with the strength of the "Coface" brand, which has remained unchanged since 1946 and has benefited from international recognition, also constitutes an advantage in terms of visibility and image.

Balanced Geographic Risk Exposure and Significant Presence in Emerging Markets

The Coface Group benefits from balanced geographic risk exposure to its historic credit insurance markets, in particular in Western Europe, and other markets with, in particular, significant market shares in emerging markets, in particular in Latin America and Asia-Pacific where it considers itself to be the leading global player in the sector. This emerging markets presence constitutes a competitive advantage to the extent that these countries represent a priority for foreign exporters and thereby to support the growth perspectives for the Coface Group. It has favorable market positions in many key countries such as Turkey, Brazil, Argentina, South Africa, Chile and Malaysia.

First-Class Information Base

The Coface Group considers that it possesses a first-class debtor information base, ATLAS, both in terms of its quality and its global reach (see Section 6.5.1 "*Credit-Insurance and Related Services – Information Relating to Solvency of Debtors at the Center of the Coface Group's Activities*" of this registration document). It considers that it constitutes a decisive competitive advantage compared to regional and local players of the sector. Among the three leading global players, the Coface Group considers that its knowledge of debtors located in emerging markets and in countries judged to be challenging in terms of risk analysis represents a competitive advantage in these countries which may constitute, both for policyholders as well as for itself, vectors for growth of the global economy.

A High-Performance Technical Platform

Through the global integration of its business lines and the support of its integrated IT systems, the Coface Group considers that it has one of the best-performing operational platforms on the market. This advantage results principally from the initiatives taken during the period the Coface Group refocused on its core credit insurance business between 2011 and 2013.

Through the implementation of about 80 projects, the Coface Group has improved its technical platform with regard to data collection, risk underwriting, collection of unpaid receivables, pricing policies, and navigation tools as well as its cost base. As a result of these projects, the Coface Group also maintained a loss ratio among the best for the sector during the euro zone (51.7% in 2011, 51.5% in 2012, 51.1% in 2013 and 47.4% for the three months period ended March 31, 2014), notwithstanding that the Coface Group was very exposed to risks in this region, and ensured that the Coface Group had a solid base from which it could roll out its sustainable and profitable growth strategy.

High-Quality Human Resources

The Coface Group considers that its management team, constituted around its Chief Executive Officer, possesses solid industry experience and a proven capacity to refocus the Coface Group's activities around its core business and improve the level of its loss ratio and profitability. It also considers that it has high-quality human resources possessing considerable experience (an average of more than 10 years in seniority) and technical skills that provide it with a competitive advantage over many players in the sector.

The Coface Group considers that the quality of its management team and human resources, strongly committed to the success of the Coface Group (83% of staff confirmed their commitment to help meeting the Coface Group's objectives during an internal company survey in 2013), constitutes an important advantage in what is among the most competitive employment markets, and provides a strength to seize future opportunities within the framework of its sustainable and profitable growth strategy.

A Solid Financial Structure

The Coface Group benefits from a solid capital structure and a healthy balance-sheet. As at December 31, 2013, with own funds totaling €1.8 billion and tangible own funds (excluding intangible assets, goodwill, capitalized IT development costs) of €1.540 billion, the Coface Group believes its capital covers its internally calculated needs which it measures using an indicator called economic capital (see Section 4.4.6 "*Liquidity and Funding Risk*" of this registration document). In addition, the management of its loss ratio, demonstrated over four consecutive years, demonstrates the solid contribution of the operating income to the financial profile of the business. As in all insurance businesses, the financial solidity of the Coface Group, shown in particular by its capacity to maintain its AA- rating by Fitch and A2 rating by Moody's with stable outlook (both confirmed in March 2014) even while certain rating agencies were downgrading the outlook and/or the ratings of an increasing number of companies in the insurance sector, constitutes an advantage and much-sought-after quality by customers, especially in the framework of third-party financing of trade receivables.

6.3 Strategy

The Coface Group considers that it has successfully engineered, during the 2011-2013 period, its strategic refocusing on credit insurance, its core business, which allowed it to restore its operational performance, especially in terms of risk and cost base management.

In a global market that it considers far from being saturated, the Coface Group, based on its competitive advantages, intends to pursue a sustainable and profitable growth strategy and to take an active part in the development of credit insurance around the world, while maintaining its level of investments in order to optimize its risk and cost management in order to improve its operating margin.

Through the implementation of the different elements of its strategy, the Coface Group considers that all seven regions should contribute to its growth in the coming years, without a strong dependence on any particular zone or subject to any external growth factor, even if the Coface Group expects to see a positive effect from the upturn in the global economy on its revenue, its services being mainly linked to its policyholders' revenue.

Densify and Dynamize its Commercial Approach to Markets

The Coface Group considers that it operates in a business driven by the product offering, in which product presentation effort is key to business growth. The Coface Group's growth strategy is first directed towards reinforcing its commercial approach to markets and is centered around four major axes:

Improving the Operational Efficiency of the Network

As with the tasks carried out during the 2011-2013 period related to the fundamental business line of risk management, the Coface Group undertook an operational review of its marketing functions, aiming at improving the efficiency of its sales forces. It established a unified marketing organization for all seven regions of the Coface Group, capable of efficiently supporting its multichannel distribution strategy and of simplifying its commercial follow-up and commercial direction tools.

The Coface Group intends to reinforce sales business lines industrial approach, with the aim of improving the performance and the pooling of resources, continuing to roll out uniform tools in all countries, at all stages of the client relationship. Among the first of these is an internal commercial indicator programme, which the Coface Group intends to continue to pursue over the coming years, and which has allowed it to direct the prospecting of its marketing personnel towards more than 5,000 potential new policyholders and contributed to an increase in the new contracts production in 2013.

Selective Reinforcement of the Commercial Network in Geographic Markets Representing Important Potential Growth

The Coface Group intends to extend and diversify its direct sales forces in order to grow its commercial coverage over certain geographic markets which have important growth potential.

These efforts will firstly extend the Coface Group's growth policy towards emerging markets, by taking into account of the growth of these markets and by developing new direct presences by the Coface Group. The Asian, Latin-American and African zones are the principal ones targeted.

In addition, the markets in certain developed countries, in which the density of the network is not adapted to the potential of the actual market, will also benefit from these efforts, in particular the United States, where the credit insurance market represents an important growth potential given the still relatively low rate of penetration. Accordongly, the Coface Group plans to hire around another twenty additional sales representatives for its agents in the United States. Similarly, the Coface Group's presence in Scandinavian countries is not proportionate to its global market share.

Develop Partnerships to Benefit from Networks with a Larger Scale than those of the Coface Group's own Commercial Network

Recognizing that the size of credit insurers remains modest compared to the potential of world trade, the Coface Group has defined a partnership strategy aimed at giving another dimension to the networks distributing its products.

This strategy is primarily directed towards specialized credit insurance brokers, which the Coface Group intends to accompany and support in the deployment and densification of its networks, particularly in new territories.

It also concerns business provider partners that have a distribution network much denser than that of the Coface Group in their country(ies), principally banks and general insurers that are well-positioned with corporate customers. As part of the implementation of this objective, the Coface Group launched a project aimed at extending its value proposition towards its potential partners and at identifying the key success factors allowing a non-specialized sales network to increase its competency to deal with technical products such as credit insurance.

Based on this move, the objectives and priorities of the "Credit Alliance" partners network, an historic competitive advantage of the Coface Group, were redefined and its commercial contribution will be strengthened in 2014 (see Section 6.5.1 "*Credit Insurance and Related Services – Distribution Network and Partnerships*" of this registration document).

Enlarge the Prospective Client Base in all Market Segments

The Coface Group intends to pursue the enlargement of its prospecting base in all market segments in which it does business.

This policy is principally directed at the SME segment that will generally be included in its commercial strategy in each market. This activity will be launched in priority through distribution partners, using tools aimed at ensuring a certain autonomy of its partners during the prospection cycle, while maintaining reasonable distribution costs for the Coface Group, in particular through the new "SME Pack" product launched in 2014 (see Section 6.5.1 "*Credit Insurance and Related Services*" of this registration document).

In contrast, the large multinational entities segment, in which the Coface Group is particularly present through its Coface Global Solutions offering (see Section 6.5.1 "*Credit Insurance and Related Services*" of this registration document), will also be the subject of particular attention within the framework of its commercial development. In this respect, the Coface Group recognizes the potential for rapid growth this segment offers, as well as the determining role that large enterprises play in the distribution of credit insurance in new markets, both with regard to product awareness and, for the Coface Group, the attainment of a minimum level of business activity when entering of such markets. The Coface Group intends to pursue its efforts in this credit insurance international program segment by reinforcing its Coface Global Solutions commercial network and by developing an adapted offering and services in this segment.

Continued Geographic Extension into Markets with Potential

The Coface Group intends to pursue the development of its international network – the leader in the market in terms of direct geographic presence - which constitutes an important competitive advantage, in particular for large client accounts with a strong international presence.

Increase the Number of Direct Insurance licenses

The Coface Group intends to continue expanding its portfolio of direct insurance licenses. The initial establishment of the Coface Group in a particular country often takes the form of a fronting agreement with local insurers holding the required license to carry out a credit insurance activity. This first phase is often followed by a second phase during which the Coface Group obtains a license, as long as potential activity and business conditions in that market are sufficient to justify a more significant commercial investment.

After being granted a license in Colombia at the start of 2014, the Coface Group envisages obtaining licenses to operate directly in seven new countries between now and 2018.

Prepare and Realize Entry into New Countries

The Coface Group regularly monitors and analyzes the potential of any country in which it is not yet present in order to determine short-, medium- and long-term priorities. The Coface Group envisages extending its presence between now 2018 into approximately 10 new countries whose potential has been identified between now and 2018, both in terms of marketing and business plans, mainly in Africa, South-East Asia and Latin America.

Monitoring External Growth Opportunities

Finally, although development efforts are directed primarily towards organic growth, the Coface Group does not exclude the possibility of selectively examining any opportunity for external growth in its core business.

Continue its Policy of Product Innovation

The Coface Group has historically set itself apart by a sustained policy of product innovation, including during the period when it refocused on its core business, credit insurance. As a business driven by the product offering, product differentiation is an important element of the Coface Group's strategy and product innovation is an essential growth dreiver.

Renew and Specialize the Credit-Insurance Range

The market segmentation efforts carried out by the Coface Group during its refocusing period led it to redefine and specialize its target product range. A renovation program will result in the Coface Group launching a new contract for SMEs in 2014, the "SME Pack", which will support the principal offerings in this segment, and will be rolled out in the 67 countries. The Coface Group also envisages the renewal of its flagship "Globalliance" contract in 2015, in particular with a view to improving the management of the modularity and a harmonization of the options it offers, as well as a better management of the underwriter risk policy upon insurance policy renewal. The Coface Group Solutions client offering will also be specialized, but will continue to be managed on the basis of the central product platform (the "Globalliance" contract, on the COFANET website), supplemented by a series of co-ordination and directional insurance programmes (a Master Agreement and risk analysis tools and "CGS Dashboard" reporting, which reached a penetration rate of 12% at year-end in 2013 and 15% at the end of March 2014).

This product range renewal process will lead to a better alignment of the product offering to the needs of the different market segments.

Exploit Opportunities for Services Remuneration

The Coface Group intends to develop its paying services offering focusing particular attention on the fair remuneration for the services provided. In particular, it envisages a complete reshaping and harmonization of its pricing model for debt collection services in order to benefit from the remuneration opportunities that this activity underlies.

In addition to optimizing the return of existing services offering, the Coface Group intends to support revenue from services by launching new services. To this end, it has announced the launch in 2014 of two additional services based on exploiting the policyholder's accounting information: the COFANET Policy Master, which will reduce the management of the credit insurance policy by the policyholders and COFANET Cash Master, which will facilitate the financing of insured receivables by making more specific information available to third-party lenders about the terms of the credit insurance policies, in particular in markets where the factoring services are not yet very prevalent.

The Coface Group intends to grow revenue generated by its services at a rate which will exceed the growth in revenue recorded for insurance premiums by one percentage point.

Increase the Value Delivered by the Businesses by going beyond the Historic Business Lines Framework.

Armed with greater experience as a result of the way credit insurers managed the 2008-2009 crisis, the Coface Group is now working on a series of innovations aimed at reinforcing and continuing its know-how research by its companies during an economic cycle, including during crisis periods where insurance is more difficult to provide. The TopLiner offering, launched by the Coface Group in December 2012 (see Section 6.5.1 "*Credit Insurance and Related Services*" of this registration document) and providing supplementary coverage where, for a particular debtor, the policyholder obtained coverage for an amount lower than it applied for or even no coverage at all, should be seen as a first step towards improving in the management by policyholders of their respective clients' credit. This product, with a production cost of €375,000 (excluding costs of marketing documentation), is a well established element of the Coface Group's core business, which sets itself apart from competing offerings by its construction and its tools (establishment of an automatic ad-hoc pricing model for sensitive risks). This new product, whose development costs (excluding sales documentation) amounted to €375,000, has rapidly found its place in the Coface Group's product offering, generating €12 million of additional premiums for the financial year ended

December 31, 2013, and continues to ramp up, with revenue of €4.3 million for the three months period ended March 31, 2014.

Continue Business Line Investment to Reinforce Risk Control

The Coface Group intends to maintain a strong focus on improving its knowledge, its analysis and management of risk, the major pillar of its strategic refocusing on its core credit insurance business and, at the same time, the basis for any leading competitive position and a condition to sustained profitability. This approach revolves around three principal axes:

Information Quality

As a continuation of the actions undertaken over the last three years, the Coface Group will continue making investments to reinforce the quality of its information databases around the world around two goals: the first related to raw information that is purchased and the second to the enhancement of such information through the direct intervention of Coface Group teams. These improvements are crucial for multiple reasons, the most important of which are the quality of and updates to the information, the speed with which such information is accessible, the frequency of updates and even the access to improved information (for example the latest financial situation of a debtor), thereby providing more comfort to risk underwriting decisions and reinforcing risk management.

In particular, the Coface Group intends to review certain sections of its DRA (Debtor Risk Assessment) methodology (see Section 6.5.5 "*Information Systems*" of this registration document) for the purpose of improving the coherence of this risk-assessment tool in all countries.

Control of Risk Underwriting

The Coface Group will accompany its geographical expansion program with a roll out of its risk underwriting network, in keeping with its principal of requiring proximity of risk to the risk underwriting ("risk underwriting closer to the risk").

It will continue to take initiatives to demonstrate its capacity to very actively manage sensitive phases of the economic cycle, global economic cycles and regional or local crises alike. This exercise includes both a technical part (decision-making) and a commercial part (client communication and concerted management of complex cases).

Finally, with regard to commercial underwriting, the Coface Group intends to take advantage of all the data collected in the first year of use of its global PEPS (Past & Expected Profitability System) tool in order to refine its parameters and improve the management of of its pricing policy.

Efficiency in Debt Collection

Using as a base the performance measurement tools which have been put in place, the Coface Group will seek to improve its recovery rate and its cost/collection ratio, which has a direct impact on its loss ratio, by permanent adjustments of the techniques used and the network of local service providers.

Control Cost Base to Enable Growth to Maximize Operational Leverage

Continue Information Systems Convergence

Following the investments made between 2011 and 2013 aimed at aligning the information systems to the strategic objectives of centralizing and safeguarding business data, the Coface Group intends to complete the convergence of its information systems, in order to improve operational efficiency and to reduce application-maintenance costs. The main elements of this workstream will relate to contract management tools, accounting and financial control tools and indemnification/collection cycle tools. These investments will be fully financed by maintenance cost savings and will not require an increase in the budget allocated to the information systems.

Reinforce Procurement Rationalization

Continuing its centralization and standardization initiatives, the Coface Group has put in place a central purchasing function, which is expected to yield savings over all external cost services (except for information purchases, where the primary savings were achieved during the period of its strategic refocusing on core business).

Managing Headcount Growth with Reference to Revenue Growth

To accomplish the operational leverage expected from the growth in revenue, the Coface Group intends to manage its headcount based on a principle of a growth rate lower than the revenue growth rate.

Success through Coface Group Employees

Following the phase related to the refocusing of its activities, which was a demanding time for staff, the Coface Group intends to strengthen employee participation, an essential element in the implementation of its strategy.

Reinforce the Sharing of a Common Ambition

Coface Group employees share common pride in the know-how of their company and the impact of their work on local and regional economies. The feeling of belonging to an international corporation representing 72 nationalities is also essential for the image of the Coface Group and its capacity to accompany businesses going abroad.

The reinforcement of a common ambition and shared culture is a priority for the Coface Group, which strives to capitalize on cultural and human capital. The Coface Group thus launched in 2013 a new business plan aimed at advancing and structuring a sustainable growth strategy project in the coming years for its employees, but also for its policyholders and partners, revolving around a shared ambition while respecting the balance between the interest of the relevant parties.

Further Strengthen a High-Performance Management Team

The management team, built around Chief Executive Officer Jean-Marc Pillu, half of whom are “home-grown” and half of whom come from outside the company, have on average more than 10 years’ experience in the sector. It has demonstrated its capacity to manage through the successful refocusing of the Coface Group on credit insurance and improvements in the loss ratio level and profitability. The Coface Group intends to consolidate this management team and prepare for its succession with a dynamic management of the career paths of its senior executives, which will be part of a much larger talent development policy on a global scale.

6.4 Overview of the Coface Group’s markets and competitive environment

The core business of the Coface Group is credit insurance, which allows a creditor, with a future claim against a debtor, to seek insurance to cover the insolvency risk of the debtor, since the materialization of such risk would lead to payment default of the claim. In this respect, credit insurance is a key instrument for hedging trade receivables. Many companies grant their clients delayed payment terms, thereby implicit granting them credit. Such delayed payment terms are generally granted on a short-term basis, such periods sometimes being limited by regulations in certain countries (for example in France, the “LME”[10]). This

[10] Law no. 2008-776 of August 4, 2008 for modernizing the economy.

generates a payment default risk for businesses, which the credit insurance mechanism seeks to hedge. The credit insurance market is primarily a short-term market, , shorter than three months, but may also include a medium-term risk cover. The Company mainly operates on the short-term credit insurance market which represented more than 90% of the total amount of its premiums for the financial year ended December 31, 2013 (see Section 6.1 "*General overview – Key Indicators*" of this registration document).

A growing market supported by the growth of global trade over the long term

Credit insurance took off on an industrial scale after the second world war, especially in Western Europe. This success can be explained by several factors, the first being the development of global trade, and the determination of governments to encourage exports through the creation of Export Credit Agencies (or "**ECAs**"). The trend has grown stronger in the last thirty years: trade in goods and services has experienced an average annual growth rate of 7 and 8%, respectively (exceeding the growth of global production), reaching a total of $22,000 billion at the end of 2011.[11]

Although the development of global trade has been uneven, both over time and in scope, including during the recent economic climate, it still shows a positive long-term trend. Medium-term economic forecasts anticipate gross domestic product ("**GDP**") and world trade volumes to grow steadily in all regions of the world over the 2013-2016 period:

	Estimated GDP growth*			
	2013	**2014**	**2015**	**2016**
Developed economies**	1.1%	1.7%	2.3%	2.3%
Emerging and developing Asia	6.8%	6.6%	6.8%	6.7%
Latin America and Caribbean	2.6%	2.4%	3.0%	3.3%
Middle East and North Africa	2.8%	3.4%	4.5%	4.7%

**Source: Coface Group estimate for 2013 and 2014, IMF forecast for 2015 and 2016*
***Canada, France, Germany, Italy, Japan, United Kingdom and the United States*

	Estimated growth of the volume of exported services and goods*			
	2013	**2014**	**2015**	**2016**
Developed economies**	1.5%	3.9%	4.5%	4.6%
Euro Zone	1.5%	3.4%	4.2%	4.4%
Emerging Market and Developing Countries	4.4%	5.0%	6.2%	6.4%

**Source: IMF*
***Canada, France, Germany, Italy, Japan, United Kingdom and the United States*

11 Source: World Trade Organization, *Report on global trade 2013*.

One of the factors for the expansion of global trade lies in secure financing. The World Trade Organization considers that 80 to 90% of global trade depends on its financing sources, and mainly on intercompany credit. Similarly, Swift (Society for Worldwide Interbank Financial Telecommunication), a company that supplies standardized messaging for interbank communication, considers that 80% of intercompany global trade is currently carried out on delayed payment terms, under which payment can be delayed (so-called "**open credit**"). The purpose of credit insurance is specifically to cover the risks generated by such intercompany credit. The development of credit insurance, particularly for export, is therefore linked to the development of global trade and its special financing method, intercompany credit.

Furthermore, the Company considers that as emerging countries develop and open up to international trade, the proportion of open credit transactions will likely increase at the expense of transactions with guarantees given to the supplier (such as, *inter alia*, buyer surety, documentary credits, (stand by) letters of credit and prepaid transactions.

The Company estimates that in 2012 the global credit insurance market generated over a total of approximately €8.7 billion of premiums. This market includes in reality a non-competitive part (around 15%) consisting of public players which provide export insurance for certain countries in which the license is not accessible to international private players. The largest of these protected markets is China's export credit insurance, wherein the main player is the Sinosure export credit agency. In line with Chinese exports, the latter has grown sharply in recent years.

The Coface Group considers that the competitive part of the market comprising private players has not been growing as steadily due to the greater impact of advanced economies in that market - with lower growth rates - in the portfolio of players.

The table below sets out the development of the credit insurance market (excluding the non-competitive market, medium-term premiums and only including member companies of the ICISA) from 2008 to 2012:

In millions of euros	**2008**	**2009**	**2010**	**2011**	**2012**
Credit insurance gross premiums	5,251	5,206	5,583	5,961	6,139

Source: ICISA (International Credit Insurance & Surety Association): gross premiums reported by the members of the association (ICISA considers that its members represent around 95% of the credit insurance private market)

A promising market offering significant potential for growth

At the global trade level, the proportion of the activity relying on credit insurance remains modest, revealing a product that still has a low penetration index despite its steady growth. The Company considers that the global stock of intercompany trade receivables amounted to approximately €14,000 billion in 2012.[12] Given the average pricing observed in credit insurance markets, the penetration index should be around 5%. The Company considers that the growth potential of the credit insurance business is therefore structurally important but that the principal obstacle remains self-insurance by companies, the conquest effort to win business involving more the need to convince business of the necessity to protect their trade

[12] Coface Group estimate, based on an extrapolated analysis of trade receivables on the balance sheet of 4,870 worldwide listed companies (representing total balance sheet assets of approximately $5,800 billion), based on consolidation of all known credit insurance premiums and on the average premium rate.

receivables rather than to competing with products such as documentary credits, sureties and standby letters of credit. In this respect, the Company estimates that the globalization of the economy has increased the awareness of businesses to credit risk to the extent that:

– counterparties (clients) are increasingly distant from risk bearers (suppliers), distance becomes an obstacle to apprehending the quality of counterparties; and

– the growing interdependence of economies leads to a faster and wider propagation of economic crises, leaving few sectors and regions unscathed.

Lastly, the Company considers that the development of credit insurance also depends on the power of the distribution network and its participants, whose size remains too modest for the scale of the product's potential.

Furthermore, the growth of credit insurance and its penetration index vary considerably from one region of the world to another, as well as within those regions, depending on the countries of which they are comprised. The use of credit insurance varies significantly depending on the geographic markets, especially due to differences in the practices of credit suppliers and differing market practices. For example in France, on December 31, 2011, intercompany credit represented an outstanding amount of more than €600 billion, or approximately 30% of gross domestic product compared to approximately 36% of GDP in Italy and 14% in Germany.[13]

The open payment terms offered by businesses (which include late payments), and the delays of payment which they allow, have led to greater concern among businesses, therby increasing their desire to protect themselves against the risk of defaulting debtors. Nevertheless, the Company considers that the recourse of businesses to credit insurance also depends on differing managerial practices depending on the relevant countries and economic sectors.

The table below presents usual terms of payment practices in major European countries:

Country	Average payment term granted	Observed average credit term	Observed average delay
Austria	23 days	35 days	12 days
Belgium	30 days	48 days	18 days
Denmark	25 days	35 days	10 days
France	40 days	55 days	15 days
Germany	25 days	34 days	9 days
Greece	35 days	78 days	43 days
Italy	65 days	96 days	31 days
Netherlands	25 days	42 days	17 days
Sweden	28 days	35 days	7 days
Spain	60 days	85 days	25 days
Switzerland	30 days	39 days	9 days

13 Source: *Inspection Générale des Finances*, in *Le crédit interentreprises et la couverture du poste clients*, report No. 2012-M-070-04, January 2013.

Turquie	90 days	110 days	20 days
United Kingdom	25 days	41 days	16 days

Source: European Payment Index Intrum Justitia

The table below presents the penetration indices of credit insurance in the main economic regions of the world for 2012:

Region	Europe	North America	Latin America	Asia-Pacific
Penetration index*	3.44	0.47	0.56	1.35

***** *The penetration indexes presented in the table above corresponds, for a given region, the volume of premiums over gross domestic product (Source: Coface Group estimates for premium volumes and the International Monetary Fund for gross domestic product).*

Competitive environment of the credit insurance market

The credit insurance market includes a large number of participants of varying size and status. In the aftermath of the Second World War, numerous European States created export credit agencies, a trend that continued in other regions of the world which explains the presence of public entities and entities with a public status or engaged in activities for one or more governments within the competitive environment of the credit insurance sector. Subsequently, the gradual disengagement of certain governments from the use of credit insurance, especially through the privatization of a number of export credit agencies, such as in France, and the growth of global trade as well as the construction of the single market in Europe, allowed private credit insurance players to establish and consolidate their competitive position.

A fragmented global market, dominated by a limited number of global participants

Three major players, the Coface Group, the Euler-Hermes Group (a French company whose shares are listed on the regulated market of Euronext Paris belonging to the Allianz Group) and the Atradius Group (a non-listed Dutch company belonging to Grupo Catalana Occidente), which managed to adapt to changes in international trade in the 1990s, shared, according to the Company's estimates, approximately 52% of the global market in 2012. The remaining 48% is shared by several smaller-sized private players and numerous export credit agencies. The Company further estimates that in the same period, it had 14% of global market share, and that the Euler-Hermes Group and the Atradius Group respectively had 23% and 15%[14]. No significant new players have entered the market in recent years, with the exception of entrants in niche markets.

The three major players in the market are the only ones with a global network and a significant geographic footprint on all continents. Other major players on the credit insurance market include: Sinosure, China's export credit agency; Nippon Export and Investment Insurance (Nexi), Japan's export credit agency; R+V, a private player based in Germany; K-sure, South Korea's export credit agency; and Cesce, Spain's export credit agency. Lastly, numerous other smaller players, local participants (in particular, Export Credit Agencies) or niche participants (for example the so-called "Excess" or "Top-up" insurers), which include two leading general insurers, are also present.

Although they share around half of the credit insurance market at the global level, the three main players together occupy a more significant competitive position in certain local or regional markets, especially in their own historic markets. Set out below is the Group's

[14] Estimates of the Coface Group's market shares are based on the volume of premiums, excluding accessories, excluding management of public procedures and excluding factoring.

operational presence by geographic segmentation, which is presented at Section 6.5.3 "*Description of the Coface Group's Activities by Region*" of this registration document.

The Western Europe Region:

According to the geographic breakdown of the Coface Group, the credit insurance market in Western Europe includes France, the United Kingdom, Ireland, Spain, Portugal, Belgium, Luxembourg and Switzerland. Estimated by the Coface Group at €2.2 billion for 2012, it is mostly dominated by leading historic competitors, the Coface Group, the Euler-Hermes Group and Atradius, which shared, according to the Coface Group's estimates, approximately three quarters of the market in 2012. Among the three leading players of the global credit insurance market, the Company considers itself as the third-largest in Western Europe. In certain countries, other players have a significant market share, such as the Cesce export credit agency (which is currently being privatized) on the Spanish market, or again Cosec on the Portuguese market (a subsidiary of the Euler Hermes Group, taken into account in the estimate of the Euler Hermes' market share). The Company considers that even though Western Europe represents one of the markets where the credit insurance potential is highly developped, the region still has very important potential for expansion, in particular in the SMEs sector. Furthermore, Western European countries should benefit from a slight upturn in activity in the short term; according to Coface Group estimates, the region should experience growth of 1.3% in 2014 compared to 0.6% in 2013. In 2014, growth should be strong in the United Kingdom (approximately +2.1 % compared to +1.7% in 2013) presents accelerate in France (+0.8 % compared to +0.3% in 2013) and in Spain (+0.6% compared to -1.2% in 2013).

The table below presents the penetration indexes of credit insurance and the competitive position of the Coface Group in the main countries of the region in terms of contribution to the Coface Group's consolidated revenue for 2012:

Country	France	Spain	United Kingdom	Switzerland	Belgium
Penetration index[1]	3.6	6.6	2.2[3]	2.9	3.7[4]
Competitive position[2]	2nd	4th	3rd	2nd	4th

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product.
[2] Estimates of the Coface Group.
[3] Penetration index of the United Kingdom and Ireland.
[4] Penetration index of Belgium and Luxembourg.

The Northern Europe Region:

The Northern Europe credit insurance market includes Germany, the Netherlands, Denmark, Norway, Sweden, Finland and Russia. Estimated by the Coface Group at €1.8 billion for 2012, it is mostly dominated by the Coface Group, the Euler-Hermes Group and Atradius, which shared, according to the Coface Group's estimates, roughly three quarters of the market in 2012. Among the three leading players of the global credit insurance market, the Company considers itself as the third largest in Northern Europe. Some local players have significant market shares, such as Ingo-ONDD on the Russian market, or R+V on the German credit insurance market, which is the world's largest in value. The Company estimates that the largest markets of this region should have a growth profile comparable to that of Western Europe, with the Russian market's potential for growth being reliant upon the distribution of the credit insurance product, which remains underutilized in Russia. According to Coface Group estimates, the GDP of the region should grow by 1.5% in 2014 compared to 0.7% in

2013, due to the strength German economic environement where GDP should grow by 1.7% (compared to 0.5% in 2013). However, although Russian growth may suffer in the short term from a contraction in its investment market, due particularly to the geopolitical tensions with the Ukraine, such market will continue to benefit from Russia's prosperous middle class in the medium-term. In this context, the Coface Group expects Russian GDP to grow by 1% in 2014, compared to 1.3% in 2013. Furthermore, the Coface Group foresees modest growth in Germany in upcoming years.

The table below presents the penetration indexes of credit insurance and the competitive position of the Coface Group in the main countries of the region in terms of contribution to the Coface Group's consolidated revenue for 2012:

Country	Germany	The Netherlands	Denmark	Sweden	Russia
Penetration index[1]	5.4	3.3	3.7	1.1	0.4
Competitive position[2]	3rd	2nd	3rd	3rd	3rd

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product.
[2] Estimates of the Coface Group.

The Mediterranean & Africa Region:

The credit insurance market of the Mediterranean & Africa region covers some 20 countries, with the major ones being Italy, South Africa, Turkey, the Gulf countries and Morocco. Among the three leading players on the global credit insurance market, the Company considers that it ranked second in this market in 2012, estimating that the market size amounted to €600 million at the same date. In 2012, the Euler-Hermes Group, the Coface Group and the Atradius Group shared, according Coface Group estimates, more than three quarters of the Italian credit insurance market and held a very significant portion of the Turkish and Gulf countries markets. Nevertheless, the credit insurance market in this region is generally under-penetrated (with the exception of Italy and South Africa) and the competitive market is variable depending on the country. For example, the South African market, the second-largest in the region, is not dominated by the three major classic players of credit insurance but by CGIC (Credit Guarantee Insurance Corporation of Africa Limited Shareholding, a South African company), and only the Coface Group has a direct presence in South Africa, while the Euler-Hermes Group has a greater presence on the Moroccan market. With the exception of Italy where credit insurance products are quite widely used and where economic growth will remain relatively limited in the coming years according to the Coface Group (0.4% expected in 2014, compared to -1.9% in 2013), the Coface Group sees all the markets in the Mediterranean & Africa region as markets in the introductory phase of initial tooling-up. The potential for growth is therefore considered to be huge in such markets and is possibly even greater in the long-term when sub-Saharan African markets potential is included. According to the Coface Group, the growth rate for this region should accelerate to 2.9% in 2014, compared to 1.8% in 2013. According to the Coface Group's estimates, Turkey's GDP should grow by 2% in 2014 (compared to 3.8% in 2013) and South Africa's GDP growth should reach 2.5% in 2014 (compared to 1.9% in 2013), both countries being at a more advanced stage of their economic development process than other emerging markets of the euro zone. In addition, the growth outlook in those countries is slightly less favorable than in the other markets in the Middle East and Africa, but the potential for these economies to grow is less important.

The table below presents the penetration indexes of credit insurance and the competitive position of the Coface Group on the main countries of the region in terms of contribution to the Coface Group's consolidated revenue for 2012:

Country	Italy	South Africa	Turkey	The United Arab Emirates	Morocco
Penetration index[1]	2.6	3.4	0.8	0.9	1.3
Competitive position[2]	2nd	2nd	1st	4th	3rd

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product.
[2] Estimates of the Coface Group.

The Central Europe Region:

Estimated by the Company at €400 million for 2012, the credit insurance market in Central Europe comprises a dozen countries, the most important of which are Austria, Poland, the Czech Republic and Hungary. In 2012, the Euler-Hermes Group, the Coface Group and the Atradius Group shared, according to the estimates of the Coface Group, approximately three quarters of the credit insurance market in the region, with the balance being held by smaller-sized players, including several export credit agencies. Among the three leading players in the global credit insurance market, the Company considers that it is in second position in Central Europe. The Coface Group has the largest direct presence in the region, since the Euler-Hermes and Atradius groups have no presence in the Baltic countries. Competition should develop in several countries where the development potential will materialize, such as in the former Yugoslav countries. Apart from Austria, and probably in a few years time, Poland, Central Europe is still in a phase where credit insurance is now being more widely used, with markets opening up to international players, thus offering potential for growth within the limits of the economic size of the countries in that zone. According to the Coface Group estimates, the region should grow in 2014 at an annual pace of nearly 2.2% in 2014, compared to 1.1% in 2013, still remaining lower than the GDP growth of the emerging countries[15], estimated by the Coface Group at 4.5% in 2014 (compared to 4.4% in 2013). In keeping with the region's GDP, Poland and Austria, the main Western European markets of the Coface Group, should expand in 2014 (by +2.9% and +1.7% respectively, against +1.6% and 0.4% in 2014, respectivey).

[15] According to Coface Group estimates, the term emerging markets includes all countries, except the following: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, New Zealand, Norway, the Netherlands, Portugal, Sweden, Switzerland, the United States of America and the United Kingdom.

The table below gives the penetration indexes of credit insurance and the competitive position of the Coface Group on the main countries of the region in terms of contribution to the Coface Group's consolidated revenue for 2012:

Country	Austria	Poland	Roumania	Czech Republic	Hungary
Penetration index[1]	5.8	3.0	0.6	2.6	3.0
Competitive position[2]	2nd	2nd	1st	4th	3rd

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product.
[2] Estimates of the Coface Group.

The North America Region:

The competitive environment of North America, which includes the United States of America and Canada, is characterized by market share gains by new entrants in the last five years, although the market remains mostly dominated by the traditional players, which in 2012 held, according Coface Group estimates, more than half of the credit insurance market of the United States. The main players of this region are the Coface Group, the Euler-Hermes Group, American International Group, Inc., the Atradius Group and, for Canada, Export Development Canada (EDC), a State-owned entity. The competitive environment, which is very dependent on distribution through brokers, is nevertheless relatively fragmented and since in 2012 some fifteen or so players shared nearly all the market. Among the three main players on the global credit insurance market, the Company considers that it is in second position in North America for 2012 and in the same position among all players during that same period. The North American market presents characteristics of a mature market (leading players with a long market history with high competition for existing clients), even though its penetration index, estimated by the Coface Group at 0.5% for 2012[16], the lowest of the advanced economies, indicates a very high potential of initial tooling-up, which if achieved, will require, according to the Company's estimates, a significant commercial effort from the market players. Furthermore, the Coface Group anticipates that the economic outlook for the region is relatively favorable in the short- and medium-term. For 2014, the Coface Group estimates 2.7% GDP growth in this region, compared to 1.9% in 2013. Thus, American economic growth has nearly returned to pre-crisis levels due to the combined effect of the restored dynamism of businesses with little or no debt, household income being stable as a result of low unemployment and the upturn in the housing market.

The Asia-Pacific Region:

The credit insurance market of the Asian-Pacific region is estimated at €2.3 billion in 2012 by the Coface Groupe. It is largely dominated by export credit agencies, which enjoy quasi-monopolies in certain countries, particularly where exports in both China (Sinosure) and South Korea (K-sure) are concerned. The Coface Group estimates that it is the largest private player in the region, with significant market shares in Thailand, Singapore and Taiwan, with the Atradius group being well established in Australia. In this region, the Coface Group estimates that the credit insurance market currently presents a penetration index of 1.35 less than the European average of 3.44, which is a sign of markets in the process of radical change and in which managerial and financial tools are still in a dissemination phase. This is demonstrated, for example, by the gradual transition from documentary credits to the use of open credit in such markets. The Company therefore expects market growth in the Asia-

[16] The penetration index corresponds to the volume of premiums over gross domestic product.

Pacific region to be driven by the growing distribution of the credit insurance product, which will be further supported by the arrival of international credit insurers in emerging country economies, and the endogenous growth of the region. Indeed, according to the Coface Group estimates, GDP growth will remain very dynamic in this region in the coming years: growth will be close to 4.9% in 2014 for the entire Asia-Pacific region, and will exceed 6% in Asia, excluding Japan, particularly driven by China (+7.2% expected in 2014, compared to +7.7 % in 2013), India (+5% expected in 2014, compared to +4.4% in 2013) and the economies of South East Asia, such as Indonesia (+5.5% expected in 2014, compared to +5.8% in 2013) and the Philippines (+6.5% expected in 2014, compared to +7.2% in 2013). The most advanced economies of the region (Japan and Australia) are estimated to grow at a more modest pace, closer to their long-term average.

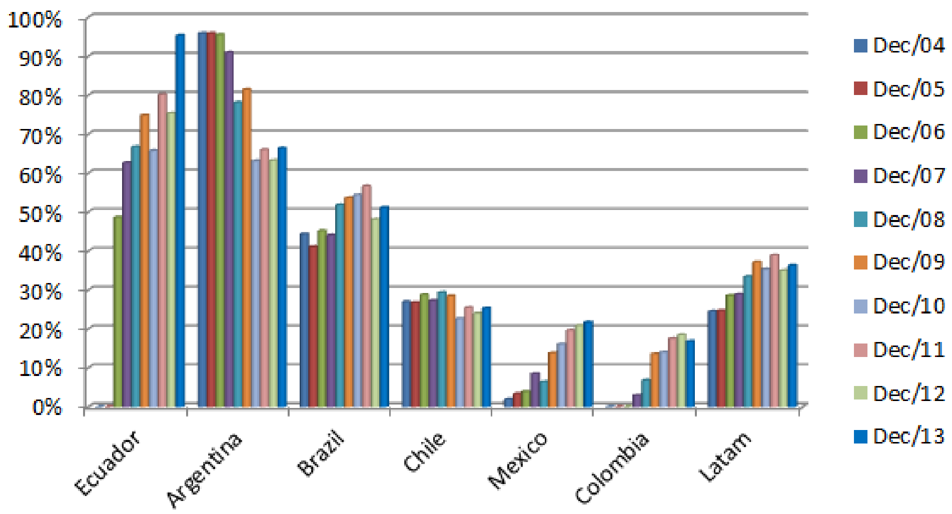
The table below presents the penetration indexes of credit insurance and the competitive position of the Coface Group on the main countries of the region in terms of contribution to the Coface Group's consolidated revenue for 2012:

Country	China	Japan	Australia	Singapore	South Korea
Penetration index[1]	1.8	1.3	1.2	1.7	2.3
Competitive position[2]	1st	4th	3rd	1st	1st

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product.
[2] Estimates of the Coface Group, excluding ECAs.

The Latin America Region:

According to the Coface Group, the Latin American credit insurance market is estimated at €200 million in 2012, with an average annual growth of 16% since 2004 and of 5% since 2011. This market spans some twenty countries, including Brazil, Chile, Mexico, Argentina and Colombia. At the end of September 2013, the Coface Group, Euler-Hermes (through Solunion, its joint-venture with Mapfre, the Spanish insurance group) and the Atradius group shared, according to estimates of the Coface Group, more than three quarters of the Latin American credit insurance market. Having the widest geographical coverage in this region, the Coface Group considers that it is the leading company among the three main players on the global credit insurance market in Latin America, with a market share of 36% for 2013. The Coface Group holds a leading position in most key markets, such as Brasil, Argentina and Ecuador. The table below shows the Coface Group's market share estimates, based on LatinoInsurance data, in the Latin America Region and in several countries of that region since 2004:



The Spanish export credit company, Cesce, is also a significant player in this market, but possessed less significant market share at the end of September 2013. Some other players also have a relatively significant competitive position at the local level, such as Magallanes or Continental in Chile (the latter being a majority subsidiary of Atradius, and having been taken into account in the estimate of the market share of Atradius). The Company estimates that the Latin America region has significant potential for growth, flowing from dissemination of the product and which should go hand in hand of the distribution of banking tools. The growth of the credit insurance market is also supported by the development of the region's emerging markety economies. Indeed, according to the Coface Group estimates, the region's GDP growth should slowdown slightly to 2.3% in 2014, compared to 2.6% in 2013 due to the Brazilian market slowdown, which growth is estimated by the Coface Group at 1.7% in 2014, compared to 2.3% in 2013. However, several countries of the region will have a high growth potential in the short term, such as Columbia, by 4.2% in 2014 (compared to 4.1% in 2013) or even Peru, by 5.4% in 2014). The size of the leading economies of the region will continue to grow at a regular but more modest pace, in the same vein as the Mexican economy which should expand by 3.2% in 2014 (compared to 1.1% in 2013).

The table below presents the penetration indexes of credit insurance and the competitive position of the Coface Group on the main countries of the region in terms of contribution to the Coface Group's consolidated revenue:

Country	Brazil	Argentina	Chile	Mexico	Colombia
Penetration index[1]	0.3	0.6	2.6	0.5	0.6
Competitive position[2]	1st	1st	2nd	3rd	3rd

[1] The penetration indexes presented in the table above correspond, for a given country, to the volume of premiums over gross domestic product for 2012.
[2] Competitive positions calculated by the Coface Group based on LatinoInsurance data for 2013.

A global market characterized by strong barriers to entry

The Company considers that the emergence of new global players in the credit insurance market is rendered difficult by the existence of strong barriers to entry, such as:

- the need to have up-to-date and accurate information on companies throughout the world;

- the need to have a local presence on several continents, requiring players to possess a dense geographic network, through a direct presence, via subsidiaries or branches, or indirect presence, through partnerships;

- the various regulatory constraints applying to global credit insurance activities, especially with respect to licenses and/or authorizations;

- the ability to rely on an efficient information system and integrated methods in order to perform a reliable assessment of the risks presented by debtors, which implies first rate skills in macro- and micro-economic analysis in particular;

- the need for a high capacity of collection of unpaid debt, whether insured or not; and

- the ability to benefit from a globally recognized brand.

These barriers to entry, which translate into the need to engage significant investments, explain the high stability of the global leaders on the credit insurance market.

The Company believes that the competitive pressure on the credit insurance market is mainly exerted on prices, reflected in the aggressive pricing policies implemented by the leading market players in recent years, as well as on the type of insurance cover delivered. Competitive pressure also comes from the scope and quality of distribution channels, through own sales teams or a network of partnerships, which are a crucial challenge for capturing the growth of the credit insurance business.

Finally, and to a lesser extent, competitive pressure is exerted on the innovative ability shown by the different players on the credit insurance market seeking to differentiate themselves by offering products tailored to ever-changing client needs. Competition also comes from the employment market, or other markets where persons with specific skill sets are particularly coveted, either by direct competitors or by banks.

Competitive Environment related to the Coface Group’s Single Risk Business Line

The Coface Group considers that the Single Risk business line operates in an integrated and relatively concentrated global market, in terms of insurers and of specialized brokers, which receives almost 95% of the coverage granted. Unlike credit insurance, the players operate generally through syndicated contracts, each of the syndicated members assuming a part of the premiums and the risk.

According to the Coface Group estimates, the main insurers present on the Single Risk market are ACE, AIG, Atradius, Axis, Catlin, the Coface Group, the Euler Hermes group, Lancashire, Sovereign and Zürich, along with a certain number of Lloyds’ syndicates. As of today, insurers have the ability to raise in total approximately $1.2 billion by transaction, whereas the Lloyds’ syndicates have the ability to raise around $770 million by transaction. The Union of Bern members, representing around 30% of the total market share, have declared $575 million of premiums collected in 2013. In this context, the Coface Group estimates that it has a market share of around 2% to 3% in the Single Risk market.

Competitive Environment related to the Factoring Market

The factoring market is divided between banking and non-banking players. The Coface Group is present only in the German and Polish market.

In Germany, after a slight stagnation in 2012, the factoring market recovered in 2013 with 8.81% growth, significantly higher to the rate of GDP growth, amounting to €171.3 billion of trade receivables during that year[17]. Although it has around 20 players, the German factoring market is dominated by four of them, which the Coface Group estimates share around two thirds of the market; these are GE Capital Bank AG, PB Factoring GmbH, Coface Finanz which has a market share of around 14%, and Eurofactor AG.

In Poland, the factoring market is growing significantly, representing, according to Coface Group estimates, approximately €31.8 billion of trade receivables in 2013, an increase of 15% compared to 2012, notwithstanding the limited growth of GDP at 1.6%. The Coface Group expects that this competitive market, will remain dominated by the banking players who hold the first four positions, just ahead the Coface Group which estimates its market share at 7%.

Competitive Environment related to the Surety Bonds Market

The surety bonds global market is largely dependent upon the regulatory environment of the different countries of the market. Therefore, the surety bonds market is actually fragmented among several national markets. Indeed, the legislative framework determines both the characteristics of the products and the requirements relating to the surety bonds, which makes it difficult to establish the actual scope of the market. Furthermore, certain activity sectors and certain types of transactions may also influence the market.

The Coface Group estimates that this market should represent approximately €10 to €15 billion of revenues, greater than that of credit insurance market. Largely dominated by the banking players, the surety bonds market also includes insurers, present at a secondary level, notably because their access to certain national markets is restricted for regulatory reasons, such as India and several countries in the Middle-East and North Africa. The United States of America, the world's leading market, represents around half of the world surety bond market according to the Coface Group estimates. In Europe, Italy is by far the leading market, and in Asia, South Korea holds the largest part of the revenues of issued surety bonds.

6.5 Description of Activities

6.5.1 Credit Insurance and Related Services

Since its creation in 1946, credit insurance is the core business of the Coface Group. With nearly €450 billion of insured receivables as of December 31, 2013 (more than €460 billion as of March 31, 2014) and more than 37,000 policyholders situated in over 200 countries, the Coface Group is one of the world leaders in the credit insurance market.

It relies on its expertise in acquiring and managing data on debtors and their economic environment, which is essential for the analysis and monitoring of debtor risks both for its policyholders as well as for its risk underwriters responsible for assessing those risks. In addition, the Coface Group offers its policyholders its expertise in management and debt collection through a full range of services.

With its leading product, Globalliance, the Coface Group targets all types of companies seeking to cover their debtor risk and, as part of its innovation strategy, strengthens its offer by providing supplementary coverage ("TopLiner"), products and offers geared to specific customer groups (international corporations ("Coface Global Solutions") or small- and medium-size businesses ("SME Pack")) and also specific coverage, including through its

[17] Source: Deutscher Factoring Verband.

"Single Risk" offer, which enables its policyholders to protect themselves against trade or political risk related to a project or a particular investment.

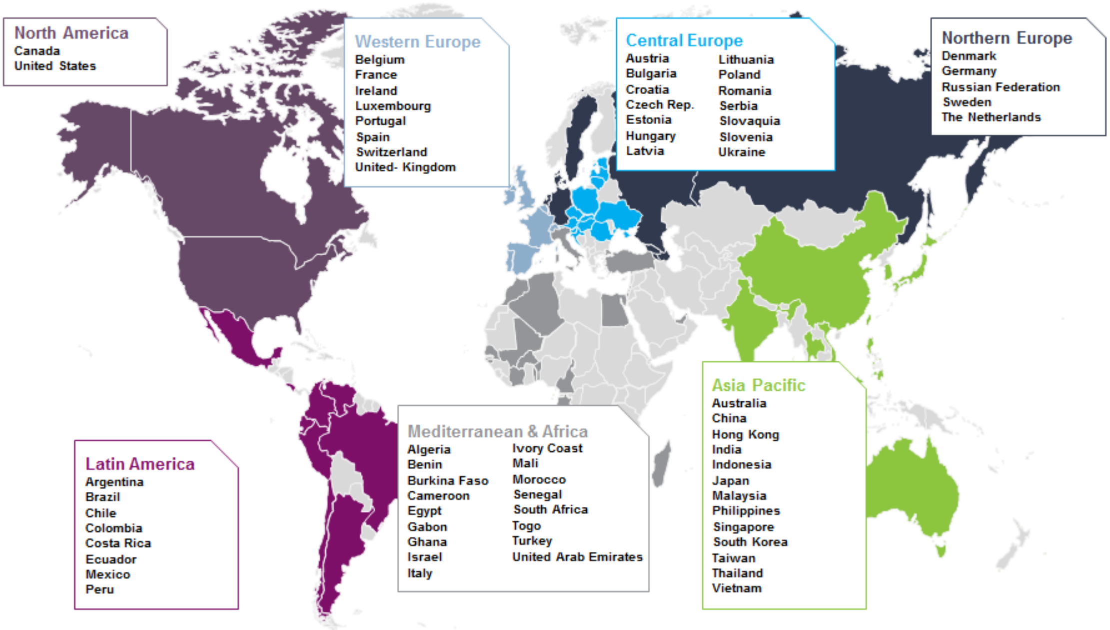
Moreover, Compagnie française d'assurance pour le commerce extérieur, one of the Company's subsidiaries, has been providing public procedures management on behalf of, and with the guarantee of, the French State since 1946.

For the financial year ended December 31, 2013, credit insurance products and its related services represented revenue of €1,270 million, or 88% of the Coface Group's consolidated revenue. The following table shows the changes in the contribution of this activity to Coface Group consolidated revenue during the 2011-2013 period and for the three-month periods ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group total):

	As at March 31				**As at December 31**					
Share of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Credit insurance	**328**	**89%**	**327**	**88%**	**1,270**	**88%**	**1,305**	**88%**	**1,272**	**86%**
of which earned gross Premiums net of rebates	273	74%	273	74%	1,071	74%	1,100	74%	1,079	73%
of which Information and other services	38	10%	38	10%	133	9%	136	9%	122	8%
of which Public procedures management	16	4%	16	4%	66	5%	69	5%	70	5%

Through its subsidiaries and branches, the Coface Group has a direct presence in a geographic area that represents nearly 91% of the global gross domestic product. It relies on its international network of local partners and markets its credit insurance solutions and additional services in 97 countries, thereby giving it a large presence and a geographic footprint on all continents. The Coface Group considers itself to be one of the three global market players in the credit insurance industry. In particular, the Coface Group considers itself to be the leading player in the Latin America region and the first among the three major leaders in the Asia-Pacific region, the second leading player in the North America, Mediterranean & Africa and Central Europe regions, and the third leading player in the Western Europe and Northern Europe regions.

The following map illustrates the direct presence of the Coface Group in 67 countries (through its subsidiaries and branches), grouped and organized into the seven major geographical regions of the Coface Group (Central Europe, Western Europe, Northern Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific) as of December 31, 2013:



The following table shows the change in revenue of its credit insurance activity by region during the 2011-2013 period and for the three months period ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the total of the Coface Group's credit insurance activity):

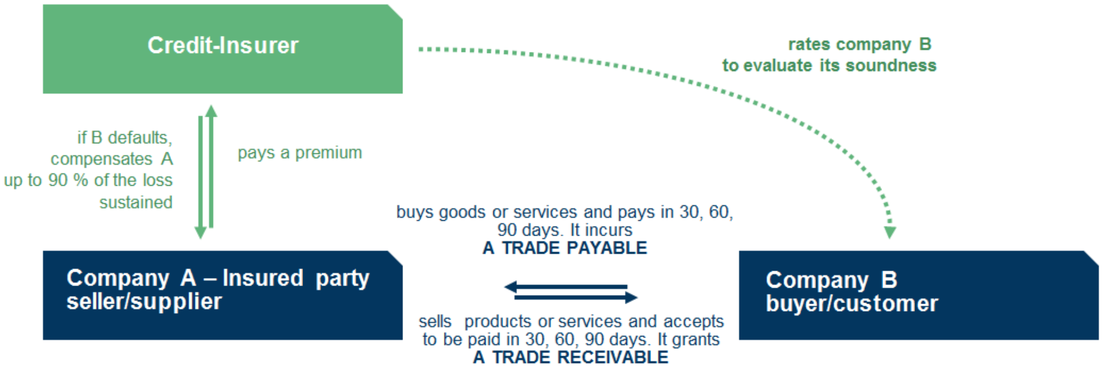
	As at March 31				**As at December 31**					
Consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Northern Europe	65	20%	71	22%	288	23%	259	20%	296	23%
Western Europe	121	37%	119	36%	466	37%	500	38%	490	39%
Central Europe	23	7%	23	7%	87	7%	87	7%	76	6%
Mediterranean & Africa	43	13%	41	12%	156	12%	153	12%	146	11%
North America	26	8%	28	8%	98	8%	109	8%	95	7%
Latin America	20	6%	24	7%	80	6%	84	6%	72	6%
Asia-Pacific	30	9%	22	7%	95	7%	112	9%	96	8%
TOTAL	**328**	**100%**	**327**	**100%**	**1,270**	**100%**	**1,305**	**100%**	**1,272**	**100%**

Credit Insurance and Related Services

Credit insurance mechanism

Credit insurance allows a creditor (seller/supplier) with a term debt held on its debtor (buyer/customer) to request an insurer against the payment of a premium, to cover the non-payment of the debt. Accordingly, credit insurance is one of the key coverage instruments for account receivables. Many companies grant delayed payment terms to their clients, providing them with an implicit loan, generally on a short-term basis. As a result, such companies bear a non-payment risk that the credit insurance service seeks to cover.

The following diagram illustrates the typical credit insurance mechanism:



The service offered to the policyholder consists not only of compensation for sustained losses, but also of loss prevention and assistance in developing a profitable and creditworthy customer base in order to prevent losses, as much as possible, in the common interest of the policyholder and the insurer. Preventing the risk of non-payment through credit insurance solutions first requires a collection of relevant, reliable and up-to-date data on debtors and their economic environment. The information held by the Coface Group on the solvency of debtors completes and improves its credit insurance product offering while constituting a key element in decisions of its policyholders to apply for coverage and the demands to provide coverage, which are made daily by its 350 risk underwriters (see below "Information on Debtor Solvency is the Center of the Coface Group's Business").

The guarantees provided by the Coface Group, either total or partial, most often offer global coverage for a portfolio of debtors (or a particular business flow) of a given policyholder, as opposed to subscribing an insurance policy to cover single debtor risk. The credit insurance policies offered by the Coface Group are generally concluded for a period of one year and are renewable by tacit agreement.

For these insurance policies, the insurer generally approves each new debtor presented by the policyholder, and sets, within the limits of the coverage granted, the maximum amount of risks that the insurer is willing to accept on this debtor. In order to limit its exposure, the Coface Group can then reduce or cancel, at any time, its credit insurance coverage for the future deliveries of goods or services of the relevant debtor. This reduction or cancellation also enables the policyholder to become aware of the increasing concern of the Coface Group as regards the ability of this debtor to pay its debt. As an exception, and depending on the policyholders' expertise, the Coface Group can allow some policyholders certain autonomy in fixing credit limits for outstanding amounts not exceeding an amount fixed in the credit insurance policy.

In the event of non-payment of a debt, the Coface Group generally handles the recovery of unpaid receivables, in order to limit losses and release the policyholder from the management of this litigation stage and allow it to maintain, to the extent possible, its business relations with its debtor (unless the policyholder expressly wishes to retain the ability to exercise itself the recovery). Accordingly, the Coface Group is required to conduct negotiations and, if necessary, litigation (either before indemnification, according to the terms of the insurance policy, or after indemnification as a result of subrogation) for the collection of the amounts due (see Section "*Indemnification of Claims and Recovery of Debts*" hereafter). If these procedures fail, and after a period specified in the insurance policy, the Coface Group pays the policyholder a portion of the unpaid insured receivable (usually 85% to 90% of the unpaid receivable). The purpose of this risk sharing is to contribute to the development of a common set of interests between the Coface Group and its policyholder in order to encourage prudential risk-management. Upon payment of this indemnification, the Coface Group is subrogated to the rights of its policyholder for the part of the debt it indemnified, with all legal proceedings, and recovery exercised by the Coface Group reducing the total amount of indemnification paid.

The use of credit insurance thus allows Coface Group policyholders to protect their margins by being insured against the financial impact of an unpaid debt, while benefiting from prevention and information tools regarding the financial solvency of their debtors as part of the management of their credit risks, as well as through regular discussions with the Coface Group industry and country specialists (see in particular Section 6.5.5 "*Information Systems – Key Coface Group Applications and Tools Available to its Policyholders – COFANET*" of this registration document).

In addition, credit insurance facilitates access to debt financing solutions, in particular through the use of factoring (see Section 6.5.2 "*Additional Services – Factoring*" of this registration document). It mitigates the risks associated with financing trade receivables as a result of the coverage provided, the counterparties selected and the assessment of their solvency and the associated mechanisms for the recovery of unpaid receivables.

Major Credit Insurance Products Offered by the Coface Group

As part of Strong Commitment I, the Coface Group has refocused its solutions offering in order to clarify and adapt it to the specific needs of certain categories of policyholders (such as large multinationals or small- and medium- size businesses), and to strengthen its attractiveness through innovative products differentiating themselves in the credit insurance market.

The Coface Group offers many credit insurance solutions. The most popular ones are described below.

Globalliance

As the leading product of the Coface Group, the "Globalliance" credit insurance, available in all countries in which the Coface Group operates, represents a significant part of its consolidated revenue. The "Globalliance" solution is a modular offer designed to meet the specific requirements and needs of each policyholder. Comprised of different modules, this offer is suitable for all types and sizes of businesses. In some countries, the Coface Group sells simplified versions of the offer, generally with different names but with comparable services to small- and medium-size businesses.

The "Globalliance" solution enables the offer to be adjusted to the needs of each policyholder and consists of core services and optional services. As a result, the duration of the credit, the percentage covered and the list of countries covered in particular form part of the essential parameters that must necessarily be defined. Thus, a policyholder can choose to cover the countries in which it has a presence and/or to which it exports, to centralize or decentralize the management of its policy, to opt for a "from the first euro" coverage or an "excess insurance policy" (in which the policyholder retains a significant part of the risk and is only covered when the annual losses exceed a certain amount), to adjust its level of autonomy when making coverage decisions and to subscribe to the Coface Group's "optional modules" such as:

– the litigation option (advance of insurance settlements pending the settlement of the dispute);

– the “manufacturing risk” option (to cover expenses related to the production of a specific asset); or

– the “orders to deliver” option (to cover orders for a period of three months in the event of a credit limit’s reduction).

The combination of the various modules offered by the “Globalliance” solution aims to provide answers tailored to the specifications of the policyholder, regardless of its size, business or status.

As part of the “Globalliance” offer, particular emphasis is put on the visibility of risk prevention services for the Coface Group policyholders through the provision of commercial information and tools to assess their debtors, in particular through:

– communication of the DRA (“Debtor Risk Assessment”) on all debtors of the insured portfolio on the secured COFANET website (see Section 6.5.5 “*Information Systems*” of this registration document);

– communication of a global risk indicator (WAP (“Weighted Assessment of Portfolio”)); or

– access to the Coface Group’s underwriting department, organized by sector.

The Coface Group plans to renovate its leading contract “Globalliance” in 2015, in particular in order to improve the management of the modularity and to harmonize the available options, as well as improving the risk coverage management related to the renewal policy of the insurance policies.

TopLiner

Reserved solely for “Globalliance” customers, the “TopLiner” offer, which was launched in December 2012 by the Coface Group, provides additional coverage designed for cases where the policyholder received coverage for a given debtor, for an amount that is less than requested or none at all. The premium received by the Coface Group is higher as it constitutes a supplementary coverage and covers types of non-standard risk. It is based on a risk assessment by the Coface Group’s experts, the amount insured (which may be between €5,000 and €5 million) and the length of coverage desired (which may vary between 30 and 90 days).

The “TopLiner” offer is usually taken by policyholders that wish to insure a priority development project and makes it possible to support policyholders in their decision making, even if the Coface Group would have refused to grant them coverage for a given counterparty as part of its “Globalliance” offer. This offer facilitates commercial relationships with Coface Group policyholders in the event of a refusal to cover some of their commercial projects.

For the financial year ended December 31, 2013, this new commercial offer, still in the process of being rolled out progressively through its network of partners in regions where the Coface Group does not have its own license, generated revenue of €12 million and, in the long term, will be available in all countries where the Coface Group operates.

Globalliance Projects Cover

The “Globalliance Projects Cover” coverage offer allows suppliers and providers of capital goods and/or services to insure a set of specific operations during a single year, the amount of which is between €100,000 and €5 million. This coverage protects the policyholder, according to the chosen activity, from non-payment of the amounts due for their capital goods or services supplied for political or commercial reasons, based on credit risks, manufacturing (for the coverage of costs associated with the manufacturing of a specific asset) or the abusive calling of surety bonds.

The coverage offered by the "Globalliance Projects Cover" offer, which is effective when the contract takes effect, consists of a coverage that is valid for four months and renewable once commercial negotiations are in progress. The coverage offers policyholders some reassurance to enter into contracts with their debtors and integrate the estimated cost of the premium in commercial offers.

SME Pack

The "SME Pack", which is expected to be launched and implemented in about fifteen countries during 2014, is a new product line included in an offering for small- and medium-sized enterprises, which are often unfamiliar with the mechanisms and benefits of credit insurance solutions.

Currently being tested in certain countries, the "SME Pack" is designed to provide large-scale credit insurance solutions better suited to the world of small- and medium-sized enterprises (more condensed draft insurance policies, simplified management of coverage and forms), through an Internet portal that allows the Coface Group's prospects to access and subscribe to the offer online.

In addition, the "SME Pack" will allow the Coface Group both to directly distribute this new commercial offering (through its Internet portal) through brokers and to develop a wider distribution method with a variety of "white labels" in collaboration with its extensive network of partners and non-specialized distributors (see Section 6.5.1 "*Credit Insurance and Related Services – Distribution Network and Partnerships*" of this registration document).

"Single Risk"

The "Single Risk" coverage offer is designed for businesses and financial institutions exposed to commercial and political risks and dedicated to complex large ad hoc transactions (generally more than €5 million) and for which the credit duration is between 12 months and seven years. Accordingly, the Group offers its policyholders coverage against a risk related to a particular investment or market, as opposed to other credit insurance products that insure policyholders against the risks of non-payment on all their revenue (whole turnover policies).

The "Single Risk" coverage offer aims at providing subscribers with four types of guarantees: export and domestic guarantee, import guarantee, financing guarantee and against the political risk guarantee related to investment. Each transaction is subject to a specific contractual assessment by the Coface Group's experts.

For the year ended December 31, 2013, the Single Risk offer accounted for €32 million in revenue, representing 2% of the Coface Group's consolidated revenue. The following table shows the development of the contribution of this offer to the Coface Group's consolidated revenue during the 2011-2013 period and for the quarters ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

	As at March 31				**As at December 31**					
Share of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Single Risk	8	2%	10	3%	32	2%	34	2%	41	3%

These contracts, which are managed by a team of dedicated experts and risk underwriters in the Group Underwriting Department, are designed for companies that export, import or invest abroad, and more specifically cover:

- **export and domestic operations**: coverage of exports and domestic transactions for capital equipment, infrastructure, services, the construction industry and public works sector, raw materials and energy;

- **import operations**: coverage of risks incurred by the importer as part of trading operations: pre-financing, tolling contracts, compensation for non-delivery of products or termination of contracts;

- **financing operations**: coverage of financing transactions for pre-financing, financial credit, confirmations of letters of credit, forfaiting, project financing, leasing contracts; and

- **political risk for investment operations**: coverage of risks related to assets held abroad and which may be the target of government decisions or actions of various kinds, particularly in emerging countries (confiscation, expropriation, nationalization, forced abandonment), but also losses due to strikes, riots, civil disorder, acts of terrorism or even war.

Coface Global Solutions, a System Dedicated for Major International Companies

Launched in 2012 as part of Strong Commitment I innovations, "Coface Global Solutions" ("**CGS Offer**") is an offer dedicated to the management of major international policyholders whose insured revenue (or proposed insured revenue) are more than €300 million. With the support of the Coface Group's operational entities, CGS Offer coordinates and, based on the Globalliance product, structures credit insurance for major international policyholders worldwide, while seeking to secure the international commercial development of policyholders and enable them to optimize their operational performance through credit management tools for their head office and their subsidiaries.

The CGS Offer is based on a global organization that offers individually-tailored services and management tools to these multinationals (geographical dispersion, multi-currency risk, consolidation of debtor credit aggregates, etc.). The CGS Offer is organized according to seven geographical regions of the Coface Group (Central Europe, Western Europe, Northern Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific), each with a Director of Sales and a Director of Underwriting, while CGS Central Management (integrated in the Commercial Department of the Coface Group) oversees global coordination and quality control standards.

Through the CGS offer, policyholders have a dedicated organizational structure coordinated by a program manager (Program Leader), who oversees the coordination of the Coface Group's team actions, including senior risk underwriters specialized by business sector and a set of tools to manage their credit insurance, and access to the entire expertise of the Coface Group's international network, in particular, a global database with information on 65 million debtors, as well as the CGS Dashboard platform to analyze their debtors' risks online. The CGS Dashboard provides CGS Offer policyholders permanent transparency of their credit insurance program and is designed to enable them to implement an enhanced credit risk-management policy by providing them with global consolidation of the credit risk for a particular debtor (including any subsidiaries of this debtor's group) and a clear vision of policyholder risks. The CGS Dashboard is designed in particular to enable policyholders to better understand the overall impact of debt on their balance sheets and provide a detailed analysis of their credit risk by identifying and analyzing trends. In addition, it aims to facilitate the management of credit insurance programs while allowing them to control the level of risk transfer and, more generally, to have a global vision of the quality of services provided by the Coface Group to each of their subsidiaries.

Pricing of Credit Insurance

Premium amounts are generally calculated based on the statistical loss exposure of companies with similar characteristics, on the one hand, and on the actual loss exposure of the relevant policyholder, on the other hand. The result is converted into either a percentage of the estimated revenue, either a fixed client risk amount or a fixed cap amount established based on the company's revenue. Therefore the premium amount depends on the total volume of sales conducted by the policyholder, although a fixed minimum amount of premium is always stipulated in the Coface Group's insurances policies contracts. The premium amount is set when the policy is signed on the basis of an estimate, and is adjusted at the end of the year, according to the actual revenue. The premiums are usually reviewed annually upon renewal of the insurance contract. The revised amount established by the actual loss exposure in conjunction with the type of risk the policy covers at the time of renewal. Additionally, in order to encourage the policyholder to monitor the condition of its clients, some policies will provide for the sharing of benefits. Certain ancillary benefits linked to the monitoring of debtors' solvency are equally taken into account for premium purposes.

Pricing is a key component of the Coface Group's commercial policy, especially when its sales representatives meet with policyholders or prospective clients. The Coface Group's sales teams' commercial underwriting pricing activities are independent from the risk underwriting conducted by the risk underwriters (see Section "*Risk Underwriting Implemented Through a Harmonized Process*" hereafter).

In the context of Strong Commitment I, the Coface Group recently reconfigured its tools toward a single pricing system, which benefits from a multidisciplinary and coherent support system, especially through the participation of the Coface Group's risk underwriters, the economic research and the Coface Group's trade teams, under the control of the actuarial service. As part of Strong Commitment I, emphasis has also been put on a more dynamic management of pricing of policy fees premiums accessories.

This pricing tool, PEPS (Past and Expected Profitability System) is now used by all Coface Group entities in the world, facilitates the subscription and the management of the Group's pricing policy. The roll out of PEPS was fully completed in 2013, with a 100% utilization rate on credit insurance as from the third quarter, and at the end of the year there were recorded 21,750 completed renewals and 6,563 new business cases qutotation completed.

PEPS is able to provide its users with risk weighted exposure ("RWE") and calculate the expected annual premium ("EAP") to cover the risk for a given policyholder, by also taking into account the historical unpaid receivables of the policyholder or prospective policyholder. It allows users to create pricing proposals using simulation tools and make pricing proposals to Coface Group policyholders. Once all data is entered into the tool (company contact information, debtors information, portfolio, unpaid receivables over the last few years and contract conditions), PEPS calculates the premium to be offered to the Coface Group's policyholders, composed of the estimated loss, costs and the profit margin expected by the Coface Group.

Methodologically, PEPS is a pricing tool which anticipates expected unpaid receivables by analyzing the portfolio of debtors.

More generally, the pricing tools and methodology used by the members of the Coface Group enable a price adjustment by taking into account multiple factors, in the context of contract renewals. The individual debtors' assessment of a given policyholder portfolio (credit risk assessment, quality of the policyholder management, etc.) impacts the RWE calculated in PEPS and therefore, the cost of risk calculated by this tool. The assessment also takes into account the cyclical downturn in this sector, as well as the changes in the global economy and its impact on the credit insurance loss ratio. In addition to these adjustments inherent in the pricing model used and benefiting from the Coface Group's micro and macro-economic risks monitoring, a pricing governance committee is required to decide the sectorial adjustments for some countries, reflecting certain trends identified by the Coface Group's analysts which are expected to negatively or positively impact the uncovered receivables. These adjustments are used in particular when a sharp downturn in a given sector is expected to occur, thus justifying an adjustment well in advance.

Due to its unique characteristics (generally higher value, types of risks covered and longer duration) "Single Risk" coverage is subject to a different pricing policy by a dedicated team, consisting of an analysis of the relevant country risk assessment and the covered activity in itself.

Information on the Solvency of Debtors is at the Center of the Coface Group Activities

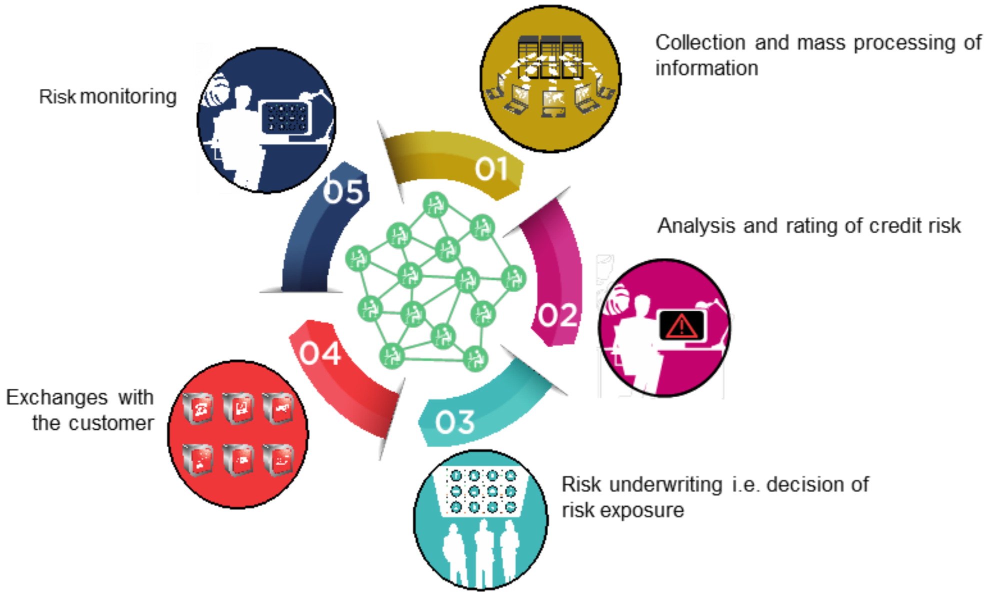
Introduction

The Coface Group's activities consist primarily in selling services or coverage based on the acquisition and management of relevant, reliable and updated data on debtors and their environment.

The Coface Group operates a network of 48 centers dedicated to the collection of financial information on more than 65 million debtors around the world as well as the processing and analysis of this information and debtor risk.

Data is a key component for the Coface Group at every stage of risk monitoring compiled by the ATLAS database (see Section 6.5.5 "*Information Systems – ATLAS*" below). First, it is collected by outside service providers, for administrative processing. This data is then analyzed by the 330 credit analysts of the Coface Group, taking into account the Coface Group as a whole, in order to establish Debtor Risk Assessments (DRA), based on a common scale for the whole Coface Group which is consulted by the risk underwriters to decide the amount of risk to undertake for each policyholder. Finally, the data the Coface Group collects, analyzes and uses is updated regularly, in particular through discussions with the policyholders, to monitor the risks associated with its policyholder's debtors. All the Coface Group activities rely on EASY, a unique identification data base of the debtors facilitating the communication between the Coface Group and its partners and customers (see Section 6.5.5 "*Information Systems – EASY*" hereafter).

The following diagram illustrates the major role that information plays in the activities of the Coface Group:



The collection, use and storage of reliable, updated and secured information are a major challenge for the Coface Group, which allow it to:

– manage its pricing policy and enrich the quality of its credit insurance offers (see Section 6.5.1 "*Credit Insurance and Related Services – Pricing of Credit Insurance*" of this registration document);

– obtain, especially at the local level, micro-economic information on debtors and their economic environment, in order to support the Coface Group risk underwriters' underwriting decisions as part of its risk-management policy, while offering Coface Group policyholders a monitoring of their debtors' risks; or

– facilitate its debt management and debt collection activities.

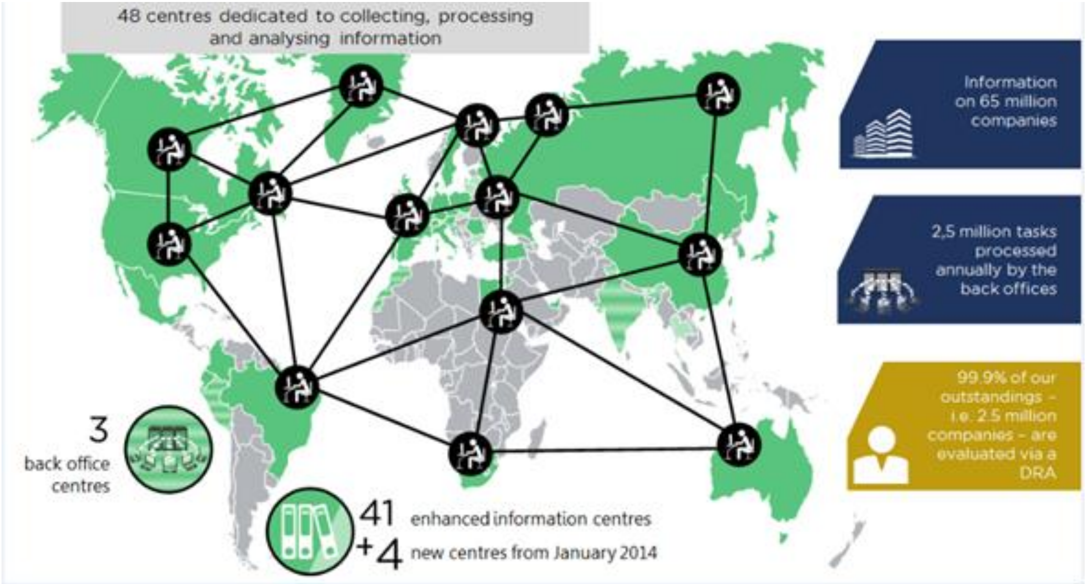
In addition, this policy allows the Coface Group to obtain macroeconomic information, which is subject to analysis by teams from the economic research Department, which comprises 18 economists, including five who work in the regions covered by the Coface Group in order to ensure local coverage. These economists have to meet certain production objectives by providing an internal service for the Coface group's activities and an external service geared to the policyholders and the public. Their external production basically takes the form of "panoramas," published on the Coface Group's website, which are aimed at helping companies assess and prevent risks and make their decisions on the basis of the most relevant, reliable and recent information. Therefore, various types of panoramas are published: "country" panoramas, related to the average level of risk in the context of short- term trade, "country risk" panoramas, offering the possibility to consult the changes to a country's assessment in detail every quarter, as well as analyses and outlooks of the Coface Group's economic research Department, "sectoral" panoramas, which deal with economic outlook, average financial condition of companies in the relevant sector, payment behavior, and "business failures" panoramas, which deal with business failures by sector and geographic area, or "business environment in a country", which analyzes the reliability of the accounts and the level of protection granted to creditors by the legal system.

Enriched Information Centers Available to the Coface Group's Risk Underwriters for Risk Analysis and Monitoring

As part of the implementation of Strong Commitment I, the Coface Group has reorganized and simplified its information network in order to optimize and strengthen the collection and quality of its databases and have more relevant and updated information. In particular, the Coface Group systematically reviewed the information sources in each country, increased automation of information flows and segmented its needs depending on risk levels and quality.

This reorganization led to a consolidation of low value-adding activities (management of administrative tasks related to so-called "mass" information flows) in three back-office centers (Peru, India and Morocco) and the creation and deployment of 45 centers of so-called "enhanced" information centers.

The following diagram shows the information network for the Coface Group businesses:



These enhanced information centers, and their staff, focus on tasks with higher added-value and provide the Coface Group's risk underwriters with in-depth analyses of debtors who have outstanding debt or high risk profiles. These centers supplement the information available on the market (through interviews with business leaders, debtor visits, contacts with local banks, seeking and obtaining interim financial statements, specific or confidential financial information, DRA productions, etc.) and are an essential vehicle for the Coface Group's risk underwriters that enables them to make the decisions most appropriate for the needs of their policyholders, in accordance with risk limits set by the Coface Group.

Risk Underwriting Implemented Through a Harmonized Process

The Coface Group has implemented a harmonized process for all of its risk underwriters located in 44 countries in order to strengthen and secure management of risks attached to its different activities. The work of the risk underwriters combines two levels of proximity: the risk underwriter from the policyholder's country collaborates, where appropriate, with the risk underwriter from the debtor's country, who is best placed to know the local economic environment. Underwriting decisions relating to "Single Risk" guarantees are made by a dedicated team within the Group Risk Underwriting Department.

In order to make their decisions, the risk underwriters rely on the information collected which is then subject to an assessment within the Coface Group made through the DRA, the development and update of which are performed according to the debtor's quality. The DRA uses many relevant indicators such as financial strength, profitability and solvency of the debtor, and also includes environmental factors or even the quality of the company's management. As a result, the DRA takes the form of an assessment that is graded on a scale from 0 (defaulting businesses) to 10 (best assessment possible).

Finally, with the Weighted Assessment of Portfolio ("WAP"), the risk underwriters have a simple and immediate indicator enabling them to measure the average risk of payment default of a policyholder's portfolio. The WAP corresponds to the DRA average of the portfolio, weighted by the amounts covered for every debtor, enabling the risk underwriter to have a comprehensive and accurate view of the portfolio of debtors of a policyholder or a country. Presented on a similar scale as the DRA, it is also provided to the policyholders.

The Coface Group's risk underwriters work in real time and in a network through the risks centralization system ATLAS, a computer tool for risk underwriting and management for all Coface Group entities.

As a database developed by the Coface Group and principally dedicated to the production of credit limits granted to debtors, ATLAS has all the functions needed for the underwriting and monitoring of authorizations (filing a coverage application request, automatic or manual-risk underwriting of the application request, management and monitoring of the risk covered, as well as of outstanding account receivables and portfolios).

ATLAS provides comprehensive risk-management: all types of risks are covered, exposures are managed and viewed easily and the quality of reporting and control procedures at the Coface Group level are thus improved. ATLAS is available 24-hours-a-day, 7-days-a-week, except during scheduled maintenance periods. In total, approximately 10,000 risk underwriting decisions are made each day.

The risk underwriters have no marketing goals for the Coface Group products and their remuneration is in no way related to the commercial success of products in order to ensure an impartial implementation of the Coface Group's risk policies. In addition, the risk underwriters do not determine the commercial pricing of the offered products and services by the Coface Group.

The risk underwriters are delegated underwriting approval limits ranging from €100,000 to €7.5 million, depending on their expertise, seniority and scope of responsibility, and are subject, for the amount above €7.5 million, to a double approval at the regional level of up to €20 million. The decisions relating to coverage above €20 million, or which are particularly sensitive in nature, are approved by the Group Risk Underwriting Department. The audit trail of decisions and the compliance with the levels of underwriting authorizations can be fully tracked in ATLAS.

Indemnification of Claims and Recovery of Debts

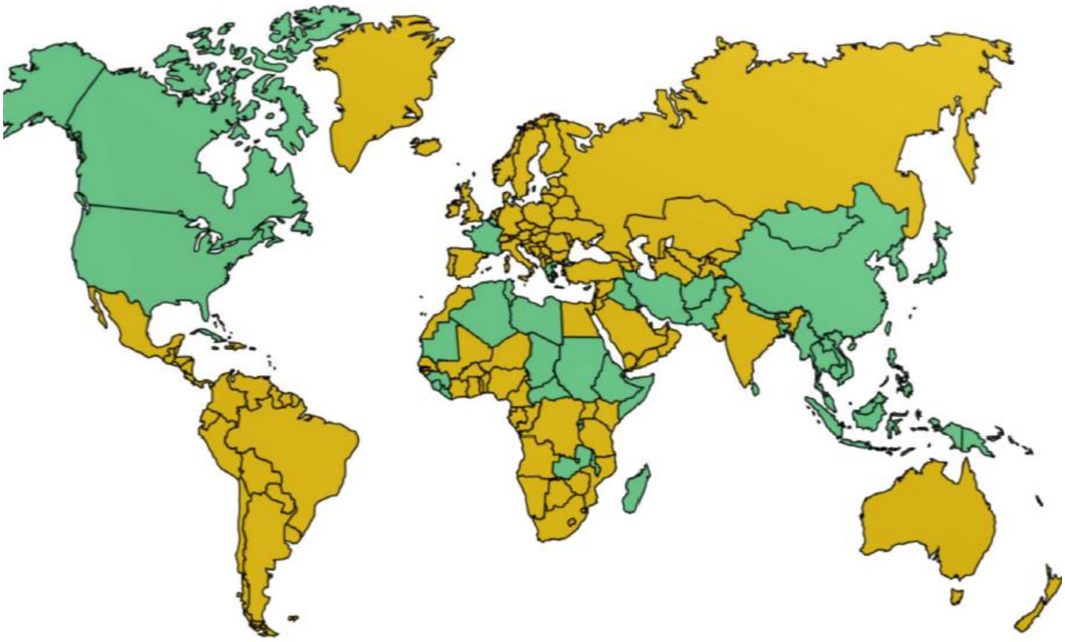
The policyholder declares any threatened or recorded unpaid receivable to the Coface Group. Following this declaration, as part of its underwritten policies, the Coface Group intervenes (unless the client prefers to maintain its business relations with its debtor) to ensure the monitoring, management and collection of its policyholders' debts that have remained outstanding, either before indemnification, when it has a "litigation mandate" granted by the policyholder under its credit insurance policy, or after indemnification, under the mechanism of subrogation, where the insurer is then subrogated to the rights of its policyholder.

Indemnification of claims and collection of unpaid debts are two activities essential to the proper functioning of credit insurance. Accordingly, policyholders expect their insurer to be reactive and efficient in the management of their unpaid debts. Moreover, efficiency of collection has a direct impact on the Coface Group's loss ratio; an increase of one percentage point in the collection rate represents nearly €10 million of recovered receivables, which has an immediate effect on its results and improves its loss ratio. For the years ended December 31, 2012 and 2013, the Coface Groups' collection rate amounted respectively to 32% and 35%. In accordance with its strategic direction, as described in Section 6.3 "*Strategy*" of this registration document, the Coface Group seeks to improve its collection ratio by the permanent adjustment of the used techniques and the contribution of the network of local correspondents, in particular in the Mediterranean & African, Latin America and Asia-Pacific regions.

The Coface Group thus provides its policyholders with a full range of services related to debt management (collection of domestic and international debt from third parties and statistical analysis of collectability).

The Coface Group's indemnification and collection network, which handles coverage in more than 200 countries, consists of 560 employees (200 employees, located in 25 countries, are responsible for the analysis of indemnification requests and 360 employees for collections) that rely on DCON, the web tool allowing them to record and approve all identified unpaid receivables by the Coface Group's policyholders (see Section 6.5.5 "*Information Systems – DCON*" hereafter). It is supplemented by a network of 41 companies that provide support services to the Coface Group's staff, either to handle all doubtful debt management (i.e. approximately 50,000 separate files in 2013), or intervene to support their in-house teams at any stage of the collection process.

The map below shows the Coface Group's indemnification and collection network as of December 31, 2013:



The Coface Group teams responsible for collection seek to establish direct contact with the debtor (usually within 48 hours, the contact establishment rapidity increasing the success of the collection) from the onset of the first financial difficulties in order to seek payment solutions before the final deterioration of the commercial relationship. However, if these amicable measures fail, the Coface Group undertakes the procedures required to commence legal proceedings.

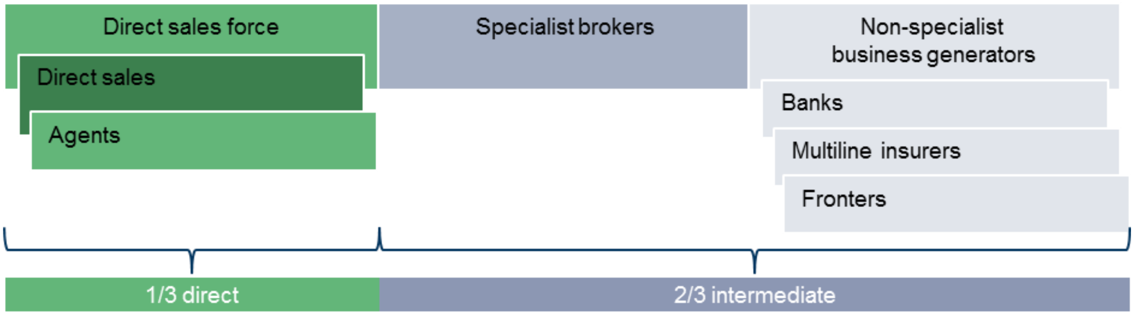
The debt management and collection services of the Coface Group naturally complete its credit insurance and business credit information activities. Good business information increases the chances of collection and good debt management is a key element of credit insurance. In addition, the information obtained on outstanding debt through the debt management services information bases enriches the Coface Group and increases the quality of credit insurance coverage offered to its policyholders. In this respect, the Coface Group implemented a standardized monthly information system on the collection rate, which has enabled it to harmonize practices between the different regions of the Coface Group indemnification and collection network. This standardization is of particular importance insofar as it ensures an assessment according to the same indicators at the global level and enables the Coface Group to monitor performance globally country by country.

Distribution Network and Partnerships

A Multi-Channel Distribution Network Strengthened by an Extensive Network of Partnerships and Intermediaries

To market and distribute its credit insurance products and its additional services, the Coface Group uses many distribution channels that vary depending on the specificity of each of the local markets in which the Coface Group operates. The Coface Group's distribution department supervises both direct sales and indirect sales at the international level through its partner network which comprises 97 business partners such as PingAn, Axa, Nexi, EDC, Activa International Insurance, Seguros Mundial, ICIEC, as well as Sancor Seguros.

The following diagram illustrates this multi-channel distribution model of the Coface Group's service offers (the breakdown between direct and indirect distribution is expressed in percentage of the total premiums collected:



These distribution channels include the Coface Group's own sales teams which, as at December 31, 2013, were comprised of approximately 1,340 sales staff throughout the world (excluding guarantees managed on behalf of the French State), and a large network of partners. The direct sales force of the Coface Group is also composed of exclusive agents distributing its policies, due to the specific characteristics of the distribution network in certain countries such as the United States and Italy.

In addition to recourse to specialized insurance brokers, the Coface Group relies on bank partners and general insurers for the distribution of its products. "Fronter" partners, who can also act as business providers are insurance partners issuing insurance policies for the Coface Group in countries where it does not have a license to do business and which the Coface Group may call on to facilitate the initial establishment in a new country, thus limiting the required investments as happened with Colombia, until the direct establishment of the Coface Group in the early 2014. In return, the Coface Group ensures the reinsurance of the risk contracted by the fronters.

The Coface Group's partner network, a significant portion of which are members of the CreditAlliance network, enables it to support its policyholders in about thirty countries in which the Coface Group has no direct commercial presence or its own license, as well as to market, distribute its offerings and enrich its knowledge of those markets.

Toward an Overhaul of the CreditAlliance Partner Network Based on Stronger Distribution

The CreditAlliance partner network was created in 1992 at the initiative of the Coface Group and gathers worldwide private companies as well as public institutions in the sectors of credit insurance, information on companies, debts collection and factoring. These companies have the same objective: develop, facilitate and guarantee trade by relying both on an exchange of services between the members and on the expertise of the Coface Group.

CreditAlliance completes and strengthens the Coface Group's internal network and allows its policyholders to benefit from a wide geographic coverage of its services. Its members share their knowledge on the local economic area, implemented according to the rules and the computer tools of the Coface Group.

In January 2014, the Coface Group decided to reorganize its partner network in order to increase its distribution vocation.

The CreditAlliance network will be divided into: (i) a group of partners that focuses on providing information on the creditworthiness of debtors and debt management and collection, acting as a bridge to the Coface Group in countries in which it does not have a direct presence, its own license or the support of local teams and (ii) a new network called "Coface Partners" with a view to creating a community of partners interested in developing a portfolio of credit insurance products and additional services with the assistance of the Coface Group.

Exchanges within the Coface Partners network will focus on marketing and credit insurance product sales techniques and sharing common experiences in order to reinforce the efficiency of the distribution methods and stimulate its partners' efforts.

Public Procedures Management

Since 1946, Compagnie française d'assurance pour le commerce extérieur has managed, on behalf of, and with the guarantee of, the French State, coverage on risks that are uninsurable by the private market to assist, support and secure French exports, including those financed over the medium- and long-term, as well as French investments abroad. For the year ended December 31, 2013, these services accounted for revenue of €66 million, or 5% of the Coface Group's consolidated revenue.

The following table shows the changes in the contribution of these services to the Coface Group's consolidated revenue during the 2011-2013 period and for the quarters ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

	As at March 31				**As at December 31**					
Share of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Public procedures management	16	4%	16	4%	66	5%	69	5%	70	5%
France	15	4%	15	4%	60	4%	63	4%	64	4%

This activity does not represent a risk for the Coface Group as all risks are assumed by the State. All financial flows relating to public guarantees (premiums, indemnities, payouts) are recorded by Compagnie française d'assurance pour le commerce extérieur in a separate set of accounts. Premiums and payouts received by it are directly transferred to the State's account. Indemnities are paid by Compagnie française d'assurance pour le commerce extérieur from this same account. The management arrangements of these guarantees and their remuneration are set out in a binding agreement between Compagnie française d'assurance pour le commerce extérieur and the State (see Section 6.7 "*Regulatory Environment*" of this registration document).

Types of Insurance Offered Benefiting from the State Guarantee

The coverage diversity managed by Compagnie française d'assurance pour le commerce extérieur within the framework set by the State enables companies to be supported throughout their export process:

– *Prospection insurance*

This type of insurance covers both insurance against loss in the event of failure to win a contract and liquidity support. This insurance covers part of the non-recurring prospection cost incurred by the policyholder.

– *Exporter risk insurance*

This type of insurance covers both the issuers of bank bonds and banks that provide pre-financing for exporters against the risk of non-repayment by the exporter.

– *Export credit insurance*

Export credit insurance covers the exporter and/or its banker against certain risks specific to the performance of contracts for exports of goods and/or services over long periods and/or for credit executed for more than two years.

– *Foreign exchange insurance*

Various insurance solutions are offered to hedge export transactions in foreign currencies to enable an exporting company to submit bids and/or enter into a contract without being exposed to currency fluctuations, from the commercial negotiations stage until the final payment under the contract.

– *Foreign investment insurance*

This type of insurance covers French companies investing abroad and banks that finance them against the risk of politically motivated expropriation and/or destruction.

Response framework

After investigating on demands that are directly addressed to it, Compagnie française d'assurance pour le commerce extérieur makes a proposal to the French Export Credit and Guarantee Commission (Ministry of Economy and Finance), which decides on its outcome. However, Compagnie française d'assurance pour le commerce extérieur has a delegated power to cover certain claims, depending on the amount of the transaction, credit period or premium category. It issues insurance contracts in its own name, on the basis of the decision made by the authority or by itself (pursuant to its delegated power), and handles the management of these insurance contracts (risk monitoring, making any amendments, investigation of indemnification claims, collection of outstanding receivables, management of debt consolidations, etc.).

The distribution of insurance products managed on behalf of the French State is directly handled by a dedicated internal team and is kept separate from the other products sold by the Coface Group.

Public Procedures Management on Behalf of the Brazilian State

Since 1996, the Coface Group has been managing the same type of services on behalf of, and with the guarantee of, the Brazilian State through its Brazilian subsidiary SBCE. The management of these services and their remuneration are determined by an agreement entered into by the government of Brazil and SBCE. Renewed in February 2012, this agreement is valid for one year and can be renewed accordingly on an annual basis for five years maximum.

It was last renewed until June 30, 2014. For the year ended December 31, 2013, this activity income amounted to €6 million, i.e. 0.42% of the consolidated revenue of the Coface Group. The following table shows the changes in the contribution of these services to the Coface Group's consolidated revenue during the 2011-2013 period and for the quarters ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

	As at March 31				As at December 31					
Share of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Brazil	1	0%	1	0%	6	0%	6	0%	6	0%

6.5.2 Additional Services

Besides its credit insurance offering, the Coface Group markets a range of services to complement its debtor risk-management offer.

Factoring

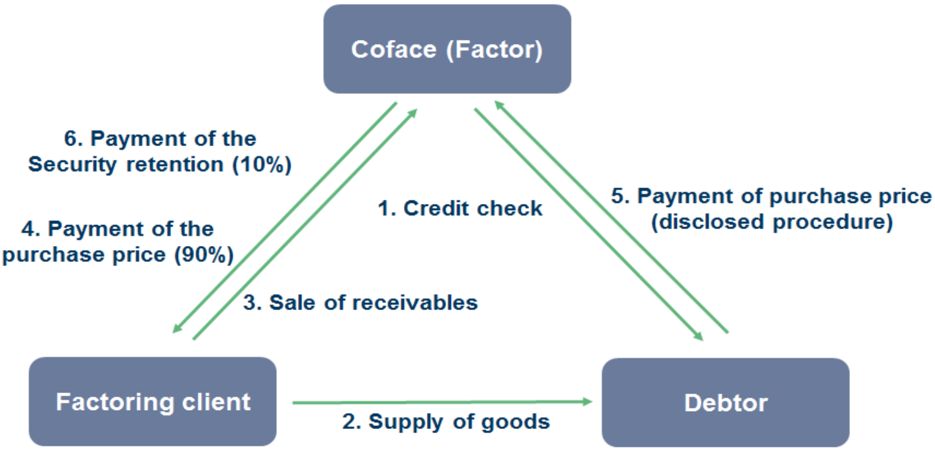
The Coface Group offers factoring solutions in Germany and Poland. Historically present in other geographical markets, the Coface Group has refocused its factoring activities in the context of Strong Commitment I (see Section 5.1 "*History and Development*" of this registration document) towards the countries where it has a sufficient presence allowing its activities to be conducted under optimal profitability conditions.

For the year ended December 31, 2013, the factoring activity represented revenue amounting to €69 million, representing 5% of the Coface Group's net income from banking activities.

The following table shows the changes in the contribution of this offer to the Coface Group's consolidated revenue during the 2011-2013 period and for the quarter ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

	As at March 31				As at December 31					
Net income from banking activities and percentage of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Factoring	16	4%	16	4%	69	5%	77	5%	99	7%

The following diagram illustrates the factoring mechanism:



Factoring is a financial technique whereby a factoring company (or factor) finance companies' trade receivables by acquiring them outright and, as the case maybe, manage them by handling their collection for its own account and thus itself bearing the risk of potential losses with, in some cases, a right of recourse against the company. The Coface Group's factoring offer thereby enables the companies to finance their accounts receivables and optimize their cash flow by:

– providing immediate cash from the sale of their debts (subject to a holdback deposit);

– consolidating their accounts receivables, not subject to any litigious recovery process (via the transfer of risks of non-payment and collection); and

– financing their growth without being restricted by their working capital requirements.

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

– *full factoring with recourse*: factoring product with recourse to the client in case of non-payment;

– *full factoring without recourse*: this product combines factoring services and credit insurance, in the event of a claim, the client is covered by the credit insurance for its unpaid invoices;

– *inhouse factoring with or without recourse*: the client manages the relationship with its buyer, especially in the event of non-payment and particularly to preserve its commercial relationship;

– *reverse factoring*: the client will be the buyer and will propose to its supplier a payment through the factor;

– *maturity factoring:* product derived from full factoring for which financing is provided at or following maturity of the invoice.

Surety Bonds

In addition to its main credit insurance business and benefitting from its expertise in debtor risk-management, the Coface Group offers surety bond solutions to its policyholders in certain countries (mainly Germany, Austria, Italy and France), to meet their specific needs in certain markets.

Surety bonds consist of an undertaking that, in the event of any default or breach by the debtor (the obligor) of any of its contractual obligations, covers the beneficiary of the surety bond (the creditor). The coverage provided by a surety bond allows a company to reassure its commercial or financial partners, postpone a scheduled payment and/or avoid reducing its borrowing capacity. In addition, for certain activities, obtaining a surety bond is an essential requirement to access certain markets.

A surety bond generally has a fixed duration (from a few weeks to a maximum of seven years in the Coface Group portfolio) and may be shared between several market players (in general banks and insurers).

For the year ended December 31, 2013, this offer accounted for revenue of €58 million, representing 4% of the Coface Group's consolidated revenue.

The following table shows the changes in the contribution of this offer to the Coface Group's consolidated revenue during the 2011-2013 period and for the quarters ended March 31, 2013 and 2014 (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

	As at March 31				**As at December 31**					
Share of consolidated revenue	**2014**		**2013**		**2013**		**2012**		**2011**	
Surety Bonds	14	4%	15	4%	58	4%	60	4%	59	4%

The Coface Group offers a range of specific surety bonds, other than purely financial or environmental surety bonds, which are intended to help companies win contracts in France or abroad:

– **performance bonds**: tender bid bonds (guaranteeing to the buyer that the seller that has submitted its bid to the tender offer can, if awarded the contract, actually provide the services announced in its submission to the tender offer), performance bonds (guaranteeing to the buyer that the seller will perform the contract), advance payment restitution bonds (commitment to return any advance paid by the buyer, in the event the seller decides not to continue with its obligations under the contract), guarantee retention bonds (covers any defects arising during the coverage period);

– **outsourcing bonds**: guarantee the payment of subcontractors hired by the company; and

– **customs bonds**: allow companies to benefit from duties credits, and in certain markets, guarantee amounts payable in respect of indirect or excise duties, or permit to postpone their payment.

Other Services

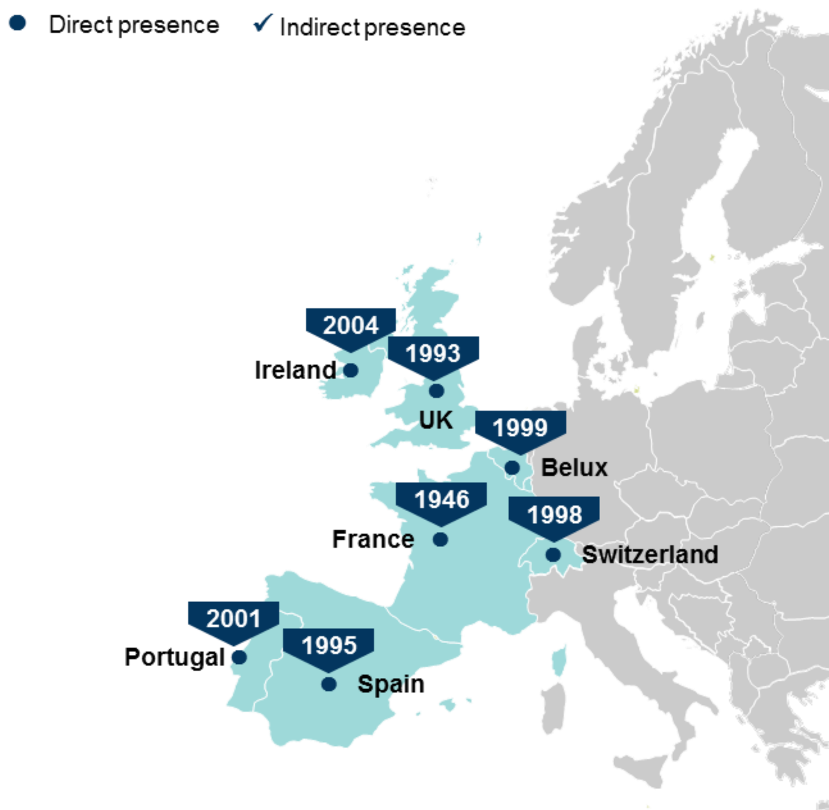
In certain countries, mostly in Central Europe, the Coface Group offers data and collection products to companies without credit insurance. As of December 31, 2013, this activity accounted for 44 million euros in consolidated revenue.

6.5.3 Description of the Coface Group's Activities by Region

The Coface Group, bolstered by its leading international presence, organizes its activities around seven geographical regions in which it sells its products directly or through partnerships: Western Europe, Northern Europe, the Mediterranean & Africa region, Central Europe, North America, the Asia-Pacific region, and Latin America.

6.5.3.1 Activities of the Coface Group in the Western Europe region

The map below shows the countries comprising the Western Europe region, and the dates at which the Coface Group established its presence there.



The Coface Group currently employs around 1,110 people in the Western Europe region where it generates revenues of €469 million, which represent 33% of the Coface Group's total revenues for the financial year ended December 31, 2013, for a total exposure of €136 billion at December 31, 2013 and a loss ratio of 42.0% in 2013.

The Coface Group's activities in Western Europe are mainly geared towards the marketing of credit insurance policies. Nevertheless, the activities of the Coface Group in this region have some local-specific features, especially in Switzerland, where the offer of Single Risk policies accounts for a significant portion of the revenues earned in that country, or in France, where the Compagnie française d'assurance pour le commerce extérieur manages, on behalf of the French government and with its guarantee, the risks linked to exports that cannot be insured by the private sector (see Section 6.5.1 "*Credit Insurance and Related Services – Public Procedures Management*" of this registration document).

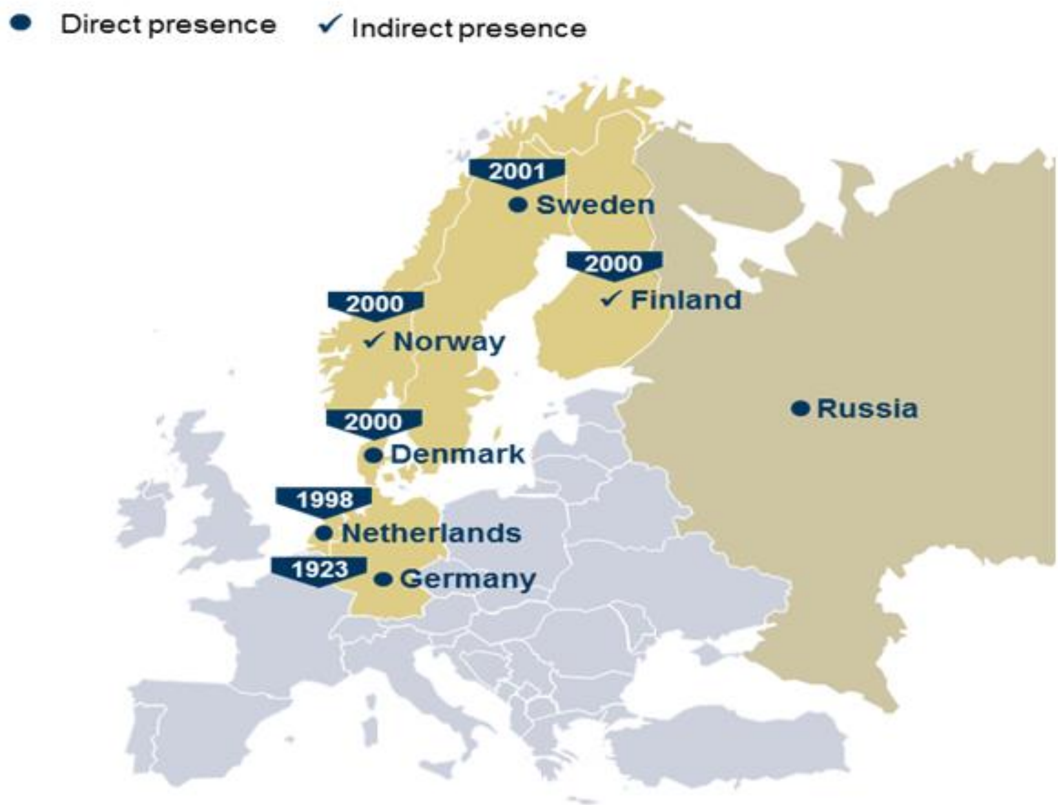
The activities of the Coface Group are mostly carried out through insurance brokers in Western Europe, except in Spain and Portugal, where the products of the Coface Group are essentially sold by exclusive agents.

As part of Strong Commitment I, the Coface Group redesigned the operational process of its activities, notably in France, its main market. In France, the reorganization has initially passed through a simplification of the commercial organization and a centralization of the related back-office. Furthermore, the redeployment of the risk underwriting much closer to the risk and the resources allocated to the indemnification of claims allowed increased efficiency with smaller teams. Finally, as part of the centralization of the administrative task management related to the flow of "mass" information, the Coface Group has redeployed its information treatment teams to one of its three back-office centers.

In response to the crisis affecting certain countries of the region, and in particular Spain in the past few years, the Coface Group has taken specific actions in certain particularly hard-hit business sectors and with certain debtors whose solvency appears to have deteriorated, by reducing its exposure to these sectors and debtors and by reinforcing the control procedures of its largest debt portfolios according to the their development. These measures, for example, helped to cut by 26% the level of claims reserved weekly in Spain between 2012 and 2013. In 2013, the Coface Group pursued its efforts in improving the operating efficiency of its sales forces and, in accordance with its product policy, is testing on the Spanish market its new contract for SMEs, the "EasyLiner", before its future roll out in France and in the United Kingdom.

6.5.3.2 Activities of the Coface Group in the Northern Europe Region

The map below shows the countries comprising the Northern Europe region, and the dates at which the Coface Group established presence, directly or through distribution partners:



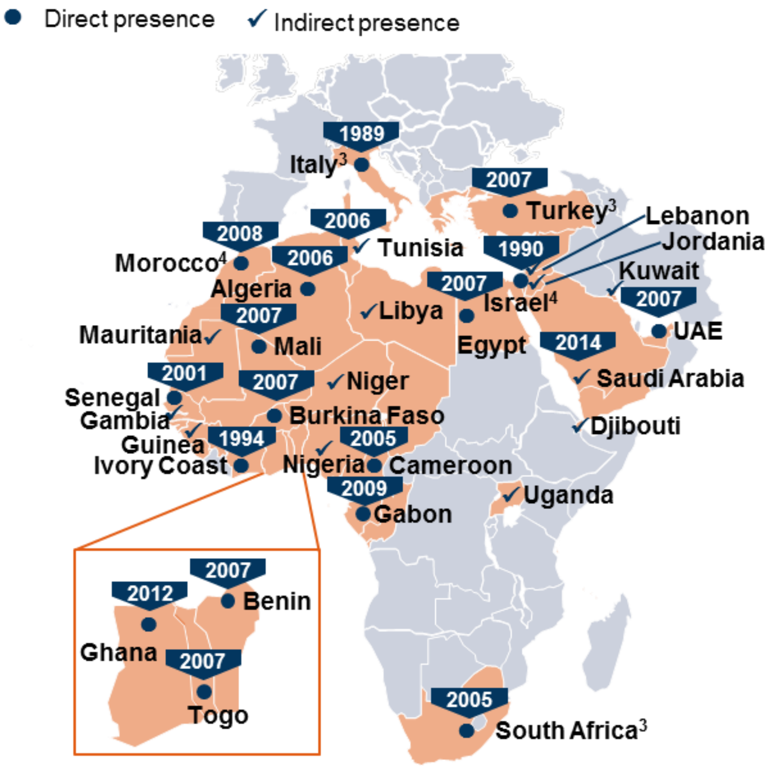
The Coface Group currently employs around 940 people in this region where it generated revenue of €367 million, accounting for 25% of the Coface Group's revenue for the financial year ended December 31, 2013, for a total exposure of €91 billion at December 31, 2013 and a loss ratio of 49.5% in 2013.

The main products sold by the Coface Group in Northern Europe are credit insurance policies. In Germany, the largest market of the region, the Coface Group also offers factoring services and Single Risk coverage. This extended offer is directed at the credit insurance market which the Company considers to be the largest in the world in terms of premium volume.

The Coface Group implements its multichannel distribution strategy in Northern Europe, benefitting from the support of its own commercial teams and its partnerships, especially with brokers and banking institutions. Nevertheless, 2013 marked a turning point, particularly in Germany, when the Group restructured its commercial network, which resulted, in particular, in the implementation of the Coface Group's market segmentation model. In Germany, the direct sales force has expertise in both credit insurance and factoring services. In the other countries of the region, the distribution partners have a larger share (brokers especially), particularly in the Netherlands. The Coface Group is planning, in the context of its multichannel distribution policy, to generate a significant portion of the distribution of its products through its sales forces in each country. In Russia, the Coface Group has decided to gradually open commercial offices in different regions of the country, while seizing the development opportunities of its existing or new partnerships.

6.5.3.3 The Coface Group's Activities in the Mediterranean & Africa Region

The map below shows the countries comprising the Mediterranean & Africa region, and the dates at which the Coface Group established its presence, directly or through partnerships:



The Coface Group currently employs around 540 people in the Mediterranean & Africa region where it generated revenue of €217 million, accounting for 15% of the revenue of the Coface Group for the financial year ended December 31, 2013, for a total exposure of €63 billion at December 31, 2013 and a loss ratio of 70.2% in 2013.

On a geographical basis, the implementation of the Coface Group's strategy in the Mediterranean & Africa region is organized through regional centers, notably in Casablanca and Dubai, allowing it to manage in a coordinated manner its establishements and its partnerships' network. The main products sold by the Coface Group in that region are credit insurance, surety bonds, as well as information on debtors and debt collection.

The main countries in which the Coface Group sells its credit insurance policies directly or through partnerships include Italy, South Africa, Turkey, the Gulf countries and Morocco. In several of these countries, the Coface Group managed to consolidate its position on the credit insurance market, for example in South Africa and Turkey, where its competitive strength allows it to benefit from a significant expansion of its business volume.

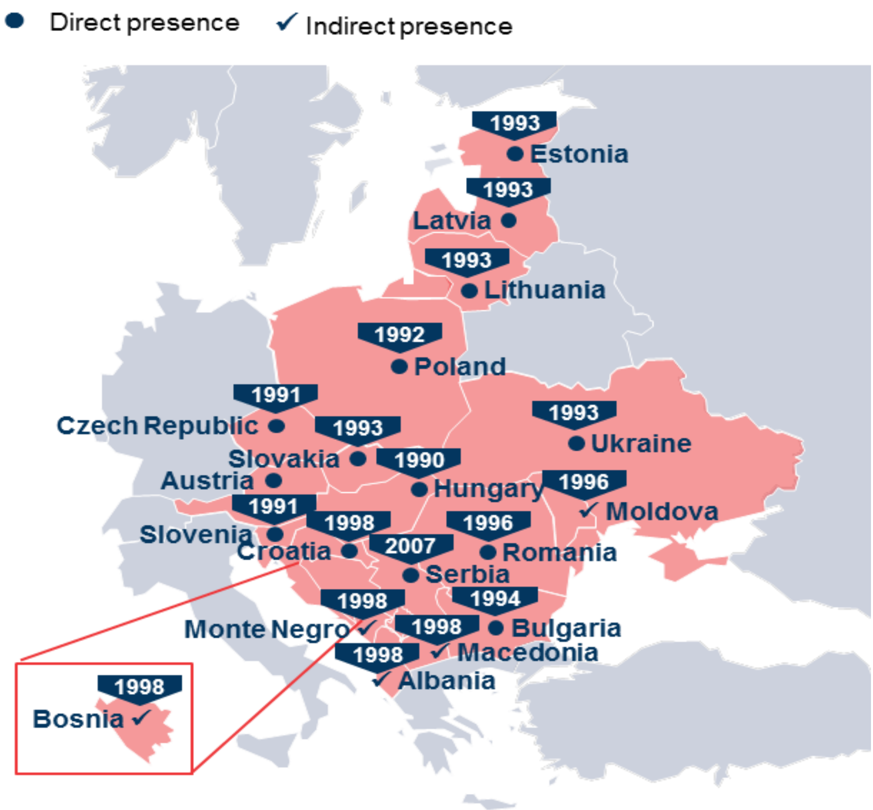
On certain local markets, the Coface Group has a sustained level of activity in areas related to credit insurance. This is the case, as for example, with surety bonds in Italy, which represent a relatively significant portion of its Italian operations. In Israel, the Coface group currently operates mainly on the market of debtors information provision. Lastly, in West African countries, the Coface Group, in addition to its credit insurance activities, supplies banks with back-office services activities in order to promote the development of its commercial debt financing activities, and Morocco hosts one of the Group's three centers for the administrative processing of information on debtors.

The Coface Group's distribution channels in the Mediterranean & Africa region are, in line with its multichannel distribution strategy, diverse and aim for a balance between direct marketing and marketing through partnerships. In countries where the Group is starting to building its presence – or where it may be introducing solutions for the first time – the Coface Group first seeks to rely on its fronting partners. This enables the Coface Group not to have to invest as soon as it obtains a license and also to limit its commercial property investments. North and Central Africa correspond to this development phase, which requires subsequent development through a direct insurer, in the same way as the Coface Group has planned for Morocco or Israel.

In Italy, although the loss ratio was significantly higher due to the worsened economic environment, the Coface Group gradually improved its claims reserved weekly, between 2012 and 2013, after reducing its exposure to debtors and risk sectors and by reinforcing prevention of risk materialization through enhanced information, better underwriting performance and a new portfolio pricing since mid-2012. During this period, collection procedures were also reinforced.

6.5.3.4 Activities of the Coface Group in the Central Europe Region

The map below shows the countries comprising the Central Europe region and the dates at which the Coface Group established its presence, directly or through distribution partners:

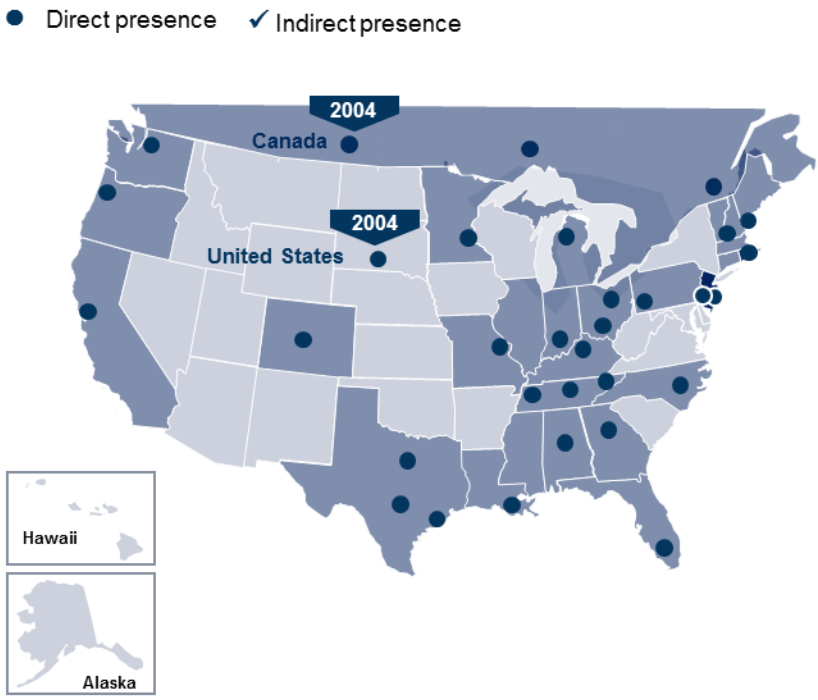


The Coface Group currently employs around 650 people in the Central Europe region where it generated revenue of €110 million, accounting for 8% of the Coface Group's revenue for the financial year ended December 31, 2013, for a total exposure of €34 billion at December 31, 2013 and a loss ratio of 66.5% in 2013.

The Coface Group distributes its credit insurance policies in a dozen or so countries, the largest of which include Austria, Poland, the Czech Republic and Hungary. It offers its debtor information and debt collection services in 18 countries and has factoring activities in Poland. Central Europe is the region where the group has the largest information business. Supported by a capacity to produce information reports, the information business is a core activity in this region, compared to other regions where information is seen as an accessory to credit insurance. In the context of its geographical extension policy, the Coface Group is bolstering its partnership network and has put in place fronting agreements, the first step before obtaining a direct license to operate, as is the case currently in Serbia.

6.5.3.5 Activities of the Coface Group in the North America Region

The map below shows the countries comprising the North America region:



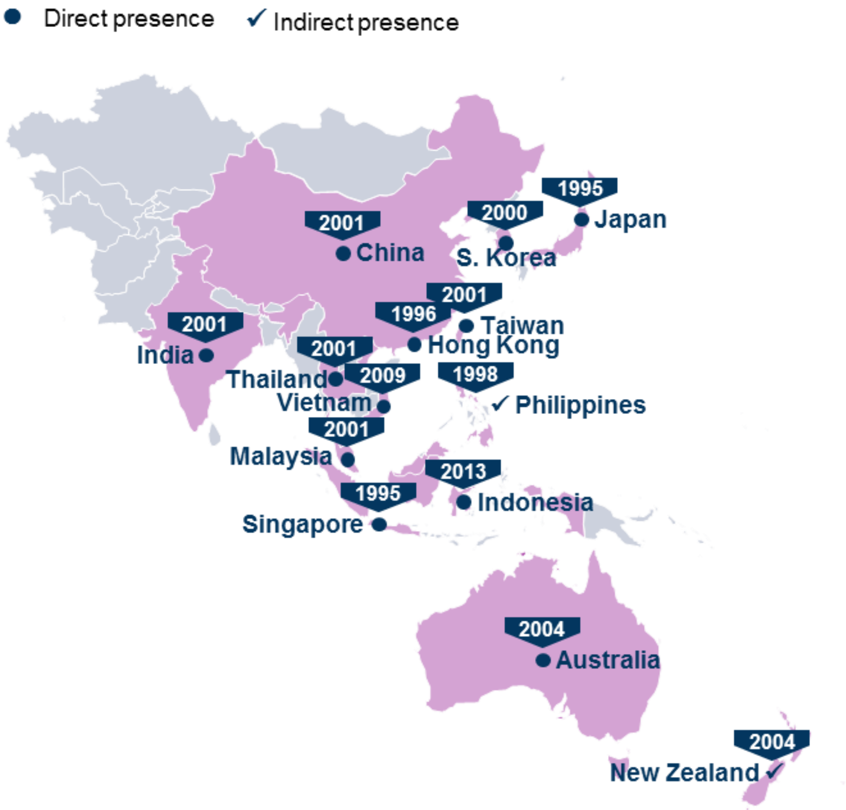
The Coface Group currently employs around 120 people in North America where it generatedrevenues of €102 million, accounting for 7% of the Coface Group's revenue for the financial year ended December 31, 2013, for a total exposure of €35 billion at December 31, 2013 and a loss ratio of 19.3% in 2013.

The products sold by the Coface Group in North America are mostly credit insurance, as well as information services on debtors and debt collection for its policyholders or potential clients. The Coface Group also provides, on a smaller scale, Single Risk guarantees, which are underwritten from Paris.

In North America, the Coface Group products are distributed through a multichannel strategy: most of its credit insurance policies are sold by exclusive agents (United States), brokers, or by its own sales teams. Given the low credit insurance penetration rate in this region, the Coface Group is seeking to reinforce the density of its network in order to adapt it to the market's potential by hiring around another twenty sales representatives for its agents in the United States in 2014.

6.5.3.6 Activities of the Coface Group in the Asia-Pacific Region

The map below shows the countries comprising the Asia-Pacific region and the dates at which the Coface Group established its presence, directly or through distribution partners:



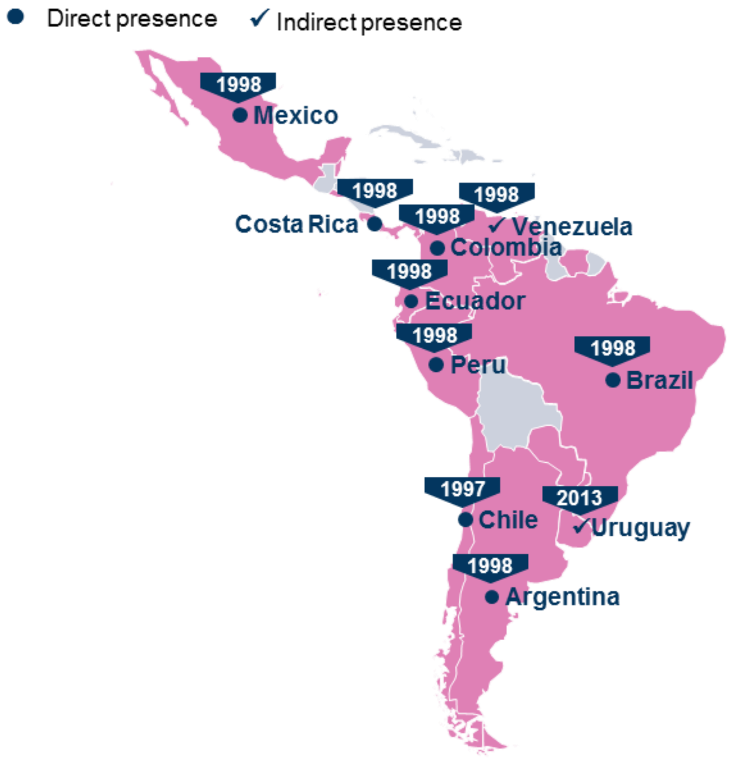
The Coface Group currently generated revenue of €95 million in the Asia-Pacific region, which represent 7% of the Coface Group's revenue for the financial year ended December 31, 2013, for a total exposure of €61 billion at December 31, 2013 and a loss ratio of 26.0% in 2013.

The bulk of the Coface Group's activities in the Asia-Pacific region cosists of the direct or indirect marketing of credit insurance policies offered throughout the countries of the region, as well as Single Risk policies (with a team based only in Singapore) and additional information services on companies and debt recovery. One of the three debtor information administrative processing centers of the Coface Group is located in the Asia-Pacific region, situated in India.

In the Asia-Pacific region, a significant portion of the Coface group products are distributed through 28 partnerships with insurers and fronting partners, with the support of Coface Group teams wherever the Group has a presence. Specialized brokerage, direct sale and banking partners complete the channel of fronters, according to the principle of multichannel distribution strategy. The Coface Group intends to continue expanding its portfolio of direct insurance licenses in this region, as it did recently in May 2014 with the opening of an office in the Philippines.

6.5.3.7 Activities of the Coface Group in the Latin America Region

The map below shows the countries comprising the Latin America region and the dates at which the Coface Group established its presence, directly or through distribution partners:



The Coface Group currently employs around 390 people in Latin America where it generated revenue of €81 million, accounting for 6% of the Coface Group's revenue for the financial year ended December 31, 2013, for a total exposure of €32 billion at December 31, 2013 and a loss ratio of 105.2% in 2013.

In Latin America, the portfolio of products sold by the Coface Group essentially comprises credit insurance policies, but also includes debtor information and debt collection services, as well as risk management of exports unable to be insured by the private market which is handled through the Coface Group's SBCE subsidiary on behalf of the Brazilian government and with its guarantee. The Coface Group's sale of credit insurance policies spans 10 or so countries, the main ones being Brazil, Chile, Mexico, Argentina, Colombia and Ecuador. The service of provision of information on debtors covers all the countries in the region, and the Coface Group has teams dedicated to enriching such information in Argentina, Brazil, Chile, Mexico, Colombia, Ecuador and Peru, the latter being where one of the three information administrative processing centers is located. Furthermore, the Coface Group operates its debt collection services from seven dedicated centers in the region. The level of claims reserved weekly in the Latin America region fell between 2012 and 2013 following the implementation from May to December 2013 of a policy reducing its exposure by debtor and policyholder, and selective actions on credit insurance policies presenting heavy losses. Furthermore, the strong commercial momentum of the region strengthens the portfolio's diversification. As in other regions, the Coface Group has implemented a multichannel distribution strategy in Latin America, but its direct sales force nonetheless represents a significant portion of such distribution. Brokers are mainly present on the international accounts sector (processed by the Coface Global Solutions network). The Coface group is implementing its geographic extension strategy in this region as well and in that respect obtained a new direct license in Colombia at the beginning of 2014.

6.5.4 Major Coface Group Policyholders

The Coface Group generates its consolidated revenue from more than 37,000 policyholders, and the average annual consolidated revenue per policyholder is less than €40,000 spread across highly diversified areas, which allows the Coface Group to better withstand changes during sectoral economic cycles.

Given its very broad customer base, the diversity of the sectors represented and their geographical spread, the Coface Group believes that it is not dependent on any individual policyholder. Accordingly, for the year ended December 31, 2013, the largest policyholder accounted for less than 1% of the Coface Group's consolidated revenue.

6.5.5 Information Systems

Introduction

The use of efficient, reliable and secure IT systems is a major challenge for the Coface Group both in the course of its commercial offerings (see Section 6.5.1 "*Credit Insurance and Related Services – Information on the Solvency of Debtors is at the Center of the Coface Group Activities*" of this registration document) and as part of its management procedures, reporting and internal controls, which allow it to have a global view of all its activities, the progress of its strategic plans and development, the management of its risks, as well as adequate follow-ups to internal and external audit reports (Prudential Control Authority, the BPCE Internal Audit) (see Sections 4.4.1 "*Organization of Risk Oversight*" and 6.7 "*Regulatory Environment*" of this registration document).

During the last few years, pursuant to Strong Commitment I, the IT Department focused on aligning its IT systems with the strategic objectives of the Coface Group by unifying its IT systems, in order to centralize and secure its business data, among other objectives. Therefore, since 2012, the Coface Group relies on a new IT structure: all of the servers are saved on two external data centers located in the Paris region and data is being stocked into a private cloud system. The IT systems are all located at these two sites (servers, storage, backup, network equipment and telecommunications, etc.). In the event of a failure of one of these two sites, the other takes over transparently for all users. Accordingly, pursuant to its Activities Continuation Plan, all data and IT applications used by the Coface Group are replicated on two backup sites located in the Paris region. Backup sites have been anticipated in case of an emergency affecting major sites, including for central office employees. The "*Information Systems*" section of the BCP is tested at least once per year (see Section 4.4.7 "*Operational Risk Management*" of this registration document).

In general, this new organization reduces maintenance costs and improves security and business continuity aspects. Furthermore, the IT Department is currently implementing the STAR project, which consists in creating a centralized data base with information collected worldwide in each operational domain of credit insurance. Once reliability has been confirmed, this information feeds the production tools of the Coface Group. The STAR project will also be used to produce reportings for the operational management of the Coface Group. The first phase of the STAR project, relating to the scope of the claims data, was completed at the end of 2013.

For nearly 20 years, the Coface Group has been using Oracle to ensure a high level of expertise and quality in data management and has opted for open IT systems, which support the Coface Group in the technological developments required for its activities through an applications portfolio composed of internally-developed software and software packages.

In addition, the Coface Group has submitted its IT systems to a quality and active certification process. Accordingly, as of the date of this registration document, the Coface Group's information systems have received an ISO 9001 certification since 2000[18].

The Coface Group is committed to invest in its IT systems in order to support its distribution and innovation strategy, while controlling its related expenses and investments, which accounted for €54 million, or 3.8% of the consolidated revenue for the financial year ended December 31, 2013.

Principal Coface Group Applications and Tools Available to Policyholders

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

– **ATLAS**

ATLAS is the software tool for risk underwriting for credit insurance and risk-management related to all activities of the Coface Group used by all entities of the Coface Group and its CreditAlliance network partners. The ATLAS tool has an access to information on more than 65 million companies worldwide, enabling a rapid approval of the debtors not covered by existing policies, but still tracked by the ATLAS system.

– **EASY**

EASY is a centralized database and a software developed by the Coface Group for identifying debtors, regardless of their location in the world. EASY is connected to all Coface Group applications requiring access to such data, including among others:

- research and identification of debtors;
- managing content and quality of information in this database on a continuous basis (history of changes made);
- deduplication of files and data standardization; and
- cross-listings of debtors appearing on blacklists of international institutions.

– **ATLAS-INFO**

Closely associated with ATLAS, ATLAS-INFO is the IT management tool used by the 45 Coface Group enriched information centers allowing to manage more than two million tasks per year handled by the back office.

With ATLAS-INFO, enriched information centers manage their to-do lists in light of the maintenance of Coface Group databases, including among others:

- data deduplication and data standardization;
- requests for financial statements and claims to debtors;
- integration of reports and documents in the Coface Group's electronic document management system ("EDMS"); and
- processing and updating debtors' capital links.

[18] ISO: Founded in 1947, the ISO (International Organization for Standardization) is the world's largest producer of international voluntary standards in almost all technological and economic fields. These standards set quality specifications and standards for products, services and best practices to increase efficiency in all sectors of the economy.

– **PEPS**

PEPS (Past and Expected Profitability System) is the Coface Group's internal pricing system (see Section 6.5.1 "*Credit Insurance and Related Services –Pricing of Credit Insurance*" of this registration document).

– **DCON**

DCON (Debt Collection Online) is a web tool used by the Coface Group as part of its debt management and collection activities as well as for the management of invoices related to this activity. A centralized tool, DCON, is used in the 48 countries where the Coface Group directly carries out its debt management and collection activities. This application makes it possible to enter and verify all outstanding payments reported by Coface Group policyholders, then to follow each case from the attempted amicable settlement phase and through to a potential judicial phase until its termination (whether the outcome is positive or negative). DCON groups all tasks and reminders relating to a case into one folder and also facilitates communication and sharing of information between Coface Group entities for international cases.

– **COFANET**

COFANET is a secured web platform for the management of information flows dedicated to Coface Group policyholders. With COFANET, each Coface Group policyholder may, in a few seconds, identify its debtors, know the total volume of its guaranteed risks outstanding, submit its claims and track the indemnification of its unpaid invoices.

COFANET offers key services for various Coface Group business lines:

- credit insurance: online coverage management, consultation of debtors/prospects/ suppliers portfolios, coverage applications and online declaration of unpaid invoices;
- information about companies: access to detailed company information (identification, key figures, balance sheet, income statement, financial ratios, activities, etc.), access to the rating given by the Coface Group to each company, access to the debtors portfolio diagnostic produced by the Coface Group;
- debt management and collection: posting new cases online, daily monitoring of debt balance following the Coface Group actions on each collection case, direct communication with the Coface Group, consultation of history and statistics of a case.

On top of the online COFANET system, the Coface Group offers data exchange solutions for policyholders that manage significant debtor portfolios and seek to reduce the management cost of their credit insurance contract. The next generation of data exchange solutions, based on the Webservices technology and called COFASERVE, will be launched by the Coface Group during the course of 2014. This exchange protocol offers policyholders a real-time response to the essential operations of a credit insurance contract.

– **Other tools**

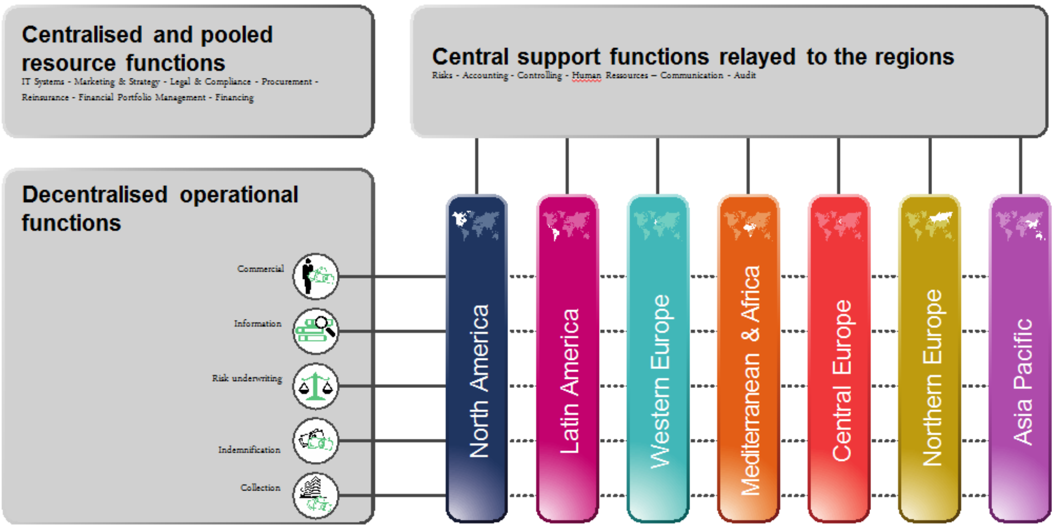
The Coface Group provides also many other IT tools used for its various activities. In March 2014, it developed a partnership with Vialink in order to offer a service of e-security in Francew, which deployment is in the testing phase.

6.6 Functional Organization and Operational Departments

In accordance with Strong Commitment I, the matrix organization upon which the Coface Group is based has been re-examined. This structure allows it to have a close relationship with policyholders and also ensures a greater responsiveness in the decision-making process and in the implementation of new decision-making processes.

This organizational structure is split into seven regions, each headed by a Region Manager, each country being led by a country manager who reports directly to the Regional Director, and on operational departments.

The operational departments are based on centralized and pooled resources (Information Systems - Marketing & Strategy - Legal & Compliance - Procurement - Reinsurance - Financial Portfolio Management - Financing), decentralized operational functions (Distribution - Information - Underwriting - Indemnification - Collection) and support functions (Risk - Accounting - Controlling - Human Resources – Communication – Audit) relayed to regional level:



The resulting organizational structure, with clearly-defined responsibilities, transparent governance and a direct presence in 67 countries, is designed to facilitate the implementation of the Coface Group's strategic directions.

In terms of governance, the Coface Group relies on:

- management and pilot committees at different levels (board of directors, executive committee, audit committee, executive committee, specific operational committees);
- matrix organization of key functions based on geographic lines; and
- a body group policies and procedures.

Accordingly, the Coface Group's governance is organized around the general management committee, which is the strategic and operational committee. Chaired by the Chief Executive Officer, it meets once a week and is also composed of the Group's underwriting , information and claims director, finance director, marketing and strategy director, human resources and communications director, risk, organization and group IT systems director and legal, compliance and general services director.

Furthermore, the Coface Group's governance includes an executive committee. This committee coordinates operational implementation of the Coface Group strategy and discussions around all cross-disciplinary themes in all regions. The executive committee meets once a month and is composed of members of the general management committee and the seven regional directors of the Coface Group.

At the regional level, the Coface Group's governance relies on regional boards which focus on financial, distribution and operational aspects arising at the regional level. These committees, which meet once every three months under the supervision of the Chief Executive Officer, are composed of the Group and Regional directors of operations, distribution, finance, claims, information and underwriting.

Procedures relating to the Coface Group's activities are internationally coordinated by departments under the responsibility of Mr. Jean-Marc Pillu, Chief Executive Officer of the Company. The respective roles of these departments are described below.

Group Underwriting, Information and Claims Department

This department includes the Group Underwriting Department and the Group Information and Claims Department:

The Group Underwriting Department defines and oversees credit risk underwriting policies and monitors their implementation. In particular, it monitors the most important and most vulnerable outstanding debts and analyzes monthly reports on credit risk activities for the entire Coface Group. In addition, the Group Underwriting Department handles risks of over €20 million and plays a role in coordinating the underwriting centers.

The Group Information and Claims Department is organized around two divisions: an information division, which is mainly in charge of coordinating the enriched information centers and the back office in order to provide the underwriters with the necessary information and the validation of DRAs, and a claims division in charge of the indemnification process, debt collection and of the validation of all claims amounting over €1 million.

Human Resources and Communications Department

This department includes the Group Human Resources Department and Group Communications Department.

The purpose of the Human Resources Department is to oversee human resource policies and procedures, in order to support the Coface Group's strategy, (including compensation programs and benefits, consolidation and verification of social reporting and organization of the European Works Council) and organize Coface Group skills development. To that end, it relies on a strong network that consists of the regional and local Directors of Human Resources ("**HRD**").

The Group Communications Department defines and implements the Coface Group's internal and external communication strategy, both in France and abroad, in conjunction with executive management.

Group Marketing and Strategy Department

The Group Marketing and Strategy Department oversees the Coface Group's innovation policy. This department is divided into three departments:

- a products department, whose role is to ensure international convergence of offers and to conduct various projects that achieve the Coface Group's goals;
- a customer department in charge of identifying the behaviors and needs of Coface Group policyholders; and
- a markets and partnerships department responsible for competitive intelligence, market research and operational management of the Coface Group network and partners.

Group Risk Management, Organization and IT Systems Department

This department includes the Group Risk Management Department, the Group Organization Department and the Group IT System Department.

The Group Risk Management Department's role is to support the work of the executive management to ensure the solvency and profitability of the Coface Group over the long term and to ensure compliance with the requirements laid down in Solvency II Directive. It covers the functions of risk management, internal control and actuarial sciences under the Solvency II Directive.

The Group Organization Department's mission is to lead all transformation programs necessary to implement the strategy of the Coface Group. It is specifically responsible for defining the needs and supporting the implementation of various Coface Group projects and ensuring the maintenance and configuration of tools, user support and impact studies on the IT system.

The Group IT System Department develops, deploys and manages all common Coface Group IT resources (networks, servers, software, applications in deployment, hardware and software platforms, software packages, IT equipment, acquisition and renewal of equipment and software and maintenance contracts).

Group Finance Department

The Group Finance Department works in conjunction with all operational Coface Group departments and entities and includes the Group Finance Department and the Group Investment and Financing Department:

The missions of the Group Finance Department consist in overseeing and monitoring the financial performance of the Coface Group in the countries where it operates, ensuring the Coface Group accounting and activities management control, managing the investments of the Coface Group, publishing regulatory and tax statements, maintaining relations with rating agencies and establishing means for protecting the balance sheet (especially in the field of reinsurance).

The Investment and Financing Department combines the functions of the Coface Group's asset management, cash management and financing. It is also in charge of the trading floor and the back and middle offices.

Group Legal, Compliance and General Services Department

This department includes the Group Legal and Compliance Department and the Group General Services Department.

The Group Legal and Compliance Department plays an advisory role to all entities of the Coface Group and is, in particular, responsible for the proper functioning of the corporate bodies and committees of the Coface Group and the managing of significant litigation. In addition, in its compliance function, this department monitors compliance by the Coface Group with all rules that govern its activities (see Section 6.7 "*Regulatory Environment*" of this registration document).

The Group General Services Department that is being created, aims in particular to manage the optimization within the Coface Group of purchasing, coordination and implementation of common procedures and reporting.

The Commercial Department

The Group's Commercial Department is divided into three sub-departments. The Sales department is responsible for monitoring sales and pricing. The Single Risk department follows the Single Risk product, as it is subject to a different pricing by a dedicated team. Finally, the Coface Global Solutions department is specifically responsible for the commercial development of its CGS Offer and manages the commercial relationships with its policyholders.

The Audit Department

The Audit Department is responsible for undertaking the internal audit (see Section 4.4.1.4(i) "*Internal Audit Function*" of this registration document). Accordingly, this department also carries out level 3 periodic monitoring, in compliance with the Solvency II Directive requirements.

The Economic Research Department

The Economic Research comprises 18 economists, 13 of which are based in Paris and 5 are located in the regions where the Coface Group has a presence so as to ensure local support. The role of this department is to provide a service to the various business activities within the Coface Group, to its policyholders and to the public at an external level, in particular through "panoramas" released on the Coface Group's website.

6.7 Regulatory Environment

The Coface Group, which is present in 67 countries and markets its services in nearly 100 countries and many sectors of the economy in which its policyholders operate, is governed by specific regulations in each country in which it operates its insurance or factoring business, either directly or through subsidiaries or partnerships. Credit insurance, the Coface Group's main activity, is subject to strict regulations and strict control in each country in which the Coface Group exercises this activity.

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

Finally, the Coface Group operates a factoring business in Germany, where it is subject to specific regulations, and in Poland.

6.7.1 Credit Insurance Activities

6.7.1.1 General Principles Governing the Conduct of Coface Group Credit Insurance Activities

In general, even though the scope and nature of regulations may differ from one country to another, most countries in which the Coface Group operates enforce laws and regulations governing the conduct of such activity, distribution practices, solvency standards, the level of capital and provisions, anti-money laundering rules, rules for consumer protection and KYC (Know Your Customer), licensing and monitoring and oversight of credit insurance activities. Generally, insurers are required to file detailed annual financial statements with the regulatory authority in each country where they operate. These authorities may conduct regular or random examinations of activities and accounts of insurers and may request additional information. Some countries require holding companies that control a licensed insurer to be registered and produce periodic reports that generally refer to the legal entity controlling the insurance company and other affiliates and the approval of transactions between the insurer and its affiliates such as transfers of assets and intercompany dividend payments made by the insurance company.

Since 2012, the Coface Group has operated throughout the territory of the European Union through a single insurance company, Compagnie française d'assurance pour le commerce extérieur, following the rationalization of its organization pursuant to Strong Commitment I and in order to have a single contact point for in terms of regulation on the European level. Outside the European Union, it operates through branches or dedicated subsidiaries. The Group's headquarters are located in France, and its activity is governed largely by European directives and domestic French regulations applicable to non-life insurance. In France, the only oversight and regulatory authority for the Coface Group's activities is the ACPR. As a limited liability company, the Company is primarily subject to the provisions of Book II of the French Commercial Code relating to commercial companies.

6.7.1.2 General requirements for monitoring and oversight of Coface Group activities

Within the European Union, pursuant to Council Directive 92/49/EEC dated June 18, 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance (the "**Third Non-Life Directive**"), it is the country of origin that determines, in accordance with the provisions of the applicable directives, the financial and accounting rules applicable to insurance companies, and enforces them. The establishment of the single market has, however, encouraged greater harmonization of regulations within the European Union.

The Third Non-Life Directive, which was transposed into French law by Law No. 94-5 dated January 4, 1994 and codified in the French Insurance Code, in particular into its Book III, provides that an insurance company that has received the approval of a Member State that to operate in one or more classes of insurance, may exercise these activities directly or through subsidiaries, under the European passport.

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

- oversees compliance by insurers' companies with legislative and regulatory regulations relating to insurance activities;
- ensures that insurance companies are always able to meet their commitments with respect to their policyholders and have the required solvency margin;
- approves any potential amendment of the bylaws of Compagnie française d'assurance pour le commerce extérieur;
- is the recipient of the internal control report that must be submitted to it by Compagnie française d'assurance pour le commerce extérieur pursuant to Article R.336-1 of the French Insurance Code. In this respect, second-level controls have been in place since 2008. They focus primarily on licensing and regulatory authorizations, compliance with personal data protection regulations, establishment of procedures to ensure data confidentiality, rules of governance, compliance with anti-money laundering rules and obligations of insurance companies with respect to Know Your Customer regulations and effectiveness of reporting procedures. Subject to the admission to trading of the Company's shares on Euronext Paris, this report will no longer have to be submitted because it shall then prepare a report on internal control pursuant to Article L.225-37 of the French Commercial Code, which shall be made public. In addition, the Company, in its capacity as a body that has to prepare and publish consolidated financial statements for an insurance group, submits a report annually to the ACPR describing the internal control of the insurance group; and
- oversees the Company pursuant to the supplementary supervision of insurance companies that are part of an insurance group.

In addition, pursuant to Articles L. 322-4 and R. 322-11-1 to R. 322-11-3 of the French Insurance Code, any person (acting alone or in concert with other persons) who intends to acquire or dispose of any shares , directly or indirectly, in the share capital of the Company or the Guarantor with the result that the voting rights held by such person(s) exceed or fall below the thresholds of one tenth, one fifth, one third or one half of the voting rights of the Company or the Guarantor, is required to notify the ACPR thereof prior to such contemplated acquisition or disposal. Any such person (acting alone or in concert as aforesaid) who intends to acquire any such shares which would result in exceeding any such thresholds as aforesaid shall in addition obtain the approval of the ACPR prior to such acquisition.

The Company, as the holding company of an insurance group, is also subject to supplementary supervision by the ACPR with respect to compliance with solvency standards.

Finally, pursuant to Article L.561-2 of the French Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to laws relating to anti-money laundering and terrorism financing. The current body of laws, codified in Title VI of Book V of the French Monetary and Financial Code, is derived among others from Ordinance No. 2009-104 dated January 30, 2009 implementing Directive 2005/60/EC of the European Parliament and of the Council dated October 26, 2005 designed to prevent using the financial system for the purpose of money laundering and terrorism financing. It includes the monitoring of any practices through which third parties may engage in insurance activities resulting in corruption or feeding funds obtained through the commission of criminal offenses back into the legal economy. This monitoring is based in particular on the implementation and use of KYC (Know Your Customer) procedures and transaction filtering tools. Transactions that may reveal an act of bribery, money laundering or terrorism financing are analyzed and result, if appropriate, in a statement of suspicion being issued by TRACFIN (Information Processing and Action against Clandestine Financial Circuits), which is the competent authority in France.

6.7.1.3 Prudential Regime for Insurance Companies

The prudential regime for insurance group, as defined by subparagraph 6° of L.334-2 of the French Insurance Code, governs their operations financially and from an accounting standpoint. The Coface Group's companies operating outside the European Union are also subject to prudential regimes.

6.7.1.3.1 Financial Features of the Prudential Regime for Insurance Companies

The financial component of the prudential regime for insurance companies imposes on the Coface Group either at the consolidated level or at the level of its operating companies, three correlative obligations: (i) sufficient provisioning of the commitments undertaken to its policyholders, (ii) permanently covering such commitments with equivalent value assets and (iii) maintaining a level of capital that ensures an adequate solvency margin.

These three requirements are expected to be radically changed by the implementation of the ongoing reform currently under (i) Directive No. 2009/138/EC of the European Parliament and of the Council dated November 25, 2009 on access to activities of insurance and reinsurance and practice and (ii) its implementing regulations (collectively, "**Solvency II**").

- **Obligation to provision commitments**

Liabilities of insurance companies consist primarily of commitments to policyholders. Uncertainty about the quantum and the execution date of these commitments, which are consubstantial with the activity of an insurance company, results in these commitments being recorded on the balance sheet as estimated amounts. These estimates, also called technical provisions, must at all times be sufficient to satisfy the debts they represent, pursuant to Article R.331-1 of the French Insurance Code.

Compagnie française d'assurance pour le commerce extérieur, is required, in accordance with Article R.331-6 of the French Insurance Code, to hold the following technical provisions to cover the full payment of its commitments towards policyholders or beneficiaries of contracts:

- provisions for unearned premiums, to cover, for all ongoing contracts, the share of premiums issued and to be issued relating to the period between the date of the inventory and the date of the next scheduled premium payment date or, failing that, the date of the term of the contract;

- provisions for unexpired risks that complement the provisions for unearned premiums when the latter are insufficient to cover claims and expenses relating to contracts between the end of the accounting period and the next scheduled premium payment date. They aim at covering, for all ongoing contracts, the cost of claims and expenses relating to contracts for the period between the date of the inventory and the date of the next scheduled premium payment date adjustable by the insurer or, failingthat, between the date of the inventory and the date of the term of the contract;

- provisions for outstanding claims, to cover the costs of all principal amounts and costs, both internal and external, of all claims incurred but not yet paid;

- provisions for equalization, to offset any technical deficit arising at the end of the accounting year. In France, these consist of an annual allocation of 75% of any technical surplus of the branch up to a ceiling representing 1.34 times the average of premiums or contributions received annually during the last five financial years, after deducting removals of and additions to reinsurance acceptances;

- capitalization provisions, designed to counter the depreciation of values of the assets of the business and the decrease in the income from these assets; and

- provision for default risk, designed to counter a possible insufficient liquidity of investments.

- **Obligation to represent commitments**

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

In any event, these assets must meet the requirements of equivalence, congruence and location listed in Article R.332-1 of the French Insurance Code:

- equivalence requires that at any time the value of the assets must be at least equal to the represented liabilities;

- congruence requires the commitments made in one currency to be covered, unless waived, by assets denominated or realizable in the same currency; and

- location requires the regulated assets to be located in a Member State of the European Union.

In addition, the assets covering the provisioned commitments must meet specific requirements of admission, dispersion and valuation.

Rules of admission. The part of the assets that cover the provisions of the insurance companies' commitments includes investments (securities, real estate assets, certain bank loans and deposits) and receivables whose payment is deemed sufficiently probable or which the company holds against reinsurers and securitization vehicles to which it has transferred risk.

Article R.332-2 of the French Insurance Code sets out a list of investments eligible to cover technical provisions and requires that they meet qualitative criteria of security, profitability and liquidity. Regulated commitments of Compagnie française d'assurance pour le commerce extérieur must as such be covered by assets consisting primarily of (i) securities admitted to trading on a regulated market or issued by an entity whose registered office is located in an OECD country as well as money market instruments issued by a company whose registered office is in an OECD country, (ii) real estate assets located in the territory of an OECD country and (iii) deposits and loans granted to individuals located or corporate entities whose registered office is established in an OECD country.

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

Valuation rules. Assets eligible to cover commitments of an insurance company must comply with certain rules governing the value at which they will be recorded on the balance sheet, listed in Articles R.332-19 *et seq.* of the French Insurance Code. The regulations provide for three accounting methods depending on the kind of asset under consideration, it being understood that, in general, such assets are recorded at acquisition value, excluding any depreciation and amortization. However, certain assets are recorded at their historical value, or the purchase or cost price. Another category of assets is recorded on the balance sheet at market value (for example, the latest market price for quoted instruments on the date of the inventory), or the price at which such assets would be sold on the date of the inventory. Finally, amortizing assets are recorded in the balance-sheet at their redemption value, as stipulated in the contract.

- **Obligation to provide a sufficient margin of solvency**

Beyond the technical provisions, which basically consist in freezing in advance sums that may become due during a certain period of time, regulations require that insurance companies offer solvency guarantees through their own funds. In general, the solvency rules consist in ensuring that the insurance company holds a minimum surplus of assets in addition to the assets covering its commitments. In this regard, the conversion of all of its insurance subsidiaries located in the European Union area into branches by the Coface Group enabled it to centralize all assets of these entities and to leave at the local level only the minimum cash flow necessary for operational requirements. In other countries, regardless of the legal status of the relevant entity, such entity must comply with local regulations. In this regard, entities have locally retained their assets portfolio as well as their cash flow in order to cover, in particular, their assets-liabilities constraints and solvency ratio requirements imposed by the local regulators.

In the European Union, the Coface Group is subject to supervision by the ACPR, which has extended oversight authority, in particular to review the solvency margin of the Group in accordance with the requirements of Directive No. 98/78/EC of the European Parliament and of the Council dated October 27, 1998 on the complementary supervision of insurance companies which are part of an insurance group, as implemented by order No. 2001-767 dated August 29, 2001 and its implementing Decree No. 2002-360 dated March 14, 2002 codified in Articles R.334-1 *et seq.* of the French Insurance Code. At the consolidated level of the Coface Group and in accordance with French requirements from the European "Solvency I" directive, which is based mainly on Directive No. 73/239/EEC dated July 24, 1973, the Company is required to compute a consolidated solvency margin corresponding to the ratio between the Company's total available capital and the regulatory capital required. According to applicable French regulations, the Company must maintain its consolidated solvency margin at a minimum of 100%.

In recent years, the European Commission (the "**Commission**"), together with the Member States, conducted a substantive review of regulatory capital requirements in the insurance sector in the context of the implementation of Solvency II.

The objective of Solvency II, which will come into effect on January 1, 2016, is aimed at controlling more efficiently insurer risks and providing a common system for all members of the European Union. The new approach is based on three pillars:

- Pillar 1 covers quantitative capital requirements, asset and liability valuation rules and capital adequacy requirements. Solvency II thus provides for Solvency Capital Requirements ("**SCR**") that set the equity capital required for the insurer to absorb a major shock, which is calculated according to a standard model or an internal model developed by the insurer and approved by the national prudential regulator;

- Pillar 2 covers the requirements for the governance and management of risks incurred by insurers as well as the effective supervision of the latter and in particular the requirement for them to conduct an internal assessment on their risks and solvency (Own Risk and Solvency Assessment – ORSA) and communicate the results to the supervisory authority as part of the supervisory review process; and

- Pillar 3 concerns reporting and transparency requirements. This approach will cover, among others, valuations, treatment of insurance groups, the definition of capital and the overall level of capital requirements. One of the main features of Solvency II consists in comparing risk-assessment methods and economic capital methods and would allow the Coface Group to use its internal models for calculating economic capital, once approved by the Coface Group's auditing authority (ACPR), to obtain a better understanding of risks and appropriate management of these risks.

At this stage, there are still uncertainties concerning the application of certain detailed rules yet to be adopted (for a detailed description of the risks attached to these uncertainties, see Section 1.1 "*Risk Factors – Risks related to the economic, financial and regulatory environment of the Coface Group's sectors of activity - Risks related to the implementation of the Solvency II regulations*").

6.7.1.3.2 Accounting features of the prudential regime for insurance companies

In addition to the general accounting obligations enacted in Articles L.123-12 *et seq.* of the French Commercial Code, the Coface Group is subject to specific accounting rules applying to insurance companies, as codified in Title IV of Book III of the French Insurance Code. Indeed, the fact that insurance companies are characterized by an inverse production cycle – the provision of services whose actual cost will be known only *a posteriori* – justifies the existence of specific accounting rules for such companies. Article R.341-1 of the French Insurance Code provides in this respect that these rules apply equally to all branches established abroad, with the exception of the operations of branches established outside the European Union, for which an exemption is possible. These rules are applicable to the Compagnie française d'assurance pour le commerce extérieur which draws up financial statements in accordance with the applicable French standards.

The Coface Group's consolidated financial statements are prepared in accordance with the IFRS (more specifically, standard IFRS 4 phase 1). This standard impose that the standards used for this insurance contracts is internationally recognized. As such, the Coface Group has retained French standards to translate its insurance contracts. The equalisation provision in not admitted by the IFRS standards and thereby was cancelled in all the IFRS financial statements, whereas it still appears in the Compagnie française d'assurance pour le commerce extérieur. In addition, the Coface Group needs to apply the IFRS 4 paragraph 14 standards and realize liability adequacy tests.

6.7.1.4 Regulations applicable to credit insurance contracts of the Coface Group

Contracts issued in each country where the Coface Group is present comply with the regulations of the corresponding country. In France, credit insurance contracts issued by the Coface Group are not subject to the provisions of the French Insurance Code, but to the common law applying to contracts – with the exception of Articles L.111-6 (major risks), L.112-2 (framework of the pre-contractual phase), L.112-4 (insurance policy content), L.112-7 (information to be provided when the contract is offered under conditions of freedom to provide services) and L.113-4-1 (explanation owed to the policyholder by the credit insurer when it refuses to guarantee claims held by the policyholder with respect to its debtor) of the French Insurance Code.

6.7.2 Management and coverage of public procedures

In addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages, on behalf of, and under the control of, the State, the risks associated with international trade that are not likely to be insured by the market. This mission is carried out under the conditions stipulated by Law No. 49-874 dated July 5, 1949 and Decree No. 94-376 dated May 14, 1994, as amended and codified in Articles L.432-1 *et seq.* and R.442-1 *et seq.* of the French Insurance Code, as supplemented by the convention on the public procedures management and the convention on the financial relations between the government and Compagnie française d'assurance pour le commerce extérieur annexed thereto, signed on February 24, 2012. In this context, the company's supervisory authority is the General Directorate of the Treasury.

This public procedures management activity has been maintained, as were all credit insurance transactions made "for the account or with the support of the State, or when the State is the insurer" outside the scope of the 1987 Directive, particularly with respect to the prudential rules it imposes, and the Third Non-Life Directive, pending further coordination yet to take place.

For this activity, certain operations of Compagnie française d'assurance pour le commerce extérieur are guaranteed by the State pursuant to Article L.432-2 of the French Insurance Code.

For the most part, they require the following procedures that support and develop French exports:

- credit insurance, which covers an exporter or its bank against the risk of non-repayment of an export credit;
- investment insurance, which protects against risks of a political nature, damage to property or non-collection of revenue generated by such investments;
- foreign exchange insurance, against the possible failing in the billing currencies of exports;
- prospection insurance, which protects small- and medium-sized enterprises against the risk of failure of their prospection in foreign markets; and
- exporter risk insurance, which protects banks against default by an exporter for which they have issued surety bonds (such as for advance payments) or to whom they have granted a pre-financing loan.

Pursuant to Articles L.432-3 and R.442-2 of the French Insurance Code, insurance coverage is issued by Compagnie française d'assurance pour le commerce extérieur on behalf of the State, in accordance with the decisions of the Minister of the Economy made after consulting the French Export Credit and Guarantee Commission. These decisions determine the terms of policies relating, among others, to the obligations of the policyholders, premium collection, events giving rise to claims, schedule of indemnity payments, distribution of amounts collected from distressed debt, and execution of these policies.

Article L.432-4 of the French Insurance Code provides that all technical flows corresponding to public procedures, except for remuneration received by Compagnie française d'assurance pour le commerce extérieur for its management activity, are recorded in separate accounts in the company's financial statements. As a result, these operations do not have to be recorded in the balance-sheet or income statement of Compagnie française d'assurance pour le commerce extérieur: only the management fees received in this context are recorded in the income statement. Furthermore, this article provides that a separate accounting record is prepared by Compagnie française d'assurance pour le commerce extérieur for these transactions. An agreement between the State and Compagnie française d'assurance pour le commerce extérieur sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more statutory auditors. Finally, without prejudice to the rights of holders of claims arising from State guaranteed transactions, no creditor of Compagnie française d'assurance pour le commerce extérieur other than the State can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under the rules of Book VI, Title II of the French Commercial Code, Articles L. 611-1 to L. 612- 4 of the French Commercial Code, or Articles L.310-25 and L.326-2 and L.327-6 of the French Insurance Code.

In accordance with Article R.442-3 of the French Insurance Code, Compagnie française d'assurance pour le commerce extérieur, as a manager of public funds, is subject, for the purpose of its public procedures management activity, to the economic and financial control of the State. As such, Compagnie française d'assurance pour le commerce extérieur can be audited by State inspectors who have the power to carry out and document on-the-spot any investigations and periodically report their activities to the Ministers in charge of Finance, Economic Affairs and Budget.

In addition, Articles R.442-4 and R.442-5 of the French Insurance Code provide, among others, that the Minister of the Economy shall appoint a Government Commissioner who is responsible for ensuring the implementation of the State's guarantee by Compagnie française d'assurance pour le commerce extérieur so that the latter does not compromise the exercise of the responsibilities delegated to it by the State. The Commission may review at any time the accounting records as well as the documents and information necessary for the performance of its duties and exercise right to veto over any decision relating to the State's guarantee that may jeopardize the exercise thereof. In the case of a veto, Compagnie française d'assurance pour le commerce extérieur has a period of eight days to appeal to the Minister of Economy, who shall rule on the objection within ten days.

Article R.442-6 of the French Insurance Code, restated in Article 9 of the bylaws of Compagnie française d'assurance pour le commerce extérieur, further provides that any acquisition by a person, acting alone or in concert, above the threshold of 10% of the share capital or voting rights of that company, requires a decision by the Board of Directors, subject to the approval of the Minister of the Economy. Such approval is deemed to be granted, unless opposed by the Minister within 15 days after the decision of the Board. If any such acquisition is made without complying with the provisions of this article, the holder or holders of the relevant shares cannot exercise their corresponding right to vote and must sell the shares within three months.

6.7.3 Factoring Activities in Germany and Poland

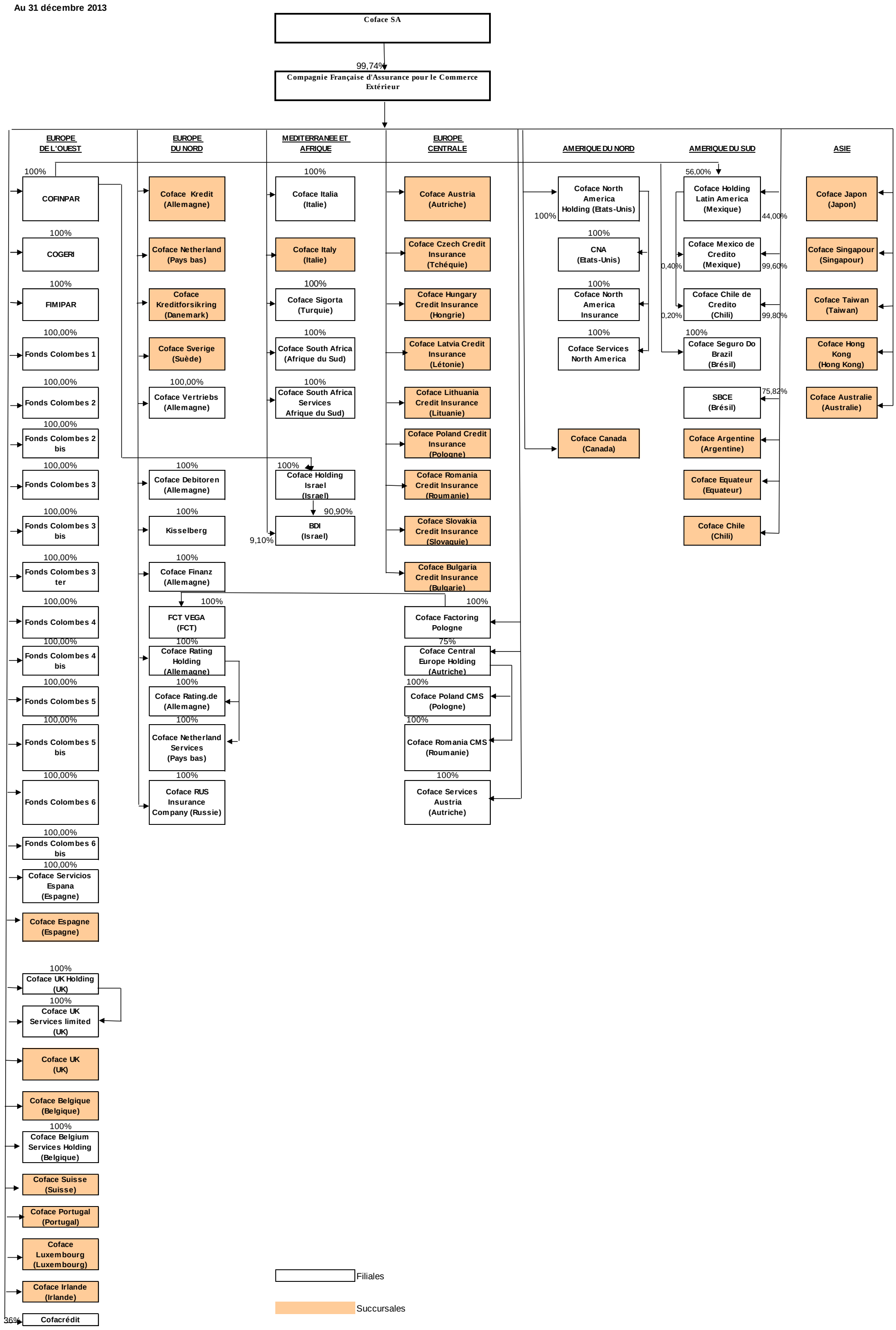
Factoring is regulated by the German Banking Act (*Kreditwesengesetz*) as a financial service (and not as banking business) and defined as the continuous sale of debts on the basis of a framework contract benefitting a third-party institution, with or without recourse against the selling company. As a financial service (*Finanzdienstleistung*), as defined by the German Banking Act, the factoring business is regulated and subject to supervision by the authority of the German financial regulator, BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*), which requires approval for the conduct of such activities.

In Poland, factoring activities, which are carried out under the regime of local civil law relating to the transfer of receivables, are not subject to any specific regulatory framework, except that they are subject to Polish anti-money laundering regulations.

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

7. ORGANIZATION CHART

7.1 Coface Group Legal Organization Chart



7.2 Subsidiaries and Equity Interests

7.2.1 General introduction

The Company is the holding company of the Coface Group.

As a decision-making and management body, the Company is a non-operational holding company and plays a vital financial role in the Coface Group, performing management, financing and advisory activities for its subsidiaries; it also manages operating activities.

As of the date of this registration document, Natixis, the corporate finance, investment management and financial services entity of the BPCE Groupe, one of the main French banking groups, owns 99.99% of the shares capital and voting rights of the Company.

7.2.2 Major subsidiaries

The chief operating subsidiary of the Coface Group is Compagnie française d'assurance pour le commerce extérieur, with a net income of €110.3 billion for the year ended December 31, 2013. This subsidiary, which is 99% owned by the Company, is a French *société anonyme*, with a share capital of €137,052,417.05, with registered office is at 1, place Costes et Bellonte, 92270 Bois-Colombes, and is registereded with the Nanterre Trade and Companies Registry under company number 552 069 791.

In 2012, as part of Strong Commitment I, the Coface Group simplified its European organization, converting all its insurance subsidiaries located in the European Union into branches held under a single French company: the *Compagnie française d'assurance pour le commerce extérieur*, which now acts as a single point of contact for EU regulatory purposes (see Section 5.1 "*History and Development*" of this registration document).

Thus, the Compagnie française d'assurance pour le commerce extérieur is the principal operating company and the principal insurance company of the Coface Group. It also manages public procedures on the behalf of and with the guarantee of the French State (see Section 6.5.1 "*Credit Insurance and Related Services –Public Procedures Management*" of this registration document). It also owns the two Coface Group companies authorized to engage in factoring activities (Coface Finanz, (Germany) and Coface Factoring Poland (Poland)).

7.2.3 Principal acquisitions and recent disposals

During the period 2011-2013, the Coface Group underwent a number of changes in its organization related to the implementation of Strong Commitment I and to the focus on its core business, credit insurance.

Because of this shift in focus, the Coface Group disposed of non-strategic service or factoring companies or liquidated some factoring companies which were deemed unprofitable. Moreover, due to regulatory changes related to the implementation of the Solvency II Directive, the Coface Group converted all its insurance subsidiaries located in the European Union to branches. This is described more fully in notes 1 and 3 of the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 (see Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document).

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Significant existing or planned tangible assets

As of the registration date of this registration document, the Coface Group does business with an international network consisting of subsidiaries and branches giving it a direct presence in 67 countries.

The Coface Group's tangible assets consist of materials and equipment necessary for the proper operation of its business activities, of real estate assets, essentially buildings associated with its operations (head offices, administrative sites, and offices), most of which are leased (under commercial leases), of the head office of Coface Deutschland, property held under a finance lease (for an amount of €10.6 million for the year ended December 31, 2013).

The Coface Group invests only in property used to operate its business. During the 1990s, in order to manage its balance sheet, the Coface Group decided to dispose of nearly all its real estate assets held for investment purposes. As a result, the Coface Group's current real estate portfolio consists essentially of buildings used in connection with its business activities. For the year ended December 31, 2013, the Coface Group's total real estate assets had a net fair value of €75.7 million.

The Company's head office is located at 1, Place Costes and Bellonte, 92270, Bois-Colombes, France, and is a property over which the Company holds a nine-year commercial lease (sub-lease contract with no consideration granted by Compagnie française d'assurance pour le commerce extérieur). For the year ended December 31, 2013, the lease amount paid by Compagnie française d'assurance pour le commerce extérieur amounted to €8.4 million.

8.2 Environmental factors liable to influence the use of the Coface Group's tangible assets

The nature of the Coface Group's business activities is such that it does not entail a significant risk for the environment.

However, the Coface Group pays a particular attention to the environmental footprint of its activities and aims to implement a policy of profitable, sustainable and responsible development with respect to labor, the environment and society at large.

As from 2014, and for so long as the Company's shares are listed on the Euronext Paris, the president of the Company's Board of Director's will be required to prepare reports regarding the environmental footprint of the Coface Group's activities.

9. REVIEW OF THE FINANCIAL POSITION AND RESULTS OF THE COFACE GROUP

Investors are invited to read the following information on the Coface Group's financial position and results, and the Coface Group's consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013 and the notes to the financial statements, appearing in Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*", specifically prepared for this registration document.

The Coface Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 were prepared in accordance with IFRS as adopted by the European Union. The statutory auditors' report on the consolidated financial statements is included in Section 20.2, "*Auditor's Report on the Consolidated Financial Statements of the Coface Group*".

The consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013 are not the first financial statements prepared in accordance with IFRS by the Coface Group. Financial statements were prepared by the Coface Group on a voluntary basis when the accounts for the financial year ended December 31, 2012 were released. Before that date, due to its consolidation within the Natixis Group, the Coface Group did not publish IFRS consolidated financial statements for its own purposes, pursuant to the exemption set forth in the French *Code de Commerce* for the sub-groups of groups publishing consolidated financial statements.

In the consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013 described in Section 20.2 of this registration document, the comparative information for the financial years 2011 and 2012 was restated to reflect the retrospective application of revised IAS 19 "Employee benefits", adopted by the Coface Group for the financial year ended December 31, 2013. Moreover, a certain number of restatements and reclassifications were made for purposes of comparison in order to account for changes in the scope of consolidation following the implementation of the Coface Group's new strategic focus on its credit insurance activities (as described in more detail in Note 1 to the consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013).

9.1 General introduction

The Coface Group

For almost 70 years, the Coface Group has ranked among the world leaders in the field of credit insurance. It offers companies solutions aimed at protecting them against the risk of financial default by their debtors as part of the management of their accounts receivable on both the domestic and export markets. Coface Group offers:

- credit insurance products and related services (risks prevention , management and collection of receivables, "single risk" insurance products and public procedures management); and
- additional services (mainly factoring and surety bonds in certain countries).

For the financial year ended December 31, 2013, the Coface Group's consolidated revenue amounted to €1,440.3 million euros; with operating income before taxes of €196.9 million and net income (group share) of €127.4 million. Credit-insurance products and related services, the Coface Group's core business represented 88% of consolidated revenue, the balance consisting of additional services (see Section 6.5.2 "*Additional Services*" of this registration document).

For the three-month period ended March 31, 2014, the Coface Group's consolidated revenue amounted to €370.0 million, with operating income of €54.8 million and net income (group share) of €36.7 million, with credit insurance products and related services representing 89% of the consolidated revenue of the Coface Group.

Between 2011 and 2013, in order to refocus its activities on its core business, credit insurance, the Coface Group implemented Strong Commitment I. With 80 structural actions, the Coface Group developed this plan to refine and optimize its business model around three major strategic objectives: focusing on credit insurance fundamentals, (which led the Coface Group to dispose of some of its non-strategic service or factoring companies and to liquidate some of its factoring companies that it deemed unprofitable); preparing the conditions for a sustainable and profitable growth model; and implementing a structured and flexible governance model focused on innovation (see Section 5.1 "*History and Development*" of this registration document).

Optimizing risk management

The main achievements resulting from the implementation of Strong Commitment I since 2011 include:

- the implementation of a matrix organization to build close relationships with policyholders and greater responsiveness in the decision-making process;

- the strengthening of risk analysis, assessment and management tools; and

- the redeployment of risk underwriting services much closer to the underlying risk through the creation of 25 new underwriting centers as close as possible to the locations of the risks, an organization by business sectors and the creation of 45 enriched processed information centers to strengthen a unique database containing information on 65 million debtors.

Through these optimization measures, the Coface Group was able to maintain a relatively stable loss ratio before reinsurance despite the economic downturn (51.1% in the financial year ended December 31, 2013 compared to 51.5% in the financial year ended December 31, 2012 and 51.7% in the financial year ended December 31, 2011) and to improve its reinsurance terms.

Controlling the Cost Base

In addition, under Strong Commitment I, the Coface Group has been able to control cost base and improve its profitability. To the extent that the Coface Group's activities are principaly based on a fixed cost base (consisting principal of general internal expenses, such as staff costs, IT costs and data purchasing costs), the Coface Group made the following changes for the financial years ended December 31, 2011, 2012 and 2013:

- optimizing its operating processes (resulting in the reduction of more than 250 full time equivalents employees);

- streamlining and centralizing its IT tools (resulting in a reduction of maintenance costs related to information systems while maintaining investments in its commercial development);

- establishing centralized information purchasing processes and centralizing low added value work in three new back-office centers in Peru, India and Morocco (enabling economies of scale);

- simplifying the Coface Group's legal organization chart, thereby making it possible to reduce both legal and financial fixed costs by converting all its insurance companies located in the European Union into branches of the Compagnie française d'assurance pour le commerce extérieur (see Section 5.1 “*History and Development*” of this registration document); and

- regrouping its French staff at a single site in Bois-Colombes.

The Coface Group’s general internal expenses decreased to €559.2 million in the financial year ended December 31, 2013 (including the costs associated with the relocation of the Coface Group’s head office, which amounted to €8.3 million), compared to €565.1 million in the financial year ended December 31, 2012 and €565.7 million in the financial year ended December 31, 2011 (see the Section “*Expenses from other activities*” below).

Reviving Commercial Dynamism

In order to reduce notably the consequences of the revenue fluctuations of policyholders, (which were particularly volatile in 2012 due to the economic and financial crisis (particularly in the euro zone)), the Coface Group launched various actions to reorganize its activities and its sales forces. The purpose of these actions was to develop a new sales culture focused on performance and quality of service. As early as 2013, this resulted in improved commercial performance indicators and led to an increase in the production of new contracts (the annual value of the credit insurance policies underwritten for new customers was up by 29% in the financial year ended December 31, 2013 after a 13% decline in the financial year ended December 31, 2012), and contract retention rates (ratio between the annual value of policies effectively renewed and the annual value of policies to be renewed over the preceding period) increased to 87.9% in the financial year ended December 31, 2013 (up by 1.2 points) compared to 86.8% in the financial year ended December 31, 2012, a partial recovery compared to the 89.1% retention rate recorded in the financial year ended December 31, 2011. All regions experienced an improved sales performance in the financial year ended December 31, 2013, which should favorably impact future trends in level of premiums due to the fact that premiums are recorded over the lifetime of the contracts.

Improved financial autonomy

Since 2011, the gross financial indebtedness ratio[19] of the Coface Group has been low (1% since the end of the financial year ended December 31, 2011, excluding the issuance of subordinated notes in March 2014 as described below) following the repayment of certain indebtedness to Natixis by various entities of the Coface Group (finalized during 2011).

In order to improve its financial autonomy and to diversify its financing sources, the Coface Group reviewed the financing of its factoring activities. At the end of 2012, 95% of the financing of factoring activities were provided by Natixis (representing 90% of total financing capacity). At the end of 2013, the bilateral line of credit from Natixis represented no more than 20% of total financing capacity, the balance being provided by the market and by other bilateral lines of credit (see Section 10.2, “*Indebtedness and Sources of Financing of the Coface Group*” of this registration document). In February 2012, a securitization program for its factoring receivables was established. This program was supplemented by a commercial paper program and by bilateral lines of credit. The balance of any financing is provided by Natixis at market conditions (see Section 10.2.2 “*Principal Sources of Financing of the Coface Group*” of this registration document).

Furthermore, in order to optimize its capital structure and reinforce its solvency margin, the Coface Group issued €380 million of subordinated notes in March 2014 (see Section 10.2.2, “*Principal Sources of Financing of the Coface Group*” of this registration document).

[19] The ratio of financial indebtedness (as shown in section 10.2.1 “*Indebtedness of the Coface Group*” of this registration document) to the aggregate of consolidated equity and such financial indebtedness. Financial indebtedness does not include operating debt related to factoring activities.

The Coface Group therefore believes that over the 2011-2013 period it successfully completed its strategic refocus. It regained its operating performance, particularly in terms of managing risk, controlling its cost base and improving its commercial development.

Principal Financial Data

The tables below show the Coface Group's principal financial data for the the financial years ended December 31, 2011, 2012 and 2013 and the three-month period ended March 31, 2013 and 2014:

Consolidated Income Statement

(*in thousands of euros*)	**For the three-month period ended March 31**		**For the year ended December 31**		
	2014	**2013**	**2013**	**2012**	**2011**
Revenue	**370,004**	**369,681**	**1,440,330**	**1,487,040**	**1,474,181**
Gross written premiums	345,007	343,319	1,206,690	1,257,525	1,245,381
Policyholders' bonuses and rebates	-22,359	-19,286	-75,564	-91,472	-83,971
Net change in unearned premium provisions	-35,130	-36,459	-2,583	-6,134	-23,204
Earned premiums	287,518	287,575	1,128,543	1,159,919	1,138,206
Fees and commission income	35,634	35,630	123,410	127,212	112,457
Net income from banking activities, net of cost of risk	15,606	15,511	66,677	76,011	90,784
Revenue or income from other activities	30,502	30,261	119,167	122,880	124,479
Investment income, net of management expenses (excluding finance costs)	9,083	11,466	67,516	36,968	43,157
Total revenue and income from ordinary activities	378,344	380,442	1,505,313	1,522,989	1,509,083
Claims expenses	-137,177	-149,905	-576,263	-597,506	-594,344
Expenses from banking activities excluding cost of risk	-2,874	-3,338	-11,884	-14,672	-13,938
Expenses from other activities	-12,239	-10,809	-51,884	-71,516	-76,879
Income and expenses from ceded reinsurance	-24,299	-19,025	-66,202	-56,447	-80,747
Policy acquisition costs	-65,026	-60,313	-256,867	-232,327	-227,503
Administrative costs	-61,567	-63,829	-263,891	-218,099	-232,445
Other current operating expenses	-20,356	-26,090	-83,112	-135,476	-111,758
Total current income and expenses	-323,538	-333,308	-1,310,104	-1,326,044	-1,337,614
Other operating income and expenses	-1,393	10	1,721	-198	-31,293
OPERATING INCOME	**53,413**	**47,144**	**196,931**	**196,747**	**140,176**
Finance costs	-594	-861	-3,035	-2,974	-5,393
Share in net income of associates	332	332	1,493	1,371	1,885
Income tax expense	-16,103	-16,691	-67,380	-64,689	-54,691
NET INCOME FROM CONTINUING OPERATIONS	**37,048**	**29,924**	**128,008**	**130,455**	**81,977**
Net income (loss) from discontinued operations	0	0	0	-5,142	-17,154

CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**37,048**	**29,924**	**128,008**	**125,313**	**64,823**
Non-controlling interests	-309	-239	-569	-1,226	-1,223
NET INCOME FOR THE YEAR	**36,739**	**29,685**	**127,439**	**124,087**	**63,600**

Revenue by Geographical Region

Revenue by region (in millions of euros and percentage of revenue)	**For the three-month period ended March 31**				**For the year ended December 31**					
	2014		**2013**		**2013**		**2012**		**2011**	
Northern Europe	94	25 %	90	24 %	367	25%	347	23%	406	27%
Western Europe	122	33 %	120	33 %	469	33%	505	34%	498	34%
Central Europe	29	8 %	29	8 %	110	8%	111	7%	100	7%
Mediterranean & Africa	58	16 %	56	15 %	217	15%	213	14%	202	13%
North America	27	7 %	29	8 %	102	7%	113	8%	98	7%
Latin America	20	5 %	24	7 %	81	6%	85	6%	73	5%
Asia-Pacific	21	6 %	22	6 %	96	7%	113	8%	97	7%
Total	**370**	**100%**	**370**	**100%**	**1,440**	**100%**	**1,487**	**100%**	**1,474**	**100%**

Condensed Consolidated Balance Sheet

(in thousands of euros)	**As of March 31**	**As of December 31**		
	2014	**2013**	**2012**	**2011**
ASSETS				
Intangible assets	239,124	240,441	250,810	260,248
Insurance business investments	2,323,365	2,208,633	2,221,123	2,184,639
Receivables arising from banking and other activities	2,059,205	2,120,516	2,109,405	3,372,724
Investments in associates	17,952	17,621	16,812	16,269
Reinsurers' share of insurance liabilities	358,430	347,221	352,562	380,025
Other assets	929,435	784,667	874,560	844,764
Cash and cash equivalents	608,668	273,920	257,010	242,872
TOTAL ASSETS	**6,536,179**	**5,993,019**	**6,082,282**	**7,301,538**

(*in thousands of euros*)	**As of March 31**	**As of December 31**		
	2014	**2013**	**2012**	**2011**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	1,828,056	1,780,238	1,762,593	1,630,377
Non-controlling interests	13,386	13,089	13,648	12,379
Total equity	1,841,442	1,793,327	1,776,241	1,642,756
Provisions for liabilities and charges	113,568	112,056	117,236	92,641
Financing liabilities	386,659	15,133	13,159	15,464
Liabilities relating to insurance contracts	1,477,973	1,450,499	1,483,575	1,531,903
Payables arising from banking sector activities	2,040,552	2,109,297	2,081,241	3,363,415
Other liabilities	675,985	512,708	610,831	655,361
TOTAL EQUITY AND LIABILITIES	**6,536,179**	**5,993,019**	**6,082,282**	**7,301,538**

Principal Operating Data

In the course of its activities, and in addition to the financial information published in accordance with IFRS, the Coface Group tracks certain key operating ratios that provide an understanding of the Coface Group's performance and profitability of its products (loss ratio, cost ratio and combined ratio). This data is presented as additional information only and must not be substituted or mistaken for the financial information as defined under IFRS.

Loss Ratio

This ratio allows the Coface Group to measure the underwriting profitability of insurance contracts during the financial year. By analyzing this ratio, it is also possible to price policies effectively by taking into account the amount of claims made by policyholders. Unless otherwise indicated or specified, the following paragraphs relating to the loss ratio in this registration document refers to the loss ratio before reinsurance.

Loss Ratio before Reinsurance

The loss ratio before reinsurance is the ratio of claim expenses (as defined below) to gross earned premiums (the sum of the gross premiums issued and unearned premium provisions), net of premium rebates. Premium rebates are reimbursements made to policyholders of part of the premiums paid by them when claims under their insurance policies do not exceed a certain threshold (low claims bonus) or when there are no claims (no-claims bonus) (see Section 9.2, "*Principal Factors Affecting Business Activities, Results and Principal Accounting Items*" of this registration document).

Loss Ratio after Reinsurance

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

Cost Ratio

Cost Ratio before Reinsurance

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

The cost ratio before reinsurance is used by the Coface Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year. The Coface Group's credit insurance business is supported by services activities such as corporate information and receivables recovery. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the general expenses of the Coface Group. The general expenses are also increased by complementary businesses such as factoring (in Germany and Poland) and management of public procedures on behalf of the French and Brazilian States. However, in order for the cost ratio calculated by the Coface Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additionel businesses (non-insurance) described above is deducted from general expenses.

Cost Ratio after Reinsurance

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

General Expenses

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

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to commissions paid to intermediaries which introduce business (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to drafting services in charge of writing contracts);
- administrative costs (including Coface Group operating costs, payroll costs, IT costs, etc. excluding profit-sharing and incentive schemes);
- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, notably, including in particular management expenses);
- expenses from banking activities (general operating expense, such aspayroll costs, IT costs, etc., relating to factoring activities); and
- expenses from other activities (general expenses related exclusively to information and recovery for customers without credit insurance)
- minus revenue related to:
- fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as information on debtors, fees for monitoring credit limits of customers of policyholders and receivables management and recovery);
- other insurance-related services (ancillary services, such as administrative fees for managing claims and reinvoiced receivables recovery fees);

- business information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance;
- receivables management (fees charged for receivables recovery services) provided to customers without credit insurance;
- the net income from banking activities relating to the factoring activities, and
- commissions received for public procedures management services.

Combined Ratio

The combined ratio measures the overall profitability of the Coface Group's activities and its technical margin.

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

Changes in Ratios over the Financial Years Ended December 31, 2011, 2012 and 2013 and the three-month periods ended March 31, 2013 and 2014

The table below shows the changes in the principal operating data tracked by the Coface Group for the financial years ended December 31, 2011, 2012 and 2013 and the three–month periods ended March 31, 2013 and 2014:

Ratios relating to credit insurance and surety bonds gross earned premiums net of rebates	**As of March 31**		**As of December 31**		
	2014	**2013**	**2013***	**2012**	**2011**
Loss ratio before reinsurance	47,4 %	52,1 %	51.1%	51.5%	51.7%
Loss ratio after reinsurance	52,3 %	55,1 %	53.8%	53.3%	54.5%
Cost ratio before reinsurance	27,2 %	28,1 %	30.5%	29.4%	28.8%
Cost ratio after reinsurance	25,0 %	26,3 %	28.7%	26.9%	27.7%
Combined ratio before reinsurance	74,6 %	80,2 %	81.5%	80.9%	80.6%
Combined ratio after reinsurance	77,3 %	81,5 %	82.5%	80.2%	82.2%
Ratio of return on equity enabling the measurement of return on the equity invested by the Coface Group	**For the three-month period ended March 31, 2014**				
RoATE**	**9,4 %**		**8,4 %**	**8,6 %**	**5,3 %**

** Excluding the cost of relocation the Coface Group's head office (-€8.3 million). Including relocation costs, the cost ratio is 31.2% before reinsurance, and 29.7% after reinsurance, and the combined ratio is 82.3% before reinsurance and 83.5% after reinsurance.*

***a definition of this ratio and its calculation method is described in Section 10.4 "Return on Equity" of this registration document.*

Sector information

The Coface Group applies IFRS 8, under which sector information is presented based on the Coface Group's structure as used for allocating resources and measuring performance. The Coface Group organizes its activities around seven geographical regions in which it markets its products directly or through partnerships: Western Europe, Northern Europe, Mediterranean & Africa, Central Europe, North America, Asia-Pacific and Latin America. These regions are described in Section 6.5.3 "*Description of Coface Group Activities by Region*" of this registration document).

9.2 Principal factors affecting business activities, results and principal accounting items

A – Principal factors affecting business activities and results

The principal factors which the Coface Group believes have an effect on its business activities and results are described below.

Macro-economic situation and competitive environment

The Coface Group is active in 67 countries and markets its services in nearly 100 countries and in the many sectors of economy in which its policyholders operate.

The Coface Group's business activities are by nature directly related to the economic environment as the premiums collected by the Coface Group in connection with its core business, credit insurance, are primarily based on the revenues earned by its policyholders or on their outstanding customer receivables, which in turn are based on revenues. Trends in economic activity can therefore have an effect (upward or downward) on the volume of insurance premiums collected. The economic environment also affects the number of corporate defaults and claims as well as policy prices which in turn directly affects the Coface Group's operating income.

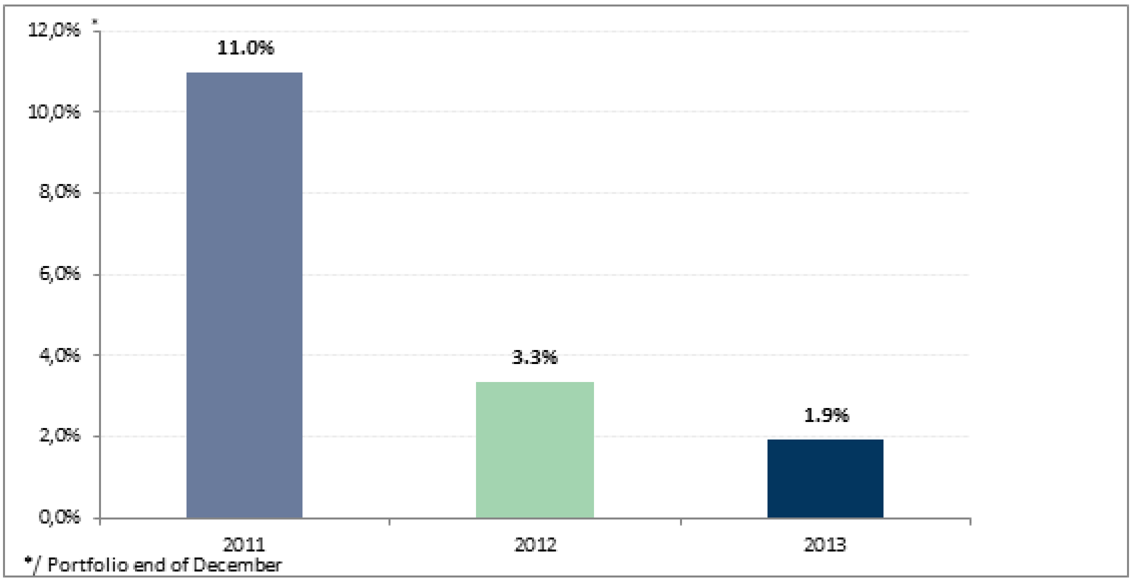
Strong Commitment I was implemented during the financial years ended December 31, 2011, 2012 and 2013 following the global financial and economic crisis of 2008-2009. This period saw a combination of shortening of macro-economic cycles, together with a slowdown in global growth starting in 2011, particularly in the euro zone; as well as the beginning of a sovereign debt crisis that led to a recession affecting euro zone countries to varying degrees. This economic downturn resulted in a general decline in corporate revenues, which varied depending on the region, and an increase in claims frequency (increase in the number of claims or verify (claims ina significant amount attributable to a single event).

The credit insurance contract premium is based on the revenue realized by the policyholder during the coverage period under its insurance policy, on insured client risk exposure amounts (outstanding receivables), or on a capped exposure, each of which is a function of the revenue realized by the policyholder during the coverage period under its credit insurance policy. The total volume of premiums collected by the Coface Group thus depends on the revenues of its policyholders, namely the sales volume effectively realized by its policyholders during the coverage periods under each of their respective credit insurance policies and covered by their policies.

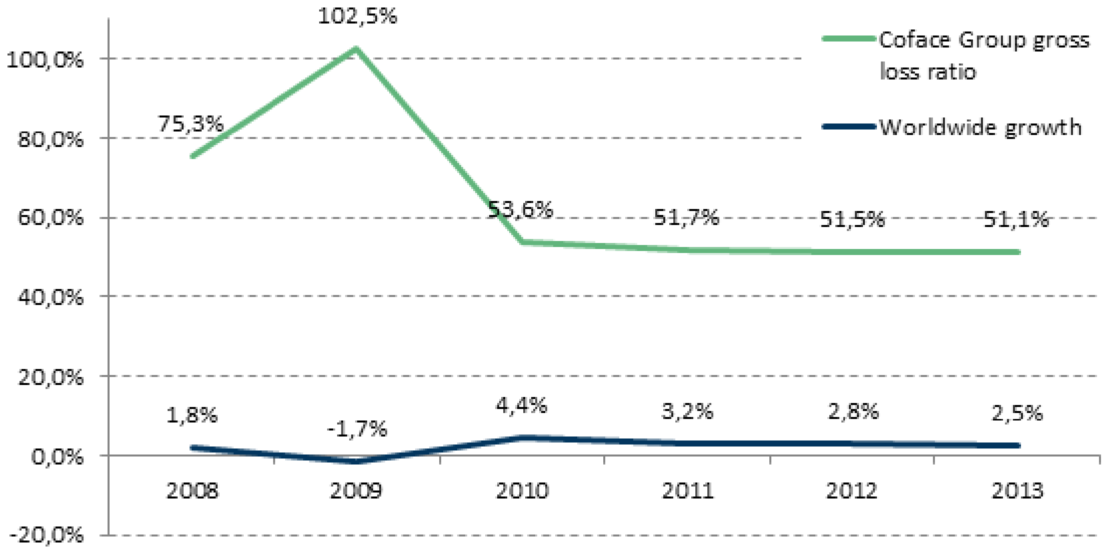
The Coface Group's insurance policies include, in addition, a minimum lump-sum premium, calculated on the basis of an estimation of the realizeable sales volume of a policyholder during the coverage period of its credit insurance policy. This minimum is usually charged on a quarterly basis, with the first payment date being the date of entry of the credit insurance contract. The volume of the policyholder's effectively realized sales, from which the final premium amount can be determined, is only known at the end of the period during which such policyholder is covered under its credit insurance policy. The amount of the final premium, based on the sales volume realized by the policyholder, is generally higher than the minimum lump-sum premium already charged. The policyholder is thus charged an adjustment premium, which corresponds to the difference between the the lump-sum premium and the final premium. However if the total premium calculated on the basis of the sales volume realized by the policyholder is lower than the amount of the lump-sum premium, the difference is retained by the Coface Group.

As a result, the revenues recorded on the basis of this method of calculating premiums on the revenue of the Coface Group are spread over the life of its credit insurance policies and are not recorded only on one financial year. When a policyholder's effective sales volume is higher than that taken into account for the purposes of determining the premiums charged during the coverage period of the policy, the difference has a positive effect on the earned premiums recorded by the Coface Group in the next financial year. However, when a policyholder's effective sales volume is lower than the basis of calculating the lump-sum premium, this difference does not produce any effects on the acquired premiums recorded by the Coface Group in the next financial year.

The chart below shows the impact of the change in the volume of business of the Coface Group's policyholders over the 2011-2013 period. This impact is measured by the ratio between (i) the difference between the value of minimum lump-sum premiums and the final premium amount collected once the actual volume of business during the financial year N has been determined and (ii) the annualized value of the policies at the end of the financial year N-1:



The graph below shows the global GDP growth rate (source: IMF, GDP growth rate) and the Coface Group’s loss ratio over the financial years ended December 31, 2011, 2012 and 2013:



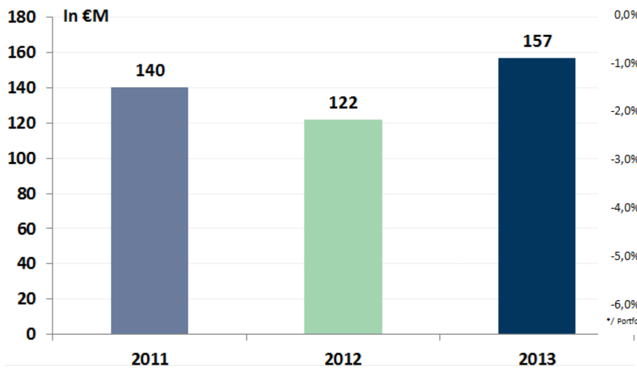
Commercial Dynamism

The aim of Strong Commitment I was to strengthen the fundamentals of the Coface Group’s credit insurance business in order to proactively manage risks depending on the economic situation and to develop the Coface Group’s sales activity regardless of volumes of business generated by its policyholders.

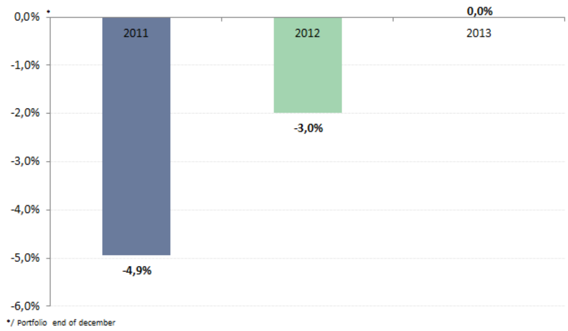
The Coface Group believes it is engaged in a business driven by the product offering, in which product presentation effort is key to business growth, irrespective of the worldwide economic environment. As a result, it has adopted a growth strategy aimed at increasing its client portfolio with emphasis on innovation (product innovation and improved quality of service), and on increasing the density and dynamism of its multi-channel distribution network (see Section 6.5 “*Description of Activities – Distribution Network and Partnerships*” of this registration document).

The charts below shows trends in the production of new contracts and in the contract retention rate during the financial years ended December 31, 2011, 2012 and 2013:

Production of New Contracts



Contract Retention Rate



The production of new contracts corresponds to the annual value of the credit insurance policies taken out by new clients during the financial years ended December 2011, 2012 and

2013. The Coface Group generally reccords a stronger production of new contracts during the first quarter of a given financial year.

The retention rate corresponds to the ratio of the annual value of contracts effectively renewed during a period to the annual value of the policies that were up for renewal during that period.

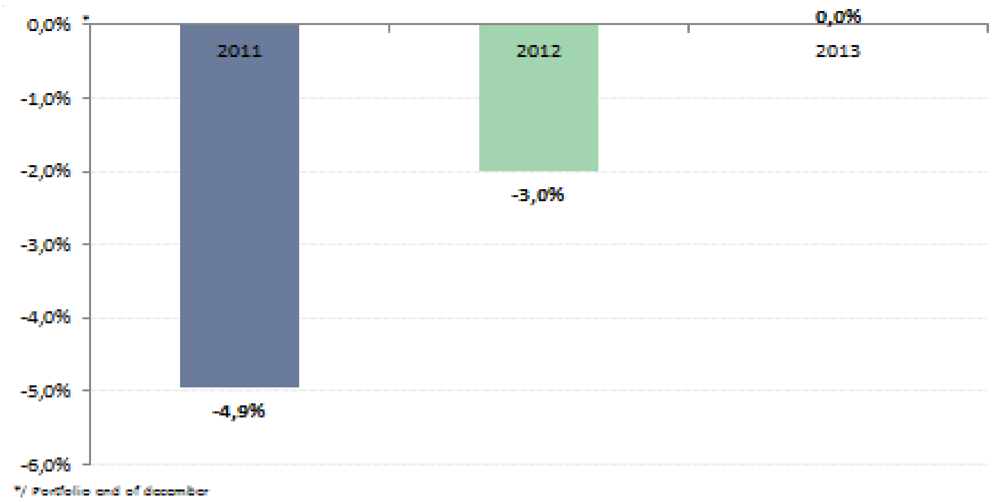
The annual value of the policies correspond to the value of the credit insurance contract premiums over a 12-month period base on an estimate of the related volume of sales insured revenues or receivables and pricing terms applicable at the time of underwriting such contracts.

Despite the economic downturn, the Coface Group succeeded in increasing its revenue through new contracts production and in maintaining high contract retention rates.

In addition, the progressive implemention of a single rate policy helped to improve contract prices.

The chart below shows changes in the prices of the Coface Group's credit insurance contracts for the financial years ended December 31, 2011, 2012 and 2013:

Price effect of credit insurance contracts



The price effect of credit insurance contracts is equal to the difference between the annual value of the contract, calculated on basis of the pricing terms applicable at the time of underwriting and the annual value of the contracts for the prior period (calculated on the basis of the pricing terms of the preceding period and excluding any effect due to a variation in the final revenue recorded by policyholders).

After a two-year decline in the financial years ended December 31, 2011 and 2012, the impact of the prices of the Coface Group's credit insurance policy contracts stabilized in the financial year ended December 31, 2013.

A Proactive Risk Management Policy

Due to its ability to reduce or cancel its credit insurance coverage at any time, the Coface Group was able to implement its risk management policy effectively by adopting certain necessary measures aimed at reducing its exposure in certain countries in response to the economic downturn (in Spain and Italy in particular). These measures enabled the Coface Group to maintain a relatively stable loss ratio before reinsurance (51.1% in the financial year ended December 31, 2013 compared to 51.5% in the financial year ended December 31, 2012 and 51.7% in the financial year ended December 31, 2011) despite the economic downturn.

Moreover, the Group's demonstrated ability to control the level of claims made by its policyholders enabled it to optimize its reinsurance terms, strengthen its protection against major risks (which are currently insured up to€600 million per event compared to €380 million under the reinsurance program applicable to policies underwritten in the financial year ended December 31, 2012) and introduce protection by country (for political and investment risk) at more favorable commission rates with its reinsurers (with the introduction of a fixed commission that is no longer contingent on the level of claims made by policyholders).

Trends in Financial Markets

Trends in Interest Rates

Trends in the financial markets, particularly fluctuations in interest rates and/or spreads, directly impacted the net investments income earned by the Coface Group which constitute a major component of its net income. The investment portfolio management policy of the Coface Group is aimed at ensuring recurring financial income.

The financial years ended December 31, 2011, 2012, and 2013 were marked by a liquidity and public debt crisis, particularly in the euro zone where many countries experienced sharp fluctuations in interest rates and spreads in their respective sovereign debt. Within this difficult financial environment, the Coface Group maintained a defensive investment policy in 2011 and 2012, with low exposure to the equity markets and fixed income products accounting for 98.8% of the financial portfolio in the financial year ended December 31, 2012, of which 34.7% were money market investments and 64.1% were bonds.

The table below shows changes in the composition of the Coface Group's financial portfolio (excluding equity in non-consolidated companies) by major asset classes for the financial years ended December 31, 2011, 2012 and 2013:

	As at March 31		**As at December 31**					
Investment portfolio (fair value)	**2014**		**2013**		**2012**		**2011**	
	in €m	as a %	in €m	as a %	in €m	as a %	in €m	as a %
Equities	163	7.4%	100	4.7%	24	1.2%	22	1.0%
Bonds	1,387	62.6%	1,343	63.8%	1,352	64.1%	1,218	57.7%
Loans, deposits and other financial investments	664	29.9%	662	31.4%	731	34.7%	867	41.1%
Property	1	0.1%	1	0.1%	1	0.1%	1	0.1%
Total	**2,216**	**100%**	**2,106**	**100%**	**2,109**	**100%**	**2,108**	**100%**

The impact of the peripheral euro zone sovereign debt crisis on the financial income, net and management Experiences remained limited, with sovereign debt exposure to these countries being low after having been reduced from 8.4% of the fair value of the bond portfolio at the end of the financial year ended December 31, 2011 to 6.1% at the end of the financial year ended December 31, 2013. Only exposure to Greece had an impact on the investment income, net and management Experiences of the Coface Group with a loss of almost €10 million for the financial year ended December 31, 2012 following the sale of all investments in April that year. However, the impact on the accounts, was reduced as a result of the significant level of provisions relating to such investments since 2011.

In 2013, in a context of historically very low interest rates, the Coface Group gradually implemented a diversification strategy for its investment portfolio. This entailed reallocating investments in its bonds portfolio to listed equities. This resulted in an increase in investments in the credit asset class through more long-term exposure to the debt of companies domiciled in the OECD markets (mainly Europe and the United States) and a corresponding decrease in exposure to sovereign bonds. These investments were made on the basis of a strictly defined risk policy with a particular focus on the credit quality of the issuers, the sensitivity of the issues, the diversification of the portfolio by issuer and geographical regions in the different management mandates which have been granted to the Coface Group's dedicated managers.

The reallocation process was gradual and prudent, with high liquidity levels maintained throughout the year in order to obtain more attractive returns (sovereign bonds, credit) or to confirm the stabilization of certain situations (sovereign debts of emerging countries, in particular). As of December 31, 2013, the weight of bond holdings remained stable at 63.8%, and the level of money market investments fell from 34.7% at year-end 2012 to 31.4% at year-end 2013, and the portfolio of listed and unlisted equities rose to 4.7%.

In addition, this reallocation process also included a restructuring of the Coface Group's asset management function. In order to optimize the management, processing, monitoring and control of its investment portfolio, the Coface Group outsourced all administrative tasks to a single management platform to Amundi, which is responsible for advisory services on strategic and tactical asset allocation, for reporting (economic, risk, Solvency II and accounting), and for back-office and middle-office functions. This process was made easier as all the Coface Group's European insurance companies located in the European Union were converted to branches (see Section 5.1 "*History and Development*" of this registration document).

This process resulted in the liquidation of a substantial portion of the Coface Group's bonds portfolio in April 2013 (in the context of particularly low interest rates), resulting in the realization of tone-time capital gains of €27.8 million. With the exception of this capital gain in the financial year ended December 31, 2013 and the losses resulting from the sale of Greek securities in the financial year ended December 31, 2012 no significant capital gains or losses were realized, with the income generated from the Coface Group's investment portfolio remaining protected by a strategy aimed at ensuring a stable financial income (see the Section "*Investments income, net of management expenses (excluding finance costs)*" below).

Changes in Exchange Rates

Due to the international nature of the Coface Group's business, interest rate fluctuations are likely to affect its results, and, to a lesser extent, given its active foreign exchange risk hedging policy (see Section 4.4.4.2 "*Management of Financial Risks – Foreign Exchange Risk*" of this registration document), the result of its investment portfolio.

In the context of the European crisis, the euro/US dollar exchange rate held up relatively well, despite significant fluctuations during the 2011 to 2013 period (with the euro falling to a low of US$1.21 in the financial year ended December 31, 2012 and stabilizing at around US$1.37 at year-end 2013 (Source: European Central Bank and Reuters)). In a global economy that remains weak, a certain number of emerging countries, which are now considered to have weaker economies due to their increasing dependence on foreign capital and their high inflation rates (Brazil, Indonesia, India and Turkey in particular) saw their exchange rates fall.

The Coface Group sells policies in currencies different from those of the accounts of the issuing entities (premiums collected, claims settled or receivables recovered). As a result, in these cases the relevant Coface Group entities record movements in cash transfers flows or provisions indexed on a different currency from that used in such entities' balance sheets. Nonetheless, the subsidiaries or branches whose accounts are prepared in euros and which underwrite policies in other currencies must respect the principles of congruence (matching assets and liabilities denominated in a currency other than the currency used in the accounts).

Moreover, some of the Coface Group's foreign subsidiaries operate in foreign currencies, such as the US dollar, the Pound Sterling, the Hong Kong dollar, the Yen, the Polish Zloty and the Brazilian Real. To consolidate the Coface Group's accounts in euros, exchange rate fluctuations are recorded under the Coface Group's shareholders' equity. As of December 31, 2013, the net foreign exchange differentials amounted to -€34 million (compared to €4.5 million in the financial year ended December 31, 2012). The change in exchange rates had an adverse impact on revenues of -2.1 percentage points in the financial year ended December 31, 2013, compared to +1.2 percentage points in the financial year ended December 31, 2012.

Changes in Scope of Consolidation

During the financial years ended December 31, 2011, 2012 and 2013, the Coface Group underwent numerous changes in its scope of consolidation related to the implementation of Strong Commitment I and to the refocusing of its activities on its core business, credit insurance.

As part of this refocusing, the Coface Group disposed of its non-strategic services or factoring companies and liquidated some factoring companies which it deemed unprofitable.

Pursuant to IFRS 5, income and expenses relating to discontinued operations were reclassified on a separate line in the income statement entitled "Net Income (loss) from discontinued operations" for the financial years ended December 31, 2011, 2012 and 2013 so as to make it easier to read and compare the financial indicators of the Coface Group's strategic scope of consolidation. All income and expenses presented for the financial years ended December 31, 2011, 2012 and 2013 include only the income and expenses relating to continuing operations.

Given the significant impact of changes in exchange rates and changes in the scope of consolidation, the Coface Group's report also presents the changes in consolidated revenue on a constant group structure and exchange rate basis. The changes in the scope of consolidation set out in Sections 9.2 and 9.3 relate only the additions to and the withdrawals from the scope of consolidation not described as IFRS 5, the discontinued operations being reclassified at the end of the income statement (see Note 3 to the consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013).

In addition, in order to present figures on a constant exchange rate basis, the Company applies the exchange rate of the reference period (N-1) to the relevant period (N). With regards to changes in the scope of consolidation, when a company enters or exits the scope of consolidation for all or part of a relevant period (N), its revenue and income for that portion corresponding to the reference period (N-1) are added to (in the case of entry into the scope of consolidation) or subtracted from (in the case of exiting the scope of consolidation) the (N-1) figures serving as the basis of comparison. However, the impact of the entry or exit of a company during the reference period (N-1) itself is not neutralized.

B – Principal financial indicators tracked by the Coface Group

Revenue

Composition of the Coface Groupe consolidated revenue by activity

Revenue from the credit insurance products and related services of the Coface Group (which accounted for 88% of the Coface Group's consolidated revenue in the financial year ended December 31, 2013, 87% in the financial year ended December 31, 2012 and 86% in the financial year ended December 31, 2011) as described in Section 6 of this registration document, includes credit insurance policy premiums and "single risk" insurance products, income for related services ("Fees and commission income" and "Other insurance-related services"), and income from services for public export credit insurance guarantees on behalf of France and Brazil ("Remuneration of public procedures management services", for which specific information is provided in Note 24 to the Coface Group's consolidated financial statements).

This allows the presentation of the revenue of this core activity and to distinguish it from the surety bond activity which on an operational level, represents risk of a different nature (in terms of the underlying risk and its duration) even if this activity is remunerated by a premium in the same way as the credit insurance activity and as such falls within the definition of insurance contracts provided by IFRS 4.

Revenue from additional services to the credit insurance activity includes the following:

- revenue from factoring services consisting principally of factoring commissions and net financing commissions ("Net income from banking activities");
- revenue from the Coface Group's surety bonds (guarantee) activities; and
- revenue from other activities for the sale of services, such as information on the corporate solvency of businesses and marketing information ("Business information and other services") and receivables recovery services ("Receivables management") provided to customers without credit insurance.

Composition of the Coface Groupe consolidated revenue by type of income

The Coface Group's consolidated revenue as set out in its financial statements by type of revenue in accordance with the IFRS is made up of the following:

- premiums corresponding to the sums paid by the Coface Group's policyholders as consideration for the Coface Group's commitment to cover the risks set out in their insurance policies, which include credit insurance (short-term), "single risk" insurance products (medium-term) and surety bonds (medium-term) (although surety bonds are not, strictly speaking, a credit insurance product even though its remuneration takes the form of a premium;
- income for services rendered by the Coface Group including services related to credit insurance (information services on debtors, monitoring of credit limits, receivables management and recovery), management services for public export credit insurance guarantees on behalf of France and Brazil (the principle and the terms for the compensation of the French State are set out in a financial agreement dated February 24, 2012 (see Section 6.5 "*Description of Activities – Management of Public Procedures*" of this registration document)); and
- factoring commissions (corresponding to "Net income from banking activities") in consideration for services rendered relating to receivables management and recovery, as well as commissions net of the financing of outstanding receivables (financing margin)

and commissions for managing litigation received by the Coface Group for its factoring activities carried out in Germany and Poland.

In thousands of euros	For the three-month period ended March 31		For the year ended December 31		
Consolidated revenue by activity	**2014**	**2013**	**2013**	**2012**	**2011**
Premiums – direct business	326,913	325,736	1,145,144	1,182,987	1,189,414
Premiums – Inward reinsurance	18,094	17,584	61,546	74,538	55,967
Policyholders' rebates	-22,359	-19,286	-75,564	-91,472	-83,971
Provisions for unearned premiums	-35,130	-36,459	-2,583	-6,134	-23,204
Earned premiums net of cancellation	**287,518**	**287,575**	1,128,543	1,159,919	1,138,206
Fee and commission income	**35,634**	**35,630**	**123,410**	**127,212**	**112,457**
Net income from banking activities	**16,350**	**16,216**	**69,210**	**77,030**	**99,039**
Other insurance-related services	2,717	2,349	9,710	9,217	9,956
Remuneration of public procedures management services	16,320	16,432	65,577	68,559	70,290
Business information and other services	6,552	6,853	25,194	24,843	28,477
Receivables management	4,913	4,627	18,685	20,261	15,756
Revenue or income from other activities	**30,502**	**30,261**	**119,167**	**122,880**	**124,479**
Consolidated revenue	**370,004**	**369,681**	**1,440,330**	**1,487,040**	**1,474,181**

In thousands of euros	For the three-month period ended March 31		For the year ended December 31		
Net income from banking activities	**2014**	**2013**	**2013**	**2012**	**2011**
Financing fees	-3,597	-3,053	34,249	40,303	51,839
Factoring fees	22,087	19,522	39,508	42,401	51,662
Other	-2,140	-254	-4,547	-5,674	-4,462
Total net income from banking activities	**16,350**	**16,216**	**69,210**	**77,030**	**99,039**

Earned Premiums net of Cancellation

Earned premiums net of cancellation include earned premiums before cancellation (the part of the premium payable during or prior to the relevant accounting year, that corresponds to coverage of the risks during such accounting year) in connection with direct business (premiums related to policies underwritten directly by a Coface Group insurance company) and acceptance premiums (earned premiums through partners under fronting agreements in countries where the Coface Group does not have a license allowing it to operate directly).

Premium rebates (corresponding to reimbursements to policyholders of part of the premiums paid by them when their claims do not exceed a certain threshold (low claims bonus) or when it there are no claims (no claims bonus) as well as provisions for unearned premiums (the portion of the premiums invoiced during the accounting year related to the coverage of risks covered for the period between the closing date of the financial year and the contract expiration date) are deducted from earned premiums to constitute earned premiums net of cancellation.

Fee and Commission Income

Fee and commission income are the charges invoiced to policyholders for services related to credit insurance (such as information on debtors, cost of monitoring of credit limits or receivables management and recovery). As such, fees and commission income is part of the revenue resulting from the Coface Group's credit insurance activities.

Net Income from Banking Activities

"Net Income from Banking Activities" corresponds to income from factoring activities, consisting principally of factoring commissions (collected for management of factored receivables) and net financing commissions (financing margin, corresponding to the amount of financial interest received from factoring customers, less the interest paid on the refinancing of factoring debt). The premiums paid by factoring companies to insurance companies (for covering debtor risk and ceding insurers' risk) are deducted when calculating net income from banking activities.

Cost of Risk

"Cost of Risk" correspond to expenses and provisions related to coverage of credit risk factored receivables (inherent to the factoring activities) net of credit insurance coverage.

Revenue or Income from Other Activities

"Revenu or Income from Other Activites" including (i) revenue from "Other insurance related services" and management services for public export credit insurance guarantees ("Remuneration of public procedures management services"), which are included in the calculations of credit insurance revenue, and (ii) revenue from "Business Information and other services", consisting of income from the sale of information on corporate solvency and marketing information, and from receivables recovery services ("Receivables Management") from clients without credit insurance.

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

"Investment income, net of management expenses (excluding finance costs)" includes the results of the Coface Group's investment portfolio (investment income, capital gains or losses resulting from disposals or changes in provisions for impairments), net of foreign exchange gains or losses and investment management expenses.

Claims expenses

"Claims Expenses" relate to the claims paid under credit insurance, surety bonds and Single Risk insurance products, less changes in recoveries following litigation (consisting of sums recovered from the debtor after the policyholder is indemnified for the claim) during the financial year and to changes in the provisions for claims during the financial year and to the cost of managing such claims which include the cost of processing and managing claims reported by policyholders and the costs incurred for monitoring recovery procedures (expenses and provisions for internal and external recovery expenses).

Claims paid are the indemnities paid under policies during the accounting year, excluding any recoveries received, increased by the costs incurred in managing such policies, regardless of the financial year during which the claim was reported or during which the cause of the claim originated, less any amounts recovered during the period for claims paid previously, regardless of the period during which the claim was indemnified.

Claims provisions are set up to cover claims reported but not yet settled on the closing date of the financial year, as well as claims not yet reported but deemed probable by the Coface Group given the events that occurred during that year (IBNR provisions). Such provisions include an estimate of the amount which may be recovered in relation to such claims. They are reduced every year in order to take into account the release of a provision following the payment of an indemnity or to adjust the estimate of any possible losses that would result from either reported or potential claims. The difference between the amount of provisions for a given financial year (set up in the first year a policy is underwritten) and the amounts revalued in subsequent years is either a liquidation profit or loss.

Expenses from Banking Activities excluding Cost of Risk

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

Expenses from Other Activities

"Expenses from other activities" corresponding to the general expenses relating exclusively to information and recovery activities for customers without credit insurance.

	For the three-month period ended March 31		For the year ended December 31		
(In thousands of euros)	**2014**	**2013**	**2013**	**2012**	**2011**
Commissions	-33,215	-33,280	-134,939	-140,444	-137,174
Other acquisition costs	-31,812	-27,033	-121,929	-91,884	-90,329
Total Acquisition Costs	**-65,026**	**-60,313**	**(256,867)**	**(232,327)**	**(227,503)**
Administrative costs	-61,567	-63,829	-263,891	-218,099	-232,445
Other current operating expenses	-20,356	-26,090	-83,112	-135,476	-111,758
Investment management expenses	-1,276	-1,062	-5,025	-6,436	-5,915
Claims handling expenses (non-life)	-8,107	-6,679	-29,787	-26,993	-34,394
Total expenses	**-156,332**	**-157,972**	**-638,683**	**-619,332**	**-612,015**
Expenses from other activities	-15,112	-14,146	-63,851	-86,168	-90,817
Total general expenses including expenses from other activities	**-171,445**	**-172,118**	**-702,534**	**-705,500**	**-702,832**

After the holding company in Germany was converted into a branch following the restructuringof the Coface Group, all its expenses were reallocated in accordance with a new methodology which is the reason for the majority of changes in the "Total acquisition costs", "Administrative costs" and "Other current operating expenses" line items during the financial years ended December 31, 2011, 2012 and 2013.

In all countries where the Coface Group is present, all general expenses, excluding commissions, are analyzed regardless of the accounting allocation per destination method used. This presentation makes the Coface Group's financial statements easier to understand. On some points, it differs from this presentation of the income statement, which meets the presentation requirements of the applicable accounting standards.

	For the three month period ending, March 31		For the year ending, December 2013		
(In thousands of euros)	**2014**	**2013**	**2013**	**2012**	**2011**
Commissions	-33,215	-33,280	-134,939	-140,444	-137,174
General internal expenses	-138,230	-138,838	-567,595	-565,056	-565,658

Total general expenses including expenses from other activities	**-171,445**	**-172,118**	**-702,534**	**-705,500**	**-702,832**

Expenses from Ceded Reinsurers (Reinsurance result)

"Expenses from ceded reinsurance" (reinsurance result) are the sum of the income from claims ceded reinsurance (during the financial year under Coface Group reinsurance treaties, excluding any change in the provisions made for ceded claims, net of recoveries, plus reinsurance commissions paid by reinsurers to the Coface Group as proportional reinsurance) and expenses from ceded reinsurance (consisting of premiums ceded to reinsurers during the year under Coface Group reinsurance treaties excluding any change in the premium provisions also ceded to reinsurers).

(in thousands of euro)s	For the three-month period ended March 31		For the year ended December 31		
	2014	**2013**	**2013**	**2012**	**2011**
Ceded claims	39,449	32,778	143,067	176,585	96,422
Change in claims provisions, net of recoveries	-16,630	3,566	-1,415	-20,822	61,195
Commissions paid by reinsurers	25,153	27,220	108,001	117,048	109,613
Income from ceded reinsurance	**47,972**	**63,564**	**249,652**	**272,811**	**267,229**
Ceded premiums	-77,207	-92,660	-314,762	-322,988	-364,827
Change in unearned premiums provisions	4,936	10,072	-1,093	-6,270	16,850
Expenses from ceded reinsurance	**-72,271**	**-82,588**	**-315,855**	**-329,258**	**-347,976**
Reinsurance result	**-24,299**	**-19,025**	**-66,202**	**-56,447**	**-80,747**

Underwriting Income/(Loss) After Reinsurance

The underwriting income/(loss) after reinsurance is a key financial indicator used by the Coface Group to analyze the operating performance of all its activities (other than the profit/loss from its investment portfolio).

	For the three month period ended March 31		For the year ended December 31		
In thousands of euros	**2014**	**2013**	**2013**	**2012**	**2011**
Revenue	370,004	369,681	1,440,330	1,487,040	1,474,181
Claims expenses	-137,177	-149,905	-576,263	-597,506	-594,344
Policy acquisition costs	-65,026	-60,313	-256,867	-232,327	-227,503
Administrative costs	-61,567	-63,829	-263,891	-218,099	-232,445
Other current operating expenses	-20,356	-26,090	-83,112	-135,476	-111,758
Total expenses from banking activities excluding cost of risk	-2,874	-3,338	-11,884	-14,672	-13,938
Cost of risk	-743	-705	-2,533	-1,019	-8,255
Expenses from other activities	-12,239	-10,809	-51,884	-71,516	-76,879
Underwriting income/(loss) before reinsurance	**70,021**	**54,693**	**193,896**	**216,425**	**209,059**

Income or expenses after ceded reinsurance	-24,299	-19,025	-66,202	-56,447	-80,747
Underwriting income/(loss) after reinsurance	**45,722**	**35,668**	**127,694**	**159,977**	**128,312**

Policy Acquisition Costs

"Policy acquisition costs" include external acquisition costs, wcich are commissions paid to intermediaries which provide business (brokers and other intermediaries), and which are based on the revenue generated and internal policy acquisition costs, which are essentially fixed costs corresponding to the payroll costs related to the acquisition of contracts (including in relation to the drafting of these contracts) and to the costs of the Coface Group's distribution networks. These costs include mainly costs related to the credit insurance business. However, because of pooling of resources, acquisition costs for contracts related to other Coface Group activities are also included in this line item.

Administrative Costs

"Administrative costs" corresponds to the Coface Group's operating costs, namely payroll costs and IT management costs related to contract administration. These costs relate mainly to the credit insurance business. However, because of pooling of resources, acquisition costs for contracts related to other Coface Group activities are also included in this item.

Other Current Operating Expenses

"Other current operating expenses" include expenses that cannot be allocated either directly or by applying one of the categories defined by the accounting standards (these include mainly expenses related to Coface Group support functions).

Operating Income

Operating income corresponds to the "Underwriting income/(loss) after reinsurance", to "Investment income, net of management expenses (excluding the finance costs)" (finance charges) and to "Other operating income and expenses".

In the presentation of operating income by region, the amounts shown are before elimination of revenues resulting from inter-region flows and holding costs not reinvoiced to the regions.

Income Tax Expense

The income tax expense includes the current tax payable and the deferred tax resulting from consolidation adjustments and temporary tax differences to the extent justified by the tax position of the companies concerned (as described more fully in Note 4 to the consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013).

Net Income/(Loss)(Group Share)

Net income (group share) corresponds to "Net income from continuing activities " (corresponding to "Operating income" after "Finance costs", "Share in net income of associates" and "Income tax expense"), net of "Net income/(loss) from discontinued operations" and "Non-controlling interests".

Significant Accounting Principles and Critical Accounting Estimates

Significant Accounting Principles

A description of the Coface Group's significant accounting principles is presented in Note 4 to the Coface Group consolidated financial statements contained in Section 20.1.1 "*Consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013*". This includes in particular the general principles applicable to credit insurance activities, to credit insurance related service activities and to factoring activities, and the breakdown of income and expenses related to the Coface Group's different businesses.

Critical Accounting Estimates

Preparing the consolidated financial statements in accordance with the IFRS implies that the Coface Group's management or subsidiaries make estimates and use assumptions that affect the amounts of assets and liabilities on the consolidated balance sheet, the information related to those assets and liabilities, the amount of income and expenses on the income statement and the commitments related to the closing of the accounts period. The management is also required to use its judgment when applying the Coface Group's accounting methods.

The accounting methods shown below are more fully described in Note 4 of the notes to the Coface Group's consolidated financial statements (see Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document,). They are the methods requiring the most significant recourse to critical accounting estimates and judgments made by the Coface Group management.

Estimate	**Basis**
Goodwill impairment	Impairment is recognized when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount.. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate, loss ratio and cost ratio assumptions.
Provision for unearned premiums not yet written	This provision is calculated based on the estimated amount of premiums expected in the period. This provision corresponds to the difference between this estimated amount and premiums recognized.
Provision for policyholders' bonuses and rebates	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 relevant policies.
Provision for recoveries	This provision is calculated based on the estimated amount potentially recoverable on paid claims.
Claims provision	The claims provision covers the estimated cost of all reported claims not settled at the year-end.
IBNR* provision	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	Pension benefit obligations are calculated in accordance with IAS 19 and are reviewed by actuaries each year in light of the actuarial assumptions adopted by the Group.

** IBNR (Incurred But Not Reported): provision for unknown claims corresponding to claims that have already arisen of which the insurer is not yet aware.*

In addition, the recording of deferred tax assets depends in part on estimates of future profits of the Coface Group. The accounting methodology of deferred taxes is described in Note 19 of the notes to the Coface Group's consolidated financial statements set out in Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document.

9.3 Comparison of the quarterly results for the quarters ended March 31, 2014 and March 31, 2013.

Economic Environment in the 1st Quarter of 2014

Although all the data on GDP developments for the first quarter of 2014 have not yet been published, the leading indicators already reveal a number of trends. Investor and consumer confidence in Southern Europe seems to confirm that the recession is ending, to provide glimmers of hope for positive (albeit weak) growth for domestic demand in Europe.

Growth rates in the US for the first quarter of 2014 appear to have been impacted by the harsh winter and, compared to the growth rates recorded in the first quarter of 2013, can simply be seen as having slowed down. Nonetheless, consumer and investor confidence, boosted by the maintenance of good credit ratings and higher housing prices, should limit the negative impact of climate variables.

Emerging markets will likely benefit from the recovery of European exports. However, the recurrent political crises (in Thailand, Turkey and the Ukraine) and the confirmation of Chinese GDP growth slowing down in the first quarter of 2014 (with only a 7.4% annual growth rate compared to 7.7% in the financial year ended December 31, 2013) led to another spell of capital outflows at the beginning of the year, leading to currency volatility.

Foreign exchange risks and political uncertainty, coupled with recurring structural problems, contribute to hampered domestic demand in leading emerging markets and result in lower growth rates than those recorded in the previous decade.

9.3.1 Revenue

The Coface Group’s consolidated revenue was slightly up by 0.1% from €369.7 million for the quarter ended March 31, 2013 to €370.0 million for the quarter ended March 31, 2014. On a constant group structure and exchange rate basis, the consolidated revenue of the Coface Group is up by 2.6% (+0.3% due to change in the scope of consolidation, (primarily due to the entry of Coface RUS Insurance Company into the scope of consolidation in September 2013) and -2.8% after taking account of exchange rates adjustments, primarily linked to the fluctuations in the Brazilian Real, Argentine Peso and the Yen).

On a constant group structure and exchange rate basis, the combined aspects of the Coface Group’s activities (insurance and factoring) contributed to the growth recorded in the quarter ended March 31, 2014, particularly the insurance activity which recorded growth in gross earned premiums of 2.9% compared to the quarter ended March 31, 2013.

The table below shows the changes in the Coface Group's consolidated revenue by activity for the quarters ended March 31, 2013 and 2014:

Change in consolidated revenue by activity	As of March 31		Change		
	2014	2013	in €m	as a %	as a % on a constant group structure and exchange rate basis
in €m					
Insurance	353.7	353.5	0.2	0.1%	2.6%
Gross earned premiums	*287.5*	*287.6*	*-0.1*	*0.0%*	*2.9%*
*Services**	*66.1*	*65.9*	*0.2*	*0.4%*	*1.0%*
Factoring	16.4	16.2	0.1	0.8%	0.9%
Consolidated revenue	**370.0**	**369.7**	**0.3**	**0.1%**	**2.6%**

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

Insurance

In the insurance activity (including surety bonds and single risk insurance products), revenue was slightly up by 0.1% (2.6% on a constant group structure and exchange rate basis) from €353.5 million for the quarter ended March 31, 2013 to €353.7 million for the quarter ended March 31, 2014.

Gross earned premiums were stable at €287.5 million (up by 2.9% on a constant group structure and exchange rate basis).

Revenue from credit insurance products and related services increased to €328.0 million for the quarter ended March 31, 2014 (representing 89% of the consolidated revenue of the Coface Group), compared to €326.9 million for the quarter ended March 31, 2013 (representing 88% of the Coface Group's consolidated revenue).

The 2.9% increase in gross earned premiums on a constant group structure and exchange rate basis is a result of the recovery plan launched in the financial year ended December 31, 2013. Production of new contracts, which reached €52 million (in annual value), the highest level in three years, increased by 13% for the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013 (€46 million), the contract retention ratio (ratio of the annual value of the contracts effectively renewed during the quarter to the value of the contracts that were to be renewed over such quarter) reached a record level of 93.8% in the quarter ended March 31, 2014 compared to 90.6% in the quarter ended March 31, 2013, primarily due to the low level of policy cancellations in France, Germany and Italy, with the CGS product aimed at multinationals having benefitted from a 100% renewal rate in France. In addition, the volume of business generated by policyholders was up by 1.3% for the quarter ended March 31, 2014, compared to 0.7% for the quarter ended March 31, 2013 (on an annual basis). The price effect of credit insurance policies was limited to -0.5% for the quarter ended March 31, 2014 compared to +0.8% for the first quarter ended March 31, 2013 (on an annual basis), with clients benefitting from the price decrease linked to the improved loss ratio.

Revenue from the Coface Group's services business increased slightly by 0.4% (+1.6% on a constant group structure and exchange rate basis), from €65.9 million for the quarter ended March 31, 2013 to €66.1 million for the quarter ended March 31, 2014, due to credit insurance-related services.

Factoring

Revenue generated by the Coface Group's factoring activities (now carried out exclusively in Germany and Poland) recorded for the first time in two years, growth of 0.8% (+0.9 % on a constant group structure and exchange rate basis), from €16.2 million for the quarter ended March 31, 2013 to €16.4 million for the quarter ended March 31, 2014. The restructuring strategy of the factoring activities portfolio initiated by the Coface Group in early 2011 for the purpose of focusing on smaller, more diversified and more profitable contracts was completed in mid-2013 and the resumption of sales was recorded in the second half of 2013.

Changes in Revenue by Region

The table below shows the changes in Coface Group's consolidated revenue by activity (net of intra-group flows) within its seven geographical regions for the quarters ended March 31, 2013 and 2014:

Change in consolidated revenue by region of invoicing	**As of March 31**		**Change**			
	2013	**2014**	**in €m**	**as a %**	**as a % on a constant exchange rate basis**	**as a % on a constant group structure and exchange rate basis**
in €m						
Western Europe	120.2	122.4	2.3	1.8%	1.6%	1.6%
Northern Europe	90.3	93.6	3.2	3.6%	4.2%	2.9%
Mediterranean & Africa	55.6	58.1	2.5	4.6%	8.4%	8.4%
Central Europe	29.1	28.6	-0.5	-1.8%	-1.0%	-1.0%
North America	28.6	27.0	-1.5	-5.4%	0.0%	0.0%
Latin America	24.1	19.6	-4.5	-18%	0.7%	0.7%
Asia-Pacific	21.8	20.7	-1.2	-5.3%	1.8%	1.8%
Consolidated revenue	**369.7**	**370.0**	**0.3**	**0.1%**	**2.9%**	**2.6%**

In Western Europe, revenue for the quarter ended March 31, 2014 increased by 1.8% (1.6% on a constant group structure and exchange rate basis) driven by the gradual recovery of the volume of business generated by policyholders, especially in France, Spain and the United Kingdom, but also due to the very high contract retention levels, primarily resulting from the low level of policy cancellations in France. The net production of new contracts is at break-even in the quarter ended March 31, 2014. The commercial reorganization carried out by the Coface Group is coming to fruition.

In Northern Europe, where Germany is the country generating most business in the region, the 3.6% increase in revenue (2.9 % on a constant group structure and exchange rate basis) is due to an increase in the volume of business generated by Coface Group policyholders (up by 1.7%), dynamic commercial activity, the production of new contracts and also a high contract retention rate, primarily due to the low level of policy cancellations in Germany. Revenue generated by the factoring activities was up by 4% in the first quarter of 2014.

In Mediterranean & Africa, revenue was up by 4.6% (8.4% on a constant group structure and exchange rate basis), reflecting the very dynamic economic environment in Italy and Turkey throughout 2013 and during the first quarter of 2014. The revenue increase in this region was not driven by an increase in the volume of business generated by Coface Group policyholders, but rather by the production of new contracts and maintained, if not, depending on the country, improved contract retention rates, especially in Italy.

In Central Europe, revenue was down by 1.8% (down 1.0% on a constant group structure and exchange rate basis). This decrease in revenue can be primarily explained by a fall in both the revenue of the Services business (in particular information-related services) and the volume of fees and commission income, mostly in Austria.

In North America, revenue was down by 5.4% (unchanged on a constant group structure and exchange rate basis). In the first quarter of 2013, upward adjustments in revenue from existing clients on the basis of the previous years were recorded, which had a positive impact on the amount of Coface Group's premiums, leading to an unfavorable base effect when comparing the quarters ended March 31, 2013 and 2014.

In Latin America, the 18% decrease in revenue is mostly due to unfavorable exchange rates, in particular the depreciation of the Brazilian Real (-23% compared to first quarter 2013) and the Argentine Peso (-58% compared to first quarter of 2013). Discounting these negative exchange rates, the slight increase in revenue for this region (0.7% increase on a constant group structure and exchange rate basis) results from the production of new contracts and the maintained, if not, depending on the country, improved contract retention rates. Similarly, for North America, in the first quarter of 2013, positive adjustments to the revenue for prior years were recorded, which led to lower premium growth being recorded in the first quarter of 2014, the latter indicating an improvement in commercial indicators (in particular in Brazil and Chile, where the robust commercial performances of the two countries were recorded in the figures for the second half of 2013).

In Asia-Pacific, the 5.3% decrease in revenue is mainly due to the unfavorable exchange rate trend (15% decrease in the Yen and a 6.3% decrease in the Singapore dollar compared to the 2013 first quarter rates) between the compared quarters. Discounting these negative exchange rates, the increase in revenue in this region (1.8% on a constant group structure and exchange rate basis) can be explained by the reorganization of the Coface Group's commercial strategy throughout the year in the entire zone in order to offset the decrease in the volume of financing granted by local banks which reached a low point at the end of the financial year ended December 31, 2013 and to acquire new contracts more directly (without financial brokerage and with less dependence on local banks).

9.3.2 Underwriting Income/(Loss)

9.3.2.1 *Underwriting Income/(Loss) before Reinsurance*

The underwriting income/(loss) before reinsurance increased by €15.3 million, rising from €54.7 million for the quarter ended March 31, 2013 to €70.0 million for the quarter ended March 31, 2014, due to control of the loss ratio (down €12.7 million, or -4.7 points) and the Coface Group's general expenses (down €2.1 million). The combined ratio before reinsurance therefore totaled 74.6% compared to 82.3% (81.5% excluding the cost of relocation the head office of the Coface Group) in the financial year ended December 31, 2013 and 80.2% in the first quarter of 2013.

Loss Experience

Loss Experience	As of March 31		Change	
in €m and %	**2013**	**2014**	**in €m**	**as a %**
Claims expenses	149.9	137.2	-12.7	-8.5%
Loss ratio before reinsurance	52.1%	47.4%	-	-4.7 pts

In spite of the ongoing global economic instability at the beginning of 2014, the loss ratio before reinsurance improved by 4.7 points, from 52.1% for the quarter ended March 31, 2013, to 47.4% for the quarter ended March 31, 2014, mainly due to reinforced supervision and better risk management. The positive effect of the measures taken in countries that still had high loss ratios in the financial year ended December 31, 2013 (such as Italy, Turkey, Brazil and Argentina) came to fruition in the fourth quarter of 2013 and continued their effects in the quarter ended March 31, 2014. This improvement was also boosted by the increase in the level of liquidation surplus, to 28.1 points (compared to 25.2 points at the end of March 2013) and an ultimate loss ratio (before reinsurance and including claims management expenses) for the current financial year down by 2 points, at 73%.

In Western Europe, the loss ratio continued to fall to 41.3% (-13.5 points), in both France and Spain, where the actions initiated on certain sectors or debtors throughout 2013 continued to show positive effects in 2014.

In Northern Europe, the loss ratio was limited to 57.2%, despite a significant single claim in the first quarter 2014.

The loss ratios recorded for Central Europe and Latin America improved compared to the loss ratios of those regions for the 2013 financial year overall, such improvement resulting from action plans implemented in the financial year ended December 31, 2013. However, in both regions, there was still a reported escalation in losses in the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013.

The improvement in the loss experience is particularly significant in Mediterranean & Africa (-16.5 points), especially in Italy, where the measures taken in the financial year ended December 31, 2013 have yielded positive results. In Asia-Pacific (-7.2 points), a similar improvement was recorded, primarily due to the fall in loss experience observed in Australia, where the portfolio restructuring carried out between 2012 and 2013 is generating results.

North America continued to report very low loss experience at 14.5% in the first quarter of 2014.

In Latin America, the high loss experience reported in the second quarter of 2013 (105.2% for the year ended December 31, 2013) fell sharply following measures taken to review the exposures incurred in the 2013 financial year, to reach a loss ratio before reinsurance of 57.3% for the quarter ended March 31, 2014, nearly returning to the same level as in the first quarter of 2013.

Change in loss experience by region of invoicing	**As of March 31**		**Change in points**
in €m	**2013**	**2014**	
Western Europe	54.8%	41.3%	-13.5 pts
Northern Europe	51.3%	57.2%	+5.9 pts
Central Europe	56.0%	60.4%	+4.4 pts
Mediterranean & Africa	76.4%	59.9%	-16.5 pts
North America	4.5%	14.5%	+10 pts
Latin America	54.4%	57.3%	+2.8 pts
Asia-Pacific	42.3%	35.1%	-7.2 pts
Loss ratio before reinsurance	**52.1%**	**47.4%**	**-4.7 pts**

General Expenses

Policy acquisition commissions were slightly down (-0.1%) from €33.3 million for the quarter ended March 31, 2013 to €33.2 million for the quarter ended March 31, 2014, in line with the change in the amount of gross earned premiums, these commissions being based on a percentage of contributed revenue earned.

General internal expenses (excluding the one-off relocation cost which amounted to €2.5 million in the first quarter of 2013) were slightly down going from €138.8 million for the quarter ended March 31, 2013 to €138.2 million for the quarter ended March 31, 2014 (+1.4% on a constant group structure and exchange rate basis). Payroll costs increased by 0.5% (2.2% on a constant group structure and exchange rate basis), primarily due to inflation in the Latin America region; however, this was partially offset by the impact of the negative exchange rate trend in the region. IT costs were down by 8.3% (-7.8% on a constant group structure and exchange rate basis). Other expenses (indirect taxes on insurance policies, information purchases, rents, etc.) were slightly up, from €44.1 million in the quarter ended March 31, 2013 to €44.8 million in the quarter ended March 31, 2014, primarily due to expenses linked to the improved quality of information on debtors in Mediterranean & Africa.

Consequently, the costs ratio before reinsurance improved from 28.1% for the quarter ended March 31, 2013 to 27.2% for the quarter ended March 31, 2014.

In Western Europe, general expenses were down by 10% (-10.6% on a constant group structure and exchange rate basis). This decrease can be explained by the optimization plan for operational processes and costs implemented in the financial year ended December 31, 2013 and the savings on rent linked to relocation the Coface Group's head office (in the first quarter of 2013, a one-off expense of €2.5 million related to this relocation was recorded). Policy acquisition commissions (based on a percentage of earned revenue) were up, in line with the increase recorded in gross earned premiums in the region.

In Northern Europe, general expense were up by 5.8% (4.5% on a constant group structure and exchange rate basis), primarily due to the consolidation of Coface RUS Insurance Company since 2013. Policy acquisition commissions payable to intermediaries were up by

17% (19% on a constant group structure and exchange rate basis), due to the upsurge in the commission rates compared between quarters and the increase in gross earned premiums.

In Central Europe, general expenses were down by only 1% compared to the first quarter of 2013 (-0.3% on a constant group structure and exchange rate basis).

In Mediterranean & Africa, general expenses were up by 8% (+12.5% on a constant group structure and exchange rate basis). This trend can be explained by the increase in payroll costs (16 people were hired to support this growing region), an increase in policy acquisition costs and an increase in information purchasing costs in the region, linked to the improvement in the quality of information on debtors, which continued in 2014. Policy acquisition commissions were up, in line with the increase in gross earned premiums in the region.

In North America, general expenses were down by 5.7% (-0.5% on a constant group structure and exchange rate basis basis) in line with the changes in gross earned premiums.

In Latin America, overhead expenses were down by 8.3% (+13.7% on a constant group structure and exchange rate basis). This increase on a constant group structure and exchange rate basis can be explained by an increase in payroll costs in Mexico, Argentina and Brazil linked to inflation in the region and the competitive situation of the employment market in these countries, as well as by an increase in policy acquisition commissions stemming from premium adjustments on the commercial portfolio in Chile.

In Asia-Pacific, general expenses were down by 3.7% (+4.7% on a constant group structure and exchange rate basis). This increase on a constant group structure and exchange rate basis results from an increase in payroll costs due to new recruitment and the increase in information costs in the context of the commercial development of this region between the compared quarters. Contract acquisition costs payable to intermediaries are down, in line with the contraction of gross earned premiums, such costs being based on reported revenue.

9.3.2.2 *Underwriting Income(Loss) after Reinsurance*

Reinsurance costs were up 28%, from €19.0 million in the quarter ended March 31, 2013 to €24.3 million in the quarter ended March 31, 2014. This change is primarily due to the improvement of the loss ratio between the quarters under comparison and the number of claims ceded to reinsurers having increased compared to previous years (the cession rate having decreaseped from 30% to 20% in the course of the past three years). Moreover, due to the lower rate of cession, the amount of premiums also ceded has reduced in comparison to gross earned premiums.

Underwriting income after reinsurance increased by €10.1 million, from €35.7 million for the quarter ended March 31, 2013 to €45.7 million for the quarter ended March 31, 2014, primarily linked to the increase in underwriting income before reinsurance (+€15.3 million), which more than offset the increase in reinsurance costs (-€5.3 million).

9.3.3 Investment Income, Net of Management Expenses (excluding Finance Costs)

The beginning of 2014 was marked by the euro zone's slow exit from the recession, the tapering of the US quantitative easing program and the Fed's announcements of monetary policy changes. This economic context has not yet resulted in a gradual increase in long-term rates, which in any case are historically low. Nevertheless, such context provides a favorable environment for equity markets. In this environment, investment portfolio income (excluding income from investment in non-consolidated entities, net of foreign exchange gains and investment management expenses) was down from 6.9% to €9.4 million in the quarter ended March 31, 2014, compared to €10.1 million in the quarter ended March 31, 2013.

(in millions of euros)	**As of March 31**	
	2013	**2014**
Equities	0.1	2.7
Fixed income instruments	10.1	6.7
Property	0.0	0.0
Investment portfolio income	**10.1**	**9.4**
Unconsolidated subsidiaries	0.7	-0.4
Net foreign exchange gains/(losses)	2.2	1.8
Investment management expenses	-1.6	-1.7
Investment income net of expenses excluding cost of debt	**11.5**	**9.1**

The accounting rate of return[20] for the quarter ended March 31, 2014 stood at 1.7% (on an annual basis), slightly lower than the rate of nearly 2% recorded for the quarter ended March 31, 2013. This decrease in accounting rate return is due to the pooling of investments made in the financial year ended December 31, 2013, which resulted in reallocations of asset classes and investments within the bonds portfolio, as well as a focus on listed equities in the financial year ended December 31, 2013 (see Section 9.2 "*Principal factors with an impact on business and income and main account items*" above), on levels of technical yields lower than those delivered by the historic portfolio. However, the Coface Group was able to diversify its exposure within fixed income instruments by seeking more attractive yields on corporate bonds. It also raised its equities exposure allowing it to partly offset the decrease in the yield of fixed income instruments in the first quarter of 2014. The amount of capital gains earned in the quarter ended March 31, 2014 amounted to €2.3 million, compared to €0.9 million in the quarter ended March 31, 2013. The portfolio's economic rate of return[21] amounted to 1.1% for the quarter ended March 31, 2014 compared to 0.4% for the quarter ended March 31, 2013. This more favorable growth results from the economic environment impact on the bonds portfolio, maintaining very low interest rates and a continuing growth of equities markets. These elements are reflected in the reevaluation reserves, evolving from €-2.8 million as of December 31, 2013 to €10.7 million as of March 31, 2014 enabling the recognition of unrealized capital gains.

After taking into account the income from investment in non-consolidated entities (dividends received, net of provisions accrued on these securities), foreign exchange income, investment

20 The portfolio's accounting rate of return corresponds to the ratio between the accounting financial income and average outstanding investments. The average outstanding investments is calculated as follows: [outstanding investments (in market value) at December 31, 2013 + outstanding investments (in market value) at March 31, 2014] / 2.

21 The portfolio economic rate of return corresponds to the ratio of (i) the aggregate of the accounting financial income for such period +/- an amount equal to the variation in reevaluation reserves (excluding equity in non-consolidated companies and excluding derivatives) between December 31, 2013 and March 31, 2014 to (ii) the average outstanding investment (such average outstanding calculating as described above).

management expenses, investment income net of management expenses and excluding finance costs in the first quarter of 2014 was down by €2.4 million, going from €11.5 million at the end of March 2013 to €9.1 million at the end of March 2014. This was a consequence of the capital gains recorded in the financial year ended December 31, 2013 from disposals of small-sized factoring and services entities reflecting the end of the Coface Group's in non-consolidated on its core business. Investment management expenses remained unchanged between the compared quarters.

9.3.4 Operating Income

Current operating income, including financing costs, was up by €6.5 million (14.1%), increasing from €52.8 million in the quarter ended March 31, 2013 to €54.2 million in the quarter ended March 31, 2014, due to the underwriting income which was €9.8 million higher, partialy due to the investment income net of management expenses and to the €2.4 million decrease in financial income.

Other operating income and expenses were up by €1.4 million as a result of the exceptional costs linked to the listing of Coface Group’s shares on the stock exchange.

Consequently, operating income, including financing costs, was up from €46.3 million in the quarter ended March 31, 2013 to €52.8 million in the quarter ended March 31, 2014.

Before eliminating inter-region flows and holding expenses not reinvoiced to the regions, the operating income, including financing costs, has increased by €8.3 million. All regions made positive contributions to the operating income, more particularly the Western Europe and Mediterranean & Africa regions, due to the sharp fall in the loss ratios in those regions and a strong containment of costs in Western Europe.

The table below shows the changes in operating income by region for the quarters ended March 31, 2013 and 2014:

(in thousands of euros)	**As of March 31**		**Change**	**Share of the total three-month period ended March 31, 2014**
	2013	**2014**		
Northern Europe	13,205	11,829	-1,376	19%
Western Europe	10,548	24,771	14,223	40%
Central Europe	9,205	7,236	-1,969	12%
Mediterranean & Africa	5,830	7,924	2,094	13%
North America	10,417	9,353	-1,064	15%
Asia-Pacific	-185	663	848	1%
South America	5,142	669	-4,474	1%
Total (excluding inter-region flows and holding expenses not reinvoiced)	**54,163**	**62,445**	**8,282**	**100%**

9.3.5 Net Income/(Loss) (Group Share)

The Coface Group's effective tax rate fell by 5.6 points, from 36.1% in the quarter ended March 31, 2013 to 30.5% in the quarter ended March 31, 2014.

This decrease is due to the recognition of a deferred tax asset in Italy related to the temporary difference in the accounting and tax treatment of technical provisions and the growth in the earnings of certain entities of the Coface Group, which allowed losses to be carried forward which previously had not been recognized (in the UK and Australia in particular).

The net income (group share) increased by 24%, from €29.7 million in the quarter ended March 31, 2013 to €36.7 million in the quarter ended March 31, 2014, owing to the increase in operating income.

9.4 Comparison between the Financial Years Ended December 31, 2013 and December 31, 2012.

Economic environment in 2013: slight slowdown due to emerging markets

At 2.6%, global economic growth has slightly slowed down compared to 2012 due to the deceleration in emerging markets (+4.4%) and to a lesser extent to advanced markets (+1.2%). The euro zone recorded a decrease in economic activity for the second consecutive year (-0.4%), with internal demand remaining very weak in Southern Europe. The second half of the year nevertheless showed some signs of recovery, with exports progressively allowing Europe to post moderate recovery.

The U.S. posted economic growth of 1.9%, but nevertheless still clearly a reduction compared to 2012. If private demand remained very buoyant, the monetary policy had a negative impact on activity. The big emerging markets continued to slow down as shown by Russia (1.3%) or India (4.4%) or to maintain historically moderate growth performance as with China (7.7%) and Brazil (2.3%). Most of these countries are experiencing recurring problems relating to supply, sometimes due to serious deficiencies in infrastructure. In addition, announcements by the Fed in spring about changes to its monetary policy led capital outflows which accentuated the ongoing slowdown.

9.4.1 Revenue

The Coface Group’s consolidated revenue fell by 3.1%, from €1,487 million in the financial year ended December 31, 2012 to €1,440 million in the financial year ended December 31, 2013 (+0.3% due to changes in the scope of consolidation (primarily due to the entry of the Coface RUS Insurance Company into the scope of consolidation) and -2.1% due to exchange rate adjustment). On a constant group structure and exchange rate basis, the Coface Group’s consolidated revenue was down by 1.4%.

The table below shows the changes in the Coface Group’s consolidated revenue by activity (net of intra-group flows) for the financial years ended December 31, 2012 and 2013:

Change in consolidated revenue by activity	**As of December 31**		**Change**		
In €m	**2012**	**2013**	**in €m**	**as a %**	**as a % on a constant group structure and exchange rate basis**
Insurance	1,410	1,371	-39	-2.7%	-0.6%
Gross earned premiums	*1,160*	*1,129*	*-31*	*-2.7%*	-06%
*Services**	*250*	*243*	*-8*	*-3.0%*	-2.2%
Factoring	77	69	-8	-10.2%	-10.1%
Consolidated revenue	**1,487**	**1,440**	**-47**	**-3.1%**	**-1.4%**

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

Insurance

Revenue from the insurance activity (including surety bonds and “single risk” insurance products) fell by 2.7% (down by 0.6% on a constant group structure and exchange rate basis), from €1,410 million in the financial year ended December 31, 2012 to €1,371 million in the financial year ended December 31, 2013.

Revenue from credit insurance products and related services amounts to €1,264 million in 2013, representing 88% of the Coface Group's consolidated revenue. In 2012, revenue from insurance products and related services amounted to €1,305 million, representing 87% of the Coface Group's consolidated revenue.

Gross earned premiums were down by 2.7% (down by 0.6% on a constant group structure and exchange rate basis) from €1,160 million in the financial year ended December 31, 2012 to €1,129 million in the financial year ended December 31, 2013, due mainly to a decline in volume of business generated by of the Coface Group's policyholders. Due to the attempts by the Coface Group to revitalize its commercial dynamism, the production of new contracts represented €157 million of annual value, up by 29% compared to the financial year ended December 31, 2012. The contract retention rate is improving at 87.9% (compared to 86.8% in the financial year ended December 31,2012), and the prices of earned premiums have stabilized after falling by 3% in the financial year ended December 31, 2012 and 4.9% in the financial year ended December 31, 2011.

However, the Coface Group's good commercial performance has not yet been reflected in gross earned premiums as the premiums are collected over the lifetime of the contracts.

Revenue from Services activities held up relatively well despite a sluggish economy. The 3.0% decline (-2.2% on a constant group structure and exchange rate basis) from €250 million in the financial year ended December 31, 2012 to €243 million in the financial year ended December 31, 2013 includes a negative base effect as 2012 revenue recorded a non-recurring profit of €2.6 million related to an upward adjustment of the remuneration received for the management of public procedure. Commercial revenue from Services related to insurance was down 3.0% (down 2.4% on a constant group structure and exchange rate basis) primarily due to the decline in gross earned premiums.

Factoring

Revenue generated by the Coface Group's factoring activities (now carried on exclusively in Germany and Poland, accounting for less than 5% of the Coface Group's consolidated revenue) was down by 10.2%, from €77 million in the financial year ended December 31, 2012 to €69 million in the financial year ended December 31, 2013. The Coface Group continued to focus on smaller, more diversified and more profitable contracts as part of its restructuring strategy. This strategy was introduced in early 2011 and completed in mid-2013, resulting in stabilized revenue ever since.

Changes in Revenue by Region

The table below shows changes in the Coface Group's consolidated revenue (net of intra-group flows) within its seven geographical regions during the financial years ended December 31, 2012 and 2013:

Change in consolidated revenue by region of invoicing	As of 31 December		Change			
	2012	2013	in €m	as a %	as a % on a constant exchange rate basis	as a % on a constant group structure and exchange rate basis
In €m						
Western Europe	505	469	-36.0	-7.0%	-6.5%	-6.5%
Northern Europe	347	367	20	5.6%	5.9%	4.6%
Mediterranean & Africa	213	217	3.5	1.6%	3.9%	3.9%
Central Europe	111	110	-0.7	-0.6%	-0.3%	-0.3%

North America	113	102	-10.8	-9.6%	-6.0%	-6.0%
Asia-Pacific	113	95	-18.7	-16%	-8.9%	-8.9%
Latin America	85	81	-3.6	-5.1%	5.8%	5.8%
Consolidated revenue	**1,487**	**1,440**	**-46.7**	**-3.1%**	**-1.1**	**-1.4%**

During the financial year ended December 31, 2013, all the Coface Group's regions recorded an improvement in their sales performance, with the production of new contracts on the rise. However, these effects have not yet materialized in terms of revenue trends due to the collection of the premiums over the lifetime of the contracts.

In Western Europe, the 7.0% decline in revenue in the financial year ended December 31, 2013 (6.5% on a constant group structure and exchange rate basis) was due to a decline in the volume of business generated by the Coface Group's policyholders, mainly in France (the country generating the greatest volume of business in the region) and due to the decision not to underwrite any more new self-managed insurance policies (available only in Belgium), as these policies do not allow the Coface Group to reduce or cancel its credit insurance coverage at any time. Spain experienced a strong increase in sales in what the Coface Group considers one of the most mature markets on which it operates.

In Northern Europe, the 5.6% revenue increase for the financial year ended December 31, 2013 (4.6% on a constant group structure and exchange rate basis) resulted not from an increase in the volume of business generated by the Coface Group's policyholders, but rather from the production of new contracts (up 6 points compared to the financial year ended December 31, 2012) and maintenance, if not improvement, of its contract retention rate; Germany and the Netherlands were the principal producers during the period. This overall revenue progression was nonetheless affected by the reduction in factoring activities revenues due to the Coface Group's restructuring of the factoring business portfolio which was finalized in mid-2013.

In Mediterranean & Africa, revenue for the region for the financial year ended December 31, 2013 was up by 1.6% (3.9% on a constant group structure and exchange rate basis), driven by the repricing strategy applied to all policies launched in the financial year ended December 31, 2012, and pursued in the financial year ended December 31, 2013 in Italy (the region's leading generator of business), which had highly successful sales results, along with Turkey. The revenue increase in this region was due not to an increase in the volume of business generated by the Coface Group's policyholders but rather to the production of new contracts and the maintenance, if not, depending on the country, improvement, of contract retention rates.

In Central Europe, the slight decrease in revenue (-0.6%) in the financial year ended December 31, 2013 (-0.3% on a constant group structure and exchange rate basis) comes from weak performance in Austria, partly offset by steadier growth in Poland. In addition, revenue from the factoring business was stable over the period.

In North America, revenue was down by 9.6% in the financial year ended December 31, 2013 (down 6.0% on a constant group structure and exchange rate basis) due to the loss of a major customer, and also to a weaker commercial performance. For that reason, the Coface Group has been concentrating on restructuring and expanding its sales presence throughout those states to improve its sales performance in the region. The net number of contracts produced returned to positive figures in the two countries in the region during 2013.

In Asia-Pacific, notably in China, the 16.0% decline in revenue in the financial year ended December 31, 2013 (-8.9% on a constant group structure and exchange rate basis) was due mainly to the decline in the amount of financing granted by local banks which supported the

Coface Group's credit insurance coverage business. Since 2013, the Coface Group has restructured its sales strategy to acquire new contracts directly (rather than through local banks). However, revenue from Asia-Pacific suffered from unfavorable trends in exchange rates during the period, which affected the Yen and the Singaporean dollar in particular.

In Latin America, revenue was down by 5.1% for the financial year ended December 31, 2013, mainly because of the unfavorable trend in exchange rates during the period, especially the depreciation of the Brazilian real and the Argentine peso. Excluding the effect of exchange rates, revenue was up (by 5.8% on a constant group structure and exchange rate basis) in the region, not because of an increase in the volume of business generated by the Coface Group's policyholders, but because of the production of new contracts and the contract retention rate having been maintained, and in some cases, depending on the country, improved.

9.4.2 Underwriting Income/(Loss)

9.4.2.1 *Underwriting Income/(Loss) before Reinsurance*

The underwriting income before reinsurance fell by €22.5 million, from €216.4 million in the financial year ended December 31, 2012 to €193.9 million in the financial year ended December 31, 2013. This change was due mainly to the decline in revenue (down by €47 million), which was partly offset by better control of the loss ratio (+€21.2 million, an improvement of 0.4 point) and cost stability (excluding the cost of relocation the Coface Group's head office in the amount of €8.3 million).

Loss Experience

Loss Experience	**As of December 31**		**Change**	
In €m and %	**2012**	**2013**	**in €m**	**as a %**
Claims expenses	597.5	576.3	-21.2	-3.7%
Loss ratio before reinsurance	**51.5%**	**51.1%**	**-**	**-0.4 points**

Despite the continuing global economic downturn during the financial year ended December 31, 2013, the loss ratio before reinsurance improved by 0.4 point, from 51.5% in the financial year ended December 31, 2012 to 51.1% in the financial year ended December 31, 2013. This was due to enhanced supervision and risk management the measures taken in some countries still undergoing stress (such as Italy, Turkey, Brazil and Argentina) had begun to show positive results in the financial year ended December 31, 2013, particularly during the last quarter of 2013, where the Coface Group's loss ratio was 45.7%. This improvement was achieved with slightly lower liquidating surpluses for prior years and an ultimate loss ratio (before reinsurance including claims management expenses) for the current financial year of 4.8 points.

This improvement was especially noticeable in Western Europe (-9.7 points), notably in Spain (targeted actions in some sectors, such as the agri-food industry and debtors with the lowest ratings, as from the third quarter of the financial year ended December 31, 2012) and in France, Northern Europe (-5.6 points), mainly in Germany, but also in Asia-Pacific (-16.1 points), all countries combined further to systematic review of exposure in these regions. In North America, the loss experience was slightly higher (+0.6 points), remaining low, however, in a favorable economic climate.

However, three regions experienced a loss experience before reinsurance of more than 51% in the financial year ended December 31, 2013 (compared to four in the financial year ended December 31, 2012). The loss ratio of the Central European region was stable at 66.5% (-0.1 points), due mainly to an increase in the ratio reflecting peak loss experience in Austria. Loss experience in Mediterranean & Africa were up by 1.4 points to 70.2% (as plans to control risk exposure implemented in Italy (as from the third quarter of the financial year ended December 31, 2012) and Turkey (as from the third quarter of the financial year ended December 31, 2012) had begun to produce positive results during the last quarter of 2013). Loss experience in Latin America was up to 105% (62.5 points more than in the financial year ended December 31, 2012). The effect of the measures undertaken in connection with the systematic review of exposure in the financial year ended December 31, 2013 was nonetheless offset by the increase in loss experience in the second half of the financial year. This increase was due primarily to the economic climate in Chile (where there was an increase in frequency of claims in the agri-food and chemical industries) and Brazil (where there was an increase in peak loss experience in the retail and chemical industries).

Change in loss experience by region of invoicing *(in millions of euros)*	**As of December 31**		**Change in points**
	2012	**2013**	
Western Europe	51.7%	42.0%	-9.7 pts
Northern Europe	55.1%	49.5%	-5.6 pts
Central Europe	66.6%	66.5%	-0.1 pt
Mediterranean & Africa	68.8%	70.2%	1.4 pt
North America	18.7%	19.3%	0.6 pt
Latin America	42.7%	105.2%	62.5 pts
Asia-Pacific	42.1%	26.0%	-16.1 pts
Loss ratio before reinsurance	**51.5%**	**51.1%**	**-0.4 pt**

General Expenses

Policy acquisition commissions decreased by 3.9% (down by 1.5% on a constant group structure and exchange rate basis) from €140.4 million to €134.9 million in the financial year ended December 31, 2013, in line with the reduction in the amount of gross earned premiums, these commissions being based on a percentage of the revenue contributed.

General internal expenses increased slightly by 0.4% (1.5% on a constant group structure and exchange rate basis) from €565.1 million in the financial year ended December 31, 2012 to €567.7 million in the financial year ended December 31, 2013. Excluding the cost of relocation the Coface Group's head office (€8.3 million), general internal expenses were down by 1% during the period, owing mainly to a reduction in payroll costs further to the reduction in the workforce (-3.5% in the financial year ended December 31, 2013 in full-time equivalents) from €315.1 million in the financial year ended December 31, 2012 to €306.3 million in the financial year ended December 31, 2013. IT costs remained stable during the financial year ended December 31, 2013 at €54.0 million (down by 0.1%). Other costs (indirect taxes on insurance contracts, information purchases, rent, etc.) were also stable at €199.0 million in the financial year ended December 31, 2013 compared to €198.3 million in the financial year ended December 31, 2012. The decrease in general internal expenses in the financial year ended December 31, 2013, despite the Coface Group's internal inflation rate (calculated on the basis of payroll) exceeding 2%, can be explained by measures taken back in the financial year ended December 31, 2011 as part of Strong Commitment I (see Section 9.1 "*General Introduction*" of this registration document).

Despite a decrease in the cost base, the cost ratio (excluding relocation costs) before reinsurance was up slightly from 29.4% in the financial year ended December 31, 2012 to 30.5% in the financial year ended December 31, 2013, primarily because of the decline in gross earned premiums.

In Western Europe, general expenses were down sharply by 6.9%. This reduction followed the implementation of a plan to improve operating processes and costs in France, which resulted in a workforce reduction and consequently a reduction in general internal expenses. Policy acquisition costs (based on a percentage of revenue earned) were also down, in line with the decline in gross earned premiums in the region.

In Northern Europe, general expenses were up slightly by 0.8%, owing mainly to the change in policy acquisition costs, in line with the increase in gross earned premiums. General internal expenses were down by 0.2% because of continued measures to restructure and optimize operating costs.

In Central Europe, the increase in general expenses was limited to +1.1%.

In Mediterranean & Africa, general expenses were up by 5.4%. In order to improve the quality of information on debtors of that region, which continued to experience a high loss ratio in the financial year ended December 31, 2013 (70.2%), the expenditure was incurred to improve the quality of information which contributed to the reduction in the loss ratio starting in the fourth quarter of the financial year ended December 31, 2013.

In North America, general expenses were down by 5.3%. This was due mainly to the decrease in policy acquisition commissions, in line with trends in gross earned premiums, but also to significant savings made in the purchase of information.

In Latin America, general expenses were up by 5%, lower than inflation in the region. This increase was due mainly to an increase in the rate of policy acquisition commissions, particularly in Argentina, but also to an increase in payroll costs in Mexico, Argentina and Brazil because of the competitive position of the labor market in those countries.

In Asia-Pacific, general expenses were down by 14%. This decline was due mainly to a decrease in policy acquisition commissions in connection with the decrease in gross earned premiums in the region.

9.4.2.2 *Underwriting Income/(Loss) after Reinsurance*

Reinsurance costs were up by 17.3% from €56.5 million in the financial year ended December 31, 2012 to €66.2 million in the financial year ended December 31, 2013. These costs do not yet reflect the improved reinsurance terms enjoyed by the Coface Group. In addition, for the financial year ended December 31, 2012, the reinsurance costs include a supplementary reinsurance commission carried forward from a previous financial year.

The increase in the reinsurance costs was due mainly to the purchase of additional protection in the financial year ended December 31, 2013 (the loss ratio after reinsurance thereby increasing slightly by 0.5 of a point to 53.8%), one part of which relates to protection from risks for the financial year ended December 31, 2012 and the purchase of an additional reinsurance commission relating to a prior financial year recorded in the financial year ended December 31, 2012. In adjusting the reinsurance costs for these elements for accounting period comparison purposes, the Coface Group believes that the adjusted reinsurance costs have decreased by 4.6% between the financial years ended December 31, 2012 and 2013 (adjusted cost estimated at €64.2 million in 2013 compared to €67.4 million in 2012).

The underwriting income after reinsurance decreased by €32.2 million, from €159.9 million in the financial year ended December 31, 2012 to €127.7 million in the financial year ended December 31, 2013, primarily because of the reduction in the underwriting income before reinsurance (down €22 million) and the increase in the reinsurance costs (€10 million).

9.4.3 Investment Income, Net of Management Expenses (excluding Finance Costs)

In a context of historically low interest rates and attempts by institutional investors to achieve a return on investment, the profit/loss from the investment portfolio (income from equity in non-consolidated companies, foreign exchange profits, losses and investment management expenses) was up by 44%, from €47.6 million in the financial year ended December 31, 2012 to €68.6 million in the financial year ended December 31, 2013.

(in millions of euros)	**As of December 31**	
	2012	**2013**
Equities	0.9	-0.8
Fixed income instruments	46.4	69.1
Property	0.4	0.3
Investment portfolio income	**47.6**	**68.6**
Non-consolidated subsidiaries	-0.4	8.5
Net foreign exchange gains/(losses)	-2.4	-2.6
Investment management expenses	-7.8	-7.0
Investment income, net of management expenses (excluding finance costs)	**37.0**	**67,5**

This change was due to the realization of capital gains on the portfolio of €27.8 million, following up, in particular, to the centralization of investments. This one-time operation took place as part of the restructuring and centralization of the Coface Group's investment management, the combination of administrative tasks having been outsourced to a single management platform entrusted to Amundi in order to optimize on management, procedure, monitoring and control (see Section 4.4.1 "*Risk Management Policy*" of this registration document), which aimed to increase the diversification of its investment portfolio. This made it necessary to liquidate a large part of its bonds portfolio during the year. This was done during April 2013 under favorable terms (particularly low interest rates), and, following a remarkable performance of the portfolio bonds over the previous 18 months, resulted in maximizing the amount of realized capital gains earned. The portfolio's accounting rate of return[22] excluding capital gains due, in particular, to the centralization of the Coface Group's investment management amounted to 1.9% in the financial year ended December 31, 2013 (compared to 2.3% in the financial year ended December 31, 2012) under the effect of falling bond rates. The portfolio's economical rate of return[23] was 1.4% for the financial year ended December 31, 2013 compared to 3.8% for the financial year ended December 31, 2012. This more marked reduction was due to a significant decrease of the reevaluation reserve which decreased from €35.4 million at December 31, 2012 to - €2.8 million at December 31, 2013 for the combined effect of the realization of capital gains of €27.8 million (see above) and a

[22] The portfolio's accounting rate of return corresponds to the ratio between the accounting financial income and average outstanding investments. The average outstanding investments is calculated as follows: [outstanding investments (in market value) at December 31, 2013 + outstanding investments (in market value) at December 31, 2012] / 2.

[23] The portfolio economic rate of return corresponds to the ratio of (i) the aggregate of the accounting financial income for such period +/- an amount equal to the variation in reevaluation reserves (excluding equity in non-consolidated companies and excluding derivatives) between December 31, 2012 and December 31, 2013 to (ii) the average outstanding investments (such average outstanding calculating as described above).

reallocation of investments of the bonds portfolio during 2013 (see Section 9.2 "*Principal Factors Affecting Business Activities, Results and Principal Accounting Terms*" of this registration document) at lower yield to maturity than those obtained in 2012.

After accounting for the profit/loss from equity in non-consolidated companies, net foreign exchange gains/(losses), and interest and investment expenses, investment income, net of management expenses (excluding finance costs) was up by 82.4%, from €37 million in the financial year ended December 31, 2012 to €67.5 million in the financial year ended December 31, 2013. Additionally, the divendend distribution in the financial year ended December 31, 2013, the increase in the income flowing from its non-consolidated subsidiaries essentially results from the capital gains of €4.8 million realized through the liquidation of the Coface Group's small factoring and services companies, reflecting the end of strategic refocusing measures. The foreign currency expense of €2.6 million in the financial year ended December 31, 2013 was offset by the profit from hedging included its "fixed income instruments" line with the investment portfolio, for the most part being systematically hedged against foreign currency risk since the end of April 2013 (see Section 9.1 "*General Introduction*" of this registration document). Investment management fees have declined by 11% due particularly to the restructuring of investment management implemented in 2013. Nonetheless, taking into account the progressive reinvestment of the portfolio shifts in the financial year ended December 31, 2013 due to the new management framework, the new related management costs have not been borne within the course of the whole financial year ended December 31, 2013.

9.4.4 Operating Income

Current operating income, including financing costs, was down slightly by €1.7 million, falling from €196.9 million in the financial year ended December 31, 2012 to €195.2 million in the financial year ended December 31, 2013, due to an underwriting income after reinsurance down by €32.3 million, and to the investment income net of management expenses, and excluding financial income up by €30.5 million (including the effect of the relaisation of investment to resulting in the realization of €27.8 million capital gains from the Coface Group's investment portfolio related, notably, to the centralization of investments). The other operating income and expenses, up by €1.9 million, related mainly to the first-time consolidation of Coface RUS Insurance Company as of January 1, 2013, an insurance company in Russia.

As a result, operating income, including financing costs, was slightly up from €196.7 million in the financial year ended December 31, 2012 to €196.9 million in the financial year ended December 31, 2013.

Before elimination of inter-region flows and holding expenses not reinvoiced to the regions, operating income, including financing costs, increased by €7.1 million during the period. All regions, with the exception of Latin America (which suffered an increase in the loss experience), made a positive contribution to the operating income increase, more particularly the Western Europe and Northern Europe regions, due to a lower loss experience, effective cost controls and the realization of unrealized capital gains on investment portfolios in those regions.

The table below shows the change in operating income, including financing costs, by region during the financial years ended December 31, 2012 and 2013:

(in thousands of euros)	**As of December 31** **2012**	**2013**	**Change**	**Percentage of consolidated revenue 2013**
Northern Europe	50,825	71,049	20,224	31%
Western Europe	67,630	94,953	27,323	41%
Central Europe	25,926	32,455	6,529	14%
Mediterranean & Africa	18,448	16,514	-1,934	7%
North America	33,356	23,363	-9,994	10%
Asia Pacific	9,640	13,810	4,170	6%
Latin America	16,947	-22,238	-39,185	-10%
Total	**222,772**	**229,905**	**7,134**	**100%**

The Northern Europe and Western Europe regions, which amounted for more than half (72%) of the Coface Group's operating income (excluding intra-region flows and holding expenses not reinvoiced to the regions), representing more than their weight in overall revenue (58%), recorded a significant increase in profitability levels due to very good loss experience management. Asia-Pacific continued to record good profitability levels due in large part to strong improvements in its loss ratio, with a contribution of more than 5% to the operating income of the Coface Group (excluding inter-region flows and holding expenses not reinvoiced to the regions).

9.4.5 Net Income (Group Share)

The Coface Group's effective tax rate increased from 33.4% in the financial year ended December 31, 2012 to 34.8% in the financial year ended December 31, 2013 owing to certain tax adjustments made in Germany.

Net income (group share) increased slightly by 2.6%, from €124.1 million to €127.4 million in the financial year ended December 31, 2013, due to the increase in operating income, as the net income group share in the financial year ended December 31, 2012 suffered a loss of €5.1 million as a consequence of discontinued activities resulting from the Coface Group's refocus on its core business.

9.5 Comparison Between the Financial Years ended December 31, 2012 and December 31, 2011

2012 Economic Environment: Double-Dip in Europe

2012 was marked by a decrease in global growth rates to 2.8% (compared to 3.3% in 2011), mostly due to the sluggish growth reported in emerging markets (4.9% versus 5.9% the previous year).

In advanced economies (1.4% growth compared to 1.5% in 2011), Western Europe's plunge into another recession was partly offset by the performances of the US economy. In Southern Europe, significant market contractions were reported due to domestic demand being hampered by public and private deleveraging. In Italy and Spain, GDP fell by 2.4% and 1.6% respectively, while French GDP stagnated at 0%. Since the euro zone is highly interdependent in terms of commercial exchanges, the effect of market contractions in Southern Europe spread to countries with healthier financial fundamentals, such as Germany, which slowed down to 0.9%

Meanwhile, the United States, boosted by an accommodating monetary policy and the fall of energy costs, picked up sharply compared to 2011 to 2.8%.

Emerging markets began experiencing a downward trend after two years of high growth but higher than their potential with respect to major economies. For example, China in particular whose economic policy is striving to fight sector overcapacities (Chinese growth reached 7.7% in 2012 versus 9.3% in 2011).

9.5.1 Revenue

The Coface Group's consolidated revenue increased by 0.9%, from €1,474 million in the financial year ended December 31, 2011 to €1,487 million in the financial year ended December 31, 2012. On a constant group structure and exchange rate basis, the Group's consolidated revenue was down by 0.8% (+ 1.2% of exchange rate adjustments and + 0.5%taking account of the scope of consolidation corresponding mainly to the transfer of the Coface Services portfolio (a non-consolidated entity) to Fimipar, described in Section 17.3 "*Mandatory and Optional Profit-Sharing Agreements*" of this registration document).

This decrease in the Coface Group's consolidated revenue on a constant group structure and exchange rate basis results exclusively from the impact of the restructuring of the Group's factoring portfolio while revenues from other activites were increasing.

The table below shows the change in the Coface Group's consolidated revenue by activity during the the financial years ended December 31, 2011 and 2012:

Change in consolidated revenue by activity (*in millions of euros*)	**As of December 31**		**Change**		
	2011	**2012**	**in €m**	**as a %**	**as a % on a constant group structure and exchange rate basis**
Insurance	1,375	1,410	35	2.5%	0.7%
Earned gross premiums	*1,138*	*1,160*	*22*	*1.9%*	*0.4%*
*Services**	*237*	*250*	*13*	*5.6%*	*1.9%*
Factoring	99	77	-22	-22.2%	-22.1%
Consolidated revenue	**1,474**	**1,487**	**13**	**0.9%**	**-0.8%**

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

Insurance

Revenue from the insurance activity (including guarantee and single risk) increased 2.5% (up 0.7% on a constant group structure and exchange rate basis) from €1,375 million in the financial year ended December 31, 2011 to €1,410 million in the financial year ended December 31, 2012.

Revenue from the credit insurance products and related services amounted to €1,305 million for the financial year ended December 31, 2012 (representing 8.7% of the Coface Group's consolidated revenue) compared to €1,272 million for the financial year ended December 31, 2011 (representing 86% of the Coface Group's consolidated revenue).

Gross earned premiums increased by 1.9% (up 0.4% on a constant group structure and exchange rate basis) from €1,138 million in the financial year ended December 31, 2011 to €1,160 million in the financial year ended December 31, 2012.

This increase in gross earned premiums comes mainly from the steady volume of business generated by the Coface Group's clients in the financial year ended December 31, 2011, which produced its effects in the financial year ended December 31, 2012 (as a very large part of the gross earned premiums were based on the revenues earned by the Coface Group's policyholders themselves), and to a lesser extent from the price of gross earned premiums in the financial year ended December 31, 2012 (down by 3.0%) compared to the financial year ended December 31, 2011 (down by 4.9%). In terms of sales performance, the production of new contractsrepresented €122 million in annual value in the financial year ended December 31, 2012 (compared to €140 million in the financial year ended December 31, 2011). The contract retention rate, although down when compared to the financial year ended December 31, 2011 (89.1%), remained high at 86.8%, notwithstanding plans to control exposure to risk launchedin April 2011.

Revenue from the the Coface Group's service business was up 5.6% (up 1.9% on a constant group structure and exchange rate basis), from €237 million in the financial year ended December 31, 2011 to €250 million in the financial year ended December 31, 2012, owing mainly to the increase in the revenue from insurance related services (up by 10.5% (4.7% on a constant group structure and exchange rate basis), from €122.4 million to €136.4 million in the financial year ended December 31, 2012), the Group having initiated as part of Strong Commitment I, a revision of the tariffs and a roll out these services throughout all the regions.

Factoring

As part of Strong Commitment I, the Group decided to retain factoring activities only when they were profitable and offered an opportunity to grow the Coface Group's core business, credit insurance. The provision of factoring services was therefore retained only in Germany and Poland. In both of these countries, the Group carried out a restructuring strategy for its factoring portfolio from early 2011 in favor of focusing on smaller, more diversified and more profitable contracts consuming less equity while at the same time easing the refinancing of its factoring activities by means of a the securitization program launched in February 2012. Revenues from factoring activities were down by 22.2%, from €99 million in the financial year ended December 31, 2011 to €77 million in the financial year ended December 31, 2012.

Changes in Revenue by Region

The table below shows the changes in the Coface Group's consolidated revenue (net of intra-group flows) within its seven geographical regions during the the financial years ended December 31, 2011 and 2012:

Change in consolidated revenue by invoicing region *(in million of euros)*	**As of December 31**		**Change**			
	2011	**2012**	**In €m**	**as a %**	**as a % on a constant exchange rate basis**	**as a % on a constant group structure and exchange rate basis**
Western Europe	498	505	6.9	1.4%	0.4%	-1.0%
Northern Europe	406	347	-59.2	-14.6%	-14.6%	-14.6%
Mediterranean & Africa	202	213	11.4	5.7%	5.9%	5.9%
Central Europe	100	111	10.8	10.8%	11.9%	11.9%
North America	98	113	14.7	15.0%	6.7%	6.7%
Asia Pacific	97	113	16.4	16.9%	8.4%	8.4%
Latin America	73	85	11.8	16.2%	18.5%	18.5%
Consolidated revenue	**1,474**	**1,487**	**12.9**	**0.9%**	**-0.3%**	**-0.8%**

In Western Europe, revenue was up slightly by1.4% (down by 1.0% on a constant group structure and exchange rate basis due to a decrease in the volume of the production of new contracts) as the volume of business generated by policyholders in the financial year ended December 31, 2011 continued to produce a positive effect on gross earned premiums in the financial year ended December 31, 2012.

In Northern Europe, where Germany is the country generating most business for the Coface Group, the 14.6% decrease in revenue was due mainly to the fall in revenue from factoring in the business with the restructuring of the factoring contracts in favor of more profitable policies, and, to a lesser extent, to a reduction in volume of business generated by certain large accounts.

In Mediterranean & Africa, revenue was up by 5.7% (up by 5.9% on a constant group structure and exchange rate basis) due to a repricing strategy applied to all policies in Italy (the region's leading country in generating business) during the financial year and to a strong commercial sales performance in both Italy and Turkey, which led to an increase in gross earned premiums in the financial year ended December 31, 2012.

Buoyed by the increase in the volume of business generated by the Coface Group's policyholders in the financial year ended December 31, 2011, the following regions achieved growth of more than 10% during the financial year ended December 31, 2012: Central Europe (up by 10.8%); the North America (up by 15.0 %); Latin America (up by 16.2%); and Asia-Pacific (up by 16.9%). Central Europe benefited from a credit insurance policy repricing campaign in some countries, while the North America and Asia-Pacific regions benefited from a favorable exchange rate and positive sales performances.

9.5.2 Underwriting Income/Loss

9.5.2.1 *Underwriting Income/(Loss) before Reinsurance*

The underwriting income before reinsurance increased by €7.3 million, from €209.1 million in the financial year ended December 31, 2011 to €216.4 million in the financial year ended December 31, 2012. The contribution to the underwriting income before reinsurance from additional revenue of thegross earned premiums (up by €4.2 million) and the reduction in the cost of risk of factoring business (up by €7.2 million) were partly offset by an increase in the combined ratio before reinsurance (up by 0.3 points) from 80.6% in the financial year ended December 31, 2011 to 80.9% in the financial year ended December 31, 2012, which had an overall impact of -€3.5 million.

Loss Experience

Despite a major economic slowdown since mid-2011, the Coface Group successfully maintained a loss ratio before reinsurance of 51.5% compared to 51.7% in the financial year ended December 31, 2011.

Loss Experience	**As of December 31,**		**Change**	
in €m and %	**2011**	**2012**	**In €m**	**as a %**
Claims expense	594.3	597.5	3.2	0.5%
Loss ratio before reinsurance	**51.7%**	**51.5%**	**-**	**-0.2 points**

Three regions saw an improvement in their loss ratios in the financial year ended December 31, 2012 (Western Europe, particularly Spain, Northern Europe and North America, which together accounted for 64.9% of the Coface Group's consolidated revenue). This was the result of enhanced supervision and optimized risk management through targeted actions aimed at improving the quality of the Coface Group's risk exposure.

However, the loss experience in Central Europe (principally Austria and, to a lesser extent, Romania, the loss experience in Poland being stable) was up sharply at 66.6% (+ 11 points) owing to the significant peak loss experience recorded in the construction industry. In the economic downturn, the loss ratio in Mediterranean & Africa was significantly up at 68.8% (+

7.1 points). This was because the plans to control risk exposure carried out in Italy and Turkey had not yet fully produced their effects in the financial year ended December 31, 2012. The Asia-Pacific and Latin American regions maintained a low loss ratio at less than 43% because those regions experienced especially low loss experience levels in the financial year ended December 31, 2011.

Change in loss experience by region of invoicing	**As of December 31**		**Change in points**
	2011	**2012**	
Western Europe	54.0%	51.7%	-2.3 pts
Northern Europe	59.5%	55.1%	-4.1 pts
Central Europe	55.5%	66.6%	+11 pts
Mediterranean & Africa	61.7%	68.8%	+7.1 pts
North America	33.1%	18.7%	-14 pts
Latin America	30.8%	42.7%	+12 pts
Asia Pacific	21.8%	42.1%	+20 pts
Loss ratio before reinsurance	**51.7%**	**51.5%**	**-0.2 pt**

General Expenses

Policy acquisition commissions (paid to insurance intermediaries which provide business to the Coface Group) increased by 2.4% (-0.3% on a constant group structure and exchange rate basis), from €137.2 million in the financial year ended December 31, 2011 to €140.4 million in the financial year ended December 31, 2012, in line with the increase in the amount of gross earned premiums, as these commissions are based on a percentage of the contributed revenue.

General internal expenses remained stable, rising only from €565.7 million in the financial year ended December 31, 2011 to €565.1 million in the financial year ended December 31, 2012 (down by 1.2% on a constant group structure and exchange rate basis). Payroll costs were down 0.5% during the period, from €316.7 million in the financial year ended December 31, 2011 to €315.1 million in the financial year ended December 31, 2012. IT costs remained stable during the period. Other costs (indirect taxes on insurance contracts, rents, purchase of information, etc.) were slightly down by €2.3 million due to the increase in direct taxes on insurance contract revenue, particularly in the United States and China.

However, the increase in gross earned premiums and the decrease in costs are not reflected in the change in the costs ratio before reinsurance, which was slightly up, from 28.8% in the financial year ended December 31, 2011 to 29.4% in the financial year ended December 31, 2012, due mainly to the sharp decrease in factoring revenue as a consequence of the restructuring of the Coface Group’s factoring portfolio which had an impact on the level of general expenses.

In Western Europe, general expenses decreased sharply by €14 million (-6%). This was primarily due to the implementation of a plan implemented to optimize operating processes and costs in France.

In Northern Europe, general expenses decreased sharply by 7%. This was related primarily to a decrease in policy acquisition costs in line with the decrease in gross earned premiums, but also to measures taken to reorganize and optimize operating costs that led to a €4.6 million decrease in general internal expenses resulting from the implementation of such measures.

In Central Europe, general expenses were down slightly by €0.3 million (-1%).

In Mediterranean & Africa, general expenses decreased sharply by 7.2%. This decrease mainly reflects a plan to optimize operating expenses, involving, in particular, the regrouping of the different regional teams in Milan and a plan to optimize operating processes in South Africa.

In North America, general expenses were up by 7%, due mainly to the increase in policy acquisition costs.

In Latin America, general expenses were up by 10%, due mainly to the increase in policy acquisition costs. In addition, the fierce competition in the employment market and high inflation rates in the region increased payroll costs in Mexico, Argentina and Brazil.

In Asia-Pacific, general expenses were up by 14%, driven mainly by the increase in policy acquisition costs. The increase in other general internal expenses reflects primarily the Coface Group’s development policy in the region.

9.5.2.2 *Underwriting Income/(Loss) after Reinsurance*

Reinsurance costs were down by 30%, from -€80.7 million in the financial year ended December 31, 2011 to -€56 million in the financial year ended December 31, 2012. This change was due to the improvement in the amount of reinsurance commissions. This also includes an additional reinsurance fee received for a prior year (see Section 9.2 “*Principal factors affecting the business and results and principal accounting items – Proactive risk management policy*” above).

The underwriting income after reinsurance increased from €31.7 million in the financial year ended December 31, 2011 to €159.9 million in the financial year ended December 31, 2012, due to the decline in the reinsurance costs (€24.3 million) and an increase in underwriting income before reinsurance (€7.3 million).

9.5.3 Investment Income, Net of Management Expenses (excluding Finance Costs)

During 2012, the financial markets were very mixed. They continued to suffer disruptions stemming from the sovereign debt crisis in the euro zone. The market settled down in the second half of the year after measures taken at the European level. The sovereign rates of the core countries of the euro zone reached historically low levels, while the rates in peripheral countries, after undergoing a sharp increase, were clearly down in the second half. Short term rates also reached historically low levels.

In this context, income from the Coface Group’s investment portfolio (excluding income from equity in non-consolidated entities, net foreign exchange gains/(losses), and investment management expenses) was slightly up (by 2.8%) from €46.3 million in the financial year ended December 31, 2011 to €47.6 million in the financial year ended December 31, 2012.

(*in millions of euros*)	**As of December 31**	
	2011	**2012**
Equities	0,2	0,9
Fixed income insruments	45,8	46,4
Property	0,3	0,4
Investment portfolio income	**46,3**	**47,6**
Non-consolidated subsidiaries	3,8	-0,4
Net foreign exchange gains/(losses)	-0,0	-2,4
Investment management expenses	-6,9	-7,8
Investment income, net of management expenses (excluding finance costs)	**43,2**	**37,0**

The accounting rate of return of the investment portfolio for the financial year ending December 31, 2012 remained fairly stable at 2.3% compared to the financial year ended December 31, 2011, due to a very slight portfolio rotation. As a consequence, over these two years, the realized capital gains flows were not significant, lower than €1 million in both 2011 and 2012.

After taking into account income from investment in non-consolidated companies (dividends received, net of provisions accrued on these securities), foreign exchange income, financial fees and investment management expenses, the investment income, net of management expenses (excluding finance costs) was down by €6.2 million, from €43.2 million in the financial year ended December 31, 2011 to €37.0 million in the financial year ended December 31, 2012. This decrease is due to an adverse foreign exchange effect of -€2.4 million (related mainly to the depreciation of the Rand in South Africa), the loss of €0.4 million in the financial year ended December 31, 2012 relating to non-consolidated subsidiaries corresponds to a number of provisions made on various companies in the course of liquidation as part of the the Coface Group’s strategy to refocus on its core business, resulting in a decrease in dividends for this period (€2.4 million). In addition, apart from a similar amount of dividends, the reversals of provisions in previous financial years were recorded in the financial year ended December 31, 2011.

9.5.4 Operating Income

Current operating income was up by €25.5 million, including financing costs, from €171.5 million in the financial year ended December 31, 2011 to €196.9 million in the financial year ended December 31, 2012, due mainly to a €31.7 million increase in underwriting income after reinsurance.

Before the elimination of inter-regional flows and holding expenses not reinvoiced to the regions, operating income, including financing costs, was up €37.5 million during the period. All regions made a positive contribution, particularly Western Europe and North America, due to the decline in loss ratio in those regions and to the implementation of effective cost controls.

The table below shows the changes in operating income, including financing costs, by region during the financial year ended December 31, 2011 and 2012:

	For the year ended December 31		**Change**	**Percentage of the 2012 total**
(in thousands of euros)	**2011**	**2012**		
Northern Europe	60,803	50,825	-9,979	23%
Western Europe	25,738	67,630	41,892	30%
Central Europe	22,369	25,926	3,557	12%
Mediterranean & Africa	14,825	18,448	3,623	8%
North America	19,586	33,356	13,771	15%
Asia Pacific	20,481	9,640	-10,842	4%
South America	21,459	16,947	-4,512	8%
Total (exclusing inter-regio flows and holding expenses not reinvoiced)	**185,261**	**222,772**	**37,511**	**100%**

Other operating income and expenses were up by €31.1 million due to one-off expenses recorded in the financial year ended December 31, 2011 in of €33 million (in particular depreciation in the value of Greek securities of €7.6 million, provisions for risks or provisions related to the re-evaluation of investment securities and restructuring costs in the amount of €23.6 million related to the implementation of Strong Commitment I).

As a result, operating income, including financing costs, was up by 40.4%, from €140.2 million in the financial year ended December 31, 2011 to €196.7 million in the financial year ended December 31, 2012.

9.5.5 Net Income (Group Share)

The Coface Group’s effective tax rate decreased from 40.6% in the financial year ended December 31, 2011 to 33.4% in the financial year ended December 31, 2012, due to the use of tax losses from prior years not recorded under assets in the financial statements.

The net income (group share) increased by 95.1%, from €63.6 million in the financial year ended December 31, 2011 to €124.1 million in the financial year ended December 31, 2012.

The net income (group share) for the financial year ended December 31, 2012 was impacted by losses from discontinued activities (a loss of €5.1 million) further to the refocusing of the

Coface Group's activities (compared to €17.1 million in the financial year ended December 31, 2011), as more fully described in Note 35 to the consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013.

10. COFACE GROUP'S CASH AND CASH EQUIVALENTS AND CAPITAL

10.1 Cash Flows

The information in this section is derived from the statement of cash flows in the consolidated financial statements and Note 12 "Cash and cash equivalents" of the Company's consolidated financial statements as shown in Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document. The cash flows shown below include the flows relating to discontinued activities.

In thousands of euros	**As of March 31**		**As of December 31**		
	2014	**2013**	**2013**	**2012**	**2011**
Net cash flows from operating activities	68,471	104,807	164,940	12,785	277,270
Net cash flows from investing activities	-105,264	-51,951	-99,518	-1,702	17,888
Net cash flows from financing activities	-372,251	-760	-65,437	-3,507	-349,337

In thousands of euros	**As of March 31**		**As of December 31**		
	2014	**2013**	**2013**	**2012**	**2011**
Cash and cash equivalents at opening	273,920	257,010	257,010	242,872	292,354
Cash and cash equivalents at closing	608,668	309,354	273,920	257,010	242,872
Change in net cash and cash equivalents	334,748	52,344	16,910	14,138	-49,482

Comparison of the financial years ended December 31, 2012 and 2011

For the financial year ended December 31, 2012, the net cash position increased by €14.1 million, from €242.9 million to €257.0 million.

Net cash flows from operating activities fell from €277.3 million for the financial year ended December 31, 2011 to €12.8 million for the financial year ended December 31, 2012, owing mainly to the increase in claims paid in 2012.

Net cash flows from investing activities fell from €18.0 million for the financial year ended December 31, 2011 to -€1.7 million for the financial year ended December 31, 2012 (being a negative change of €19.6 million), due mainly to the increase in investments in the amount of €368.6 million (up from -€357 million in the financial year ended December 31, 2011 to €11.3 million in the financial year ended December 31, 2012). Cash flows from acquisitions and sales of tangible and intangible assets for €7.3 million (up from -€20.3 million in the financial year ended December 31, 2011 to -€13.0 million in the financial year ended December 31, 2012), were more than offset by a negative impact further to the deconsolidation of the withdrawal of discontinued operations and no longer within the scope of consolidation as of December 31, 2011 for €363.1 million.

Net cash flows from financing activities fell from -€349.3 million for the financial year ended December 31, 2011 to -€3.5 million for the financial year ended December 31, 2012 due mainly to the reduction in financial debt.

Comparison of the financial years ended December 31, 2013 and December 31, 2012

For the financial year ended December 31, 2013, the net cash position increased by €16.9 million, from €257 million to €273.9 million.

Net cash flows from operating activities increased by €12.8 million for the financial year ended December 31, 2012 to €164.9 million for the financial year ended December 31, 2013, due mainly to a lower amount of claims payments during the financial year ended December 31, 2013, further to the improvements in the loss ratio.

Net cash flows from investing activities went from -€1.7 million for the financial year ended December 31, 2012 to -€99.5 million for the financial year ended December 31, 2013, due mainly to the increase in investments of -€82.6 million and the entry of Coface RUS Insurance Company in the scope of consolidation as of December 31, 2013 (cash acquired minus net assets).

Net cash flows from financing activities went from -€3.5 million for the financial year ended December 31, 2012 to -€65.4 million for the financial year ended December 31, 2013, owing mainly to the dividend distribution of €65.1 million to the parent Company, Natixis, between 2012 and 2013.

10.2 Indebtedness and Sources of Financing of the Coface Group

10.2.1 Indebtedness of the Coface Group

The indebtedness of the Coface Group consists of financial debt and operating debt, related to its factoring activities ("Amounts due to banking sector companies" and "Debt securities").

(in millions of euros)	**As of March 31**	**As of December 31**		
	2014	**2013**	**2012**	**2011**
Subordinated Notes	376.7	-	-	-
Obligations under finance leases	9.9	10.6	13.2	15.4
Bank overdraft and other borrowings	-	4.6	-	-0.1
Sub-total financial debt	**386.7**	**15.1**	**13.2**	**15.5**
Amounts due to banking sector companies	384	407	523	2,664
Debts securities	1,385	1,349	1,113	0
Sub-total operating debt	**1,769**	**1,756**	**1,636**	**2,664**

Financial Debt

Since 2011, the Coface Group’s financial debt has been low (excluding the issuance of subordinated notes for an amount of €380 million in March 2014, as described in more detail below), consisting essentially of a finance lease on its head office in Germany.

For the financial year ended December 31, 2013, the Coface Group’s financial debts which amounted to €15.1 million, consisted essentially of the finance lease on its head office in Germany for €10.6 million (compared to €13.2 million in the financial year ended December 31, 2012 and €15.4 million in the financial year ended December 31, 2011).

In addition, in March 2014, the Coface Group issued subordinated notes for an amount of €380 million, as described in more details below.

Operating debt related to factoring activities

As at December 31, 2013, the Coface Group’s operating debt related to its factoring activities, amounted to €1,756 million.

This debt, which includes the items “Amounts due to banking sector companies” and “Debts securities,” represents the financing sources of the Coface Group’s factoring companies (Coface Finanz (Germany) and Coface Factoring Poland (Poland)).

Amounts due to to banking sector companies, which correspond to drawdowns under bilateral credit lines with the various banking partners of Coface Finanz and Coface Factoring Poland (including Natixis), amounted to €406.7 million for the financial year ended December 31, 2013.

Debts securities amounted to €1,349 million for the financial year ended December 31, 2013. They include the following:

- the senior units issued by the Vega securitization vehicle under the factoring receivables securitization program (see Section 10.2.2 “*Principal Sources of Financing of the Coface Group*” of this registration document) of Coface Finanz, in the amount of €1,038 million; and

- the commercial paper issued by Coface SA to finance the activity of Coface Finanz in the amount of €311 million.

10.2.2 Principal sources of financing of the Coface Group

10.2.2.1 *Financial debt*

In order to optimize its capital structure and reinforce its solvency margin, in March 2014 the Coface Group issued fixed rate (4.125%) subordinated notes (maturing on March 27, 2024) in an aggregate principal amount of €380 million. The notes are guaranteed unconditionally and irrevocably on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the principal operating company of the Coface Group.

10.2.2.2 *Operating debt related to factoring activities*

The Group's operating debt relates mainly to the financing of its factoring activities.

The period 2011-2012 was marked by two trends:

- a reduction in the number of the Coface Group's factoring subsidiaries following the Group's strategic refocusing on its core business, credit insurance; and
- the Coface Group's gradual reduction of support from Natixis, which until then had provided more than 95% of its financing (the rest being filled up by bilateral credit lines with local banks).

Since 2011, the amount of the Coface Group's operating financial debt has been substantially reduced, from €3,199 million as of December 31, 2010 to €2,664 million as of December 31, 2011.

In early 2012, the Coface Group also took a first step towards financial autonomy by setting up a factoring trades receivables securitization program dedicated to financing of the activities of Coface Finanz (Germany). In November 2012, the Group set up a commercial paper program in order to finance its factoring activities. As at December 31, 2012, the amount of debt relating to its factoring activities amounted to €1,636 million, of which €350 million was borrowed from Natixis.

In 2013, the Coface Group continued to disengage from Natixis by increasing the amount of its commercial paper program.

The Group's principal sources of funding to date are listed below:

- a securitization program for its factoring trade receivables;
- a commercial paper program in a maximum amount of €500 million; and
- bilateral credit lines in a maximum amount of €903 million.

As of December 31, 2013, the Coface Group's operating debt relating to its factoring activities amounted to €1,756 million including €261 million borrowed from Natixis under a bilateral credit line (as described below).

Securitization Program

In the context of the refinancing of its factoring activites, the Coface Group established in February 2012 a €1,100,000,000 trade receivables securitization program guaranteed by the Compagnie française d'assurance pour le commerce extérieur. The seller of the receivables is Coface Finanz, a wholly-owned German subsidiary of Compagnie française d'assurance pour le commerce extérieur. The purchaser of the receivables is a French "*fonds commun de titrisation*" (French securitization vehicle), called Vega (which a consolidated entity of the Coface Group), regulated by the French Monetary and Financial Code. This securitization program provided the Coface Group with initial financing with a maturity of one year (35% of the program amount) and with a maturity of three years (65% of the program amount). The Coface Group has agreed with the program arrangers on February 3, 2014 to renew the one-year and three-year maturity financings and to increase the three year-maturity portion to 75% of the program amount. The principal monitoring features of the program are the default ratio, the delinquency ratio and the dilution ratio. The senior units issued by the Vega securitisation vehicle are purchased and refinanced by four asset-backed commercial paper vehicles. The subordinated units are purchased by Coface Factoring Poland.

As at December 31, 2013, the funding raised under the program amounted to €1,038 million.

This securitization program contains a number of early redemption events affecting both Coface Finanz (the receivables seller) as well as other members of the Coface Group which are typical for such securitization programs (including certain quality criteria of the receivables sold), and relating to the occurrence of various events, including in particular:

- a payment default relating to Coface Finanz or Compagnie française d'assurance pour le commerce extérieur with respect to the amounts due to the Vega securitisation vehicle;

- a cross-default in an amount in excess of €100 million of any indebtedness by any member of the Coface Group;

- a disruption in the asset-backed commercial paper market during a consecutive period of 180 days;

- any liquidation proceedings affecting Coface Finanz, Coface Factoring Poland, COFACE SA or Compagnie française d'assurance pour le commerce extérieur;

- the cessation of or a substantial change to the activities carried out by Coface Finanz or Compagnie française d'assurance pour le commerce extérieur;

- any downgrading in the financial rating of Compagnie française d'assurance pour le commerce extérieur to below BBB-; and

- breach of any of the below ratios related to the quality of the factored receivables sold.

The securitization program does not contain any change of control provision relating to the Company, but does contain restrictions relating to a change of control of Compagnie française d'assurance pour le commerce extérieur and of any factoring companies which result in them no longer being part of the Coface Group.

The three covenants imposed by the securitization program are listed below:

Covenant	**Definition**	**Trigger level**
Default Ratio	3-month rolling average of defaulted receivables remaining unpaid more than 60 days after the due date	greater than 2.24%
Delinquency Ratio	3-month rolling average of defaulted receivables remaining unpaid more than 60 days after the due date	greater than 5.21%
Dilution Ratio	3 month rolling dilution ratio	greater than 9.71%

As at December 31, 2013, the Coface Group was in compliance with all of these ratios.

Bilateral Credit Lines

For the purpose of the refinancing of its factoring business, the Coface Group, mostly through its subsidiaries, has also put in place a certain number of bilateral overdraft facilities and credit lines in a total amount of up to €903 million with various banking partners, as follows:

- €403 million correspond to bilateral overdraft facilities and credit lines entered into with nine banks in Germany (the "**German Credit Lines**") and two banks in Poland (the "**Polish Overdraft Facilities**"). Such bilateral overdraft facilities and credit lines are generally entered into for a maximum of a one year period. Certain of the German Credit Lines include customary undertakings including relating to the level of net assets of the borrower, change of control of the borrower and to the affect that the lender will benefit from any more restricted financial ratio granted to other financial institutions by the borrower. The Polish Overdraft Facilities contain customary undertakings. As at December 31, 2013, an aggregate amount of €138 million was drawn under the German Credit Lines and an aggregate amount of €9 million was drawn under the Polish Overdraft Facilities;
- €500 million correspond to a bilateral short term credit line entered into with Natixis with a maturity up to December 31, 2014, of which €261 million was drown as at December 31, 2013.

Commercial paper program

The Coface Group has in addition a commercial paper program for a maximum amount of €500 million. The Company regularly issues securities under this program with a maturity normally comprising between 1 and 3 months. As at December 31, 2013, the total amount of securities issued under commercial paper program amounted to €311 million. The commercial paper program is rated P-2 by Moody's and F1 by Fitch.

In the event of the commercial paper market closing, the Coface Group has seven so far unused credit lines for a duration of one year (maturity up to October 2014) covering the total amount of the commercial paper program (€500 million). The bilateral credit line agreements contain typical restrictive covenants (including in particular a negative pledge clause, a prohibition against selling assets outside the Coface Group above a certain threshold and limitations relating to substantial changes to the activities of the Coface Group's activities) and early repayment clauses (wrongful use of proceeds (limited to cases of unavailability of the commercial paper programme), payment default, cross-default, breach of representations, warranties and undertakings (including the restrictive covenants referred to above), material adverse effect affecting the Company and its ability to fulfill its obligations under the bilateral credit lines, insolvency and liquidation proceedings or a ratings downgrading of the Company below BBB+ (by Fitch) or Baa1 (by Moody's)), in line with standard market practice.

These bilateral credit lines do not contain change of control provision relating to the Company, but do contain restrictions relating to a change of control of Compagnie française d'assurance pour le commerce extérieur and of any factoring companies which result in them no longer being part of the Coface Group.

The credit lines contain two specific financial covenants as follows:

Covenant	**Trigger level**
Consolidated Solvency ratio	greater than 100%
Consolidate Net Intangible Assets test	greater than €900 million

The solvency margin used in the calculation of the Consolidated Solvency ratio related to the commercial paper program corresponds to the definition contained in the prudential rules of the Solvency I framework, as currently applied by the relevant regulatory authority. As at December 31, 2013, the Coface Group was fully compliant with these covenants.

10.3 Economic capital

As at December 31, 2013, the Coface Group's solvency margin represents approximately eight times the minimum required under Solvency I regulations.

Two exceptional events, which occurred in 2014 had an impact on the solvency margin:

- the issuance of subordinated notes on March 27, 2014 for a total amount of €380 million (see Section 10.2.2.1 "*Financial Debt*"), eligible to be included in the calculation of the margin (up to 25% of solvency margin requirements); and
- an exceptional share premium distribution in favor of Natixis, amounting to €227 million taken from the "Additional paid-in capital" account.

Accordingly, as at the date of this registration document, the Coface Group's solvency margin represents approximately seven times the minimum required under Solvency 1 Regulations (including, on a pro forma basis, the issuance of subordinated debt and the exceptional distribution):

Situation at 31 December 2013	**In millions of Euro**	**Solvency ratio**
Own Funds (Group Share) IFRS	1,780	
Restatement French GAAP	-377	
Own Funds (Group Share) French GAAP	1,404	
Losses, inamortised incorporation expenses and other intangible assets	207	
Capital gains resulting from undervalued assets	106	
Total amount of items comprising Solvency 1 Margin	**1,302**	**8.3**
Effect of events occurring in 2014:		
Issue of subordinated notes on March 27, 2014 (eligible for inclusion in solvency margin up to 25% of the margin requirements)	39	
Estimated exceptional share premium distribution	-227	
Total amount of items comprisingSolvency 1 Margin including subordinated notes issue	**1,114**	**7,1**
Margin Requirement	157	

The Coface Group also measures its financial soundness based on its economic capital (amount of equity capital needed to cover the risks managed by it). This economic capital may vary depending on numerous factors and parameters including, but not limited to, the evolution of the loss ratio, the volumes of premiums collected, risks volatility, the timing of claims and the types of assets invested in by the Company.

For insurance activities, the Coface Group's economic capital model assesses the risks related to pricing, underwriting and reserves as well as market and operational risks. It also takes into account frequency risks and catastrophic risks. It is a "point in time" model taking into account the correlations among the different risks related to underwriting. This calculation is calibrated to cover the risk of loss corresponding to a quantile at 99.5%. As at December 31, 2013, the Coface Group's economic capital amounted to €1,015 million.

The Coface Group's economic capital is to be compared to the available capital for its insurance activities, which as of December 31, 2013 amounted to €1,399 million, corresponding to the difference between the available capital at the level of the Coface Group (€1,589 million) and the equity capital allocated to its factoring activities.

As at December 31, 2013, the equity capital allocated to the Coface Group's factoring activities amounted to €190 million. It is assessed by applying a rate of 9% to outstanding risk-weighted assets (the "**RWA**"). RWA are calculated by applying to factoring outstandings weights based on the estimation of the probability of default and the of the expected loss in the case of default, in accordance with the standardized approach recommended by the Basel Committee. The Coface Group considers this to be a prudent assessment since:

- the percentage applied by the Coface Group (9%) is higher than the percentage currently required under banking regulations (8%); and
- the local regulators in Germany and Poland (the only countries in which the Coface Group conducts its factoring activities) have no requirements in terms of equity capital needs for factoring companies.

As at December 31, 2013, the economic capital adequacy ratio (ratio of the Coface Group's capital available for its insurance activity to its economic capital), excluding capital allocated to factoring activities, amounted to 138% (153% based on a pro forma basis taking into account the issuance of subordinated notes in March 2014 and the exceptional share premium distribution taken from the "Additional paid-in capital" account in the first half of 2014).

The table below shows the items comprising the Group's economic capital:

(in millions of euros)	**As of December 31, 2013**	**Impact of the issuance of subordinated notes and exceptional share premium distribution at December 31, 2013**
Total Equity	**1,793**	**1,793**
- Goodwill and other intangible assets	-240	-240
+/- other adjustments*	36	36
- Capital distribution in 2014	0	-227
+ subordinated notes	-	380
Available Capital	**1,589**	**1,742**
Less capital allocated to factoring activities	-190	-190
Capital available for insurance activities	**1,399**	**1,552**
Economic capital	**1,015**	**1,015**
Economic capital adequacy ratio	**138%**	**153%**

** Owing mainly to the reevaluation of certain balance sheet items under the "best estimate" method.*

Moreover, the Coface Group is currently working on establishing a partial internal model in connection with the implementation of the Solvency II Directive. A discussion is ongoing with the ACPR to validate is partial internal model, which is aimed at calculating its equity requirements under the Solvency II Directive, depending on the management of risks specific to the Coface Group.

10.4 Return on Equity

The return on equity ratio is used to measure the return on the capital invested by the Coface Group. The return on average tangible equity ("**RoATE**") corresponds to the ratio of net income (group share) to the average reported equity capital (group share), net of intangible assets.

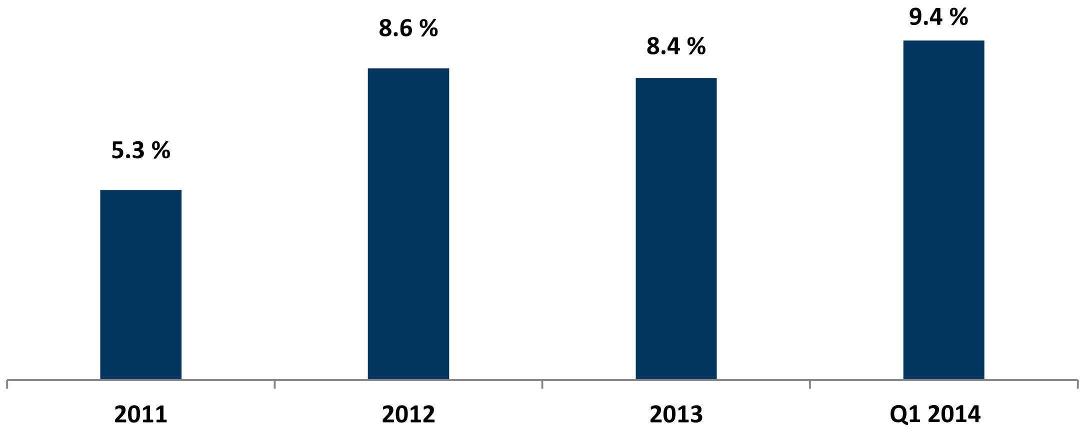
The table below shows the items used in calculating the Coface Group's RoATE for the financial years ended December 31, 2011, 2012 and 2013 and for the period ended March 31, 2014:

(in millions of euros)	**As of March 31, 2014**	**As of December 31**		
		2013	**2012**	**2011**
Equity Capital (group share) – A	1,828	1,780	1,763	1,630
Intangible assets – B	239	240	251	260
Equity net of intangible assets – C (A-B)	1,589	1,540	1,512	1,370
Average equity net of intangible assets – D ([Cn + Cn-1]/2	1,564[24]	1,526	1,441	1,211
Net income (group share)	36.7[25]	127	124	64

[24] For the calculation of RoATE as at March 31, 2014, the Average equity excluding exceptional items is calculatedfor the period December 31, 2013 – March 31, 2014.

[25] For the calculation of RoATE as at March 31, 2014 the quarterly Net Income (group share) is annualized.

The chart below shows the change in the RoATE during the financial years ended 2011, 2012 and 2013 and for the period ended March 31, 2014:



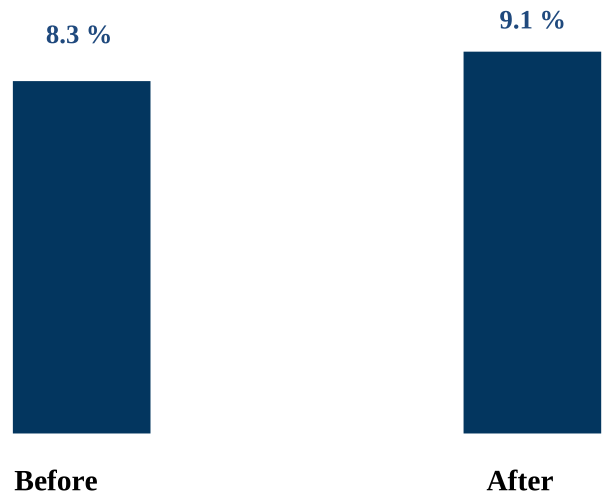
To illustrate the impact of the subordinated notes issuance and of the exceptional share premium distribution on the return on tangible equity ("**RoTE**") ratio estimated on the basis of the accounting position as at December 31, 2013, the table below shows the items used to calculate the RoTE before and after these events based on figures as at December 31, 2013:

(in millions of euros)	**Before issuance of subordinated notes and exceptional distribution**	**After issuance of subordinated notes and exceptional distribution**
Equity capital (group share)	1,780	1,780
Intangible assets	240	240
Distribution	0	227*
Net income (group share)	127	118**
Shareholder's equity net of intangible assets	1,540	1,303
RoTE	8.3%	9.1%

** Exceptional share premium distribution taken from the "Additional paid-in capital" account.*

***Net income (group share) for 2013 decreased by yearly cost of issuing subordinated notes net of income expected from the investment of available proceeds and after taxes.*

RoTE – Impact of the issuance of subordinated notes and exceptional distribution



10.5 Off-Balance Sheet Commitments

Most of the Coface Group's off-balance sheet commitments comprise credit lines, guarantee commitments (securities pledges received from reinsurers corresponding to the deposits made by reinsurers in connection with binding commitments made to the Coface Group) and operations on financial markets.

The table below shows a breakdown of the Coface Group's off-balance sheet commitments for the financial years ended December 31, 2011, 2012 and 2013 and for the quarter ended March 31, 2014:

In thousands of euros	**As of March 31**	**As of December 31**		
Off-balance sheet commitments	**2014**	**2013**	**2012**	**2011**
Commitments given	**38,365**	**38,600**	**39,934**	**51,346**
Endorsements and letters of credit	28,600	29,000	29,300	39,217
Property guarantee	7,500	7,500	7,500	7,500
Financial commitments in respect of equity interest	434	210	2,152	2,507
Obligations under finance leases	1,831	1,890	982	2,122
Commitments received	**631,265**	**626,780**	**399,302**	**145,139**
Endorsement and letters of credit	121,313	116,828	139,580	135,679
Credit lines	500,000	500,000	250,000	0
Financial commitments in respect of equity interest	9,952	9,952	9,722	9,460

Guarantees commitments	**349,488**	**349,488**	**379,721**	**333,849**
Securities lodged as collateral by reinsurers	349,488	349,488	379,721	333,849
Financial markets transactions	**33,330**	**237,133**	**3,100**	**10,200**

Credit lines amounting to €500 million for the financial year ended December 31, 2013 correspond to the bilateral credit lines set up under the Coface Group's commercial paper program (see Section 10.2 "*Indebtedness and Sources of Financing of the Coface Group*" of this registration document).

Operations on financial markets amounting to €237.1 million for the financial year ended December 31, 2013 correspond primarily to the structural use of derivatives for hedging purposes (€219.4 million) and to options on shares for Coface Europe (€17.7 million).

For the financial year ended December 31, 2013, most of the operations carried out by the Coface Group involved systematic foreign exchange hedging through swaps (€71.8 million) or forward foreign exchange transactions (€146 million) for bonds issued mainly in US dollars and contained in the investment portfolio of all the Coface Group's European entities for which the foreign exchange risk is systematically hedged.

Investments in equities (€1.3 million) were partly hedged out of the money through the purchase in the second part of the year of listed put options. This hedging strategy aims to protect the Coface Group's equity investment portfolio in the event of a significant fall in the euro zone equity market.

Lastly, a few individual transactions were carried out on short maturity negotiable debt securities to hedge interest rate risks (€0.2 million).

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

The Coface Group sells credit insurance solutions and additional services. In this capacity, the Coface Group does not participate in any research and development activities and does not own any patents.

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

Moreover, the Coface Group, in connection with its activities, owns a certain number of brand names, logos and domain names around the world.

The Coface Group does not consider itself dependent on any brand names, patents or licenses for its business activities or for its profitability.

12. INFORMATION ON TRENDS AND OBJECTIVES

12.1 Recent Developments

A detailed description of the results of the Coface Group for the financial year ended December 31, 2013 and the quarters ended March 31, 2014 is shown in Section 9 "*Review of the Financial Position and Results of the Coface Group*" of this registration document.

12.2 Future Outlook

The objectives of the Coface Group described below are not forecasted data or profit forecasts but reflect the anticipated outcome of its strategic plans, in particular as described in Section 6.3 "*Strategy*"of this registration document.

The objectives of the Coface Group as discussed below are based on data, assumptions and estimates considered to be reasonable by the Coface Group as at the date of this registration document, given its expectations of prevailing economic conditions and the expected effect of the implementation of Strong Commitment I as part of its strategy aimed at capitalizing on the achievements of Strong Commitment I. The Coface Group seeks to further improve on its achievements, notably, through increasing sales. The data, assumptions and estimates upon which the Coface Group has based its outlook may evolve or change in the course of the relevant period as a result of uncertainties related, in particular, to the economic, financial, competitive, tax or, regulatory environment (in particular associated with changes in the regulatory environment requirements and required levels of capital and reserves) or of other factors of which the Coface Group was not aware as at the date of this registration document. The occurrence of one or more of the risks described in Section 4 "*Risk factors*" of this registration document may equally have an effect over the relevant period on the businesses, financial position, results or prospects of the Coface Group and thus affect its ability to achieve the objectives described below.

The Coface Group therefore neither makes any commitment nor provides any assurance as to the achievement of the objectives described below and does not undertake to publish or communicate possible corrections or updates to such objectives.

Growth Targets for the revenues between 2014 and 2016

With consolidated revenue of €1,440 million for the year ended December 31, 2013, the Coface Group is one of the three global players in the credit insurance market, benefitting from its substantial size and geographic footprint across all continents.

In a global marketplace, which it considers far from being saturated, the Coface Group, based on its competitive advantages, intends to pursue a sustainable and profitable growth strategy and to play an active part in the development of credit insurance around the world.

The Coface Group, in the context of Strong Commitment I, believes it has successfully refocused its strategy on its core business, credit insurance, reviving its performance over the 2011-2013 period, particularly in terms of risk management and control of its cost base. In the context of further optimization of its operational organization, the improvement of its product and services and its development, the Coface Group launched in 2014 a new pluri-annual business plan, Strong Commitment II. Structural actions are currently being implemented in order to capitalize on Strong Commitment I's achievements and further improve them, particularly through the Coface Group's commercial development.

The Coface Group therefore aims to generate between 2014 and 2016 an average revenue growth (on a constant group structure and constant exchange rate basis) of between 3% and 5%.

This revenue growth objective is based on the Coface Group's strategic outlook and competitive advantages and more specifically on:

– the continued implementation of the Coface Group's growth strategy in a supply-side business in which product offering effort is a key factor in the growth. This strategy aims in particular to deepen and intensify the Coface Group's penetration of the market through better network efficiency, expanding its insurance license portfolio (enabling it to conduct its business directly in seven new countries by 2018), and continued expansion into new countries (a dozen new countries by 2018) and geographic expansion in markets with growth potential (strengthening direct sales forces in emerging markets and certain developed countries (USA and Scandinavia) and the development of partnerships). It also aims to continue the Coface Group's product innovation policy, specifically through the launch of its "SME Pack" product, the renewal of its "Globalliance" contract in 2015 and the continued growth of its Topliner product (as described in more detail in Section 6.3 "*Strategy*" of this registration document); and

– the anticipated medium-term recovery of the global economy and growth in some mature European countries (such as France, Germany, Austria and the United Kingdom) and southern European countries (such as Italy, Spain and Turkey), as well as further economic growth in the United States and some emerging markets in the Asia-Pacific and Latin American regions, where certain countries have significant growth potential, even if the Coface Group expects that its seven regions as a whole should contribute to its growth in the years to come, without being exclusively dependent on any particular region or on external growth factor.

Growth Objectives for the current operating income between 2013 and 2016

Furthermore, the Coface Group aims to generate between 2013 and 2016, a double digit average growth in its current operating income over three years).

The current operating income amounting to €195.2 million for the financial year ended December 31, 2013, was:

– increased by the relocation costs of the Coface Group's head office incurred in 2013 (€8.3 million);

– reduced by the amount corresponding to capital gains realized in connection with the centralization management of its investments in 2013 (€-27.8 million).

Consequently, for the purpose of these objectives, the current operating income to be taken into account amounts to €175.7 million for the financial year ended December 31, 2013.

No accounting restatement of the current operating income is projected for any future financial years.

Profitability Objectives through to 2016

Moreover, the Coface Group considers that these growth objectives should contribute to the continued improvement of the knowledge, analysis and risk management as well as the control of its cost base, in order to increase its technical profitability. To this end, it will continue its investments in the acquisition of raw data and the production of enriched processed information and will rely on the tools recently introduced to improve the management of underwriting and pricing policies (PEPS) and simultaneously will reinforce its debt recovery capacity and recovery rates.

The Coface Group thus has a 2016 year-end objective to limit the increase of its expenses to a level significantly lower than the growth of its gross earned premiums during that period through the control of its general internal expenses in order to reach a combined ratio after reinsurance of around 75% (as compared to 83.5% for the financial year ended December 31, 2013).

This should allow the Coface Group to achieve by December 31, 2016 a targeted RoTE of more than 12% (as compared with the 8.3% achieved for the financial year ended December 31, 2013).

Dividend Distribution Policy and Rating Maintenance Objective

The Company's dividend distribution policy (see Section 20.8 "*Dividend Distribution Policy*"of this registration document) will take into account, *inter alia*, the Company's results, its financial position and the implementation of its objectives, as well as the dividend distribution constraints of its main operating subsidiaries. The Coface Group has set an objective to distribute annually, as from the financial year ending December 31, 2014, dividends representing approximately 60% of its consolidated net income (group share), while maintaining at least a single-A financial rating with Fitch and Moody's, subject to any material change in known and unknown risks, other factors and uncertainties (related in particular to changes in the regulatory environment in terms of solvency ratios and levels of required capital and reserves) which could, if they materialize, affect future profits, performance, the financial rating and the achievement of the Coface Group's objectives.

These objectives do not in any way constitute either a commitment from the Coface Group forecasted data or profit forecasts within the meaning of the provisions of Regulation (EC) No. 809/2004 as amended, or the ESMA recommendations on forecasts, given the uncertainty and risk factors that may arise during the period as described at the beginning of this section.

13. FORECASTS OR EARNINGS ESTIMATES

13.1 Assumptions

The Coface Group has based its forecasts on the consolidated financial statements for the financial year ended December 31, 2013 and the quarters ended March 31, 2014.

The forecasts described below are based on the following main assumptions:

- the maintenance of the accounting policies used by the Coface Group as compared to those applied during the preparation of its financial statements;
- the absence of material variances in the scope of business activities and consolidation as of December 2014 compared to that which served as reference for the preparation of the consolidated financial statements of the Coface Group for the financial year ended December 31, 2013 and for the quarters ended March 31, 2014;
- constant exchange rates and inflation rates, comparable to those recorded for the financial year ended December 31, 2013;
- the expected absence of future exceptional expenditure during the 2014 financial year (other than expenses related to the issue of subordinated notes in March 2014 and the contemplated initial public offering of the Coface Group);
- an expected increase in gross premiums resulting from an increase in new business,high levels of retention of contracts and a controlled impact of price effect over the period;
- an increase in factoring business revenue following the restructuring of the portfolio;
- a final loss ratio (before reinsurance and excluding claims managements expenses) at the start of the 2014 underwriting year which represents a significant improvement compared to the ratio at the start of 2013 underwriting year (see Section 4.4.2.7 "*Valuation of Provisions*" of this registration document);
- any increase expenses being limited to a level significantly lower than the growth of gross earned premiums in the financial year, through the control of general internal expenses; and
- the absence of material change resulting from the occurrence of one or more of the risks described in Section 4 "*Risk Factors*" of this registration document.

The forecasts described below are based on the data, assumptions and estimates considered as reasonable by the Coface Group as at the date of this registration document. These data, assumptions and estimates may evolve or change as a result of uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment (in particular, changes in the regulatory environment related to solvency requirements and level of required capital and reserves). The occurrence of one or more of the risks described in Section 4, "*Risk Factors*" of this registration document may also have an impact on the business, financial position, results and prospects of the Coface Group and thus affect its ability to achieve such forecasts. The Coface Group therefore neither makes any commitment, nor provides any assurance as to the achievement of the forecasts described below.

In addition, the forecasts presented below, and their underlying assumptions have been prepared in application of the provisions of Regulation (EC) No. 809/2004, as amended, and the ESMA recommendations on forecasts.

13.2 Group Forecasts for the 2014 Financial Year

On the basis of the assumptions set out above, the Coface Group anticipates, for the financial year ended December 31, 2014 that:

– its consolidated revenue should increase between 1.5% and 2.5% (on a constant group structure and exchange rates basis); and that

– its combined ratio after reinsurance should remain below 80%.

13.3 Statutory Auditor’s Report on Forecast Results

Coface S.A.

Statutory auditors' report on the profit forecasts for the year ended December 31, 2014

Period ended December 31, 2014
Coface S.A.
1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex

Coface S.A.
Head office: 1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex
Share capital: €784,206,535

Statutory auditors' report on the profit forecasts for the year ended December 31, 2014

This is a free translation into English of the statutory auditors' report on the profit forecasts for the year ended December 2014 issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction and construed in accordance with French law and professional standards applicable in France.

To the Chief Executive Officer,

In our capacity as statutory auditors of your company and in accordance with EC Regulation No 809/2004 in connection with the proposed admission of shares to the Euronext Paris regulated market, we hereby report on the profit forecasts of Coface SA for the year ended December 31, 2014, as set out in section 2 of chapter 13 of its registration document dated May 6, 2014.

These forecasts and underlying significant assumptions were prepared under your responsibility, in accordance with the requirements of EC Regulation No 809/2004 and the relevant CESR (now ESMA) guidance.

Based on our work, and pursuant to Appendix I, item 13.2 of EC Regulation No 809/2004, it is our responsibility to express our conclusion as to the proper compilation of the forecasts.

We performed those procedures which we considered necessary in accordance with the professional guidance of the *Compagnie nationale des commissaires aux comptes* (French Institute of Statutory Auditors) for this type of engagement. Our work included an evaluation of the procedures undertaken by management in compiling the profit forecasts and the consistency of the accounting methods used with those adopted by Coface SA to prepare its historical financial information. Our work also included gathering such information and explanations that we considered necessary in order to obtain reasonable assurance that the profit forecasts were properly compiled based on the stated assumptions.

We wish to remind you that, as this concerns forecasts, which are uncertain by nature, actual results may differ significantly from the forecasts presented and therefore, we do not express any conclusion as to the potential realisation of such forecasts.

In our opinion:

- The forecasts were properly compiled on the basis stated; and
- The accounting basis used for the preparation of these forecasts is consistent with the accounting policies adopted by Coface SA for the preparation of its consolidated financial statements for the year ended December 31, 2013.

This report is issued solely for the filing of the French registration document with the French financial markets authority (*Autorité des Marchés Financiers* - AMF) and any public offering in France and any other EU country where a prospectus including this registration document approved by the *Autorité des Marchés Financiers* is notified. It may not be used in any other context.

Paris La Défense and Neuilly sur Seine, May 6, 2014

KPMG S.A.	Deloitte & Associés
Francine Morelli	Damien Leurent
Partner	*Partner*

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, GENERAL MANAGEMENT

As at the date of this registration document, the company is a *société anonym*e and has a board of directors. A description of the principal provisions of the articles of association that the Company plans to adopt in order to comply with the conditions relating to the admission of its shares to the Euronext Paris regulated market, the board of directors, and in particular the functioning and powers of the board of director, as well as a brief description of the main provisions of its rules of procedure and its specialized committees that the Company plans to put into place, effective as of the date on which the Company's shares are listed on the Euronext Paris, can be found in this registration document (see Section 16 "*Functioning of the Board of Directors and Management Committees*" and Section 21 "*Additional Information*" of this registration document).

In the proposed Company's initial public offering, the composition of the board of directors may be modified after the registration of this registration document. Some directors may resign and others will be appointed subject to the admission of the Company's shares to the Euronext Paris regulated market, namely in order to ensure the presence of independent members, in accordance with the recommendations of the AFEP-MEDEF corporate governance code for publicly traded companies, which the Company intends to comply with (See Section 16.6 "*Statement Related to the Corporate Governance of the Company*" of this registration document).

The new composition of the board of directors will be presented in the offering memorandum relating to the admission of the Company's shares to the Euronext Paris regulated market.

14.1 Composition and Functioning of the Company's Management and Supervisory Bodies

(a) Board of Directors

The table below sets out the composition of the Board as of the date of this registration document and the term of office of the members of the Company's Board of Directors during the past five years:

Last name, first name or company name of the director	**Age**	**Expiration date of the term of office**	**Principal duty performed in the Company**	**Principal terms of office and duties performed outside the Coface Group during the past five years**
Laurent MIGNON	50	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Chairman of the Board of Directors	**Terms of office and duties performed as of the registration date of this registration document:** – Chief Executive Officer of Natixis(1) – Member of the Board of Directors of BPCE – Chairman of the Board of Directors of Natixis Global Asset Management – Director of Arkema(1),

				Lazard Ltd[1] **Terms of office and duties performed during the past five years no longer held:** – Director of Sequana[1] – Permanent representative of Natixis, Non-voting member of the Board of BPCE – Chairman of the Board of Directors of Compagnie française d'assurance pour le commerce extérieur – Director of : Cogefi S.A., Génération Vie – Managing partner of Oddo et Cie – Chairman & Chief Executive Officer of Oddo Asset Management – Member of the Supervisory Board of Banque Postale Gestion Privée – Permanent representative of Oddo et Cie: Managing partner of Oddo Corporate Finance
BPCE Represented by **Marguerite BERARD-ANDRIEU**	36	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Senior Vice-President in charge of strategy & legal affairs of the General Compliance Secretariat of the BPCE Group – Member of the General Management Committee of the BPCE Group

				– Chairman of the Board of Directors and CEO of S-Money – Permanent Representative of the BPCE Group on the Supervisory Board of the Palatine Bank – Permanent Representative of CE Holding Promotion on the Board of Directors of Nexity(1) – Chairman of the Board of Directors and President of BPCE Domaine – Director of BPCE International et Outre-Mer – Director of Natixis Coficiné – Director of Maisons France Confort – Permanent Representative of GCE Participations on the Board of Directors of Demain – Chairman of Issoria – President of Issoria International Trading – President of Oterom Holding **Terms of office and duties performed during the past five years no longer held:** – Permanent Representative of the BPCE Group, chairman of the Board of Directors and President of BPCE Domaine – Chairman of the Board of

				Directors of Meilleur Taux – Permanent Representative of BPCE on the Supervisory Board of FLCP – President of Oterom Holding – Permanent Representative of the BPCE group, President of Issoria SAS – Permanent Representative of the BPCE group, President of Issoria International Trading SAS
NATIXIS Represented by **Olivier PERQUEL**	50	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Member of the Natixis(1) General Management Committee – Permanent Representative of Natixis on the Board of Directors of Natixis Coficine – Director of Natixis Algeria – Director of Natixis North America LLC – Chairman of the Supervisory Board of Natixis Pfandriefbank AG – Chairman of the Natixis Bank (ZAO) Supervisory Board – Director of the Natixis Corporate Foundation for Quantitative Research **Terms of office and duties performed during the past five years no longer held:**

				– None
Jean ARONDEL	64	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Director of Natixis Lease – Director of the National Federation Caisse d'Epargne – President of Société Locale d'Épargne Loire Centre – President of the Caisse d'Epargne Loire-Centre Foundation – Chairman of the Policy and Supervisory Board of Caisse d'Épargne Loire-Centre **Terms of office and duties performed during the past five years no longer held:** – None
Bruno DELETRÉ	52	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Member of the Executive Committee of the BPCE Group – Chief Executive Officer of Crédit Foncier de France – Chairman of the Board of Directors of Compagnie de Financement Foncier – Chairman of the Board of Directors of Crédit Foncier Immobilier – Chairman of the Compensation and Selection Committee of Crédit Foncier

				Immobilier – Permanent Representative of Crédit Foncier de France on the Supervisory Board of the IT and Technology economic interest group – Caisses d'Epargne – Permanent Representative of Crédit Foncier de France on the Board of Directors of La Mondiale Partenaire – Chairman of the Supervisory Board of SOCFIM – SACS – President of ENFI SAS **Terms of office and duties performed during the past five years no longer held:** – Permanent Representative of Crédit Foncier de France on the Board of Directors of Compagnie de Financement Foncier – Director of BPCE International et Outre-Mer
Jean-Paul DUMORTIER	65	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Chairman of Holding Wilson 250 SAS – Chairman of the Board of Directors of SCM Habitat Rives de Paris – Chief Executive Officer of ABCD Invest – Non-voting board member of Crédit Foncier

				de France – Director of the Company SOVAFIM – Chairman of the Board of Directors of Banque Populaire Rives de Paris **Terms of office and duties performed during the past five years no longer held:** – None
Yvan DE LA PORTE DU THEIL	64	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Director de BPCE International et Outre-Mer – Chairman of the Board of Directors of MAB Operating Company (formerly Ma Banque) – Director of Fransabank – Director of the Banque des Mascareignes – Director of the Tunisian-Kuwaiti Bank **Terms of office and duties performed during the past five years no longer held:** – Vice-president of Financière Océor – Member the Supervisory Board of Foncia – Director of Natixis Private Banking – Director of Société Marseillaise de Crédit – Director de Banque Privée

				1818 – Vice-chairman of the Board of Directors of Fransabank – Permanent representative of the BPCE Group on the Board of Directors of BP Participations – Chairman of the Board of Directors of the Tunisian-Koweiti Bank – Member of the Executive Committee of the Internatioal Federation of Banques Populaires
Pascal MARCHETTI	49	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Chief Executive Officer of Banque Populaire des Alpes – Permanent Representative of Banque Populaire des Alpes as Assistant Manager of the Bank of Savoie – Permanent Representative of Banque Populaire des Alpes on the Board of Directors of IBP – Permanent Representative of Banque Populaire des Alpes on the Board of Directors of Compagnie des Alpes(1) – Permanent Representative of Banque Populaire des Alpes as acting Managing Director of the PRIAM econnomic

				interest group Banque Populaire – Director of Palatine Bank – Member of the Supervisory Board of Naxicap Partners – Member of the Board of Directors and the Supervisory Board of InnovaFonds **Terms of office and duties performed during the past five years no longer held:** – Director of the Marze Bank – Permanent Representative of Banque Populaire des Alpes on the Supervisory Board of Compagnie des Alpes(1) – Member of the Audit Committee of Banque Palatine
Nicole NOTAT	66	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Chairman and CEO of Vigeo – Director of the Association for Medicine and Research in Africa – Member of the High Council of Transparency Surveillance France – Member of the Supervisory Board of the Le Monde newspaper – Member of the Supervisory Board of the Le Monde newspaper publishing

				company – Member of the Supervisory and Future Investment Committee **Terms of office and duties performed during the past five years no longer held:** – Member of the Think Tank for the Future of Europe – Member of the Commission on strategic investment priorities and national borrowing – Director of the Institut pour l'Education Financière du Public
Laurence PARISOT	54	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Director	**Terms of office and duties performed as of the registration date of this registration document:** – Vice-Chairman of the Ifop Board of Directors – Director and Member of the Corporate Governance and Appointments Committee of BNP Paribas[1] – Member of the Supervisory Board and the Compensation and Appointments Committee of the Michelin[1] Group – Member of the Supervisory Board of the Fives Group – Honorary Chairman of the Mouvement des Entreprises de France **Terms of office and duties performed during the past five years no longer held:** – Chairman of the

				Mouvement des Entreprises de France
Nicolas PLANTROU	**64**	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	**Director**	**Terms of office and duties performed as of the registration date of this registration document:** – Attorney – Auditor – Chairman of the Policy Board and the Supervisory Board of Caisse d'Epargne et de Prévoyance Normandie – Director of private bank 1818 – Director of Sodifroid – Director of Fil Seine (formerly Fondation des Petits Logements) – Chairman of the Board of Directors of local savings company Rouen Elbeuf – Vice-Chairman of the Board of Directors of CHU Charles Nicole – President of the Belem Foundation **Terms of office and duties performed during the past five years no longer held:** – Vice-Chairman of the Board of Directors of local savings company Rouen Elbeuf
Emmanuel POULIQUEN	**65**	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	**Director**	**Terms of office and duties performed as of the registration date of this registration document:** – Chairman of the Board of Directors of Banque Populaire Atlantique

				– Permanent Representative of Banque Populaire Atlantique on the Board of Directors of Caisse Régionale de Crédit Maritime Mutuel Atlantique – Director of Natixis Interépargne **Terms of office and duties performed during the past five years no longer held:** – Vice-Chairman of the Board of Directors of Banque Populaire Atlantique
Laurent ROUBIN	**44**	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	**Director**	**Terms of office and duties performed as of the registration date of this registration document:** – Chairman of the Board of Directors of Caisse d'Epargne et de Prévoyance de Picardie – Director of Banque Privée 1818 – Director of the FNCE Association – Member of the Supervisory Board of the Information & Technology economic interest group Caisses d'Epargne – Member of the Supervisory Board of Palatine Asset Management – Member of the Supervisory Board and Chairman of the Audit Committee of SIA Habitat – Member of the Supervisory Board of GCE

				Capital – Member of the Supervisory Board of Seventure Partners – Chairman of Triton SAS – Chairman of the Management Board of Alliance Entreprendre – Member of the Management Committee and Chairman of Nsavade – Member of the Management Committee and Chairman of Cepic Investissement **Terms of office and duties performed during the past five years no longer held:** – Director of Development of Caisses d'Epargne within the BPCE Group – Director of Natixis Securities – Director of Cicobail – Director and member of the Audit Committee of Alpha Demeter /Sofirem – Member of the Supervisory Board of GCE Habitat – Member of the Supervisory Board of GCE SEM – Member of the Supervisory Board of Banque Palatine – Member of the Supervisory Board and the Audit Committee

				of Efidis – Member of the Supervisory Board of Masseran Gestion – Member of the Audit Committee of Palatine Asset Management

[(1)]*Listed companies.*

For the purposes of their terms of office with the Company, the Members of the Board of Directors are domiciled at the Company's registered office.

Personal information on the Members of the Board of Directors

Laurent MIGNON, 50, is the Chief Executive Officer of Natixis and a member of the BPCE Board of Directors. A graduate of HEC and the Stanford Executive Program, he held various positions at the Indosuez Bank, moving from the trading rooms to investment banking. In 1996, he joined Schroeders Bank in London, and then AGF in 1997 as Chief Financial Officer. He was appointed as a member of the Executive Committee in 1998, and then as Senior Vice President in charge of the AGF Bank of AGF Asset Management and AGF Immobilier in 2002, and then Managing Director in charge of Life and Financial Services and Credit Insurance in 2003, and then Chief Executive Officer and Chairman of the Executive Committee in 2006. From September 2007 to May 2009, he became Managing Partner of Oddo et Cie alongside Philippe Oddo.

Marguerite BERARD-ANDRIEU (Representative of BPCE), 36, is Senior Vice President in charge of Legal Affairs in the General Compliance Secretariat of the BPCE Group, of which she is a member of the General Management Committee. A graduate of the Paris *Institut d'Etudes Politiques* and Princeton University and an alumna of ENA, she began her career in 2004 at the French Tax Inspectorate. From 2007 to 2010, she was a Technical Advisor and then Advisor in the Office of the President of the Republic in charge of employment and social protection issues. Subsequently, from November 2010 to May 2012 she was Staff Director of the Ministry of Labor, Employment and Health.

Olivier PERQUEL (Representative of Natixis), 50, a graduate of HEC, is the head of the Natixis Group Finance and Market Solutions department. He is a member of the Natixis General Management Committee and the Executive Committee. After starting his career at the Lazard Frères Bank in Paris and New York, he was named Executive Manager in charge of Mergers and Acquisitions for Goldman Sachs in London and Merrill Lynch, before being named Head of Analysis, Management and Governance for different European alternative funds.

Jean ARONDEL, 64, an engineer and a graduate of HEC, is Chairman of the Policy and Supervisory Board of the *Caisse d'Epargne Loire-Centre*. He has held executive positions for a variety of companies in the manufacturing, cosmetics and financial sectors and is now on the boards of both Natixis Lease and Compagnie française d'assurance pour le commerce extérieur.

Bruno DELETRÉ, 52, a graduate of the Ecole Polytechnique and an alumnus of ENA, is Chief Executive Officer of Crédit Foncier de France and a member of the Executive Committee of the BPCE Group. He started his career at the French Tax Inspectorate before working for the Finance Department, and then in the office of the Minister of Economy and Finance. He then joined the Board of Directors of Dexia-Crédit Local, taking responsibility for international affairs, structured financing, accounting and management control. He resigned in 2008 to take a position with the Ministry of Economy and Finance. He then became Director of BPCE International et Outre-Mer and a member of the BPCE Executive Committee before taking a position with Crédit Foncier de France in July 2011.

Jean-Paul DUMORTIER, 65, a graduate of the *Paris Institut d'Etudes Politiques* and an alumnus of ENA, has been chairman of the Board of Directors of Banque Populaire Rives de Paris since 2013. After starting his career in the financial sector, he was Chairman and Chief Executive Officer of Foncière Paris France between 2005 and 2012 and has been on the Board of Banque Populaire Rives de Paris since 2004.

Yvan DE LA PORTE DU THEIL, 64, a graduate of two schools of business administration: the *Institut d'Administration des Entreprises* and the *Institut de Contrôle de Gestion de Nantes*, is chairman of the board of Directors of the MAB Operating Company (formerly Ma Banque) and is on the Boards of a number of financial institutions. He spent his entire career with the Banques Populaires Group. He was a member of the BPCE Board of Directors and Chief Executive Officer of Banques Populaires until 2010.

Pascal MARCHETTI, 49, a graduate of the *Ecole des Cadres* and the *Institut de Technique Bancaire*. He is Chief Executive Officer of Banque Populaire des Alpes. He began his career in 1988 at the Banques Populaires Group, where he was Development Director in 2007 and 2008.

Nicole NOTAT, 66, an instructor specializing in training, has been Chairman and Chief Executive Officer of Vigeo since 2002. She was General Secretary of the trade union, *Confédération Française Démocratique*, from 1992 to 2002.

Laurence PARISOT, 54, a graduate of the Paris *Institut d'Etudes Politiques*, holds a Master's degree in public law and is Vice Chairman of the Ifop Group Board of Directors. She is also a member of the Supervisory Board of the Michelin Group, a member of the Board of BNP Paribas and a member of the Economic, Social and Environmental Council. She was President of the employers' union *Mouvement des Entreprises de France* (MEDEF) from 2005 to 2013.

Nicolas PLANTROU, 64, a graduate of the Rouen *Ecole Supérieure de Commerce*, he holds a Master's degree in private law and accounting and auditing. He started his career with PricewaterhouseCoopers and is an attorney and auditor. He teaches corporate law and tax and company law and is on the Board of *Banque Privée 1818*. He is chairman of the Policy and Supervisory Board of *Caisse d'Epargne et de Prévoyance Normandie*.

Emmanuel POULIQUEN, 65, is a physician and Chairman of the Board of Directors of *Banque Populaire Atlantique*. As a specialist in thoracic surgery, he was Clinical Director at the Paris School of Medicine from 1979 to 1983. He represents *Banque Populaire Atlantique* on the Board of Directors of the *Caisse Régionale de Crédit Maritime Mutuel Atlantique* and is on the Board of *Natixis Interépargne*.

Laurent ROUBIN, 44, is a graduate from the *Ecole Centrale Paris* and holds an advanced degree in strategy and management control. He is Chairman of the Board of Directors of *Caisse d'Epargne et de Prévoyance de Picardie*. He began his career with the Compagnie Bancaire Group and was Development Director for Caisses d'Epargne in the BPCE Group until 2011.

(b) *Principal/senior executives*

As at the registration date of this registration document, the duties of the Chairman of the Board of Directors and Chief Executive Officer of the Company are respectively held by Messrs. Laurent Mignon and Jean-Marc Pillu.

The table below presents the terms of office performed by Jean-Marc Pillu, Chief Executive Officer of the Company, during the past five years:

Last name, first name or company name of the director	Age	Expiration date of the term of office	Principal duty performed in the Company	Principal terms of office and duties performed outside the Coface Group during the past five years
Jean-Marc Pillu	59	Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	Chief Executive Officer	**Terms of office and duties performed as at the date of this registration document:** - None **Terms of office and duties performed during the past five years no longer held:** - Chairman of the Board of Directors of Kompass International Neuenschwander; - Chairman of Natixis HCP; - Director of Coface Services (now Elisphere)

For the purposes of the table above, the Chief Executive Officer is domiciled at the Company's registered office.

The principal senior executives of the Company are listed below.

Laurent MIGNON: See Section 14.1.1 above, "*Board of Directors*".

Jean-Marc PILLU, 59, is a graduate of the Ecole Polytechnique in civil engineering. He holds an advanced degree in public economics from the Paris *Institut d'Etudes Politiques*. After starting his career at the Ministry of Transportation in the Finance Department, he held various positions with the Paris Airport Authority and then with the Cogema Group before joining the Euler-Hermès Group, becoming Chief Executive Officer in 2004. After holding the position of Chief Financial Officer for the Mornay Group, he joined the Coface Group in 2010. Since then he has held the position of Chief Executive Officer.

Nicolas de BUTTET, 40, is a graduate from EDHEC. After starting his career as a credit analyst for Crédit Lyonnais, he joined Euler-Hermes Group as underwriter. He joined the Coface Group in 2012 Risk Underwritting Department for Western Europe and France, and since 2013 has held the position of Risk Underwritting Director, Information and Disputes of the Coface Group.

Cécile FOURMANN, 48, holds an advanced degree specializing in human resources management and corporate communications from CELSA as well as a Master's degree in Economics. She began her career with Snecma before working for SFR, Broadnet France, Printemps and Areva T&D. She joined the Coface Group in 2012, and since that date, she has held the position of Human Resources and Communications Director.

Patrice LUSCAN, 41, is a graduate of the *Reims Ecole Supérieure de Commerce*. After starting his career with the Atradius Group, he joined the Euler-Hermes Group, where he became regional director for France for the Euler-Hermes World Agency. He joined the

Coface Group in 2012 as Assistant Organizational Director. In 2013, he was appointed Marketing and Strategy Director.

Carole LYTTON, 57, is a graduate of the Paris *Institut d'Etudes Politiques*. She holds a degree in public law and public policy research and a degree in international law. She joined the Coface Group in 1983, and since 2008, she has held the position of Director of Legal Affairs and Compliance. Since 2013, her duties have also included procurement and facility management functions for the Coface Group.

Pierre HAMILLE, 55, holds a degree in accounting and auditing and a doctorate in management from ESSEC. After starting his career in the risk department of the *Banque de France*, he joined Eurofactor, and then worked for Natixis Factor. In 2007, he was appointed Managing Director of Coface Factoring in Italy. He then joined the Coface Group as risk manager in June 2013. Since April 2014 he has held the position of Director of Risks, Organization and IT Systems for the Coface Group.

Carine PICHON, 41, is a graduate of the Rouen *Ecole Supérieure de Commerce* (with a major in corporate finance) and Regensburg University (Germany). After working for PricewaterhouseCoopers, where she held the position of Chief of Mission in Insurance, she joined the Coface Group in 2001 in charge of consolidation, and since 2013, she has held the position of Chief Financial Officer of the Coface Group.

(c) Statements relating to the members of the Board of Directors

To the best of the Company's knowledge, there are no family relationships among members of the Board of Directors and other executive officers of the Company.

To the best of the Company's knowledge, no members of the Board of Directors or any of the persons referred to above have been convicted of fraud during the past five years. None of the persons referred to above have been associated as a managing executive in any bankruptcy, receivership or liquidation during the past five years, and none of the persons referred to above have been subject to an official public sanction issued by any statutory or regulatory authority (including designated professional organisations). None of the persons referred to above have been prevented by any court of law from serving as a member of any administrative, management or supervisory body of any issuer or from participating in management or conduct ofthe business of any issuer during the past five years.

14.2 Conflicts of Interest

To the best of the Company's knowledge, as at the date of registration of this registration document, there are no potential conflicts of interest between the duties of the members of the Board of Directors and the executive officers of the Company as regards the Company and their private interests.

To the best of the Company's knowledge, no shareholders' agreement or contract of any kind has been entered into with any shareholders, customers, suppliers or other persons under the terms of which any member of the Company's Board of Directors or executive officers has been appointed in such capacity.

As at the date of registration of this registration document, there are no restrictions accepted by the members of the Company's Board of Directors or executive officers concerning the disposal of their investments in the Company's share capital, with the exception of the rules for the prevention of insider trading and the recommendations of the AFEP-MEDEF Code requiring some shares to be retained.

15. COMPENSATION AND BENEFITS

15.1 Compensation and Benefits Paid to Directors and Executives

As mentioned above, in the context of its shares being admited to the Euronext Paris regulated market, the Company intends to apply the AFEP and MEDEF Corporate Governance Code for publicly traded companies (the "**AFEP-MEDEF Code**").

The tables in the sections below present a summary of the compensation and benefits of all kinds paid to the executives of the Company and to members of the Company's board of directors by (i) the Company, (ii) the companies controlled, as defined in Article L.233-16 of the French Commercial Code, by the Company in which the mandate is exercised, (iii) the companies controlled, as defined by Article L.233-16 of the French Commercial Code, by the company(ies) that control the company in which the mandate is exercised and (iv) the company(ies) that control, as defined by the same article, the company in which the mandate is exercised. As the Company is a member of a group as at the date of this registration document, the information refers to the amounts due by all the companies in the chain of control.

The Company is a public limited company with a board of directors in which the duties of the Chairman of the Board, exercised by Laurent Mignon, and those of the Chief Executive Officer, exercised by Jean-Marc Pillu, are separate.

Compensation and benefits paid to Laurent Mignon

Apart from directors' fees due to be paid to Laurent Mignon as Chairman of the Board of Directors, no other form of compensation or benefits was paid to him by the Company. Consequently, this section does not describe the compensation paid by Natixis to Laurent Mignon in his position as Chief Executive Officer of Natixis which are publicly available in the registration document of Natixis submitted to the AMF on March 14, 2014 (pages 106-112), Natixis' shares being admited to the Euronext Paris regulated market.

Compensation and benefits paid to Jean-Marc Pillu

As at the date of this registration document, Jean-Marc Pillu, Chief Executive Officer of the Company, is employed by Natixis, being 99.99% shareholder of the Company, under an indefinite employment contract and is not directly compensated by the Company in respect of his position of Chief Executive Officer.

Nonetheless, because the compensation and benefits paid by Natixis to Jean-Marc Pillu in respect of his employment contract are reinvoiced annually to the Company, this section provides details on such compensation and benefits.

15.1.1 Summary of the compensation paid to executives for 2012 and 2013

The table below provides a summary of the compensation, options and shares granted to Jean-Marc Pillu, Chief Executive Officer, for the years ending December 31, 2012 and 2013:

Table 1 – Summary table of compensation, options and shares granted to each executive (AMF definition)

Summary table of compensation and options and shares granted to each executive		
(amount paid in Euros)	**2012**	**2013**
Jean-Marc Pillu, Chief Executive Officer		
Compensation due for the year[1] (detailed in Section 15.1.2 below)	780,452	862,827
Value of options granted during the year	0	0
Value of performance shares granted during the year	0	0
Total	780,452	862,827

(1) On a gross basis (before social security and taxes). These compensations paid by Natixis are reinvoiced annually to the Company, except for the benefits in kind described in Section 15.1.2 below.

15.1.2 Compensation paid to the executives for 2012 and 2013

The table below provides details of the fixed and variable compensation and other benefits granted to Jean-Marc Pillu, Chief Executive Officer of the Company, during the years ended December 31, 2012 and 2013.

Table 2 – Summary of compensation for each executive (AMF definition)

(in Euros)	**2012**		**2013**	
	Amounts due[2]	**Amounts paid[3]**	**Amounts due[2]**	**Amounts paid[3]**
Jean-Marc Pillu, Chief Executive Officer				
Fixed compensation[1]	400,000	400,000	440,000	440,000
Variable compensation [2]	375,000	312,500	417,285	375,000
Exceptional compensation [3]	-	-	-	-
Benefits in kind[4]	5,542	5,542	5,542	5,542
Total *	780,542	718,542	862,827	820,542

(1) *Gross basis before tax.*
(2) *Compensation granted in respect of duties during the year, irrespective of the date of payment.*
(3) *Compensation paid in respect of duties performedduring the year.*
(4) *Jean-Marc Pillu has, with regard to the employment contract with Natixis, had the use of a company car.*
* *In addition, Jean-Marc Pillu has had, as an employee of Natixis, the benefit of conditions of participation, incentives and employer contributions to the salary, savings scheme and family supplement in effect within Natixis in a total amount of €13,003 in 2012 and €14,785 in 2013, as well as of the collective pension and health insurance schemes in effect within Natixis.*

The compensation received by Jean-Marc Pillu in respect of the employment contract with Natixis consists of a fixed and a variable portion.

The amount of the variable portion, capped in 2013 at a maximum of 125% of the fixed compensation of Jean-Marc Pillu, depends, for 50%, on the achievement of financial goals (related to revenues, overheads, loss ratio and net profit of the Company) and for 50%, on the achievement of strategic and managerial goals.

15.1.3 Directors' attendance fees and other compensation paid to members of the Board of Directors for 2012 and 2013

The table below shows the directors' attendance fees and other kinds of compensation received by members of the Board of Directors of the Company in 2012 and 2013.

Table 3 - Summary of the compensation for each member of the Board of Directors (AMF definition)

Table of directors' attendance fees and other compensation received by the non-executive directors		
Non-executive directors	**Amounts paid in 2012[1]**	**Amounts paid in 2013[1]**
Laurent MIGNON		
Directors' attendance fees	-	-
Other compensation	-	-
BPCE		
Directors' attendance fees	5,500	5,000
Other compensation	-	-
Natixis		
Directors' attendance fees	-	-
Other compensation	-	-
Jean ARONDEL		
Directors' attendance fees	13,000	5,000
Other compensation	-	-
Bruno DELETRÉ		
Directors' attendance fees	9,000	4,500
Other compensation	-	-
Jean-Paul DUMORTIER		
Directors' attendance fees	-	2,000
Other compensation	-	-
Yvan DE LA PORTE DU THEIL		
Directors' attendance fees	12,000	5,000
Other compensation	-	-
Pascal MARCHETTI		
Directors' attendance fees	7,000	6,000
Other compensation	-	-
Nicole NOTAT		
Directors' attendance fees	7,500	7,000
Other compensation	-	-
Laurence PARISOT		

Directors' attendance fees Other compensation	4,000 -	3,500 -
Nicolas PLANTROU Directors' attendance fees Other compensation	6,500 -	5,000 -
Emmanuel POULIQUEN Directors' attendance fees Other compensation	- -	3,000 -
Laurent ROUBIN Directors' attendance fees Other compensation	- -	4,000 -
Total Directors' attendance fees Other compensation	64,500 -	50,000 -

[1]*Gross basis (before social security charges)*

15.1.4 Stock options grants in 2013 to each executive by the Company or any other company of the Group

No stock options were granted to executives during the year ended December 31, 2013.

15.1.5 Stock options exercised in 2013 by each corporate officer

No stock options were exercised by any corporate officer during the year ended December 31, 2013.

15.1.6 Performance shares granted in 2013 to corporate officers

No performance shares were awarded to executives/corporate officers in the year ended December 31, 2013, with the exception of 90 Natixis' performance shares (valued at €350) awarded by Natixis to Laurent Mignon during the year ended December 31, 2013, in his capacity of corporate officer of Natixis.

15.1.7 Performance shares available in 2013 for each corporate officer

No performance shares were available for any executive/corporate officer during the year ended December 31, 2013.

15.1.8 History of stock options grants

No stock options were granted in the years ended December 31, 2013, 2012 and 2011.

No plan for granting stock options is in effect as at the date of this registration document.

15.1.9 Stock options granted to the top ten employees non-executive directors

No stock options were granted in the years ended December 31, 2013, 2012 and 2011.

No plan for granting stock options is in effect as of the date of this registration document.

15.1.10 History of grants of performance shares

No grant of performance bonus shares was made in the years ended December 31, 2013, 2012 and 2011, with the exception of 90 Natixis performance shares (valued at €350) granted by

Natixis to Laurent Mignon in the financial year ended December 31, 2013, as an executive of Natixis.

No plan for awarding performance shares is in effect as at the date of this registration document, with the exception of a performance share plan under which Laurent Mignon was granted performance bonus shares in Natixis, in his capacity of executive of Natixis (as described in Section 15.1.6 above).

15.1.11 Employment contracts, retirement plans and compensation in case of termination of the duties of executives

As at the date of this registration document, Jean-Marc Pillu is employed by Natixis, a 99.99% shareholder of the Company, under an indefinite employment contract and is not directly compensated by the Company for his position of Chief Executive Officer.

Nonetheless, because the compensation paid by Natixis to Jean-Marc Pillu is reinvoiced annually to the Company, this section describes the main features of his employment contract with Natixis.

Table 11 – Employment contracts, retirement plans and compensation in case of termination for the positions of executives (AMF definition)

Executives	Employment contract		Additional retirement plan		Compensation or benefits due or likely to be due by reason of termination or change of functions		Compensation relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marc Pillu Chief Executive Officer Start of contract:January 3, 2011 End of contract: not specified	X*			X**		X***		X

** As of the date of this registration document, Jean-Marc Pillu, Chief Executive Officer of the Company, is employed by Natixis, a 99.99% shareholder of the Company, under an indefinite employment contract.*

*** As of the date of this registration document, Jean-Marc Pillu, Chief Executive Officer of the Company, benefits, as an employee of Natixis, from the senior Group managers pension plan, Level A of the Social Security Scheme, level A in the compulsory ARRCO plan, and levels B (20.30%) and C (20.30%) of the AGIRC plan.*

**** As of the date of this registration document, Jean-Marc Pillu, Chief Executive Officer of the Company, as an employee of Natixis, only benefits from the Bank collective agreement.*

15.2 Amounts of provisions made or recorded by the Company or its subsidiaries for payment of pensions, retirement plans or other benefits

No amount has been reserved or recognized by the Company or its subsidiaries for payment of pensions, retirement plans or other benefits to its executives.

16. FUNCTIONING OF THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEES

16.1 Terms of the Members of the Company's Administrative and Management Bodies

Information regarding the expiration date of the terms of the members of the Board of Directors are shown in Section 14.1.1 "*Board of Directors*" of this registration document.

16.2 Information regarding employment contracts relating members of the Board of Directors to the Company or to one of its subsidiaries

To the best of the Company's knowledge, there are no employment contracts relating the members of the Board of Directors and Company or any of its subsidiaries, providing for the allocation of benefits.

16.3 Committees of the Board of Directors

According to Article 18 of the articles of association of the Company, which it plans to adopt, in order to comply with the conditions precedent relating to the admission of its its shares to the Euronext Paris regulated market, and to Article 1.1 of the rules of procedure of the Board of Directors, which the Company also plans to implement subject to the admission of its shares to the Euronext Paris regulated market, the Board of Directors may decide to establish among its own members, or, with the participation of non-executives, committees or commissions mandated to exemine matters that it or its chairman submit for their consideration. These committees or commissions exercise their functions under the Board of Directors' responsibility.

In this context, two committees of the Board of Directors of the Company are to be established: an Audit Committee and a Nominations and Compensation Committee, the composition, responsibilities and operating rules of which are described below. These committees will be established once the Company's shares are admitted to the Euronext Paris regulated market.

16.3.1 Audit Committee

The Board of Directors will establish an Audit Committee. The main features of the rules of procedure of the Audit Committee which is planned to be established as part of the conditions required to be satisfied for the admission of the shares of the Company to the Euronext Paris regulated market are described below.

16.3.1.1 Composition (Article 1 of the rules of procedure of the Audit Committee)

(a) Members

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

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

(b) Chairmanship

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

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

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

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

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

16.3.1.2 Duties (Article 3 of the rules of procedure of the Audit Committee)

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

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

(i) Monitoring of the preparation of financial information

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

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

This examination should take place at least two (2) days prior to the presentation to the Board of Directors.

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

(ii) Monitoring the effectiveness of the internal control systems, internal audit and risk management relating to financial and accounting information

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

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

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

(iii) Monitoring of the legal control of the individual and consolidated financial statements by the Company's statutory auditors

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

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

(iv) Monitoring the independence of the statutory auditors

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

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

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

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

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

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

16.3.1.3 Operation (Article 2 of the Audit Committee rules of procedure)

(a) Frequency of meetings and procedures for convening meetings

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

The statutory auditors of the Company may, if they believe that there is an event exposing the Company or its subsidiaries to a material risk, request the chairman of the Audit Committee to convene the Audit Committee.

The notice of the Audit Committee meeting will be addressed to the Audit Committee members with a reasonable period of notice and include a detailed agenda for the meeting. The information allowing the Audit Committee members to express a well informed opinion at the time of this meeting will be addressed to all members of the Audit Committee, to the greatest extent possible, sufficiently in advance, prior to the meeting.

In a case of an emergency, the Audit Committee may be convened at any time by the Audit Committee chairman through an exceptional procedure. In such a case, the meeting of the Audit Committee will not be subject to observing the above periods of notice, provided that the existence of an emergency had be announced in the notice for the meeting and that any information allowing the members of the Audit Committee to reach an informed decision had been sent to them as soon as possible and in any case prior to the meeting.

(b) Attendance at Audit Committee Meetings

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

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

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

(c) Quorum and Majority Rule

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

No member of the Audit Committee may represent another member.

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

(d) Secretariat and Minutes of Meetings

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

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

16.3.2 Nominations and Compensation Committee

The Company's Board of Directors will establish a Nominations and Compensation Committee. The main terms of the rules of procedure of the Nominations and Compensation Committee that is intended to be established pending the admision of the Company's shares to the Euronext Paris regulated market are described below.

16.3.2.1 Composition (Article 1 of the rules of procedure of the Nominations and Compensation Committee)

(a) Members

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

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

(b) Chairman

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

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

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

16.3.2.2 Duties (Article 3 of the rules of procedure of the Nominations and Compensation Committee)

(a) Duties of the Nominations and Compensation Committee

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

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

(i) Compensation Conditions

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

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

(ii) Conditions for Appointment

The Nominations and Compensation Committee:

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

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

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

(b) Resources and Prerogatives of the Nominations and Compensation Committee

The Nominations and Compensation Committee will, at the behest of the Chief Executive Officer have at their disposal all documents and information required for the completion of their tasks.

16.3.2.3 Operations (Article 2 of the rules of procedure of the Nominations and Compensation Committee)

(a) Frequency of Meetings and Procedures for Convening these Meetings

The Nominations and Compensation Committee will be convened whenever necessary and at least four times a year. The Nominations and Compensation Committee will meet in particular prior to each Board meeting in which the agenda contains the examination of a matter related to its assignment and sufficienly in advance of any Board meeting for which it prepares the resolutions.

The notice of the Nominations and Compensation Committee meeting will be addressed to all members of the Nominations and Compensation Committee with a reasonable period of notice and include a detailed agenda for the meeting. The information allowing the Nominations and Compensation Committee members to express a well-informed opinion at the time of the meeting will be addressed to each member of the Nominations and Compensation Committee to the greatest extent possible, sufficiently in advance, of the meeting.

In a case of an emergency, the Nominations and Compensation Committee may be convened at any time by the Nominations and Compensation Committee chairman, through an exceptional procedure. In such a case, the meeting of the Nominations and Compensation Committee may be held at short notice, provided that the existence of an emergency had been declared in the notice for the meeting and that any information allowing the members of the Nominations and Compensation Committee to reach an informed decision had been addressed to them as soon as possible and in any case prior to the meeting.

(b) Attendance at Meetings of the Nominations and Compensation Committee

Only members of the Nominations and Compensation Committee are automatically entitled to attend meetings of the Nominations and Compensation Committee. The secretary of the Nominations and Compensation Committee shall also attend the meetings.

(c) Quorum and Majority rule

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

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

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

(d) Secretariat and Minutes of Meetings

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

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

16.4 Limitations Introduced to the Powers of the Management

It is intended that the Board of Directors establish, in its rules of procedure, a certain number of procedures intended to circumscribe the powers of the executive of the Company.

According to the terms of Article 1.2 of the rules of procedure of the Board of Directors, which are intended to be implemented pending the admission of the Company’s shares to the

Euronext Paris regulated market, the following will be subject to prior authorization of the Board of Directors by simple majority of the members present or represented:

- extension of the activities of the Company into material activities that the Company does not undertake; and
- any corporate investment and any capital expenditure, disposal or creation of joint ventures by the Company or any significant subsidiary, for a total amount exceeding €100 million.

16.5 Information of the Board of Directors

According to Article 21 of the articles of association of the Company, which it plans to adopt, pending the admission of its shares to the Euronext Paris regulated market, and according to Article 3.4 of the rules of procedure of the Board of Directors which it is intended to implement with effect from the actual admission of the shares of the Company to the Euronext Paris, the Board of Directors will undertake the controls and verifications which it considers appropriate. The chairman or the chief executive officer is responsible for communicating to each director all the documents and information necessary for the exercise of their duties.

The directors will have available, prior to the meeting of the Board and with sufficient prior notice, the information allowing them to make an informed decision. Nevertheless, in case of an emergency or when required in order to respect confidentiality, and particularly when financial, commercial or sensitive strategic information is at stake, such information may be communicated at the meeting itself. If the board members so require, a copy of the minutes of the discussions of the Board of Directors will be submitted to them.

In addition, the directors will receive, between meetings, all relevant information on material events or transactions of the Company.

16.6 Statement related to the Corporate Governance of the Company

As from the the admission of the Company’s shares to the Euronext Paris regulated market, the Company intends to comply with all of the recommendations of the AFEP-MEDEF corporate governance Code for publicly traded companies (the “**AFEP-MEDEF Code**”), in particular in relation to the report of the Chairman of the Board of Directors provided by Article L.225-37 of the French Commercial Code with on the composition of the Board, and the application of the principle of gender balance in the Board’s composition, the terms for the preparation and organization of the Board’s work, and the internal control and risk management procedures implemented in the Company.

In particular, the Company intends to ensure the presence of independent members without any connection of any nature with the Company or any company or entity controlled directly or indirectly by the Company, as defined in Article L.233-3 of the French Commercial Code or their management, which may adversely affect the exercise of discretion and independent judgment, in accordance with the AFEP-MEDEF Code.

The AFEP-MEDEF Code, which the Company intends to comply with, can be found on Internet[26]. The Company keeps copies of this code permanently available for the members of its corporate bodies.

16.7 Internal control

The Company’s internal control system is described in Section 4.4 “*Quantitative Disclosures about Risk Factors and Risk Management Policy*” of this registration document.

[26] http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Code_de_gouvernement_d_entreprise_des_societes_cotees_juin_2013_FR.pdf

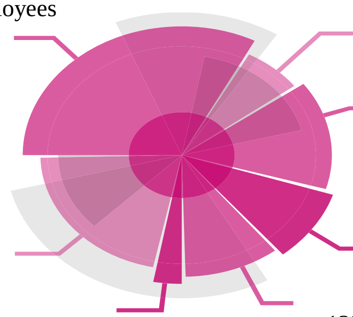
17. EMPLOYEES

17.1 Company Workforce

17.1.1 Presentation of the Workforce

As at December 31, 2011 and 2012 Coface Group had 4,849[27] and 5,012[27] employees, respectively. As at December 31, 2013, the Coface Group had 4,612[27] employees throughout 67 countries, of which 1,463 were involved in Sales & Marketing activities, 1,623 in Support functions, 1,156 in Information, Claims and Collection and 370 in Risk Underwritting.

As at December 31, 2013, the geographic distribution of the Coface Group's employees was follows:



By the nature of its activities and geographical coverage, the Coface Group is a multicultural group fundamentally focused on international operations. In the year ended December, 31 2013, more than 70 nationalities were represented within the Coface Group (more than 26% of employees working in France are not French) and about one hundred employees are working outside their native countries.

The Coface Group is also committed to the position of women within the organization. In the year ended December 31, 2013, the proportion was 56% women and 44% men, and women held more than one third of the executive positions.

Listening to its employees and concerned about developing their commitment, the Coface Group sought to establish for the first time in 2013, throughout all its employees a social survey developed by the independent firm, Ipsos[28] 3. 83% of the employees replied to the questionnaire and thus gave their opinions on the strategic direction of the Coface Group and its managerial relationships, as well as on the culture and life of the Company. This high rate of participation is in itself the evidence of the employees desire to make the company develop.

More than 75% of the approached employees considered themselves proud and satisfied with working in the Coface Group. Coface Group also has sustainable performance leverage with 83% of the employees mobilized to achieve the company's goals. Steered by the Board of Directors, many specific initiatives have been undertaken throughout the year in each country aiming at boosting internal communication (information on products, regular dissemination of information on competitors, and the Coface Group's strategic priorities). These steps reinforce the involvement of every person with the final goal of satisfaing the Coface Group's clients.

[27] Registered employees (active and inactive) in permanent contracts, and fixed term contracts.

[28] Located in 85 countries, Ipsos is an independent group specialized in the realization of opinion and satisfaction surveys.

17.1.2 Breakdown of employees

As at December 31, 2013, 95% of the Coface Group's employees were on permanent employment contracts, 3% on fixed term contracts, 2% on temporary contracts (of which 0.05% were interims (*intérimaires*))[29].

The table below shows the breakdown of the Coface Group employees by occupation as at December 31, 2011, 2012 and 2013[30]:

	December 31		
Functions	**2011**	**2012**	**2013**
Sales & Marketing	25 %	28 %	32 %
Support	41 %	37 %	35 %
Information, Claims and Collection	23 %	25 %	25 %
Underwriting	11 %	10 %	8 %
Total	100 %	100 %	100 %

By socio-professional category, the breakdown of the Coface Group employees as at December 31, 2013 was 80% at managerial level and 20% at non-managerial level.

17.1.3 Training and Compensation Policy

Training

The Coface Group considers that the high level of its employees' qualifications and their loyalty to the Coface Group (the average seniority of the employees is 10.5 years) constitutes an important strategic advantage.

The Coface Group devotes considerable effort to employee training, in the technical fields of international business, financial analysis, risk analysis and marketing, as well as improving their language skills.

As part of Coface Group training policy approved in 2012, skills-based training was developed and put in place worldwide. This training offer develops gradually for all businesses, in conjunction with regulatory training and country training plans covering traditional topics (such as languages, IT, personnel development and management). Focused principally on risk underwritting, detailed information, legal disputes and recovery of trade receivables, this program gives the opportunity to the Coface Group employees to improve their knowledge and share professional best practices.

In the financial year ended December 31, 2013, 0.76% of the total payroll was devoted to employee training throughout the Coface Group worldwide.

In 2013, 61,350 hours of external training had been undertaken and two thirds of employees had taken a training course.

29 Registered employees (active and inactive) in permanent contracts, and fixed term contracts.

30 Registered employees (active and inactive) in permanent contracts, and fixed term contracts.

Compensation Policy

The Coface Group's compensation policy aims at attracting, sustaining the loyalty of and motivating talent. For that purpose, it is concerned with developing uniform, transparent and competitive compensation policies. It rewards individual and group performance. For the purpose of achieving Coface Group strategy, a variable compensation policy, 80% of which is based on quantitative targets, has been established for the 125 top managers.

In 2013, an annual online evaluation process was established in 22 languages in all the countries where the Coface Group has presence, with a view to implementing its strategic priorities and sharing common performance evaluation criteria.

The compensation policiess of the Coface Group have underpinned the implementation of Strong Commitment I, particulary with respect to the risk management principles imposed by the regulator.

17.1.4 Employee Representative Bodies

The Coface Group wishes to maintain a healthy social dialog allowing management and employee representatives to work for the success and continuous development of the Coface Group.

The Coface Group set up an European Works Council ("**EWC**") in 2000. Today it consists of 15 members representing the employees of the 23 European countries. The EWC meets at least once a year to exchange views on the activity and strategic direction of the Coface Group. Other topics such as business development, working conditions, training programs and gender equality are also addressed with the employee representatives. In order to formalize the exercise of the rights of the EWC to information and consultation, an agreement was signed in June 2013 establishing within the EWC a Select Committee consisting of five members who represent the main contact with management. The EWC reinforces the European employees' sense of belonging to the same highly diverse group. The dialogs within the EWC also give the opportunity for the Coface Group to develop its organization and better manage the expectations of its teams.

Under Strong Commitment I, the Coface Group also sought to simplify its European organization. In 2012, the Coface Group undertook the conversion of all its insurance subsidiaries in the European Union into branches, to form a single company: Compagnie française d'assurance pour le commerce extérieur. As of today, four European directors represent the employees within the Board of Directors of this insurance company.

The Coface Group believes that its relationships with its employees and their trade union representatives are good.

17.1.5 Collective Employement and Company Agreements

In France, the Coface Group consolidated companies are subject to the National Collective Employement Agreement of Insurance Companies. Where such collective agreements are concerned, other than periodic agreements relating to negotiations on compensation and working conditions, the Coface Group signed several company agreements with its representatives in the 2011-2013 period, including, agreements concerning *inter alia*, the EWC's rights to be informed and consulted (see Section 17.1.4. above "*Employee Representative Bodies*"), establishing a Select Committee internally (2013), an agreement related to the generation contract (2013), or an agreement relating to professional equality (2012).

17.2 Investments and Stock Options held by Members of the Board of Directors

None

17.3 Mandatory and Optional Profit-Sharing Agreements

On June 29, 2012, the Coface Group set up a participation agreement for an initial period of one year, renewable by tacit consent (with up to a limit of three years), as well as a profit-sharing agreement with a term of three years. These agreements benefit all employees on permanent or fixed term contracts, having three months seniority within the companies forming part of the social and commercial unit Compagnie française d'assurance pour le commerce extérieur – Fimipar (created following the transfer of employees of certain Coface Group businesses to Fimipar, a 100% subsidiary of the Coface Group). The mandatory profit-sharing is distributed proportional to the salary of each beneficiary employee. The optional profit-sharing is calculated on the basis of four cumulative criteria related to the evolution of certain financial indicators (increase in revenues, reduction in cost ratios and operating margin), as well as a client satisfaction index.

17.4 Agreement related to the employees' investments in the share capital of the Company

As of the registration date of this registration document, there are no agreements related to the employees' investments in the share capital of the Company.

However, in the proposed Company's initial public offering, the Company is considering an employee offering.

18. MAIN SHAREHOLDERS

18.1 Majority Shareholder

As at the date of this registration document, Natixis, the corporate finance, investment management and financial services entity of the BPCE Group, one of the main French banking groups owns 99.99% of the share capital and voting rights of the Company.

18.2 Voting Rights of the Majority Shareholder

Natixis does not have any special voting rights.

18.3 Statement Concerning the Control of the Company by the Majority Shareholder

As at the date of this registration document, the Company is controlled by Natixis. Taking into account the proposed Company's initial public offering (public offering and institutional investment by means of disposal of the shares held by Natixis, offer reserved for the employees), Natixis' holding in the Company's equity will be consequently reduced. However, following the the Company's initial public offering, Natixis intends to continue holding a material portion of the shares and voting rights in the Company, and will therefore be in a position to have a material influence on the strategic decisions of the Coface Group (see Section 4.3 "*Risks Related to the Company – Risks Related to the Control of the Company and its Relations with Natixis*" in this registration document.

With a view to transparency and keeping the public informed, the Company has established a range of measures based in particular on the recommendations of the AFEP-MEDEF Code. The Company will in particular establish an Audit Committee and a Nominations and Compensation Committee consisting of independent directors in order to prevent conflicts of interest and to ensure that the control by the majority shareholder is not exercised in an abusive manner (see Section 16 "*Functioning of the Board of Directors and Management Committees*" of this registration document.

18.4 Agreements Likely to Lead to a Change of Control

As at the date of this registration document, to the best of the Company's knowledge, there are no agreements which, when implemented, could lead to a change of control.

19. RELATED PARTIES TRANSACTIONS

19.1 Transactions with the Natixis Group

The Company is in the process of concluding and/or has concluded certain transactions with Natixis, which owns 99.99% of the shares capital and voting rights of the Company as at the date of registration of this registration document, or with companies controlled by Natixis (see also Note 40, "Related parties", to the consolidated financial statements of the Company for the years ended December 31, 2011, 2012 and 2013).

In particular, in the case of refinancing its factoring activities, the Coface Group has a credit facility with Natixis for a maximum amount of €500 million (maturing at December 31, 2014), of which €261 million had been drawn as at December 31, 2013. In addition, the Coface Group has also put in place a commercial paper program together with seven lines of credit (unused to date), which could be used in case of closure of the commercial paper market (see Section 10.2.2 "*Principal Sources of Financing of the Coface Group*" of this registration document). One of these lines of credit (maturing on December 31, 2013) has been signed with Natixis for a total amount of €100 million.

In addition, Natixis issued in 2013 a standby letter of credit for an amount of €60 million for Coface North America Insurance Company, a subsidiary of the Coface Group in the United States.

The Company and some of its French subsidiaries have entered into a tax consolidation agreement with Natixis for the purpose of fixing the Company's and its subsidiaries' contribution to the various consolidated taxes for which tax payment Natixis is the sole liable entity in its capacity as the head company of the consolidated-tax group. The listing of the Company's shares on the Euronext Paris regulated market will result in the Company and its subsidiaries exiting from the Natixis tax-consolidated group with effect from January 1, 2014. Accordingly, the existing tax consolidation agreement will be terminated. On March 10, 2014, an exit agreement from the tax-consolidation was entered into to specify the consequences of the exit of the Company and its subsidiaries from the Natixis tax-consolidated group and to adjust the mutual relations resulting therefrom between Natixis and the exiting companies (i.e. Coface SA, Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogeri). This agreement in particular provides (i) that Natixis will remain liable for the tax reintegration related to exiting the Company and its subsidiaries from the tax-consolidated group, (ii) that Natixis will compensate the exiting Company and its subsidiaries for any potential losses incurred by the Company and its subsidiaries for the loss of certain tax advantages (in particular the tax losses transferred to the tax-consolidated group) resulting from their exit from the group not later than 15 days after the listing of the Company's shares on the Euronext Paris regulated market, (iii) that such compensation will result in the cancellation of that part of the deferred tax assets corresponding to the tax losses of the companies of the tax-consolidated group which will be compensated by Natixis (see note 40 to the the Coface Group's consolidated financial statements set out in Section 20.1 "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" of this registration document and notes 2 and 21 to the quarterly condensed consolidated financial statement set out in Section 20.3 "*Interim Consolidated Financial Statements - Three Months Ended March 31, 2014*" of this registration document), and (iv) that the exiting companies will bear the consequences of any potential taxable income adjustments proposed by the French Tax Authorities related to the period during which they were members of the tax-consolidated group on the same basis as if they had never been members of the group (without taking into account the tax losses being compensated in accordance with (ii)). In addition, the tax-consolidation exit agreement governs the payment terms of the corporate income tax and the additional contribution instalments payable in 2014.

As a subsidiary of Natixis, the Coface Group currently benefits from the Natixis group insurance program (see Section 4.5 "*Insurance*" of this registration document).

19.2 Special Reports of the Statutory Auditors on the Related Party Transactions for 2013, 2012 and 2011

The Company was a simplified joint-stock company (*société par actions simplifiée*) until it was changed to a limited liability company during 2012. As a result, the statutory auditors have not issued a special report on the related party transactions in respect of the year ended December 31, 2011.

19.2.1 Special report of the statutory auditors on the regulated agreements for the year ended December 31, 2013

Coface SA

Société Anonyme
1, Place Costes et Bellonte
92270 Bois-Colombes Cedex

Statutory Auditors' report on regulated agreements and commitments

Year ended December 31, 2013

Coface SA

Société Anonyme
1, Place Costes et Bellonte
92270 Bois-Colombes Cedex

Statutory Auditors' report on regulated agreements and commitments

Year ended December 31, 2013

This is a free translation into English of the Statutory Auditors' Report on regulated agreements and commitments that is issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present our report on the regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we have been informed or of which we became aware in the course of our engagement. We are not required to determine whether they are useful or appropriate or to ascertain whether any other agreements or commitments exist. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code, ("Code de commerce"), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, if applicable, in accordance with article R.225-31 of the French Commercial Code, to inform you of agreements and commitments which were approved during previous years and continued to apply during the financial year.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us was consistent with the documentation from which it was derived.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDER'S MEETING

Agreements authorized during the year

Pursuant to article L.225-40 of the French Commercial Code ("Code de commerce") we have been informed of the following agreements and commitments which have been previously authorised by your Board of Directors.

Management agreement with Compagnie Française d'Assurance Pour le Commerce Extérieur

Nature and purpose:

The mandates entrusted by Coface SA to Compagnie Française d'Assurance Pour le Commerce Extérieur in connection with management of the commercial paper program have been extended to include mandates for sales agents, domiciliary agents and credit line management.

Terms:

As a result, Compagnie Française d'Assurance Pour le Commerce Extérieur receives an annual fee of €5,000 for each credit line management mandate, effective as of October 4, 2013 and a fee of €53,840 for management of sales and domiciliary agents for the period from October 4, 2013 to October 3, 2014.

Directors Affected:

Coface SA controls Compagnie Française d'Assurance Pour le Commerce Extérieur and Natixis is a common director of both companies.

This agreement was authorized by the Board of Directors on October 25, 2013.

Lease agreement with Compagnie Française d'Assurance Pour le Commerce Extérieur

Nature and purpose:

Coface SA signed a sublease with Compagnie Française d'Assurance Pour le Commerce Extérieur, the purpose of which was the domiciliation of Coface SA.

Terms:

The sublease covers an area of 90.2 m² and is granted free of charge.

Directors Affected:

Coface SA controls Compagnie Française d'Assurance Pour le Commerce Extérieur and Natixis is a common director of both companies.

This agreement was authorized by the Board of Directors on May 14, 2013.

Credit agreement with Natixis

Nature and purpose:

In connection with the commercial paper program, the credit agreement signed with Natixis has been extended by one year.

Terms:

The amount was increased to €100 million and the interest rate applicable on drawdowns will be 1-month Euribor plus 0.91%; Natixis will receive a fee for non-use of 0.32% per annum on the full amount of available credit.

Directors Affected:

Natixis controls Coface SA, and is one of the company's directors. BPCE is a director of both companies.

This agreement has been authorized by the Board of Directors on October 25, 2013.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDER'S MEETING

Agreements approved during previous years which continued to apply during the financial year

In accordance with article R.225-30 of the French Commercial Code ("Code de Commerce"), we have been informed of the following agreement, which was already approved by the Shareholders' meetings in previous years and continued to apply during the financial year.

Joint guarantee in favor of Coface Finanz

Nature and purpose:

On March 19, 2012, Coface SA issued a joint guarantee in favor of Coface Finanz, a company indirectly owned by Coface SA, in respect of amounts that will be paid by Coface Factoring Poland for the reimbursement of the loan granted to the latter, for a maximum of €350 million.

Terms:

This joint guarantee was not exercised in financial year 2013.

Paris La Défense and Neuilly sur Seine, 11 March 2014

KPMG S.A.	Deloitte & Associés
Francine Morelli	Damien Leurent
Partner	*Partner*

19.2.2 Special report of the statutory auditors on the regulated agreements for the year ended December 31, 2012

Coface SA

Société Anonyme
12, Cours Michelet
La Défense 10
92800 Puteaux

Statutory auditors' special report on regulated agreements

Shareholders' Meeting held to approve the financial statements
for the year ended December 31, 2012

Coface SA

Société Anonyme
1, Place Costes et Bellonte
92270 Bois-Colombes Cedex

**Statutory auditors' special report
on regulated agreements**

Shareholders' Meeting held to approve the financial statements
for the year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' Report on regulated agreements that is issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

In our capacity as statutory auditors of your Company, we hereby present our report on the regulated agreements.

We remind you that the simplified joint-stock company Coface Holding became a corporation (société anonyme) on November 22, 2012 and changed its corporate name to Coface SA.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements of which we have been informed or of which we became aware in the course of our engagement. We are not required to determine whether they are useful or appropriate or to ascertain whether any other agreements exist. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code ("Code de commerce"), to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, if applicable, in accordance with article R.225-31 of the French Commercial Code, to inform you of agreements already approved by the shareholders' meeting with continuing effect during the financial year.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us was consistent with the documentation from which it was derived.

AGREEMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDER'S MEETING

Agreements concluded during the year when the company was a joint-stock company

Pursuant to article L.225-40 of the French Commercial Code ("Code de commerce"), we were informed of the following agreements concluded in financial year 2012 when Coface SA was a joint-stock company and which did not require the prior authorization of your Board of Directors.

Management agreement with Compagnie française d'assurance pour le commerce extérieur

Nature and purpose:

Coface SA entrusted mandates to Compagnie française d'assurance pour le commerce extérieur in connection with the management of the commercial paper program set up to meet the requirements of its factoring business: mandates for sales agents, domiciliary agents and credit line management.

Terms:

As a result, Compagnie française d'assurance pour le commerce extérieur receives an annual fee of €5,000 per mandate, effective as of October 5 or November 5, 2012, according to the mandate.

Directors involved:

On the agreement signature date, the sole shareholder of Coface SA (then called Coface holding, a joint-stock company) was Natixis, represented by Laurent Mignon, and the directors of Compagnie française d'assurance pour le commerce extérieur were Laurent Mignon, in his capacity as Board Chairman, and Natixis.

As this agreement was signed on October 5, 2012 when Coface SA was a joint-stock company, it was not submitted to the approval of the Board of Directors.

Joint guarantee

Nature and purpose:

On March 19, 2012, Coface SA issued a joint guarantee in favor of Coface Finanz, a company indirectly owned by Coface SA, in respect of amounts that will be paid by Coface Factoring Poland for the reimbursement of the loan granted to the latter, for a maximum of €350 million.

Terms:

This joint guarantee was not exercised in financial year 2012.

As this agreement was signed in March 2012 when Coface SA was a joint-stock company, it was not submitted to the approval of the Board of Directors.

Agreements concluded during the year when the company was a corporation.

Pursuant to article L.225-38 of the French Commercial Code ("Code de commerce"), we were not informed of any agreements authorized during the year to be submitted to the approval of the Shareholders' Meeting.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDER'S MEETING

We were not informed of any agreements already approved by the Shareholders' Meeting that have had continuing effect during the year.

Paris La Défense and Neuilly-sur-Seine, April 29, 2013

The Statutory Auditors

Deloitte & Associés	KPMG S.A. *Département de KPMG S.A.*
Damien Leurent	Francine Morelli
Partner	*Partner*

20. FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND INCOME OF THE COFACE GROUP

20.1 Coface Group consolidated financial statements for the financial years ended December 31, 2011, 2012 and 2013

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(in thousands of euros)

ASSETS	Notes	Dec. 31, 2013	Dec. 31, 2012*	Dec. 31, 2011*
Intangible assets		**240,441**	**250,810**	**260,248**
Goodwill	**5**	153,727	154,104	154,283
Other intangible assets	**6**	86,715	96,706	105,964
Insurance business investments	**8**	**2,208,633**	**2,221,123**	**2,184,639**
Investment property	**8**	1,271	1,456	1,532
Held-to-maturity securities	**8**	9,403	9,495	16,561
Available-for-sale securities	**8**	1,891,204	1,478,896	1,299,685
Trading securities	**8**	52,271	103,954	285,101
Derivatives	**8**	1,386	0	0
Loans and receivables	**8**	253,098	627,322	581,760
Receivables arising from banking and other activities	**9**	**2,120,516**	**2,109,405**	**3,372,724**
Investments in associates	**10**	**17,621**	**16,812**	**16,269**
Reinsurers' share of insurance liabilities	**16**	**347,221**	**352,562**	**380,025**
Other assets		**784,667**	**874,560**	**844,764**
Buildings used in the business and other property, plant and equipment	**8**	75,730	65,804	65,641
Deferred acquisition costs	**12**	39,547	40,112	29,112
Deferred tax assets	**19**	81,122	98,506	110,534
Receivables arising from insurance and reinsurance operations	**11**	420,557	441,857	469,626
Trade receivables arising from other activities	**12**	20,292	21,749	18,117
Current tax receivables	**12**	52,073	40,158	30,235
Other receivables	**12**	95,346	166,375	121,498
Cash and cash equivalents	**13**	**273,920**	**257,010**	**242,872**
TOTAL ASSETS		**5,993,019**	**6,082,282**	**7,301,538**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Dec. 31, 2013	Dec. 31, 2012*	Dec. 31, 2011*
Equity attributable to owners of the parent		**1,780,238**	**1,762,593**	**1,630,377**
Share capital	**14**	784,207	784,207	784,207
Additional paid-in capital		648,462	648,462	671,263
Retained earnings		193,371	139,290	53,664
Other comprehensive income		26,758	66,546	57,643
Consolidated net income for the year		127,439	124,087	63,600
Non-controlling interests		**13,089**	**13,648**	**12,379**
Total equity		**1,793,327**	**1,776,241**	**1,642,756**
Provisions for liabilities and charges	**17**	**112,056**	**117,236**	**92,641**
Financing liabilities	**20**	**15,133**	**13,159**	**15,464**
Financing liabilities due to banking sector companies		15,133	13,159	15,464
Liabilities relating to insurance contracts	**16**	**1,450,499**	**1,483,575**	**1,531,903**
Payables arising from banking sector activities	**21**	**2,109,297**	**2,081,241**	**3,363,415**
Amounts due to banking sector companies	**21**	406,759	523,377	2,664,415
Amounts due to customers of banking sector companies	**21**	353,751	445,111	699,001
Debt securities	**21**	1,348,787	1,112,753	0
Other liabilities		**512,708**	**610,831**	**655,361**
Deferred tax liabilities	**19**	138,091	151,190	132,549
Payables arising from insurance and reinsurance operations	**22**	125,547	131,010	229,450
Current tax payables	**23**	51,470	81,553	68,325
Derivative instruments with a negative fair value	**23**	2,527	26	91
Other payables	**23**	195,073	247,053	224,946
TOTAL EQUITY AND LIABILITIES		**5,993,019**	**6,082,282**	**7,301,538**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Consolidated income statement

(in thousands of euros)

	Notes	2013	2012*	2011*
Revenue	**24**	**1,440,330**	**1,487,040**	**1,474,181**
Gross written premiums	**24**	1,206,690	1,257,525	1,245,381
Policyholders' bonuses and rebates	**24**	(75,564)	(91,472)	(83,971)
Net change in unearned premium provisions	**24**	(2,583)	(6,134)	(23,204)
Earned premiums	**24**	**1,128,543**	**1,159,919**	**1,138,206**
Fee and commission income	24	123,410	127,212	112,457
Net income from banking activities	24	69,210	77,030	99,039
Cost of risk	26	(2,533)	(1,019)	(8,255)
Revenue or income from other activities	24	119,167	122,880	124,479
Investment income, net of management expenses	*29 30*	*32,116*	*43,882*	*40,271*
Gains and losses on disposals of investments	*29 30*	*35,400*	*(6,914)*	*2,886*
Investment income, net of management expenses (excluding finance costs)	29 30	67,516	36,968	43,157
TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVI		**1,505,313**	**1,522,989**	**1,509,083**
Claims expenses	**25**	(576,263)	(597,506)	(594,344)
Expenses from banking activities, excluding cost of risk	**26**	(11,884)	(14,672)	(13,938)
Expenses from other activities		(51,884)	(71,516)	(76,879)
Income from ceded reinsurance	***28***	*249,652*	*272,811*	*267,229*
Expenses from ceded reinsurance	***28***	*(315,855)*	*(329,258)*	*(347,976)*
Income and expenses from ceded reinsurance	28	(66,202)	(56,447)	(80,747)
Policy acquisition costs	**27**	(256,867)	(232,327)	(227,503)
Administrative costs	**27**	(263,891)	(218,099)	(232,445)
Other current operating expenses	**27**	(83,112)	(135,476)	(111,758)
Total current income and expenses		**(1,310,104)**	**(1,326,044)**	**(1,337,614)**
CURRENT OPERATING INCOME		**195,210**	**196,945**	**171,469**
Other operating expenses	**31**	(2,590)	(720)	(32,987)
Other operating income	**31**	4,311	522	1,694
OPERATING INCOME		**196,931**	**196,747**	**140,176**
Finance costs		(3,035)	(2,974)	(5,393)
Share in net income of associates	**33**	1,493	1,371	1,885
Income tax expense	**32**	(67,380)	(64,689)	(54,691)
NET INCOME FROM CONTINUING OPERATIONS		**128,008**	**130,455**	**81,977**
Net income/(loss) from discontinued operations	**35**	0	(5,142)	(17,154)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**128,008**	**125,313**	**64,823**
Non-controlling interests		(569)	(1,226)	(1,223)
NET INCOME FOR THE YEAR	**34**	**127,439**	**124,087**	**63,600**
Earnings per share (€)	**36**	0.81	0.79	0.41
Diluted earnings per share (€)	**36**	0.81	0.79	0.41

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Consolidated statement of comprehensive income

(in thousands of euros)

	Notes	2013	2012	2011
Net income for the year		**127,439**	**124,087**	**63,600**
Non-controlling interests		569	1,226	1,223
Other comprehensive income (expense)				
Currency translation differences		(29,909)	(6,666)	684
Reclassified to income		*0*	*0*	*0*
Recognized in equity		*(29,909)*	*(6,666)*	*684*
Fair value adjustments on available-for-sale financial assets	**8 15 19**	**(10,994)**	**27,217**	**3,520**
Reclassified to income – gross		*(27,795)*	*(1,723)*	*15,746*
Reclassified to income – tax effect		*7,943*	*679*	*(2,654)*
Recognized in equity – reclassifiable to income – gross		*6,200*	*45,602*	*(20,321)*
Recognized in equity – reclassifiable to income – tax effect		*2,658*	*(17,346)*	*10,749*
Fair value adjustments on hedging derivatives	**8 15 19**	**0**	**0**	**(724)**
Reclassified to income – gross		*0*	*0*	*(11,397)*
Reclassified to income – tax effect		*0*	*0*	*3,924*
Recognized in equity – gross		*0*	*0*	*10,293*
Recognized in equity – tax effect		*0*	*0*	*(3,544)*
Fair value adjustments on employee benefit obligations	**15 18 19**	**1,080**	**(10,944)**	**(739)**
Recognized in equity – not reclassifiable to income – gross		*1,548*	*(15,999)*	*(968)*
Recognized in equity – not reclassifiable to income – tax effect		*(468)*	*5,055*	*229*
Other comprehensive income (expense) for the year, net of tax		**(39,823)**	**9,607**	**2,741**
Total comprehensive income for the year		**88,186**	**134,920**	**67,564**
- attributable to owners of the parent		87,695	132,988	68,117
- attributable to non-controlling interests		491	1,932	(553)

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The €2,658 thousand in deferred taxes arising on the remeasurement of available-for-sale financial assets in 2013 was mainly due to the fact that in certain countries gains on the sale of investments in non-consolidated companies are either not taxed or are taxed at very low rates.

Changes in the fair value of hedging derivatives in 2011 are attributable to Natixis Factor.

Consolidated statement of changes in equity

(in thousands of euros)

	Notes	Share capital	Consolidated reserves	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Reclassifiable revaluation reserves	Other comprehensive income: Non-reclassifiable revaluation reserves	Net income for the year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at December 31, 2010		**784,207**	**651,705**	**983**	**56,827**		**96,617**	**1,590,339**	**13,187**	**1,603,526**
Appropriation of 2010 net income			96,617				(96,617)			0
Impact of provision for employee benefit obligations (IAS 19R)	1 15		2,442			(4,642)		(2,200)	(5)	(2,205)
Equity at January 1, 2011 restated for IAS 19R		784,207	750,764	983	56,827	(4,642)		1,588,139	13,182	1,601,321
Capital increase									929	929
2011 interim dividend			(26,000)					(26,000)	(1,316)	(27,316)
Total transactions with owners			**(26,000)**					**(26,000)**	**(387)**	**(26,387)**
2011 net income restated for IAS 19R							63,600	63,600	1,223	64,823
Fair value adjustments on hedging derivatives recognized in equity	8 15				6,749			6,749		6,749
Fair value adjustments on hedging derivatives reclassified to income	8 15 19				(7,473)			(7,473)		(7,473)
Fair value adjustments on available-for-sale financial assets recognized in equity	8 15				(7,961)			(7,961)	(1,611)	(9,572)
Fair value adjustments on available-for-sale financial assets reclassified to income	8 15 19				12,957			12,957	135	13,092
Change in actuarial gains and losses (IAS 19R)	1 15 18 19					(730)		(730)	(9)	(739)
Currency translation differences				963				963	(279)	684
Other movements				2	(32)			133	125	258
Equity at December 31, 2011 restated for IAS 19R		784,207	724,927	1,948	61,067	(5,372)	63,600	1,630,377	12,379	1,642,756
Capital increase									319	319
Appropriation of 2011 net income restated for IAS 19R			63,600				(63,600)			
2011 interim dividend									(929)	(929)
Total transactions with owners			**63,600**				**(63,600)**		**(610)**	**(610)**
2012 net income restated for IAS 19R							124,087	124,087	1,226	125,313
Fair value adjustments on available-for-sale financial assets recognized in equity	8 15				27,297			27,297	959	28,256
Fair value adjustments on available-for-sale financial assets reclassified to income	8 15 19				(1,039)			(1,039)	(5)	(1,044)
Change in actuarial gains and losses (IAS 19R)	1 15 18 19		(595)			(10,916)		(11,511)	(30)	(11,541)
Currency translation differences				(6,439)				(6,439)	(227)	(6,666)
Other movements			(179)					(179)	(44)	(223)
Equity at December 31, 2012 restated for IAS 19R		784,207	787,752	(4,491)	87,325	(16,288)	124,087	1,762,593	13,648	1,776,241
Appropriation of 2012 net income			124,087				(124,087)			0
2013 interim dividend			(65,082)					(65,082)	(1,089)	(66,171)
Total transactions with owners			**59,005**				**(124,087)**	**(65,082)**	**(1,089)**	**(66,171)**
2013 net income							127,439	127,439	569	128,008
Fair value adjustments on available-for-sale financial assets recognized in equity	8 15				8,141			8,141	452	8,593
Fair value adjustments on available-for-sale financial assets reclassified to income	8 15 19				(19,800)			(19,800)	(52)	(19,852)
Change in actuarial gains and losses (IAS 19R)	1 15 18 19					1,076		1,076	4	1,080
Currency translation differences				(29,206)				(29,206)	(438)	(29,644)
Other movements			(4,923)	(265)	265			(4,923)	(6)	(4,929)
Equity at December 31, 2013		784,207	841,834	(33,962)	75,930	(15,211)	127,439	1,780,239	13,089	1,793,327

Consolidated statement of cash flows

(in thousands of euros)	Notes	2013	2012*	2011*
Net income for the year		**127,439**	**124,087**	**63,600**
Net income/(loss) from discontinued operations	**35**	**0**	**(5,142)**	**(17,154)**
Net income from continuing operations		**127,439**	**129,228**	**80,754**
Income tax expense	**32**	67,380	64,689	54,691
Finance costs		3,035	2,974	5,393
Operating income before tax (A)		**197,854**	**191,750**	**123,683**
Non-controlling interests		569	1,226	1,223
+/- Depreciation, amortization and impairment losses, net	**6-7-8.1-17**	10,415	12,380	63,312
+/- Net additions to/reversals from technical provisions	**16**	12,768	(22,646)	127,593
+/- Share in net income of associates	**10**	(1,493)	(1,371)	(1,885)
+ Dividends received from associates	**10**	684	828	576
+/- Fair value adjustments on financial instruments recognized at fair value through income		88	(17)	88
+/- Non-cash items		(14,405)	(34,322)	(25,687)
Total non-cash items (B)		**8,625**	**(43,922)**	**165,220**
Gross cash flows from operations (C) = (A) +(B)		***206,479***	***147,828***	***288,903***
Change in operating receivables and payables		(5,357)	(114,335)	(7,788)
Net taxes paid		(54,051)	7,504	2,282
Net cash related to operating activities (D)		***(59,408)***	***(106,831)***	***(5,505)***
(Increase) decrease in receivables arising from factoring operations		(14,497)	1,275,465	(53,455)
Increase (decrease) in payables arising from factoring operations		184,620	847,050	(75,217)
Increase (decrease) in factoring liabilities		(152,254)	(2,150,726)	122,544
Net cash generated from/(used in) banking and factoring operations (E)	**9-22**	***17,869***	***(28,212)***	***(6,127)***
Net cash generated from operating activities – continuing operations		***164,940***	***9,716***	***217,622***
Net cash generated from operating activities – discontinued operations		***0***	***3,068***	***59,648***
Net cash generated from operating activities (F) = (C+D+E)		**164,940**	**12,785**	**277,270**
Acquisitions of investments	**8.1**	(2,719,755)	(1,716,152)	(1,476,354)
Disposals of investments	**8.1**	2,637,150	1,727,491	1,119,091
Net cash generated from (used in) movements in investments (G)		***(82,604)***	***11,339***	***(357,262)***
Acquisitions of consolidated subsidiaries, net of cash acquired	**3**	6,623	0	32,382
Disposals of consolidated companies, net of cash transferred		0	0	363,064
Net cash generated from changes in scope of consolidation (H)		***6,623***	***0***	***395,447***
Disposals of property, plant and equipment and intangible assets	**6-7**	2,054	1,116	3,526
Acquisitions of property, plant and equipment and intangible assets	**6-7**	(25,590)	(14,157)	(23,822)
Net cash used in acquisitions and disposals of intangible assets and property, plant and equipment (I)		***(23,536)***	***(13,041)***	***(20,296)***
Net cash related to investing activities – continuing operations		***(99,518)***	***(1,702)***	***(356,673)***
Net cash related to investing activities – discontinued operations		***0***	***0***	***374,561***
Net cash generated from/(used in) investing activities (J) = (G+H+I)		**(99,518)**	**(1,702)**	**17,888**
Proceeds from the issue of equity instruments		0	0	0
Treasury share transactions		0	0	0
Dividends paid to owners of the parent		(65,082)	0	(26,000)
Dividends paid to non-controlling interests in consolidated companies		(1,089)	(929)	(1,289)
Cash flows related to transactions with owners		***(66,171)***	***(929)***	***(27,289)***
Proceeds from the issue of debt instruments	**20**	4,509	1,026	85,513
Cash used in the redemption of debt instruments	**20**	(3,774)	(3,604)	(407,561)
Cash flows related to the financing of Group operations		***735***	***(2,578)***	***(322,048)***
Net cash used in financing activities – continuing operations		***(65,437)***	***(3,507)***	***(326,947)***
Net cash used in financing activities – discontinued operations		***0***	***0***	***(22,390)***
Net cash used in financing activities (K)		**(65,437)**	**(3,507)**	**(349,337)**
Impact of changes in exchange rates on cash and cash equivalents (L)		**16,925**	**6,561**	**4,697**
Net increase (decrease) in cash and cash equivalents (F+J+K+L)		**16,910**	**14,138**	**(49,482)**
Net increase (decrease) in cash and cash equivalents (F+J+K+L)		**16,910**	**14,138**	**(49,482)**
Net cash generated from operating activities (F)		164,940	12,785	277,270
Net cash generated from/(used in) investing activities (J)		(99,518)	(1,702)	17,888
Net cash generated used in financing activities (K)		(65,437)	(3,507)	(349,337)
Impact of changes in exchange rates on cash and cash equivalents (L)		16,925	6,561	4,697
Cash and cash equivalents at beginning of year	**13**	**257,010**	**242,872**	**292,354**
Cash and cash equivalents at end of year	**13**	**273,920**	**257,010**	**242,872**
Net change in cash and cash equivalents		**16,910**	**14,138**	**(49,482)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Cash inflows of €363,064 thousand for the year ended December 31, 2011, correspond to the disposal of entities classified as discontinued operations, a portion of which was allocated to reimbursing borrowings (cash flows used in financing activities in an amount of €407,561 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

These IFRS consolidated financial statements of the Coface Group for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 have been prepared as part of a planned listing of shares on the regulated French market. They have been drawn up specifically for the purpose of the Prospectus submitted for approval to the *Autorité des marchés financiers* (French securities regulator), in accordance with the AMF's requirement for the presentation of IFRS consolidated financial statements for three financial years.

These consolidated financial statements prepared for the purpose of the Prospectus are separate from the consolidated financial statements approved by the Board of Directors on February 14, 2014 that will be submitted for approval at the Annual Shareholders' Meeting to be held to approve the financial statements for the year ended December 31, 2013.

These IFRS consolidated financial statements for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were reviewed by Coface Group's Board of Directors on March 19, 2014.

Prior to the stock market listing, Coface SA prepared a set of IFRS consolidated financial statements for the years ended December 31, 2013 and December 31, 2012 in connection with the issue of hybrid securities in March 2014. These financial statements were approved by the Board of Directors on February 14, 2014.

These IFRS consolidated financial statements for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 do not constitute the Group's first IFRS financial statements, as its first IFRS financial statements were prepared on a voluntary basis for the year ended December 31, 2012, in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards. Prior to that date, in view of the fact that it is consolidated by the Natixis group, Coface did not publish IFRS consolidated financial statements for its own purposes, as permitted under the exemption provided for in the French Commercial Code for sub-groups of groups that publish consolidated financial statements.

As these financial statements are purely for the purpose of the Prospectus in connection with the stock market listing, they do not reflect events that arose after the dates on which the financial statements for each period presented were approved by the Board of Directors.

This is because IAS 10 – Events After the Reporting Period is not applicable, as confirmed by the position taken by the IFRS Interpretations Committee in its Agenda Decision issued in May 2013 (IAS 10 – Events After the Reporting Period – Reissuing Previously Issued Financial Statements).

Accordingly, events arising after February 14, 2014 (the date the legal financial statements were approved) are not reflected in the 2013 financial statements.

The information presented for the year ended December 31, 2012 corresponds to the 2012 financial statements as approved by the Board of Directors of Coface SA on February 15, 2013. These financial statements have been restated to reflect the retrospective application of IAS 19R, Employee Benefits, which was adopted by the Group in 2013.

The preparation of financial statements for the years ended December 31, 2011, December 31, 2012 and December 31, 2013 for the purposes of the planned stock market listing has led the Group to:

- present, in Note 43, additional information on financial risks (IFRS 7) and insurance risks (IFRS 4), it being specified that these disclosures featured in the "Risk factors" section of the prospectus drawn up for the hybrid securities issue (AMF registration number expected to be received on March 25, 2014);

- provide additional disclosures, in particular as regards unrecognized deferred taxes (see Note 19), the presentation of factoring receivables (see Note 9) and movements in investment securities (see Note 8).

A number of other restatements and reclassifications have also been made to the 2012 and 2011 financial statements, the details of which are provided in Note 1.

On February 17, 2012, the Board of Directors approved the 2011 IFRS consolidated financial statements of Coface SA (now known as Compagnie Française pour le Commerce Extérieur). To enable a meaningful comparison, a number of restatements and reclassifications have been made to these financial statements in order to reflect the Coface Holding SAS (now Coface SA) scope of consolidation.

These IFRS consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and adopted by the European Union at December 31, 2013.

In accordance with IAS 1, the consolidated financial statements of the Coface Group for the years ended December 31, 2013, 2012 and 2011 include:

- a balance sheet;
- an income statement;
- a statement of comprehensive income;
- a statement of changes in equity;
- a statement of cash flows;
- notes to the financial statements.

Note 1. Reconciliation of the published and restated financial statements for 2011 and 2012

The 2011 and 2012 financial statements have been restated to reflect the retrospective application of IAS 19R. A number of other restatements and reclassifications have also been made.

Strategic refocusing of operations

Following the strategic plan launched in late December 2010, Coface put in place a policy aimed at refocusing its operations on the credit insurance business. Due to the low levels of commercial and operational synergies that existed between its credit insurance companies, management services companies (dedicated to business information and managing receivables on behalf of third parties), and factoring operations, the Group decided to review its overall policy on how its different businesses are inter-linked. Following this review, only a few profitable entities (in South America and Central Europe) that produce business information and manage receivables on behalf of third parties were kept, as these entities work mainly in conjunction with the credit insurance business. The Group also kept its factoring companies in Poland and Germany due to their strong synergies with the credit insurance business (customers in common, risk pooling etc.) and their profitability levels, which brings added value to Coface's credit insurance operations.

At end-December 2011, the Group's management services companies – Coface Services, Kompass International, Coface Services Belgium, Kompass Belgium, Coface Services Portugal, Coface Services in the Netherlands, Coface Collection North America and Graydon (a Dutch company in which Coface has a 27.5% stake) – as well as the Group's factoring companies in France (Natixis Factor) and Denmark (Coface Finans AS Danmark) were sold to Natixis.

Also in 2011, a liquidation process was started for the Group's factoring companies that were deemed to be unprofitable, notably including Coface Austria Bank, Coface Factoring Italia, Coface Receivables Finance, Coface Factoring España, Coface Factoring Portugal (branch of Coface Austria Bank), Coface Finances Netherlands (branch of Coface Finanz Germany), and Coface Credit Management NA and Coface Czech Factoring.

These non-material entities were therefore excluded from the consolidated group at December 31, 2012.

However, since 2011 these entities which have been sold or are in the process of being liquidated have been classified for accounting purposes as discontinued operations and their results have therefore been reclassified to a separate line in the income statement called "Net income/(loss) from discontinued operations" in accordance with IFRS 5.

This income statement line includes:

- income generated by discontinued operations, as well as expenses directly attributable to those operations, net of tax (as shown in Note 35 under "Net income/(loss) from discontinued operations". The breakdown of "Net income/(loss) from discontinued operations" is also given in this Note);

- any impairment losses recognized on measurement of discontinued operations;

- the disposal/liquidation gain or loss arising when the assets and liabilities of discontinued operations are derecognized.

Policyholders' bonuses and rebates: Policyholders' bonuses and rebates are now included in "Earned premiums" whereas they were previously classified in "Claims expenses".

CVAE (tax on added value payable by French companies): the CVAE is now classified as an income tax rather than an operating expense.

Losses on Greek securities: the Group's losses on Greek securities, which were included in "Investment income, net of management expenses" in 2012, are now classified in "Gains and losses on disposals of investments".

Asset restatements:

(in thousands of euros)

ASSETS	Notes	Dec. 31, 2011	Impact of IAS 19 at Jan. 1, 2012	Dec. 31, 2011 (restated)	Dec. 31, 2012 (published)	Impact of IAS 19 at Dec. 31, 2012	Dec. 31, 2012 (restated)
Intangible assets		**260,248**	**0**	**260,248**	**250,810**	**0**	**250,810**
Insurance business investments	**8**	**2,184,639**	**0**	**2,184,639**	**2,221,123**	**0**	**2,221,123**
Receivables arising from banking and other activities	**9**	**3,372,724**	**0**	**3,372,724**	**2,109,405**	**0**	**2,109,405**
Investments in associates	**10**	**16,269**	**0**	**16,269**	**16,812**	**0**	**16,812**
Reinsurers' share of insurance liabilities	**16**	**380,025**	**0**	**380,025**	**352,562**	**0**	**352,562**
Other assets		**842,120**	**2,642**	**844,762**	**866,863**	**7,697**	**874,560**
Buildings used in the business and other property, plant and equipment	**8**	65,641	0	65,641	65,804	0	65,804
Deferred acquisition costs	**12**	29,112	0	29,112	40,112	0	40,112
Deferred tax assets	**19**	107,892	2,642	110,534	90,809	7,697	98,506
Receivables arising from insurance and reinsurance operations	**11**	469,626	0	469,626	441,857	0	441,857
Trade receivables arising from other activities	**12**	18,117	0	18,117	21,749	0	21,749
Current tax receivables	**12**	30,235	0	30,235	40,158	0	40,158
Other receivables	**12**	121,497	0	121,497	166,375	0	166,375
Cash and cash equivalents	**13**	**242,872**	**0**	**242,872**	**257,010**	**0**	**257,010**
TOTAL ASSETS		**7,298,896**	**2,642**	**7,301,538**	**6,074,585**	**7,697**	**6,082,282**

Equity and liability restatements:

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Dec. 31, 2011	Impact of IAS 19 at Jan. 1, 2012	Dec. 31, 2011 (restated)	Dec. 31, 2012 (published)	Impact of IAS 19 at Dec. 31, 2012	Dec. 31, 2012 (restated)
Equity attributable to owners of the parent		**1,632,237**	**(1,860)**	**1,630,377**	**1,775,939**	**(13,346)**	**1,762,593**
Share capital	**14**	784,207	0	784,207	784,207	0	784,207
Additional paid-in capital		671,263	0	671,263	648,462	0	648,462
Retained earnings		51,220	2,445	53,664	136,374	2,916	139,290
Other comprehensive income		63,015	(5,372)	57,643	82,834	(16,288)	66,546
Consolidated net income for the year		62,533	1,067	63,600	124,062	25	124,087
Non-controlling interests		**12,392**	**(14)**	**12,379**	**13,691**	**(43)**	**13,648**
Total equity		**1,644,629**	**(1,874)**	**1,642,756**	**1,789,630**	**(13,389)**	**1,776,241**
Provisions for liabilities and charges	**17**	**89,940**	**2,701**	**92,641**	**97,755**	**19,481**	**117,236**
Financing liabilities	**20**	**15,464**	**0**	**15,464**	**13,159**	**0**	**13,159**
Liabilities relating to insurance contracts	**16**	**1,531,903**	**0**	**1,531,903**	**1,483,575**	**0**	**1,483,575**
Payables arising from banking sector activities	**21**	**3,363,415**	**0**	**3,363,415**	**2,081,241**	**0**	**2,081,241**
Other liabilities		**653,546**	**1,815**	**655,361**	**609,226**	**1,605**	**610,831**
Deferred tax liabilities	**19**	130,734	1,815	132,549	149,585	1,605	151,190
Payables arising from insurance and reinsurance operations	**22**	229,450	0	229,450	131,010	0	131,010
Current tax payables	**23**	68,325	0	68,325	81,553	0	81,553
Derivative instruments with a negative fair value	**23**	91	0	91	26	0	26
Other payables	**23**	224,946	0	224,946	247,053	0	247,053
TOTAL EQUITY AND LIABILITIES		**7,298,896**	**2,642**	**7,301,538**	**6,074,585**	**7,697**	**6,082,282**

Restatements to the 2012 income statement:

(in thousands of euros)

	Notes	Dec. 31, 2012 (published)	Reclass. discontinued operations	Reclass. policyholders' bonuses	Impact of IAS 19	Reclass. CVAE tax	Reclass. capital losses on Greek securities	2012 (restated)
Revenue	**24**	**1,583,887**	**(5,374)**	**(91,472)**	**0**	**0**	**0**	**1,487,040**
Gross written premiums	**24**	1,257,525	0	0	0	0	0	1,257,525
Premium rebates	**24**	0	0	(91,472)	0	0	0	(91,472)
Net change in unearned premium provisions	**24**	(6,134)	0	0	0	0	0	(6,134)
Earned premiums	**24**	**1,251,391**	**0**	**(91,472)**	**0**	**0**	**0**	**1,159,919**
Fee and commission income	**24**	127,212	0	0	0	0	0	127,212
Net income from banking activities	**24**	82,404	(5,374)	0	0	0	0	77,030
Cost of risk	**26**	(5,075)	4,056	0	0	0	0	(1,019)
Revenue or income from other activities	**24**	122,880	0	0	0	0	0	122,880
Investment income, net of management expenses	*29 30*	*30,423*	*3,482*	*0*	*0*	*0*	*9,977*	43,882
Gains and losses on disposals of investments	*29 30*	*1,745*	*1,318*	*0*	*0*	*0*	*(9,977)*	(6,914)
Investment income, net of management expenses (excluding finance costs)	29 30	32,168	4,800	0	0	0	0	36,968
Total revenue and income from ordinary activities		**1,610,979**	**3,482**	**(91,472)**	**0**	**0**	**0**	**1,522,989**
Claims expenses	**25**	(688,979)	0	91,472	0	0	0	(597,506)
Expenses from banking activities, excluding cost of risk	**26**	(15,863)	1,191	0	0	0	0	(14,672)
Expenses from other activities		(71,516)	0	0	0	0	0	(71,516)
Income from ceded reinsurance	**28**	301,101	0	(28,290)	0	0	0	272,811
Expenses from ceded reinsurance	**28**	(357,548)	0	28,290	0	0	0	(329,258)
Policy acquisition costs	**27**	(234,314)	0	0	0	1,987	0	(232,327)
Administrative costs	**27**	(219,195)	0	0	38	1,057	0	(218,099)
Other current operating income and expenses	**27**	(136,133)	0	0	0	657	0	(135,476)
Total current income and expenses		**(1,422,447)**	**1,191**	**91,472**	**38**	**3,701**	**0**	**(1,326,044)**
CURRENT OPERATING INCOME		**188,531**	**4,673**	**0**	**38**	**3,701**	**0**	**196,945**
Other operating expenses	**31**	(720)	0	0	0	0	0	(720)
Other operating income	**31**	522	0	0	0	0	0	522
OPERATING INCOME		**188,333**	**4,673**	**0**	**38**	**3,701**	**0**	**196,747**
Finance costs		(2,974)	0	0	0	0	0	(2,974)
Share in net income of associates	**33**	1,371	0	0	0	0	0	1,371
Income tax expense	**32**	(61,443)	*469*	*0*	*(13)*	*(3,701)*	*0*	*(64,689)*
NET INCOME FROM CONTINUING OPERATIONS		**125,287**	**5,142**	**0**	**25**	**0**	**0**	**130,455**
Net income/(loss) from discontinued operations	**35**	*0*	*(5,142)*	*0*	*0*	*0*	*0*	*(5,142)*
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTEREST		**125,287**	**0**	**0**	**25**	**0**	**0**	**125,313**
Non-controlling interests		(1,226)	0	0	0	0	0	(1,226)
NET INCOME FOR THE YEAR	**34**	**124,062**	**0**	**0**	**25**	**0**	**0**	**124,087**

Reclassification of the results of discontinued operations: At end-December 2011, the Group's management services companies (Coface Services, Kompass International, Coface Services Belgium, Kompass Belgium, Coface Services Portugal, Coface Services in the Netherlands, Coface Collection North America and Graydon (a Dutch company that is 27.5%-owned by Coface), as well as its factoring companies in France (Natixis Factor) and Denmark (Coface Finans AS Danmark) were sold to Natixis. Also in 2011, a liquidation process was started for the Group's factoring companies that were deemed to be unprofitable (Coface Austria Bank, Coface Factoring Italia, Coface Receivables Finance, Coface Factoring España, Coface Factoring Portugal (branch of Coface Austria Bank), Coface Finances Netherlands (branch of Coface Finanz Germany), and Coface Credit Management NA).

During 2012, these entities were deconsolidated and their residual results were still included in the 2011 and 2012 financial statements. However, at December 31, 2013 these entities were classified for accounting purposes as discontinued operations and their results were therefore reclassified at December 31, 2012 to a separate line in the income statement called “Net income/(loss) from discontinued operations”.

Policyholders' bonuses and rebates: Policyholders' bonuses and rebates are now included in "Earned premiums" whereas they were previously classified in "Claims expenses".

CVAE (tax on added value payable by French companies): the CVAE is now classified as an income tax rather than an operating expense.

Losses on Greek securities: the Group's losses on Greek securities, which were included in "Investment income, net of management expenses" are now classified in "Gains and losses on disposals of investments".

Restatements to the 2011 income statement:

(in thousands of euros)

	Notes	Dec. 31, 2011*	Reclass. discontinued operations	Reclass. non-recurring items	Reclass. policyholders' bonuses	Impact of IAS 19	Reclass. CVAE tax	Dec. 31, 2011 (restated)
Revenue	**24**	**1,850,408**	**(292,256)**		**(83,971)**	**0**	**0**	**1,474,181**
Gross written premiums	24	1,240,489	4,892		0	0	0	1,245,381
Premium rebates	24	0	0		(83,971)	0	0	(83,971)
Net change in unearned premium provisions	24	(23,204)	0		0	0	0	(23,204)
Earned premiums	**24**	**1,217,285**	**4,892**		**(83,971)**	**0**	**0**	**1,138,206**
Fee and commission income	24	114,191	(1,734)		0	0	0	112,457
Net income from banking activities	24	264,668	(165,629)		0	0	0	99,039
Cost of risk	26	(17,122)	8,867		0	0	0	(8,255)
Revenue or income from other activities	24	254,264	(129,785)		0	0	0	124,479
Investment income, net of management expenses	*29 30*	*4,344*	*13,221*	*22,706*	*0*	*0*	*0*	*40,271*
Gains and losses on disposals of investments	*29 30*	*(2,583)*	*5,469*		*0*	*0*	*0*	*2,886*
Investment income, net of management expenses (excluding finance costs)	29 30	1,761	18,690	22,706	0	0	0	43,157
Total revenue and income from ordinary activities		**1,835,047**	**(264,699)**	**22,706**	**(83,971)**	**0**	**0**	**1,509,083**
Claims expenses	25	(676,751)	(1,564)		83,971	0	0	(594,344)
Expenses from banking activities, excluding cost of risk	26	(32,578)	16,240	2,400	0	0	0	(13,938)
Expenses from other activities		(274,671)	197,793		0	0	0	(76,879)
Income from ceded reinsurance	28	295,331	0		(28,101)	0	0	267,229
Expenses from ceded reinsurance	28	(376,078)	0		28,101	0	0	(347,976)
Policy acquisition costs	27	(231,748)	2,541		0	0	1,704	(227,503)
Administrative costs	27	(241,984)	961	6,141	0	1,530	907	(232,445)
Other current operating income and expenses	27	(115,081)	2,760		0	0	563	(111,758)
Total current income and expenses		**(1,653,561)**	**218,731**	**8,541**	**83,971**	**1,530**	**3,174**	**(1,337,614)**
CURRENT OPERATING INCOME		**181,486**	**(45,968)**	**31,247**	**0**	**1,530**	**3,174**	**171,469**
Other operating expenses	31	(5,629)	3,889	(31,247)	0	0	0	(32,987)
Other operating income	31	(31,846)	33,540		0	0	0	1,694
OPERATING INCOME		**144,011**	**(8,539)**	**0**	**0**	**1,530**	**3,174**	**140,176**
Finance costs		(10,548)	5,156		0	0	0	(5,393)
Share in net income of associates	33	4,899	(3,014)		0	0	0	1,885
Income tax expense	32	(74,608)	23,551		0	(460)	(3,174)	(54,691)
NET INCOME FROM CONTINUING OPERATIONS		**63,753**	**17,154**	**0**	**0**	**1,070**	**0**	**81,977**
Net income/(loss) from discontinued operations	35	0	(17,154)		0	0	0	(17,154)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTEREST		**63,753**	**0**	**0**	**0**	**1,070**	**0**	**64,823**
Non-controlling interests		(1,221)	0		0	(3)	0	(1,223)
NET INCOME FOR THE YEAR	**34**	**62,533**	**0**	**0**	**0**	**1,067**	**0**	**63,600**

** The 2011 income statement matches the accounts presented for comparison purposes in the 2012 financial statements, and has not been audited by the Statutory Auditors.*

Impact of applying IAS 19R: this revised standard amends the accounting treatment and presentation of pension and other post-employment benefit obligations, particularly concerning actuarial gains and losses (which are now recognized immediately and in full in other comprehensive income) and past service cost, which is now recognized immediately in income.

The impacts of applying IAS 19R on the Group's 2011 and 2012 financial statements and opening equity at January 1, 2013 are as follows:

The above amounts are presented as shown in "Provisions for pension and other post-employment benefit obligations" rather than only including the amounts attributable to the Group. This explains the differences with the figures presented in “Equity attributable to owners of the parent” in the consolidated statement of changes in equity.

The application of IAS 19R had a negative €13,389 thousand impact on equity at January 1, 2013. However it had a net positive impact of €25 thousand on net income for 2012, breaking down as a €38 thousand decrease in administrative costs and a €13 thousand increase in income tax expense.

(in thousands of euros)	Total post-employment defined benefit obligations	*Revaluation adjustments on defined benefit plans*	*Consolidated reserves*	Difference between net income as published and net income as restated	Total impacts on equity
Amounts recognized under IAS 19 at Dec. 31, 2010	**(69,751)**	0	0	0	**0**
Full recognition of actuarial gains and losses in non-reclassifiable OCI	**(7,065)**	(7,065)	0	0	**(7,065)**
Full recognition of past service cost	**3,806**	0	3,806	0	**3,806**
Associated deferred tax assets	**0**	2,409	(1,355)	0	**1,054**
Amounts recognized under IAS 19R at Jan. 1, 2011 (comparative Dec. 31 2010)	**(73,010)**	(4,656)	2,451	0	**(2,205)**
Impact of applying IAS 19R at Jan. 1, 2011	**(3,259)**	**(4,656)**	**2,451**	**0**	**(2,205)**
Amounts recognized under IAS 19 at Dec. 31, 2011	**(63,202)**	0	0	0	**0**
Impact of IAS 19R on comparative net income for 2011	**1,530**	0	0	1,530	**1,530**
Revaluation adjustments (actuarial gains and losses) in 2011	(970)	(970)	0	0	(970)
Associated deferred tax assets	**0**	233	0	(460)	**(227)**
Amounts recognized under IAS 19R at Dec. 31, 2011 (comparative Dec. 31, 2011)	**(65,903)**	(5,393)	2,451	1,070	**(1,873)**
Impact of applying IAS 19R at Jan. 1, 2012	**(2,701)**	**(5,393)**	**2,451**	**1,070**	**(1,873)**
Amounts recognized under IAS 19 at Dec. 31, 2012	**(65,859)**	0	0	0	**0**
Impact of IAS 19R on comparative net income for 2012	(783)	*0*	*(821)*	*38*	(783)
Revaluation adjustments (actuarial gains and losses) in 2012	(15,999)	*(15,999)*	*0*	*0*	(15,999)
Associated deferred tax assets	**0**	5,055	223	(13)	**5,265**
Amounts recognized under IAS 19 at Dec. 31, 2012 (comparative Dec. 31, 2012)	**(85,340)**	(16,337)	1,853	1,095	**(13,389)**
Impact of applying IAS 19R at Jan. 1, 2013	**(19,481)**	*(16,337)*	*1,853*	**1,095**	**(13,389)**

Note 2. Significant events

Ongoing implementation of the strategic plan launched in 2010

Between 2011 and 2013 Coface continued to implement its strategy of bolstering its fundamentals, which is centered on three key aims: paving the way for an independent and profitable growth model, strengthening our recognized expertise in our core business of credit insurance, and putting in place a structured but flexible governance system that can drive innovation.

The underlying objective of our strategic plan is to make Coface "the most attractive credit insurer" for shareholders, customers and employees alike.

The measures put in place in 2013 were focused on three main areas:

- **Innovation:** several innovation projects were launched in 2013, including a plan to extend our offer for large accounts and develop a specific offer for SMEs, which will be rolled out in 2014.
- **Sales development:** a standard sales process was drawn up in early 2013, aimed at training salespeople in how to effectively use the Group’s monitoring and tracking systems and setting out underwriting rules and remuneration terms and procedures.
- **More standardized processes:**
    - In the second quarter of 2013, the overall project management function for all of Coface's businesses was brought together into a single Group-level department. This rounded out the measures already put in place in 2012 to centralize the Group's IT function. Both the project management and IT functions now report to a member of the Group Management Board.
    - The financial asset management function has also been centralized, based on a single administrative management platform run by Amundi, and using a single custodian and

asset servicing provider, Caceis. As a result of the new allocation strategy put in place the portfolio was liquidated in 2013, which resulted in €28 million worth of realized gains. Following this liquidation, the Group's entire portfolio was invested in 12 "Colombes" mutual funds, which have been consolidated.

A new brand image

As part of the transformation processes under way within the Group and with a view to revitalizing and modernizing its image, in mid-2013 Coface unveiled a new visual identity, a new logo and a new slogan – "*Coface for safer trade*". In parallel, in June 2013 the Group’s head office was relocated to Bois-Colombes, combining on one site all of our French operations and our headquarters' functions.

Sale of Kyriba shares

During the year, Coface sold its minority shareholding in the new-generation treasury management company, Kyriba.

Issue of commercial paper

The €250 million cap set in November 2012 on the commercial paper program put in place to finance factoring operations was increased to €500 million in October 2013. This has given Coface greater autonomy in relation to Natixis as it has reduced Natixis' portion of the financing (20% at December 31, 2013 versus 22% at the 2012 year-end).

Changes in the scope of consolidation

Coface consolidated Coface RUS Insurance Company for the first time in 2013, including it within the Group's Northern Europe region.

Geographic expansion

In early 2014, Coface was granted an insurance license in Colombia, which means that it can now sell credit insurance policies directly through its own sales force.

Note 3. Scope of consolidation

Changes in the scope of consolidation

3.1 – Changes in the scope of consolidation in 2013

Changes in the scope of consolidation in 2013 were as follows:

<u>First-time consolidations</u>

12 newly-created Colombes mutual funds:

- Colombes 1 fund: Money market investments
- Colombes 2 fund: 3-5 year government bonds
- Colombes 2bis fund: 3-5 year government bonds
- Colombes 3 fund: Euro-denominated private sector bonds
- Colombes 3bis fund: Euro-denominated private sector bonds
- Colombes 3ter fund: Euro-denominated private sector bonds

- Colombes 4 fund: High-yield very short-term international bonds
- Colombes 4bis fund: High-yield very short-term international bonds
- Colombes 5 fund: Emerging market bonds
- Colombes 5bis fund: Emerging market bonds
- Colombes 6 fund: Eurozone equities
- Colombes 6bis fund: Eurozone equities

Coface also consolidated the following companies for the first time as from January 1, 2013: Coface Vertriebs and Coface RUS Insurance Company, which is included in the Group's Northern Europe region.

Coface Vertriebs was consolidated with effect from January 1, 2013.

3.2 – Changes in the scope of consolidation in 2012

Changes in the scope of consolidation in 2012 were as follows:

First-time consolidations

The newly-created FCT Vega securitization fund was consolidated for the first time in 2012.

Deconsolidated companies

The following factoring companies undergoing liquidation were deconsolidated (now accounted for in accordance with IFRS 5 – see Notes 1 and 35):

- Coface Austria Bank
- Coface Factoring Italia
- Coface Factoring Portugal (branch of Coface Austria Bank)
- Coface Factoring Nederland (branch of Coface Finanz)
- Coface Receivables Finance
- Coface Factoring España
- Coface Credit Management North America

Internal restructuring

- Coface Austria Insurance was merged into Coface Holding Austria, which in turn became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA). The branches of Coface Austria Insurance present in Central Europe became branches of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA).
- Coface Deutschland was merged into Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and ceased to exist. Coface Kreditversicherung AG became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and is now called Coface Deutschland. The branches of Coface Deutschland (formerly Coface Kreditversicherung) present in Northern Europe became branches of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA).
- Coface Assicurazioni became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and is now called Coface Italy.

- Unistrat was merged into Compagnie Française d’Assurance pour le Commerce Extérieur (formerly Coface SA) in the first quarter of 2012 (with retroactive effect for tax purposes from January 1, 2012).

3.3 – Changes in the scope of consolidation in 2011

Changes in the scope of consolidation in 2011 were as follows:

First-time consolidations

Six new entities were consolidated for the first time in 2011, mainly in the credit insurance business: Coface Chili SA, Coface Seguro de Credito Mexico, Coface Sigorta (Turkey), Coface South Africa, Coface South Africa Services and Coface Romania Credit Management Services (business information).

Deconsolidated companies

- As part of moves to refocus Coface SA on its credit insurance business, Coface's European entities engaged in non-core businesses, namely Coface Services, Kompass International, Coface Services Belgium, Kompass Belgium, Graydon, Coface Servicios Portugal, TKB, and Coface Finans A/S Danmark were sold to Natixis HCP (a subsidiary of Natixis SA outside the Coface Group). Coface Collection North America based in the US was sold to Coface Collection North America Holding (a subsidiary of Natixis outside the Coface Group).

- Natixis Factor along with its branches Natixis Factor Portugal and Natixis Factor Italy were sold to Natixis SA and exited the Coface SA Group. These entities contributed to consolidated net income of Coface SA for 2011 but were no longer recorded on its balance sheet at December 31, 2011.

Internal restructuring

- Coface Service SPA was merged into Coface Assicurazioni.

- The 11.3% interest in Coface Services which was held by Compagnie Française d’Assurance pour le Commerce Extérieur at January 1, 2011, was sold to Coface SA (formerly Coface Holding) in 2011, before being sold on to Natixis in December 2011.

Change in ownership interests

- The Group acquired the 20% interest in Business Data Information it did not already own after exercising its minority put option. This transaction, which brought the Group's interest in the company to 100%, generated goodwill of around €1 million, calculated using the partial goodwill method.

Scope of consolidation

Region	Country	Entity	Consolidation method	Percentage		Percentage		Percentage	
				Control Dec. 31, 2013	Interest Dec. 31, 2013	Control Dec. 31, 2012	Interest Dec. 31, 2012	Control Dec. 31, 2011	Interest Dec. 31, 2011
Northern Europe	Germany	Coface Deutschland (formerly Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Subsidiary of Compagnie Française d'Assurance pour le Commerce Extérieur	
Northern Europe	Germany	COFACE DEUTSCHLAND Isaac – Fulda – Allee 1 55124 Mainz	(previously fully consolidated)	Merged into Compagnie Française d'Assurance pour le Commerce Extérieur		Merged into Compagnie Française d'Assurance pour le Commerce Extérieur		100.00%	99.76%
Northern Europe	Germany	F - 54 (formerly AKCO) Isaac – Fulda – Allee 1 55124 Mainz	-	Liquidated		100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	MLS 1 FUND Isaac – Fulda – Allee 1 55124 Mainz	-	Liquidated		100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	COFACE FINANZ GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	COFACE DEBITORENMANAGEMENT GmbH Isaac – Fulda – Allee 5 55124 Mainz	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	COFACE RATING HOLDING Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	Coface Deutschland Vertriebs Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	99.74%				
Northern Europe	Germany	COFACE RATING GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	Kisselberg Hauptstr. 131-137 65260 Eschborn	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Germany	FCT Vega (securitisation fund) 41 rue Délizy 93500 Pantin	Full	100.00%	99.74%	100.00%	99.74%	N/A	N/A
Northern Europe	Netherlands	COFACE NEDERLAND SERVICES Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Northern Europe	Netherlands	Coface Nederland Claudius Prinsenlaan 126 P.O. Box 3377 4800 DJ Breda	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Deutschland (formerly Coface Kreditversicherung Germany)	
Northern Europe	Netherlands	Coface Finances Pays-Bas - Branch (Coface Finanz) Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	-	Liquidated		Liquidated		100.00%	99.76%
Northern Europe	Denmark	Coface Danmark Nygade 111 7430 Ikast	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Deutschland (formerly Coface Kreditversicherung Germany)	
Northern Europe	Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Deutschland (formerly Coface Kreditversicherung Germany)	
Northern Europe	Russia	Coface Russia Insurance Company Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str. 125047 Moscow	Full	100.00%	99.74%	Not consolidated	Not consolidated	Not consolidated	Not consolidated

Region	Country	Entity	Consolidation method	Percentage		Percentage		Percentage	
				Control Dec. 31, 2013	Interest Dec. 31, 2013	Control Dec. 31, 2012	Interest Dec. 31, 2012	Control Dec. 31, 2011	Interest Dec. 31, 2011
Western Europe	France	Coface SA (formerly Coface Holding) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Western Europe	France	Compagnie Française d'Assurance Pour Le Commerce Extérieur (formerly Coface SA) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	99.74%	99.74%	99.74%	99.74%	99.76%	99.76%
Western Europe	France	Cofacredit Tour facto 18, rue Hoche 92988 Puteaux	Equity method	36.00%	35.91%	36.00%	35.91%	36.00%	35.91%
Western Europe	France	Cofinpar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	France	Cogeri 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	France	Fimipar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	France	Fonds Colombes 1 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 2 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 2 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 3 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 3 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 3 ter 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 4 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 4 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 5 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 5 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 6 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A
Western Europe	France	Fonds Colombes 6 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	99.74%	N/A	N/A	N/A	N/A

Region	Country	Entity	Consolidation method	Percentage		Percentage		Percentage	
				Control Dec. 31, 2013	Interest Dec. 31, 2013	Control Dec. 31, 2012	Interest Dec. 31, 2012	Control Dec. 31, 2011	Interest Dec. 31, 2011
Western Europe	Belgium	COFACE BELGIUM SERVICES HOLDING 100 Boulevard du Souverain 1170 Brussels	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	Belgium	Coface Belgique 100, Boulevard du Souverain B-1170 Brussels (Watermael-Boitsfort)	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	Switzerland	Coface Suisse Rue Belle-Fontaine 18; CP 431 1001 Lausanne	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	Spain	COFACE SERVICIOS ESPAÑA SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	Spain	COFACE FACTORING ESPAÑA SL Calle Aravaca, 22 28040 Madrid	-	Liquidated		Liquidation in progress		100.00%	99.76%
Western Europe	Portugal	Coface Portugal Av. José Malhoa, 16B - 7º Piso, Fracção B.1 Edifício Europa 1070 159 Lisbon	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	UK	COFACE UK HOLDING 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	UK	COFACE UK SERVICES 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Western Europe	UK	Coface UK Egale 1, 80 St Albans Road Watford, Hertfordshire WD17 1RP	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Western Europe	UK	COFACE RECEIVABLES FINANCE 180 St Albans Rd, Watford Hertfordshire WD17 1RP	-	Liquidated		Liquidation in progress		100.00%	99.76%
Western Europe	Ireland	Coface Ireland 67 B Upper George's Street Dun Laoghaire Co Dublin	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Central Europe	Austria	COFACE AUSTRIA SERVICES Stubenring 24 1011 Vienna	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Central Europe	Austria	COFACE CENTRAL EUROPE HOLDING Stubenring 24-2 A 1010 Vienna	Full	74.99%	74.80%	74.99%	74.80%	74.99%	74.81%
Central Europe	Austria	Coface Austria (formerly Coface Austria Holding AG) Stubenring 24 1011 Vienna	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Subsidiary of former Coface Deutschland (formerly Coface Holding AG) and of Compagnie Française d'Assurance pour Commerce Extérieur	
Central Europe	Austria	COFACE AUSTRIA BANK Stubenring 24 1011 Vienna	-	Liquidated		Liquidation in progress		100.00%	99.76%
Central Europe	Austria	COFACE AUSTRIA (formerly COFACE AUSTRIA HOLDING AG) Stubenring 24 1011 Vienna	(previously fully consolidated)	Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		100.00%	99.76%
Central Europe	Austria	COFACE AUSTRIA INSURANCE Stubenring 24 1011 Vienna	(previously fully consolidated)	Merged into Coface Austria Holding		Merged into Coface Austria Holding		100.00%	99.76%
Central Europe	Hungary	Coface Hungary Insurance Tűzoltó u. 57, H-1094 Budapest	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	

Region	Country	Entity	Consolidation method	Percentage Control Dec. 31, 2013	Percentage Interest Dec. 31, 2013	Percentage Control Dec. 31, 2012	Percentage Interest Dec. 31, 2012	Percentage Control Dec. 31, 2011	Percentage Interest Dec. 31, 2011
Central Europe	Poland	COFACE POLAND CMS Al.Jerozolimskie 136 PL-02-305 Warsaw	Full	100.00%	74.80%	100.00%	74.80%	100.00%	74.81%
Central Europe	Poland	COFACE POLAND FACTORING Al.Jerozolimskie 136 PL-02-305 Warsaw	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Central Europe	Poland	Coface Poland Insurance Al. Jerozolimskie 136, 02-305 Warsaw	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Czech Republic	Coface Czech Insurance I.P. Pavlova 5 120 00 Prague 2	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Romania	COFACE ROMANIA CMS Calea Floreasca 39, Et. 3 Sect.1 Bucharest	Full	100.00%	74.80%	100.00%	74.80%	100.00%	74.81%
Central Europe	Romania	Coface Romania Insurance Calea Floreasca 39, Et. 3 Sect.1, 014453, Bucharest	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Slovakia	Coface Slovakia Insurance Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Lithuania	LEID (Lithuania) Vilniaus str. 23 01402 Vilnius	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Central Europe	Bulgaria	Coface Bulgaria Insurance 85/87, T. Alexandrov blvd 1303 Sofia	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Coface Austria Insurance	
Mediterranean & Africa	Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Subsidiary of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Italia	
Mediterranean & Africa	Italy	COFACE ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Mediterranean & Africa	Italy	COFACE FACTORING ITALIA Via Giovanni Spadolini 4 20141 Milan	-	Liquidated		Liquidation in progress		100.00%	99.76%
Mediterranean & Africa	Israel	COFACE ISRAEL 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Mediterranean & Africa	Israel	BUSINESS DATA INFORMATION COFACE (BDI COFACE) 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Mediterranean & Africa	South Africa	COFACE SOUTH AFRICA Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Mediterranean & Africa	South Africa	COFACE SOUTH AFRICA SERVICES Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Mediterranean & Africa	Turkey	COFACE SIGORTA Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%

Region	Country	Entity	Consolidation method	Percentage Control Dec. 31, 2013	Percentage Interest Dec. 31, 2013	Percentage Control Dec. 31, 2012	Percentage Interest Dec. 31, 2012	Percentage Control Dec. 31, 2011	Percentage Interest Dec. 31, 2011
North America	United States	COFACE NORTH AMERICA HOLDING COMPANY Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New Jersey 08520	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
North America	United States	COFACE NORTH AMERICA Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New Jersey 08520	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
North America	United States	COFACE SERVICES NORTH AMERICA 900 Chapel Street New Haven, CT 06510	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
North America	United States	COFACE NORTH AMERICA INSURANCE COMPANY Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New Jersey 08520	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
North America	United States	Coface Canada 251 Consumer Roadn Suite 910 Toronto - On M2J 1R3	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
North America	United States	COFACE CREDIT MANAGEMENT NORTH AMERICA Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New Jersey 08520	-	Liquidated		Liquidation in progress		100.00%	99.76%
Latin America	Mexico	COFACE SEGURO DE CREDITO MEXICO Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Latin America	Mexico	COFACE HOLDING AMERICA LATINA Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Latin America	Brazil	COFACE DO BRASIL SEGUROS DE CREDITO INTERNO SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Latin America	Brazil	SEGURADORA BRASILEIRA DE CREDITO INTERNO SA (SBCE) Pça. João Duran Alonso, 34 - 12º Andar Brooklin Novo - Sao Paulo, CEP: 04571-070	Full	75.82%	75.63%	75.82%	75.63%	75.82%	75.64%
Latin America	Chile	Coface Chile Nueva Tajamar 555. P17. Las Condes Santiago	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Latin America	Chile	COFACE CHILE SA Nueva Tajamar 555. Torre Costanera	Full	100.00%	99.74%	100.00%	99.74%	100.00%	99.76%
Latin America	Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Latin America	Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Asia-Pacific	Australia	Coface Australia Level 10, 68 York Street Sydney NSW 2000 GPO Box 129 Sydney NSW 2001	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Asia-Pacific	Hong Kong	Coface Hong Kong 29th Floor, No.169 Electric Road North Point, Hong Kong	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Asia-Pacific	Japan	Coface Japan Atago Green Hills Mori Tower 38F, 2-5-1 Atago, Minato-ku Tokyo 105-6238	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Asia-Pacific	Singapore	Coface Singapore 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	
Asia-Pacific	Taiwan	Coface Taiwan Room A5, 6F, N°16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur		Branch of Compagnie Française d'Assurance pour le Commerce Extérieur	

Note 4. Accounting principles

4.1 - Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.[31] The same accounting principles and policies have been used for the 2013 and 2012 financial statements – as described in Note 3 to the 2012 consolidated financial statements – apart from the following new standards, amendments to existing standards and interpretations, whose application was mandatory for the Group for the first time as from January 1, 2013:

- Amendments to IAS 1 – Presentation of Financial Statements, regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in “Other comprehensive income” (OCI) on the basis of whether or not they may subsequently be reclassified to net income. The amendments therefore introduce additional disclosure requirements concerning OCI.

- The revised version of IAS 19 – Employee Benefits (IAS 19R), applicable retrospectively. IAS 19R amends the accounting treatment and presentation of pension and other post-employment benefit obligations, particularly concerning actuarial gains and losses, which are now recognized immediately and in full in other comprehensive income (under items that are not subsequently reclassifiable to income) and past service cost, which has been recognized immediately in income at January 1, 2011. See Note 1 for details of the impacts of applying IAS 19R.

- Amendment to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, applicable retrospectively. This amendment requires new disclosures concerning financial instruments that have been offset in the balance sheet and those that are subject to enforceable master netting arrangements or similar agreements. The application of this amendment did not have a significant impact on Coface’s consolidated financial statements.

- IFRS 13 – Fair Value Measurement, applicable on a prospective basis. This new standard applies to IFRSs that require or permit fair value measurements or disclosures. It provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement of both financial and non-financial assets and liabilities. Application of IFRS 13 did not have a significant impact on Coface’s consolidated financial statements in terms of fair value measurements.

- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets. The purpose of this amendment is to introduce a rebuttable presumption that the carrying amount of an investment property will be recovered through its sale and the entity will be taxed at the rate applicable to the sale of the underlying asset. The application of this amendment did not have a significant impact on Coface’s consolidated financial statements at December 31, 2013.

- Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2 as part of the "Annual Improvements – 2009-2011 Cycle" published by the IASB on May 17, 2012. The application of these amendments did not have a significant impact on Coface’s consolidated financial statements at December 31, 2013.

At December 31, 2013 Coface did not elect to early adopt any of the following standards, amendments or interpretations that have been endorsed by the European Union:

- Amendments to IAS 32, effective for annual periods beginning on or after January 1, 2014 and applicable retrospectively. These amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.

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

- The new standards on consolidation: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities, published by the IASB on May 12, 2011 and adopted by the European Commission on December 11, 2012. Application of these standards is mandatory for annual periods beginning on or after January 1, 2014.

  IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements in relation to consolidated financial statements as well as SIC-12 on special purpose entities. It establishes a single control model that applies to all entities, including structured entities. IFRS 11 supersedes IAS 31 – Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

  IFRS 12 combines and enhances the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  Application of IFRS 12 will result in additional disclosures concerning Coface's interests in unconsolidated structured entities.

  As a result of these new standards, the IASB also published revised versions of IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which were adopted by the European Commission on December 11, 2012 and are effective for annual periods beginning on or after January 1, 2014.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 published by the IASB on June 28, 2012 and adopted by the European Commission on April 4, 2013. Application of these amended standards is mandatory for annual periods beginning on or after January 1, 2014. The amendments to IFRS 10 clarify the standard's transition guidance and limit the requirement to provide adjusted comparative information to only the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

At the current stage of the Group's analyses, Coface has not identified any significant impacts on its consolidated financial statements that may arise from the application of IFRS 10, 11 and 12.

The standards as adopted by the European Union changed little in 2011 and 2012 and do not therefore have a significant impact on the Coface Group's consolidated financial statements.

4.2 - Basis of consolidation

The same accounting principles and policies have been applied for the 2013, 2012 and 2011 consolidated financial statements.

In accordance with IAS 1 – Presentation of Financial Statements, IAS 27 – Separate Financial Statements, and IFRS 3 – Business Combinations, subsidiaries that are not material in relation to the Coface Group as a whole are not consolidated.

The consolidation methods applied are as follows:

- companies over which the Coface Group exercises exclusive control are fully consolidated;

- companies over which the Coface Group exercises significant influence are accounted for by the equity method.

Companies in which the Coface Group holds over 50% of the voting rights are considered as being exclusively controlled. Significant influence is generally considered as being exercised in cases where at least 20% of the voting rights are held, although companies in which Coface holds a smaller percentage of the voting rights may also be consolidated when it can be established that Coface exercises control or significant influence.

Cofacrédit is the only company that is accounted for by the equity method.

The parent company of the Coface Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d'Epargne, established in July 2009.

Intercompany transactions

Material intercompany transactions and balances are eliminated on consolidation.

4.3 - Special purpose entities

Consolidation of special purpose entities

Separate legal entities specifically created to manage a transaction or group of similar transactions (special purpose entities, or SPEs) are consolidated if they are controlled in substance by Coface, even when there is no equity relationship. The main criteria for assessing the existence of such control as defined by SIC-12 are described below.

Activities: In substance, the SPE's activities are being conducted on behalf of Coface, which directly or indirectly created the SPE to meet its specific business needs.

Decision-making powers: Coface has the decision-making powers to control or obtain control of the SPE or its assets, including certain decision-making powers arising after the formation of the SPE. Such decision-making powers may have been delegated by establishing an auto-pilot mechanism.

Benefits: Coface has rights to obtain a majority of the benefits of the SPE's activities. Examples of such rights are rights to a majority of any economic benefits distributed in the form of future net cash flows, earnings, net assets or other economic benefits, or rights to majority residual interests.

Risks: In substance, Coface retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

SIC-12 does not apply to SPEs designed to manage post-employment and long-term employee benefits, which are covered by IAS 19 – Employee Benefits. Accordingly, employee pension funds and mutual insurance entities are not consolidated.

Nature of special purpose entities with which Coface has a relationship

SPEs used for credit insurance operations

Coface's credit enhancement operations consist of insuring, via an SPE, receivables securitized by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

For risk analysis purposes, a distinction must be made between the policies offered by Coface in Germany and those it offers in France:

- Under the German policies, the credit insurer is only liable for losses in excess of a deductible termed the Aggregate First Loss. This first loss contractually defines the amount of first losses that are not covered by the credit insurer. The coverage provided by Coface's German entity via these policies is similar to "Natural disaster" type coverage. An analysis of these structures shows that the amount of the first loss is systematically higher than the expected loss, namely the average losses expected over the year. Accordingly, the "majority of risks" criterion is not deemed to be satisfied and the SPEs involved in these structures are therefore not consolidated.

- The French policies offered by Coface rarely include non-covered "first losses". However, the policies only cover a small portion of the receivables held by the SPE. Furthermore, the quality of the portfolio risk covered by Coface, compared to that borne by the other stakeholders (other insurers, sponsors and ceding insurers) is not such as to transfer the majority of the structure's risks to Coface. These SPEs are therefore not consolidated.

No credit insurance SPEs were consolidated at December 31, 2013.

SPEs used for financing operations

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 SPE (the FCT Vega securitization fund). The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).

The securitization fund acquires the receivables at their nominal value less a discount determined on the basis of the portfolio's past losses and refinancing costs. To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (Asset-Backed Commercial Paper) on the market, and (ii) subordinated units to Coface Factoring Poland.

The FCT Vega securitization fund is consolidated by the Group.

SPEs used for investing operations

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

Coface Group entities (and only Coface Group entities) now subscribe to units in these funds, via Compagnie Française d'Assurance pour le Commerce Extérieur, instead of having their own respective investment portfolios, which have been liquidated. Once a year the entities concerned receive a share of the overall net income generated by the funds in proportion to their net contribution to the management platform.

Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated as they are wholly controlled by the Group.

4.4 - Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. 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/amortized as from the date of this classification. An impairment loss is recognized if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

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

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

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The net income or loss from these operations is presented on a separate line of the income statement for the period during which the criteria in IFRS 5 are met and for all comparative periods presented. The amount recorded in this income statement line includes (i) the net income or loss of discontinued operations until they are sold, and (ii) the post-tax net income recognized 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.

4.5 - Year-end and accounting period

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

4.6 - Foreign currency translation

Translation of foreign currency transactions

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

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

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

4.7 - General principles

The insurance business

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

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

However, IFRS 4 prohibits the use of equalization and catastrophe provisions and requires insurers to carry out liability adequacy tests.

The services business

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

In accordance with IAS 18, revenue is recognized 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 factoring operations are directly impacted by IAS 39 – Financial Instruments: Recognition and Measurement. A financial instrument is a contract that gives rise to a financial asset for one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument for another entity (contractual obligation to deliver cash or another financial asset to another entity).

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

Classification of income and expenses

Insurance companies

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

Public procedures management

Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and Seguradora Brasileira de Credito Exportacao (SBCE) manage public credit insurance procedures for the French and Brazilian governments respectively. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the remuneration received from the French and Brazilian governments is reported under "Revenue or income from other activities". The corresponding costs are analyzed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) in connection with its private market insurance activities.

Factoring companies

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

Other companies

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

Revenue

Consolidated revenue includes:

- For the insurance business, earned premiums and inward reinsurance premiums, as well as fees for insurance-related services. This latter category covers policy fees and fees for other services offered by insurance companies.

- The remuneration received by Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and Seguradora Brasileira de Credito Exportacao SA (SBCE) from the French and Brazilian governments, respectively, for these companies' management of public credit insurance procedures.

  The terms and procedures applicable to the remuneration paid by the French government are set out in the "Financial Agreement" signed between the French government and Coface. The most recent version of this agreement was signed on February 24, 2012 and covers the four-year period from 2012 to 2015.

- Sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing client access to credit and marketing information and debt collection services.

- Factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and debt collection fees.

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

Insurance operations

- **Premiums**

Gross premiums correspond to written premiums, excluding tax. They are stated net of premium cancelations and policyholders' bonuses and rebates and include an estimate of pipeline premiums and premiums to be cancelled after the year-end.

The estimate of premiums not yet written 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 are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

The Group also receives policy fees, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to clients and partners.

- **Provisions for unearned premiums**

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

- **Deferred acquisition costs**

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

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

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

- **Paid claims**

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

- **Claims provisions**

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. In accordance with the applicable French regulations, separate provisions are set aside for claims and recoveries. Claims provisions also include (i) provisions for claims incurred but not yet reported, determined by reference to the Group's claims experience in prior underwriting periods that reflect the final amount of paid claims, and (ii) a provision for collection costs and claims handling expenses.

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

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

- **Subrogation and salvage**

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

Reinsurance operations

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

- **Inward reinsurance**

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

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

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

- **Ceded reinsurance**

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

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

Cash deposits received from reinsurers are reported under liabilities.

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

Other operating income and expenses

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

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

Goodwill

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as the excess of (a) over (b) below:

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

In the case of a bargain purchase, i.e., a business combination in which the amount in (b) above exceeds the aggregate of the amounts specified in (a), the resulting gain is recognized 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 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 amortized but is tested for impairment at least once a year or whenever events or circumstances indicate that it may be impaired. 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 the following seven groups of CGUs, based on its internal organization as used by Management for making operating decisions:

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

<u>Measuring groups of CGUs and performing goodwill impairment tests</u>

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 recognized and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

- first, 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).

The impairment tests carried out at December 31, 2013 did not give rise to the recognition of any goodwill impairment losses (see Note 5 – Goodwill).

<u>Method used for measuring the value of Coface entities</u>

- **Value in use: discounted cash flow method**

At December 31, 2013, 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 Group Management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business 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 capitalizes IT development costs and amortizes 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 amortized over its useful life, which is capped at 15 years.

Property, plant and equipment: property assets

- **Buildings used in the business (IAS 16)**

Property, plant and equipment, including buildings used in the business, are measured using the cost model. Under IFRS, each component of a single building is depreciated over an estimated useful life that reflects the pattern in which its future economic benefits will be consumed, if such pattern differs from that for the building as a whole.

Coface has identified the following components of property assets:

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

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities. At December 31, 2013, the main property acquired under a finance lease was the head office of Coface Deutschland (formerly Coface Kreditversicherung).

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

An impairment loss is recognized 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 recognizing 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 the reporting date and their purchase price (less actuarial amortization for debt instruments) is recorded under "Available-for-sale securities" with a corresponding adjustment to revaluation reserves (no impact on net income). Investments in non-consolidated companies are included in this category.

- **Financial assets held for trading**

Financial assets held for trading are recorded at the fair value of the securities at the reporting date. 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 amortized cost. Premiums and discounts are included in the calculation of amortized cost and are recognized over the useful life of the financial asset using the yield-to-maturity method.

- **Financial assets at fair value through income**

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 recognized in relation to these deposits corresponds to the cash amount actually deposited.

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included in this caption. These assets are recognized at amortized 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 testing

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 recognized directly in equity, the cumulative loss is reclassified from equity to income through "Investment income, net of management expenses".

A multicriteria 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 unrealized losses of over 30% or which have represented unrealized 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 recognized based on the instrument's market price at the period-end. Independently of this analysis, an impairment loss is systematically recognized when an instrument represents an unrealized loss of over 50% at the period-end, or has represented an unrealized loss for more than 24 months.

- For investments in unlisted companies: an unrealized 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 recognized in income, the impairment loss is reversed, with the amount of the reversal recognized in:

- equity, for equity instruments;

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

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

Derivatives and hedging transactions

As defined in IAS 39, a derivative is a financial instrument:

- 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 value of an 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 recognized 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 recognized 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 recognized 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 recognized directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognized in income.

At December 31, 2013, Coface's derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the "Colombes" funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognized at fair value through income.

Borrowings

Financing liabilities

This item mainly includes liabilities relating to financing agreements (finance leases).

Payables arising from banking sector activities

This item includes:

- Amounts due to banking sector companies, corresponding to bank credit lines and representing the refinancing of the credit extended to factoring clients.
- Amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations, including:
  - 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, corresponding to subordinated borrowings and non-subordinated bonds. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business.

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

Payables arising from factoring operations are analyzed in Note 21.

Receivables arising from factoring operations

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

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

Cash and cash equivalents

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

Provisions for liabilities and charges

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

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

Provisions for liabilities and charges mainly consist of provisions for pensions and other post-employment benefit obligations (see Note 17, Employee benefits).

Employee benefits

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

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

Other benefits, including long-term and post-employment benefits, are classified as follows:

- Defined contribution plans, under which a company makes payments to a fund that is subsequently responsible for paying the sums owed to the employees. Consequently, the company’s legal or constructive obligation is limited to the amount that it agrees to pay to the fund. These plans are generally state pension plans, which is the case in France.
- Defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to current and former employees.

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

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

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

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

Stock options

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

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

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

The stock options granted under the plan set up in December 2002 (which has been closed since December 2012) were recognized in accordance with IFRS 2 and the related share-based payment has been fully amortized since December 2006.

Income tax

Income tax expense includes both current taxes and, where justified by the tax position of the companies concerned, deferred taxes resulting from temporary differences and consolidation adjustments.

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

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

For reasons of prudence, Coface only recognizes a net deferred tax asset when it is probable that sufficient taxable profits against which the asset can be utilized will be available within a given timeframe (a maximum of 10 years), even though tax losses can be carried forward for far longer periods (e.g., 20 years in the United States) or indefinitely in France and the United Kingdom.

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.

Receivables and payables denominated in foreign currencies

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

Unrealized exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

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

Segment reporting

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

The segment reporting 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 segment reporting.

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

Related parties

Coface applies IAS 24 with respect to related-party disclosures.

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

The Coface Group's main transactions with related parties are presented in Note 40.

4.8 – 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	5	Impairment is recognized when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Provision for earned premiums not yet written	10	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognized.
Provision for policyholders' bonuses and rebates	15 24	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	15 25 43	This provision is calculated based on the estimated amount potentially recoverable on paid claims.
Claims provision	15 25 43	The claims provision covers the estimated cost of all reported claims not settled at the year-end.
IBNR provision	15 25 43	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	17	Pension benefit obligations are calculated in accordance with IAS 19 and are reviewed by actuaries each year in light of the actuarial assumptions adopted by the Group.

The policies managed by the Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities. Phase 2 of IFRS 4 is expected to be published during the first half of 2015, with an application date envisaged three years after the publication date. In accordance with IFRS 4, insurance provisions ("technical provisions") are calculated using the methods prescribed in local GAAP (French GAAP in Coface's case).

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgment on the part of the Group, which may affect the level of provisions recognized 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 judgment. 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 analyze, 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 recognized. It cannot be guaranteed that any impairment losses or additional provisions recognized will not have a material adverse effect on the Group's results, financial position and solvency margin.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

Note 5. Goodwill

In accordance with IAS 36, goodwill is not amortized but is systematically tested for impairment at the year-end or whenever there is an indication that it may be impaired.

Movements in goodwill in 2013, 2012 and 2011 were primarily due to the impact of currency translation differences.

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Northern Europe	112,603	112,603	112,603
Western Europe	5,068	5,068	5,068
Central Europe	8,430	8,395	8,342
Mediterranean & Africa	21,334	21,261	21,238
North America	5,050	5,280	5,362
South America	1,241	1,497	1,670
Net	**153,727**	**154,104**	**154,283**

Impairment testing methods

In compliance with IAS 36 – Impairment of Assets, goodwill and other non-financial assets were tested for impairment at December 31, 2013. The tests were performed by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalized 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 fifth 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, 2013:

	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America
Cost of capital	10.6%	10.9%	10.7%	11.0%	11.1%	11.2%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	491.1	662.5	141.5	62.2	40.9	61.1

The assumptions used in 2011 and 2012 were as follows:

2012.12	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America
Cost of capital	10.0%	10.0%	10.3%	10.4%	10.4%	11.1%
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

2011.12	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America
Cost of capital	10.0%	10.0%	10.5%	10.6%	10.8%	11.4%
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

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 a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

- Cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

- Loss ratio and the cost ratio sensitivity for the last two years of the business plan (2017 and 2018): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have a significant impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

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

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America
Contribution to consolidated net assets	491.1	662.5	141.5	62.2	40.9	61.1
Sensitivity: Long-term growth rate -0.5 points	741.3	738.2	224.5	95.6	166.1	102.5
Sensitivity: WACC +0.5 points	726.8	721.3	220.3	92.4	161.8	100.4
Sensitivity: Loss ratio 2017 +2 points	759.2	765.9	229.5	99.4	172.3	105.8
Sensitivity: Loss ratio 2018 +2 points	727.9	722.0	218.1	77.4	157.8	97.3
Sensitivity: Cost ratio 2017 +1 point	760.6	768.3	230.7	100.4	173.1	106.2
Sensitivity: Cost ratio 2018 +1 point	744.9	745.8	224.7	88.1	165.8	101.8

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

Note 6. Other intangible assets

(in thousands of euros)	Dec. 31, 2013 Net	Dec. 31, 2012 Net	Dec. 31, 2011 Net
Development costs and software	83,086	91,106	99,985
Purchased goodwill	3,072	4,956	5,269
Other	557	644	710
Total	**86,715**	**96,706**	**105,964**

	Dec. 31, 2013		
(in thousands of euros)	Cost	Accumulated amortization and impairment	Net
Development costs and software	195,704	(112,618)	83,086
Purchased goodwill	7,057	(3,985)	3,072
Other	2,796	(2,239)	557
Total	**205,556**	**(118,842)**	**86,715**

	Dec. 31, 2012		
(in thousands of euros)	Cost	Accumulated amortization and impairment	Net
Development costs and software	193,137	(102,030)	91,106
Purchased goodwill	12,274	(7,318)	4,956
Other	2,849	(2,205)	644
Total	**208,259**	**(111,553)**	**96,706**

	Dec. 31, 2011		
(in thousands of euros)	Cost	Accumulated amortization and impairment	Net
Development costs and software	187,899	(87,914)	99,985
Purchased goodwill	12,339	(7,070)	5,269
Other	3,337	(2,627)	710
Total	**203,574**	**(97,610)**	**105,964**

Change in the gross amount of intangible assets

(in thousands of euros)	Dec. 31, 2012	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2013
Development costs and software	193,137	5,748	(2,835)	2	(349)	195,704
Other intangible assets	2,849	(9)	73	0	(117)	2,796
Purchased goodwill	12,274	0	(4,773)	0	(444)	7,057
Total	**208,259**	**5,739**	**(7,535)**	**2**	**(910)**	**205,556**

(in thousands of euros)	Dec. 31, 2011	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2012
Development costs and software	187,899	6,009	(412)	(47)	(313)	193,137
Other intangible assets	3,337	386	(215)	(1)	(659)	2,849
Purchased goodwill	12,339	0	0	0	(65)	12,274
Total	**203,574**	**6,396**	**(627)**	**(48)**	**(1,037)**	**208,259**

(in thousands of euros)	Dec. 31, 2010	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2011
Development costs and software	301,500	13,867	(4,879)	(123,951)	1,362	187,899
Other intangible assets	12,353	2,722	(1,470)	(8,325)	(1,943)	3,337
Purchased goodwill	12,205	701	504	(656)	(415)	12,339
Total	**326,058**	**17,290**	**(5,845)**	**(132,932)**	**(996)**	**203,574**

The balance at December 31, 2010 includes assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

Change in accumulated amortization and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2012	Additions	Reversals	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2013
Accumulated amortization – development costs and software	(101,763)	(13,620)	2,780	(1)	233	(112,372)
Accumulated impairment – development costs and software	(268)	(40)	0	0	62	(246)
Total accumulated amortization and impairment – development costs and software	**(102,030)**	**(13,660)**	**2,780**	**(1)**	**295**	**(112,618)**
Accumulated amortization – other intangible assets	(2,199)	(72)	0	0	49	(2,222)
Accumulated impairment – other intangible assets	(5)	(12)	0	0	0	(17)
Total accumulated amortization and impairment – other intangible assets	**(2,205)**	**(84)**	**0**	**0**	**50**	**(2,239)**
Accumulated amortization – purchased goodwill	(7,318)	(1,719)	4,773	0	279	(3,985)
Total accumulated amortization and impairment – purchased goodwill	**(7,318)**	**(1,719)**	**4,773**	**0**	**279**	**(3,985)**
Total	**(111,553)**	**(15,464)**	**7,553**	**(1)**	**624**	**(118,842)**

(in thousands of euros)	Dec. 31, 2011	Additions	Reversals	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2012
Accumulated amortization – development costs and software	(87,648)	(14,603)	327	17	144	(101,763)
Accumulated impairment – development costs and software	(266)	(56)	0	30	25	(268)
Total accumulated amortization and impairment – development costs and software	**(87,914)**	**(14,660)**	**327**	**47**	**169**	**(102,030)**
Accumulated amortization – other intangible assets	(1,972)	(103)	0	0	(124)	(2,199)
Accumulated impairment – other intangible assets	(654)	0	0	0	649	(5)
Total accumulated amortization and impairment – other intangible assets	**(2,627)**	**(103)**	**0**	**0**	**525**	**(2,205)**
Accumulated amortization – purchased goodwill	(7,069)	(290)	0	0	42	(7,318)
Total accumulated amortization and impairment – purchased goodwill	**(7,069)**	**(290)**	**0**	**0**	**42**	**(7,318)**
Total	**(97,610)**	**(15,053)**	**327**	**47**	**736**	**(111,553)**

(in thousands of euros)	Dec. 31, 2010	Additions	Reversals	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2011
Accumulated amortization – development costs and software	(120,704)	(21,657)	2,625	51,614	474	(87,648)
Accumulated impairment – development costs and software	(6,881)	(63)	2,397	4,264	16	(266)
Total accumulated amortization and impairment – development costs and software	**(127,584)**	**(21,720)**	**5,022**	**55,878**	**491**	**(87,914)**
Accumulated amortization – purchased goodwill	(5,138)	(229)	(1,613)	0	(89)	(7,069)
Total accumulated amortization and impairment – purchased goodwill	**(5,138)**	**(229)**	**(1,613)**	**0**	**(90)**	**(7,070)**
Accumulated amortization – other intangible assets	(2,141)	(197)	29	338	(2)	(1,972)
Accumulated impairment – other intangible assets	(823)	(11)	0	180	0	(654)
Total accumulated amortization and impairment – other intangible assets	**(2,964)**	**(208)**	**29**	**518**	**(2)**	**(2,627)**
Total	**(135,686)**	**(22,156)**	**3,438**	**56,396**	**399**	**(97,610)**

The balance at December 31, 2010 includes assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

Note 7. Property, plant and equipment

(in thousands of euros)	Dec. 31, 2013 Net	Dec. 31, 2012 Net	Dec. 31, 2011 Net
Buildings used in the business	45,919	47,199	50,120
Other property, plant and equipment	29,811	18,605	15,522
Total	**75,730**	**65,804**	**65,641**

	Dec. 31, 2013		
(in thousands of euros)	Cost	Accumulated depreciation and impairment	Net
Buildings used in the business	91,215	(45,297)	45,919
Other property, plant and equipment	67,485	(37,674)	29,811
Total	**158,700**	**(82,970)**	**75,730**

(in thousands of euros)	Dec. 31, 2012		
	Cost	Accumulated depreciation and impairment	Net
Buildings used in the business	89,849	(42,650)	47,199
Other property, plant and equipment	64,432	(45,826)	18,605
Total	**154,280**	**(88,476)**	**65,804**

(in thousands of euros)	Dec. 31, 2011		
	Cost	Accumulated depreciation and impairment	Net
Buildings used in the business	90,228	(40,108)	50,120
Other property, plant and equipment	66,547	(51,025)	15,522
Total	**156,775**	**(91,133)**	**65,641**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2012	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2013
Land used in the business	14,010	0	0	0	0	14,010
Buildings used in the business	75,839	1,362	0	0	5	77,205
Total buildings used in the business	**89,849**	**1,362**	**0**	**0**	**5**	**91,215**
Operating guarantees and deposits	6,729	3,758	(1,564)	0	(191)	8,732
Other property, plant and equipment	57,703	14,740	(12,582)	83	(1,191)	58,753
Total other property, plant and equipment	**64,432**	**18,498**	**(14,146)**	**83**	**(1,382)**	**67,485**
Total	**154,280**	**19,860**	**(14,146)**	**83**	**(1,377)**	**158,700**

The €14,740 thousand increase in other property, plant and equipment is chiefly attributable to the reorganization of the site when the Coface Group relocated its head office in June 2013.

(in thousands of euros)	Dec. 31, 2011	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2012
Land used in the business	14,010	0	0	0	0	14,010
Buildings used in the business	76,218	0	(314)	(76)	10	75,839
Total buildings used in the business	**90,228**	**0**	**(314)**	**(76)**	**10**	**89,849**
Operating guarantees and deposits	3,144	3,760	(5)	0	(169)	6,729
Other property, plant and equipment	63,403	4,000	(3,394)	1	(6,308)	57,703
Total other property, plant and equipment	**66,547**	**7,760**	**(3,399)**	**1**	**(6,477)**	**64,432**
Total	**156,775**	**7,760**	**(3,713)**	**(75)**	**(6,467)**	**154,280**

(in thousands of euros)	Dec. 31, 2010	Increases	Decreases	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2011
Land used in the business	14,277	0	0	(267)	0	14,010
Buildings used in the business	81,655	1,224	(48)	(5,281)	(1,332)	76,218
Total buildings used in the business	**95,932**	**1,224**	**(48)**	**(5,548)**	**(1,332)**	**90,228**
Operating guarantees and deposits	2,943	495	(75)	(291)	72	3,144
Other property, plant and equipment	96,546	4,813	(11,923)	(25,785)	(247)	63,403
Total other property, plant and equipment	**99,489**	**5,308**	**(11,998)**	**(26,076)**	**(175)**	**66,547**
Total	**195,421**	**6,532**	**(12,046)**	**(31,624)**	**(1,507)**	**156,775**

The balance at December 31, 2010 includes assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

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

(in thousands of euros)	Dec. 31, 2012	Additions	Reversals	Changes in scope of consolidatio	Exchange rate effects and other	Dec. 31, 2013
Accumulated depreciation – Buildings used in the business	(42,650)	(2,643)	0	0	(4)	(45,297)
Accumulated impairment – Buildings used in the business	0	0	0	0	0	0
Buildings used in the business	**(42,650)**	**(2,643)**	**0**	**0**	**(4)**	**(45,297)**
Accumulated depreciation – other property, plant and equipment	(43,025)	(4,676)	12,073	(33)	668	(34,992)
Accumulated impairment – other property, plant and equipment	(2,802)	(34)	1	0	153	(2,682)
Other property, plant and equipment	**(45,826)**	**(4,710)**	**12,074**	**(33)**	**821**	**(37,674)**
Total	**(88,476)**	**(7,353)**	**12,074**	**(33)**	**817**	**(82,970)**

The amount recorded in the “Decreases” column for the gross value of other property, plant and equipment in 2013, as well as the positive figure recorded under “Reversals” relating to depreciation of these items, reflect the scrapping of furniture (which had been fully depreciated) when the Group relocated its head office in June 2013.

(in thousands of euros)	Dec. 31, 2011	Additions	Reversals	Changes in scope of consolidatio	Exchange rate effects and other	Dec. 31, 2012
Accumulated depreciation – Buildings used in the business	(39,910)	(2,659)	45	32	(158)	(42,650)
Accumulated impairment – Buildings used in the business	(198)	0	0	0	198	0
Buildings used in the business	**(40,108)**	**(2,659)**	**45**	**32**	**40**	**(42,650)**
Accumulated depreciation – other property, plant and equipment	(48,274)	(3,930)	2,925	0	6,254	(43,025)
Accumulated impairment – other property, plant and equipment	(2,751)	(55)	0	0	4	(2,802)
Other property, plant and equipment	**(51,025)**	**(3,985)**	**2,925**	**0**	**6,259**	**(45,826)**
Total	**(91,133)**	**(6,644)**	**2,970**	**32**	**6,299**	**(88,476)**

(in thousands of euros)	Dec. 31, 2010	Additions	Reversals	Changes in scope of consolidatio	Exchange rate effects and other	Dec. 31, 2011
Accumulated depreciation – Buildings used in the business	(40,012)	(2,573)	48	(1)	2,628	(39,910)
Accumulated impairment – Buildings used in the business	(131)	(67)	0	0	0	(198)
Buildings used in the business	**(40,142)**	**(2,640)**	**48**	**(1)**	**2,628**	**(40,108)**
Accumulated depreciation – other property, plant and equipment	(73,005)	(5,955)	10,880	19,694	111	(48,274)
Accumulated impairment – other property, plant and equipment	(2,633)	(147)	0	0	30	(2,751)
Other property, plant and equipment	**(75,638)**	**(6,102)**	**10,880**	**19,694**	**141**	**(51,025)**
Total	**(115,780)**	**(8,743)**	**10,928**	**19,693**	**2,769**	**(91,133)**

The balance at December 31, 2010 includes assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

	Buildings used in the business		
(in thousands of euros)	**Dec. 31, 2013**	**Dec. 31, 2012**	**Dec. 31, 2011**
Carrying amount	45,919	47,199	50,120
Market value	72,973	81,503	82,224
Unrealized gain	**27,054**	**34,304**	**32,104**

Note 8. Investments

8.1 – Analysis by category

At December 31, 2013, the carrying amount of held-to-maturity (HTM) securities was €9,403 thousand; available-for-sale (AFS) securities totaled €1,891,204 thousand; and trading securities came to €52,271 thousand.

At December 31, 2012, the carrying amount of held-to-maturity (HTM) securities was €9,495 thousand; available-for-sale (AFS) securities totaled €1,478,896 thousand; and trading securities came to €103,954 thousand.

At December 31, 2011, the carrying amount of held-to-maturity (HTM) securities was €16,561 thousand; available-for-sale (AFS) securities totaled €1,299,685 thousand; and trading securities came to €285,101 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income products which provide it with recurring and stable revenues.

At December 31, 2013, 8% of the Group's total bond portfolio was rated "AAA", 54% "AA" and "A", 25% "BBB" and 13% below "BB".

(in thousands of euros)	Dec. 31, 2013					Dec. 31, 2012					Dec. 31, 2011				
	Amortized cost	Revaluation reserve	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation reserve	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation reserve	Net value	Fair value	Unrealized gains and losses
AFS securities	**1,810,511**	**80,693**	**1,891,204**	**1,891,204**	**0**	**1,375,084**	**103,812**	**1,478,896**	**1,478,896**	**0**	**1,240,911**	**58,774**	**1,299,685**	**1,299,685**	**0**
Equities and other variable-income securities	109,981	92,486	**202,467**	202,467	0	62,922	73,362	**136,284**	136,284	0	38,976	59,230	98,206	98,206	0
Bonds and government securities	1,700,529	(11,793)	**1,688,736**	1,688,736	0	1,312,154	30,451	**1,342,605**	1,342,605	0	1,201,927	(456)	1,201,470	1,201,470	0
o/w direct investments in securities	*1,338,281*	*(4,448)*	***1,333,833***	1,333,833	*0*	*1,312,154*	*30,451*	***1,342,605***	1,342,605	*0*	*1,201,927*	*(456)*	*1,201,470*	*1,201,470*	*0*
o/w investments in UCITS	*362,248*	*(7,345)*	***354,903***	354,903	*0*	*0*	*0*	***0***	0	*0*	*0*	*0*	*0*	*0*	*0*
Shares in non-trading property companies	1	0	**1**	1	0	7	0	**7**	7	0	9	0	9	9	0
HTM securities															
Bonds	9,403	0	**9,403**	10,170	767	9,495	0	**9,495**	10,502	1,007	16,561	0	16,561	19,274	2,713
Fair value through income – trading securities															
Money market funds (UCITS)	52,271	0	**52,271**	52,271	0	103,864	90	**103,954**	103,954	0	285,028	73	285,101	285,101	0
Derivatives (positive fair value)	0	1,386	**1,386**	1,386	0	0	0	**0**	0	0	0	0	0	0	0
Loans and receivables	253,098	0	**253,098**	253,098	0	627,322	0	**627,322**	627,322	0	581,760	0	581,760	581,760	0
Investment property	1,055	216	**1,271**	1,271	0	1,240	216	**1,456**	1,456	0	1,316	216	1,532	1,532	0
Total	**2,126,338**	**82,294**	**2,208,633**	**2,209,400**	**767**	**2,117,005**	**104,118**	**2,221,123**	**2,222,130**	**1,007**	**2,125,576**	**59,063**	**2,184,639**	**2,187,352**	**2,713**

(1) Amortized cost reflects the nominal value, i.e., historical cost, as well as other components such as accrued interest not yet due, premiums and discounts, net of impairment and excluding the revaluation reserve.

(in thousands of euros)	Gross Dec. 31, 2013	Impairment	IFRS Dec. 31, 2013	IFRS Dec. 31, 2012	IFRS Dec. 31, 2011
AFS securities	**1,921,856**	**(30,652)**	**1,891,204**	**1,478,896**	**1,299,685**
Equities and other variable-income securities	233,120	(30,653)	202,467	136,284	98,206
Bonds and government securities	1,688,736	0	1,688,736	1,342,605	1,201,470
o/w direct investments in securities	*1,333,833*	*0*	*1,333,833*	*1,342,605*	*1,201,470*
o/w investments in UCITS	*354,903*	*0*	*354,903*	*0*	*0*
Shares in non-trading property companies	9	(8)	1	7	9
HTM securities					
Bonds	9,403	0	9,403	9,495	16,561
Fair value through income – trading securities	52,271	0	52,271	103,954	285,101
Derivatives (positive fair value)	1,386	0	1,386	0	0
(for information, derivatives with a negative fair value)	*(2,527)*	*0*	*(2,527)*	*0*	*0*
Investment property	1,271	0	1,271	1,456	1,532
Loans and receivables	253,098	0	253,098	627,322	581,760
Total investments	**2,239,294**	**(30,661)**	**2,208,633**	**2,221,123**	**2,184,639**

(2) The gross amount is before impairment.

(in thousands of euros)	Dec. 31, 2012	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2013
AFS securities	**38,593**	**1,576**	**(11,985)**	**2,478**	**30,661**
Equities and other variable-income securities	38,585	1,576	(11,985)	2,478	30,653
Shares in non-trading property companies	8	0	0	0	8
Loans and receivables	2,282	0	(2,282)	0	0
Total impairment	**40,875**	**1,576**	**(14,267)**	**2,478**	**30,661**

(1) Reversals relate only to shares sold.

(in thousands of euros)	Dec. 31, 2011	Additions	Reversals	Exchange rate effects	Change in scope of consolidation	Dec. 31, 2012
AFS securities	**38,707**	**459**	**(1,676)**	**102**	**1,000**	**38,593**
Equities and other variable-income securities	38,457	450	(1,425)	102	1,000	38,585
Bonds and government securities	242	9	(251)	0	0	0
Shares in non-trading property companies	8	0	0	0	0	8
HTM securities						
Bonds	7,642	1,112	(8,754)	0	0	0
Loans and receivables	5,456	0	(3,174)	0	0	2,282
Total impairment	**51,805**	**1,571**	**(13,604)**	**102**	**1,000**	**40,875**

At December 31, 2012, changes in scope of consolidation correspond to the reversal of the provision in respect of Coface Factoring España, held by Cofinpar.

(in thousands of euros)	Dec. 31, 2010	Additions	Reversals	Changes in scope of consolidation	Exchange rate effects and other	Dec. 31, 2011
AFS securities	**22,573**	**21,561**	**(4,295)**	**(3,774)**	**2,643**	**38,707**
Equities and other variable-income securities	22,565	21,319	(4,295)	(3,774)	2,643	38,457
Bonds and government securities	0	242	0	0	0	242
Shares in non-trading property companies	8	0	0	0	0	8
HTM securities						
Bonds	5	7,637	0	0	0	7,642
Loans and receivables	1,500	3,956	0	0	0	5,456
Total impairment	**24,078**	**33,154**	**(4,295)**	**(3,774)**	**2,643**	**51,805**

The balance at December 31, 2010 includes assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

Change in investments by category

(in thousands of euros)	2012 Carrying amount at January 1	Increases	Decreases	Revaluation	Impairment	Changes in scope of consolidation	Other movements	2013 Carrying amount at December 31
AFS securities	**1,478,889**	**1,948,307**	**(1,469,140)**	**(21,729)**	**7,940**	**1,487**	**(54,551)**	**1,891,203**
Equities and other variable-income securities	136,284	82,037	(10,906)	(5,706)	7,931	1,487	(8,661)	202,467
Bonds and government securities	1,342,605	1,866,270	(1,458,235)	(16,023)	9	0	(45,891)	1,688,736
Shares in non-trading property companies	7	0	(6)	0	0	0	0	1
HTM securities								
Bonds	9,495	0	(87)	0	0	0	(5)	9,403
Loans, receivables and other financial investments	732,732	772,567	(1,167,917)	1,293	2,282	7,151	(40,081)	308,026
Total investments	**2,221,123**	**2,720,874**	**(2,637,150)**	**(20,436)**	**10,222**	**8,638**	**(94,638)**	**2,208,633**

Changes in scope of consolidation are chiefly attributable to the first-time consolidation of Coface Russie Insurance.

(in thousands of euros)	2011 Carrying amount at January 1	Increases	Decreases	Revaluation	Impairment	Changes in scope of consolidation	Other movements	2012 Carrying amount at December 31
AFS securities	**1,299,676**	**737,683**	**(593,590)**	**43,877**	**115**	**19,465**	**(28,336)**	**1,478,889**
Equities and other variable-income securities	98,206	8,108	(1,773)	12,898	(127)	19,465	(492)	136,284
Bonds and government securities	1,201,470	729,575	(591,817)	30,979	242	0	(27,844)	1,342,605
Shares in non-trading property companies	9	0	(2)	0	0	0	0	7
HTM securities								
Bonds	16,561	254	(12,490)	0	7,642	0	(2,472)	9,495
Loans, receivables and other financial investments	868,393	979,826	(1,121,480)	17	3,174	0	2,803	732,732
Total investments	**2,184,639**	**1,717,763**	**(1,727,562)**	**43,894**	**10,931**	**19,465**	**(28,005)**	**2,221,123**

Changes in scope of consolidation are attributable to the deconsolidation of the factoring entities consolidation, which were liquidated in 2011.

	2010							2011
(in thousands of euros)	Carrying amount at January 1	Increases	Decreases	Revaluation	Impairment	Changes in scope of consolidation	Other movements	Carrying amount at December 31
AFS securities	**1,192,058**	**527,515**	**(376,366)**	**(4,084)**	**(16,135)**	**2,716**	**(26,028)**	**1,299,676**
Equities and other variable-income securities	162,902	7,764	(16,923)	(4,159)	(15,893)	(13,034)	(22,451)	98,206
Bonds and government securities	1,029,156	519,751	(359,443)	75	(242)	15,750	(3,577)	1,201,470
Shares in non-trading property companies	6	3	0	0	0	0	0	9
HTM securities								
Bonds	25,505	27	(1,334)	0	(7,637)	0	0	16,561
Loans, receivables and other financial investments	697,805	947,181	(741,391)	1,732	(3,956)	(37,438)	4,459	868,393
Total investments	**1,915,374**	**1,474,726**	**(1,119,091)**	**(2,352)**	**(27,728)**	**(34,722)**	**(21,569)**	**2,184,639**

The balance at December 31, 2010 includes the assets related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of assets related to entities sold in 2011.

Derivatives (within the Colombes funds)

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

During 2013, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

Investments in equities were partially hedged during 2013 through purchases of index options (which were out of the money) in the second half of the year. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

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

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

8.2 – Financial instruments recognized at fair value

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

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

Securities classified as level 1 represent 77% of the Group's portfolio. They correspond to:

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

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

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 historic cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data. This level corresponds to unlisted equities, investment securities and mutual fund units, as well as investment property.

Breakdown of financial instrument fair value measurements in 2013 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	**Level 1** Fair value determined based on quoted prices in active markets	**Level 2** Fair value determined based on valuation techniques that use observable inputs	**Level 3** Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**1,891,204**	**1,891,204**	**1,637,022**	**146,357**	**107,825**
Equities and other variable-income securities	202,467	202,467	79,972	14,671	107,824
Bonds and government securities	1,688,736	1,688,736	1,557,050	131,686	0
Shares in non-trading property companies	1	1	0	0	1
HTM securities					
Bonds	9,403	10,170	10,170	0	0
Fair value through income – trading securit	52,271	52,271	52,271	0	0
Derivatives	1,386	1,386	0	1,386	0
Investment property	1,271	1,271	0	0	1,271
Loans and receivables	253,098	253,098	0	253,098	0
TOTAL	**2,208,633**	**2,209,400**	**1,699,462**	**400,842**	**109,096**

Movements in Level 3 securities in 2013

(in thousands of euros)	**Level 3**	**Gains and losses recognized in the period**		**Transactions for the period**		**Reclassifi-cations for the period**	Changes in scope of consolidati on	Exchange rate effects	**Level 3**
	January 1	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Into level 3			December 31
AFS securities	**117,991**	**5,341**	**13,679**	**5,299**	**(30,734)**	**371**	**(3,872)**	**(250)**	**107,825**
Equities and other variable-income revenue	117,984	5,341	13,679	5,299	(30,728)	371	(3,872)	(250)	107,824
Shares in non-trading property companies	7	0	0	0	(6)	0	0	0	1
Investment property	**1,456**	**0**	**0**	**0**	**(185)**	**0**	**0**	**0**	**1,271**
TOTAL	**119,447**	**5,341**	**13,679**	**5,299**	**(30,919)**	**371**	**(3,872)**	**(250)**	**109,096**

Breakdown of financial instrument fair value measurements in 2012 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	**Level 1** Fair value determined based on quoted prices in active markets	**Level 2** Fair value determined based on valuation techniques that use observable inputs	**Level 3** Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**1,478,896**	**1,478,896**	**1,155,782**	**205,123**	**117,991**
Equities and other variable-income securities	136,284	136,284	3,930	14,370	117,984
Bonds and government securities	1,342,605	1,342,605	1,151,852	190,753	0
Shares in non-trading property companies	7	7	0	0	7
HTM securities					
Bonds	9,495	10,502	10,502	0	0
Fair value through income – trading securi	103,954	103,954	103,954	0	0
Investment property	1,456	1,456	0	0	1,456
Loans and receivables	627,322	627,322	0	627,322	0
TOTAL	**2,221,123**	**2,222,130**	**1,270,238**	**832,445**	**119,447**

Movements in Level 3 securities in 2012

	Level 3	**Gains and losses recognized in the period**		**Transactions for the period**		**Reclassifi-cations for the period**	Changes in scope of consolidation	Exchange rate effects	**Level 3**
	January 1	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Into level 3			December 31
AFS securities	**81,461**	**(429)**	**12,911**	**4,459**	**(2)**	**0**	**19,496**	**95**	**117,991**
Equities and other variable-income securities	81,452	(429)	12,911	4,459	0	0	19,496	95	117,984
Shares in non-trading property companies	9	0	0	0	(2)	0	0	0	7
Investment property	**1,532**	**0**	**0**	**0**	**(76)**	**0**	**0**	**0**	**1,456**
TOTAL	**82,993**	**(429)**	**12,911**	**4,459**	**(78)**	**0**	**19,496**	**95**	**119,447**

Breakdown of financial instrument fair value measurements in 2011 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	**1,299,685**	**1,299,685**	**1,108,147**	**110,077**	**81,461**
Equities and other variable-income securities	98,206	98,206	3,863	12,891	81,452
Bonds and government securities	1,201,470	1,201,470	1,104,284	97,186	
Shares in non-trading property companies	9	9	0	0	9
HTM securities					
Bonds	16,561	19,274	19,274	0	0
Fair value through income – trading securi	285,101	285,101	285,101	0	0
Investment property	1,532	1,532	0	0	1,532
Loans and receivables	581,760	581,760	0	581,760	0
TOTAL	**2,184,639**	**2,187,352**	**1,397,187**	**703,672**	**82,993**

Movements in Level 3 securities in 2011

	Level 3	Gains and losses recognized in the period		Transactions for the period		Reclassifi-cations for the period	Changes in scope of consolidation	Exchange rate effects	Level 3
	January 1	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Into level 3			December 31
AFS securities	**142,714**	**(14,186)**	**2,351**	**5,209**	**(768)**	**0**	**(53,701)**	**(157)**	**81,461**
Equities and other variable-income securities	142,708	(14,186)	2,351	5,206	(768)	0	(53,701)	(157)	81,452
Shares in non-trading property companies	6	0	0	3	0	0	0	0	9
Investment property	1,826	0	0	0	(294)	0	0	0	1,532
TOTAL	**144,540**	**(14,186)**	**2,351**	**5,209**	**(1,062)**	**0**	**(53,701)**	**(157)**	**82,993**

Notes 9. Receivables arising from banking and other activities

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Receivables arising from banking and other activities	2,094,074	2,096,565	3,370,200
Non-performing receivables arising from banking and other activities	46,163	36,518	35,233
Allowances for receivables arising from banking and other activities	(19,721)	(23,678)	(32,709)
Total receivables arising from banking and other activities	**2,120,516**	**2,109,405**	**3,372,724**

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

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

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

The sharp decrease in receivables is attributable to the Group's decision to wind down this activity in 2012.

Note 10. Investments in associates

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Investments in associates at January 1	16,812	16,269	22,896
Changes in scope of consolidation	0	0	(7,787)
Dividends paid	(684)	(828)	(3,739)
Share in net income of associates	1,493	1,371	4,899
Total investments in associates	**17,621**	**16,812**	**16,269**

Investments in associates relate solely to Cofacrédit. Changes in the scope of consolidation in 2011 result from the sale of Graydon.

Note 11. Receivables arising from insurance and reinsurance operations

(in thousands of euros)

	Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	290,110	(27,684)	262,426	272,020	(29,886)	242,133	270,641	(28,941)	241,700
Pipeline premiums	117,445	0	117,445	126,151	0	126,151	118,303	0	118,303
Receivables arising from reinsurance operations, net	40,968	(282)	40,686	73,902	(329)	73,573	109,952	(329)	109,623
Total	**448,523**	**(27,966)**	**420,557**	**472,072**	**(30,215)**	**441,857**	**498,896**	**(29,270)**	**469,626**

Note 12. Other assets

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Deferred acquisition costs	39,547	40,112	29,112
Trade receivables arising from other activities	20,292	21,749	18,117
Current tax receivables	52,073	40,158	30,235
Other receivables	95,346	166,375	121,497
Total	**207,258**	**268,393**	**198,962**

Note 13. Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Cash at bank and in hand	260,866	245,606	225,042
Cash equivalents	13,054	11,404	17,830
Total	**273,920**	**257,010**	**242,872**

Note 14. Share capital

Ordinary shares	Number of shares	Par value	Share capital (in €)
At January 1, 2013	156,841,307	5	784,206,535
At December 31, 2013	**156,841,307**	**5**	**784,206,535**

The share capital of Coface SA remained stable since no capital transactions were carried out.

Note 15. Revaluation reserves

(in thousands of euros)

	Investment instruments	Reserves – Gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2013	**101,116**	**(23,965)**	**(6,114)**	**71,037**	**4,448**	**75,485**
Fair value adjustments on available-for-sale financial assets reclassified to income	(27,722)	0	7,929	(19,793)	(60)	(19,852)
Fair value adjustments on available-for-sale financial assets recognized in equity	5,754	0	2,644	8,398	460	8,858
Change in reserves – gains and losses not reclassifiable to income (IAS 19R)	0	1,544	(468)	1,076	4	1,080
At December 31, 2013	**79,148**	**(22,421)**	**3,991**	**60,719**	**4,852**	**65,571**

(in thousands of euros)

	Investment instruments	Reserves – Gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2012	**58,243**	**(8,009)**	**5,458**	**55,692**	**3,524**	**59,215**
Fair value adjustments on available-for-sale financial assets reclassified to income	(1,717)	0	679	(1,038)	(4)	(1,042)
Fair value adjustments on available-for-sale financial assets recognized in equity	44,590	0	(17,292)	27,298	958	28,256
		0	0	0	0	0
Change in reserves – gains and losses not reclassifiable to income (IAS 19R)	0	(15,956)	5,042	(10,914)	(30)	(10,944)
At December 31, 2012	**101,116**	**(23,965)**	**(6,114)**	**71,037**	**4,448**	**75,485**

(in thousands of euros)

	Investment instruments	Reserves – Gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At 1 January 2011	**62,469**	**(7,042)**	**(3,246)**	**52,182**	**5,006**	**57,187**
Fair value adjustments on hedging derivatives reclassified to income	(11,397)		3,924	(7,473)	0	(7,473)
Fair value adjustments on hedging derivatives recognized in equity	10,293		(3,544)	6,749	0	6,749
Fair value adjustments on available-for-sale financial assets reclassified to income	15,612	0	(2,654)	12,957	135	13,093
Fair value adjustments on available-for-sale financial assets recognized in equity	(18,708)	0	10,747	(7,961)	(1,611)	(9,572)
Change in reserves – gains and losses not reclassifiable to income (IAS 19R)	0	(967)	237	(731)	(9)	(739)
Changes in scope of consolidation	(25)	0	(6)	(32)	3	(29)
At December 31, 2011	**58,243**	**(8,009)**	**5,458**	**55,692**	**3,524**	**59,215**

The balance at December 31, 2010 includes liabilities related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of liabilities assets related to entities sold in 2011.

Note 16. Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Provisions for unearned premiums	267,023	274,674	263,138
Claims provisions	1,120,922	1,153,170	1,222,463
Provisions for policyholders' bonuses and rebates	62,554	55,730	46,302
Liabilities relating to insurance contracts	**1,450,499**	**1,483,575**	**1,531,903**
Provisions for unearned premiums	(41,674)	(42,706)	(50,593)
Claims provisions	(289,294)	(294,638)	(316,496)
Provisions for policyholders' bonuses and rebates	(16,254)	(15,218)	(12,935)
Reinsurers' share of technical insurance liabilities	**(347,221)**	**(352,562)**	**(380,025)**
Net technical provisions	**1,103,278**	**1,131,013**	**1,151,878**

Through its activities, Coface is exposed to a "technical" (underwriting) risk, which is the risk of losses arising from its portfolio of insurance policies. Tools aimed at managing this risk have been put in place to ensure that it remains within reasonable limits.

Note 17. Provisions for liabilities and charges

(in thousands of euros)	**Dec. 31, 2013**	**Dec. 31, 2012***	**Dec. 31, 2011***
Provisions for disputes	7,056	4,934	7,952
Provisions for pension and other post-employment benefit obligations	86,130	85,342	65,904
Other provisions for liabilities and charges	18,870	26,960	18,785
TOTAL	**112,056**	**117,236**	**92,641**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)	**Dec. 31, 2012***	**Additions**	**Reversals (utilized)**	**Reversals (surplus)**	**Reclassifications**	**Changes in OCI**	**Mergers and partial asset transfers**	**Exchange rate effects**	**Dec. 31, 2013**
Provisions for disputes	**4,934**	**4,444**	**(910)**	**(52)**	**(1,111)**	**0**	**0**	**(248)**	**7,056**
Provisions for technical disputes	841	0	0	0	(841)	0	0	0	0
Provisions for tax disputes	288	103	0	0	0	0	0	(42)	349
Provisions for employee disputes	3,085	1,969	(770)	0	0	0	0	(37)	4,246
Provisions for other disputes	720	2,372	(140)	(52)	(270)	0	0	(169)	2,461
Provisions for pension and other post-employment benefit obligations	**85,342**	**7,798**	**(4,931)**	**(127)**	**17**	**(1,568)**	**0**	**(402)**	**86,130**
Other provisions for liabilities and charges	**26,960**	**4,194**	**(3,050)**	**(7,069)**	**(2,462)**	**0**	**340**	**(43)**	**18,870**
Provisions for liabilities relating to subsidiaries	21,528	3,152	0	(6,792)	(3,839)	0	340	(42)	14,347
Provisions for restructuring costs	3,096	1,002	(1,101)	(186)	(50)	0	0	(1)	2,760
Other provisions for liabilities	2,375	40	(1,949)	(91)	1,427	0	0	0	1,802
TOTAL	**117,236**	**16,436**	**(8,891)**	**(7,248)**	**(3,556)**	**(1,568)**	**340**	**(693)**	**112,056**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The €16,436 thousand in additions to provisions during the year mainly broke down as follows:

- €3,152 thousand in provisions for risks relating to subsidiaries (Coface Services Japan);
- €7,798 thousand in provisions for pension and other post-employment benefit obligations;
- €4,444 thousand in provisions for disputes.

Of the total €16,139 thousand in provision reversals during the year, €6,792 thousand concerned provisions for subsidiaries.

Actuarial gains and losses arising on pension and other post-employment benefit obligations in the period, recognized in accordance with IAS 19R, represented a net amount of €1,568 thousand.

(in thousands of euros)	**Dec. 31, 2011***	**Additions**	**Reversals (utilized)**	**Reversals (surplus)**	**Reclassifications**	**Changes in OCI**	**Mergers and partial asset transfers**	**Exchange rate effects**	**Changes in scope of consolidation**	**Dec. 31, 2012***
Provisions for disputes	**7,952**	**2,805**	**(1,021)**	**(49)**	**(4,722)**	**0**	**0**	**(32)**	**0**	**4,934**
Provisions for technical disputes	1,141	0	0	0	(300)	0	0	0	0	841
Provisions for tax disputes	255	89	0	(57)	0	0	0	2	0	288
Provisions for employee disputes	6,241	2,312	(1,021)	9	(4,422)	0	0	(35)	0	3,085
Provisions for other disputes	315	404	0	0	0	0	0	1	0	720
Provisions for pension and other post-employment benefit obligations	**65,904**	**6,611**	**(3,544)**	**(780)**	**1,379**	**15,999**	**0**	**(228)**	**0**	**85,342**
									0	**0**
Other provisions for liabilities and charges	**18,785**	**10,360**	**(6,568)**	**(2,995)**	**6,824**	**0**	**0**	**113**	**442**	**26,960**
Provisions for liabilities relating to subsidiaries	16,150	8,039	(1,568)	(1,204)	(486)	0	0	111	486	21,528
Provisions for restructuring costs	0	671	(3,469)	(1,767)	7,705	0	0	(1)	(44)	3,096
Other provisions for liabilities	**2,635**	1,651	(1,531)	(25)	(356)	0	0	2	0	**2,375**
TOTAL	**92,641**	**19,776**	**(11,133)**	**(3,824)**	**3,481**	**15,999**	**0**	**(147)**	**442**	**117,236**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The €19,776 thousand in additions to provisions during the year broke down as follows:

- €8,039 thousand to provisions for risks relating to subsidiaries;
- €6,611 thousand to provisions for pension and other post-employment benefit obligations;
- €2,805 thousand to provisions for disputes.

Reversals in 2012 amount to €14,957 thousand. Reversals linked to utilized provisions for risks relating to subsidiaries amount to €1,568 thousand, while reversals linked to surplus provisions total €1,204 thousand.

Actuarial gains and losses arising on pension and other post-employment benefit obligations, recognized in accordance with IAS 19R, represented a negative net amount of €15,999 thousand in 2012.

(in thousands of euros)	**Dec. 31, 2010***	**Additions**	**Reversals (utilized)**	**Reversals (surplus)**	**Reclassi-fications**	**Changes in OCI**	**Mergers and partial asset**	**Exchange rate effects**	**Changes in scope of consolidation**	**Dec. 31, 2011***
Provisions for disputes	**5,173**	**6,749**	**(2,773)**	**0**	**376**	**0**	**0**	**(60)**	**(1,512)**	**7,952**
Provisions for technical disputes	1,068	73	0	0	0	0	0	0	0	1,141
Provisions for tax disputes	0	119	(4)	0	0	0	0	(26)	166	255
Provisions for employee disputes	1,103	6,487	(1,011)	0	0	0	0	0	(336)	6,241
Provisions for other disputes	3,002	70	(1,757)	0	376	0	0	(34)	(1,342)	315
Provisions for pension and other post-employment benefit obligations	**77,922**	**5,147**	**(4,015)**	**0**	**(369)**	**970**	**114**	**100**	**(13,965)**	**65,904**
Other provisions for liabilities and charges	**23,783**	**6,167**	**(7,003)**	**(718)**	**(376)**	**0**	**0**	**48**	**(3,115)**	**18,785**
Provisions for liabilities relating to subsidiaries	12,446	5,639	0	(718)	0	0	0	52	(1,269)	16,150
Provisions for restructuring costs	0	0	0	0	0	0	0	0	0	0
Other provisions for liabilities	**11,037**	528	(7,003)	0	(376)	0	0	(4)	(1,546)	**2,635**
TOTAL	**106,877**	**18,062**	**(13,791)**	**(718)**	**(369)**	**970**	**114**	**88**	**(18,593)**	**92,641**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The balance at December 31, 2010 includes liabilities related to entities classified as held for sale. Changes in scope of consolidation chiefly comprise the disposals of liabilities assets related to entities sold in 2011.

The €15,604 thousand in additions to provisions during the year mainly broke down as follows:

- €5,189 thousand to provisions for risks relating to subsidiaries;
- €4,159 thousand to provisions for pension and other post-employment benefit obligations;
- €6,245 thousand to provisions for disputes.

Reversals in 2011 totaled €10,858 thousand, including €6,180 thousand in reversals of other provisions for liabilities (mainly Compagnie Française d’Assurance pour le Commerce Extérieur).

Actuarial gains and losses arising on pension and other post-employment benefit obligations, recognized in accordance with IAS 19R, represented a net amount of €970 thousand in 2011.

Note 18. Employee benefits

(in thousands of euros)	2013	2012*	2011*
Present value of benefit obligation at January 1	**86,892**	**67,441**	**74,078**
Acquisitions/mergers/deconsolidations	0	(668)	(9,177)
Current service cost	4,087	2,510	1,128
Interest cost	2,450	2,704	2,429
Actuarial (gains)/losses	110	18,196	991
Benefits paid	(5,417)	(3,059)	(2,191)
Other	(356)	(232)	183
Present value of benefit obligation at December 31	**87,765**	**86,892**	**67,441**
Changes in plan assets			
Fair value of plan assets at January 1	**1,551**	**1,537**	**1,067**
Revaluation adjustments – Return on plan assets	93	15	(44)
Acquisitions/mergers/deconsolidations	0	(11)	(485)
Employee contributions	0	0	0
Employer contributions	405	(258)	(410)
Benefits paid	(412)	329	1,287
Other	0	(62)	122
Fair value of plan assets at December 31	***1,635***	***1,550***	***1,537***
Reconciliation			
Present value of benefit obligation at December 31	***87,765***	***86,892***	***67,441***
Fair value of plan assets	1,635	1,550	1,537
(Liability)/Asset recognized in the balance sheet at December 31	***(86,130)***	***(85,342)***	***(65,904)***
Income statement			
Current service cost	4,019	2,511	1,145
Past service cost	68	0	(494)
Benefits paid including amounts paid in respect of settlements	(341)	0	0
Interest cost	2,450	2,705	2,714
Interest income	(52)	(46)	(77)
Revaluation adjustments on other long-term benefits	1,654	1,400	83
Other	6	0	0
Expense/(income) recorded in the income statement	***7,803***	***6,570***	***3,371***
Changes recognized directly in equity not reclassifiable to income			
Revaluation adjustments arising in the year	(1,548)	15,999	968
Revaluation adjustments recognized in equity not reclassifiable to income	***(1,548)***	***15,999***	***968***

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Actuarial assumptions

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

Actuarial assumptions Dec. 31, 2013	France	Germany	Austria	Italy
Inflation rate	1.90%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	1.40%	3.15%	3.15%	3.15%
Statutory retirement benefits	2.60%	N/A	3.15%	3.15%
Long-service awards	2.10%	3.15%	3.15%	-
Other benefits	3.00%	3.15%	N/A	3.15%
Rate of salary increases (including inflation)	2.30%	2.50%	3.00%	3.00%
Rate of increase in medical costs (including inflation)	4.40%	N/A	N/A	4.50%
Average remaining working life until retirement				
Supplementary retirement and other plans	1.00	7.79	10.15	13.68
Statutory retirement benefits	17.78	N/A	11.53	13.68
Long-service awards	17.78	23.25	14.93	N/A
Other benefits	17.78	3.85	N/A	20.15
Term (years)				
Supplementary retirement and other plans	26.08	12.66	12.15	24.98
Statutory retirement benefits	11.61	N/A	10.15	10.72
Long-service awards	7.85	12.13	6.79	N/A
Other benefits	0.00	1.19	N/A	20.72

Actuarial assumptions Dec. 31, 2012	France	Germany	Austria	Italy
Inflation rate	2.00%	2.00%	2.00%	2.00%
Discount rate				
Supplementary retirement and other plans	1.40%	3.10%	3.10%	3.10%
Statutory retirement benefits	2.60%	N/A	3.10%	3.10%
Long-service awards	2.20%	3.10%	3.10%	N/A
Other benefits	3.00%	3.10%	N/A	3.10%
Rate of salary increases (including inflation)	2.30%	2.50%	3.00%	3.00%
Rate of increase in medical costs (including inflation)	4.50%	N/A	N/A	4.50%
Average remaining working life until retirement				
Supplementary retirement and other plans	1.00	8.88	10.76	14.22
Statutory retirement benefits	18.78	N/A	12.07	13.73
Long-service awards	18.78	0.00	15.18	N/A
Other benefits	24.80	0.70	N/A	20.49
Term (years)				
Supplementary retirement and other plans	28.55	12.70	12.04	20.71
Statutory retirement benefits	11.69	N/A	10.30	11.03
Long-service awards	8.33	10.96	6.12	N/A
Other benefits	0.00	1.59	N/A	20.08

Actuarial assumptions Dec. 31, 2011	France	Germany	Austria	Italy
Inflation rate	2.00%	2.00%	2.00%	2.00%
Discount rate				
Supplementary retirement and other plans	2.10%	4.90%	3.10%	4.90%
Statutory retirement benefits	3.25%	N/A	3.10%	4.90%
Long-service awards	2.85%	4.90%	3.10%	N/A
Other benefits	3.85%	4.90%	N/A	4.90%
Rate of salary increases (including inflation)	2.30%	2.50%	3.00%	3.00%
Rate of increase in medical costs (including inflation)	4.50%	N/A	N/A	4.50%
Average remaining working life until retirement				
Supplementary retirement and other plans	1.00	11.60	11.81	12.84
Statutory retirement benefits	18.00	N/A	12.68	6.40
Long-service awards	17.99	1.00	15.99	N/A
Other benefits	19.08	2.00	N/A	20.50
Term (years)				
Supplementary retirement and other plans	25.14	11.43	10.91	16.54
Statutory retirement benefits	10.93	N/A	10.59	8.04
Long-service awards	7.73	8.96	5.99	N/A
Other benefits	0.00	1.59	N/A	18.52

2013 (in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	**43,243**	**18,839**	**18,272**	**4,446**	**2,093**	**86,892**
Acquisitions/mergers/deconsolidations	*0*	*0*	*0*	*0*	*0*	*0*
Current service cost	*1,700*	*1,215*	*455*	*284*	*432*	*4,087*
Interest cost	*1,195*	*565*	*554*	*136*	*0*	*2,450*
Actuarial (gains)/losses	*(902)*	*918*	*(419)*	*512*	*0*	*110*
Benefits paid	*(1,556)*	*(1,950)*	*(1,663)*	*0*	*(250)*	*(5,417)*
Other	*0*	*0*	*6*	*0*	*(362)*	*(356)*
Present value of benefit obligation at December 31	**43,680**	**19,588**	**17,205**	**5,379**	**1,914**	**87,765**
Changes in plan assets	**0**	**0**	**0**	**0**	**0**	**0**
Fair value of plan assets at January 1	**0**	**811**	**918**	**0**	**(179)**	**1,551**
Revaluation adjustments – Return on plan assets	*0*	*29*	*64*	*0*	*0*	*93*
Acquisitions/mergers/deconsolidations	*0*	*0*	*0*	*0*	*0*	*0*
Employee contributions	*0*	*0*	*0*	*0*	*0*	*0*
Employer contributions	*(139)*	*372*	*242*	*(70)*	*0*	*405*
Benefits paid	*139*	*(374)*	*(247)*	*70*	*0*	*(412)*
Other	*0*	*0*	*0*	*0*	*0*	*0*
Fair value of plan assets at December 31	***0***	***837***	***977***	***0***	***(179)***	***1,635***
Reconciliation						
Present value of benefit obligation at December 31	***43,680***	***19,588***	***17,205***	***5,379***	***1,914***	***87,765***
Fair value of plan assets	*0*	*837*	*977*	*0*	*(179)*	*1,635*
(Liability)/Asset recognized in the balance sheet at December 31	***(43,680)***	***(18,750)***	***(16,228)***	***(5,379)***	***(2,093)***	***(86,130)***
Income statement						
Current service cost	*1,700*	*1,070*	*533*	*284*	*432*	*4,019*
Past service cost	*0*	*145*	*(78)*	*0*	*0*	*68*
Benefits paid including amounts paid in respect of settlements	*0*	*(284)*	*(57)*	*0*	*0*	*(341)*
Interest cost	*1,195*	*565*	*554*	*136*	*0*	*2,450*
Interest income	*0*	*(25)*	*(27)*	*0*	*0*	*(52)*
Revaluation adjustments on other long-term benefits	*12*	*1,117*	*(6)*	*531*	*0*	*1,654*
Other	*0*	*0*	*6*	*0*	*0*	*6*
Expense/(income) recorded in the income statement	**2,907**	**2,588**	**925**	**951**	**432**	**7,803**
Changes recognized directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(916)	(202)	(450)	20	0	(1,548)
Revaluation adjustments recognized in equity not reclassifiable to income	**(916)**	**(202)**	**(450)**	**20**	**0**	**(1,548)**

2012* (in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	**33,648**	**14,622**	**14,513**	**2,487**	**2,170**	**67,441**
Acquisitions/mergers/deconsolidations	*(668)*	*0*	*0*	*0*	*0*	*(668)*
Current service cost	*1,491*	*733*	*(337)*	*137*	*485*	*2,510*
Interest cost	*1,134*	*718*	*695*	*157*	*0*	*2,704*
Actuarial (gains)/losses	*8,605*	*4,158*	*3,620*	*1,813*	*0*	*18,196*
Benefits paid	*(968)*	*(1,391)*	*(219)*	*(148)*	*(332)*	*(3,059)*
Other	*0*	*0*	*0*	*0*	*(231)*	*(232)*
Present value of benefit obligation at December 31	**43,242**	**18,840**	**18,272**	**4,446**	**2,092**	**86,892**
Changes in plan assets						
Fair value of plan assets at January 1	**0**	**810**	**727**	**0**	**0**	**1,537**
Revaluation adjustments – Return on plan assets	*0*	*22*	*4*	*0*	*(11)*	*15*
Acquisitions/mergers/deconsolidations	*0*	*(11)*	*0*	*0*	*0*	*(11)*
Employee contributions	*0*	*0*	*0*	*0*	*0*	*0*
Employer contributions	*0*	*25*	*(474)*	*(79)*	*270*	*(258)*
Benefits paid	*0*	*(35)*	*556*	*79*	*(270)*	*329*
Other	*0*	*0*	*106*	*0*	*(168)*	*(62)*
Fair value of plan assets at December 31	***0***	***811***	***919***	***0***	***(179)***	***1,550***
Reconciliation						
Present value of benefit obligation at December 31	***43,242***	***18,840***	***18,272***	***4,446***	***2,092***	***86,892***
Fair value of plan assets	*0*	*811*	*919*	*0*	*(179)*	*1,550*
(Liability)/Asset recognized in the balance sheet at December 31	***(43,242)***	***(18,029)***	***(17,353)***	***(4,446)***	***(2,271)***	***(85,342)***
Income statement						
Current service cost	*1,491*	*732*	*(337)*	*137*	*485*	*2,510*
Past service cost	*0*	*0*	*0*	*0*	*0*	*0*
Benefits paid including amounts paid in respect of settlements	*0*	*0*	*0*	*0*	*0*	*0*
Interest cost	*1,134*	*718*	*695*	*157*	*0*	*2,704*
Interest income	*0*	*(9)*	*(37)*	*0*	*0*	*(46)*
Revaluation adjustments on other long-term benefits	*(49)*	*654*	*(2)*	*797*	*0*	*1,400*
Other	*0*	*0*	*0*	*0*	*0*	*0*
Expense/(income) recorded in the income statement	**2,576**	**2,095**	**319**	**1,091**	**485**	**6,568**
Changes recognized directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	8,706	2,622	3,655	1,016	0	15,999
Revaluation adjustments recognized in equity not reclassifiable to income	**8,706**	**2,622**	**3,655**	**1,016**	**0**	**15,999**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

2011* (in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	**40,256**	**14,165**	**14,373**	**3,097**	**2,187**	**74,078**
Acquisitions/mergers/deconsolidations	*(9,417)*	*0*	*0*	*114*	*126*	*(9,177)*
Current service cost	*1,339*	*(492)*	*(70)*	*89*	*262*	*1,128*
Interest cost	*1,016*	*624*	*648*	*141*	*0*	*2,429*
Actuarial (gains)/losses	*1,402*	*586*	*(130)*	*(867)*	*0*	*991*
Benefits paid	*(937)*	*(240)*	*(475)*	*(26)*	*(513)*	*(2,191)*
Other	*0*	*0*	*122*	*0*	*61*	*183*
Present value of benefit obligation at December 31	**33,659**	**14,643**	**14,468**	**2,548**	**2,123**	**67,441**
Changes in plan assets						
Fair value of plan assets at January 1	**485**	**0**	**582**	**0**	**0**	**1,067**
Revaluation adjustments – Return on plan assets	*0*	*0*	*(44)*	*0*	*0*	*(44)*
Acquisitions/mergers/deconsolidations	*0*	*(485)*	*0*	*0*	*0*	*(485)*
Employee contributions	*0*	*0*	*0*	*0*	*0*	*0*
Employer contributions	*(38)*	*(546)*	*(271)*	*(68)*	*513*	*(410)*
Benefits paid	*38*	*1,356*	*338*	*68*	*(513)*	*1,287*
Other	*0*	*0*	*122*	*0*	*0*	*122*
Fair value of plan assets at December 31	***485***	***325***	***727***	***0***	***0***	***1,537***
Reconciliation						
Present value of benefit obligation at December 31	***33,659***	***14,643***	***14,468***	***2,548***	***2,123***	***67,441***
Fair value of plan assets	*485*	*325*	*727*	*0*	*0*	*1,537*
Other	*0*	*0*	*0*	*0*	*0*	*0*
(Liability)/Asset recognized in the balance sheet at December 31	***(33,174)***	***(14,318)***	***(13,741)***	***(2,548)***	***(2,123)***	***(65,904)***
Income statement						
Current service cost	*1,850*	*(921)*	*(135)*	*89*	*262*	*1,145*
Past service cost	*0*	*(429)*	*(65)*	*0*	*0*	*(494)*
Benefits paid including amounts paid in respect of settlements	*0*	*0*	*0*	*0*	*0*	*0*
Interest cost	*1,301*	*624*	*648*	*141*	*0*	*2,714*
Interest income	*(47)*	*0*	*(30)*	*0*	*0*	*(77)*
Revaluation adjustments on other long-term benefits	*(257)*	*311*	*29*	*0*	*0*	*83*
Other	*0*	*0*	*0*	*0*	*0*	*0*
Expense/(income) recorded in the income statement	**2,847**	**(415)**	**447**	**230**	**262**	**3,371**
Changes recognized directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	1,645	275	(85)	(867)	0	968
Revaluation adjustments recognized in equity not reclassifiable to income	**1,645**	**275**	**(85)**	**(867)**	**0**	**968**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Sensitivity tests on the defined benefit obligation

	Dec. 31, 2013			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	-16.47%	-9.46%	-8.51%	-14.44%
1% decrease in the discount rate	21.35%	11.16%	9.93%	18.70%
1% increase in the inflation rate	16.99%	10.36%	0.00%	0.00%
1% decrease in the inflation rate	-13.21%	-8.98%	0.00%	0.00%
1% increase in rate of increase in medical costs	14.63%	0.00%	0.00%	0.00%
1% decrease in rate of increase in medical costs	-11.18%	0.00%	0.00%	0.00%
1% increase in rate of salary increase (including inflation)	0.92%	12.67%	0.59%	18.58%
1% decrease in rate of salary increase (including inflation)	-0.83%	-10.98%	-0.54%	-14.53%

Note 19. Deferred taxes

(in thousands of euros)

	Dec. 31, 2013	Dec. 31, 2012*	Dec. 31, 2011*
Deferred tax assets	81,122	98,506	110,534
Deferred tax liabilities	138,091	151,190	132,549
Net deferred tax liability(1)	**56,968**	**52,684**	**22,015**
Deferred tax assets:			
Temporary differences	9,166	22,853	32,894
Provisions for pension and other employment benefit obligations	20,261	19,629	14,192
Tax loss carryforwards(2)	51,695	56,024	63,448
Total deferred tax assets	**81,122**	**98,506**	**110,534**
Deferred tax liabilities:			
Temporary differences(3)	(26,459)	4,913	(3,397)
Cancellation of the claims equalization provision	164,550	146,277	135,945
Total deferred tax liabilities	**138,091**	**151,190**	**132,549**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(1) Deferred tax assets for the French entities have been calculated at the rate of 34.43% for expected recovery dates after 2013. The rate used for branches is the local tax rate. These principles were also applied in 2011 and 2012.

(2) Deferred tax assets arising from the carryforward of unused tax losses relate to Compagnie Française d’Assurance pour le Commerce Extérieur. They correspond to a receivable owed to Natixis as Compagnie Française d’Assurance pour le Commerce Extérieur is a member of the Natixis tax group.

The year-on-year decrease in this item reflects the net income reported by Compagnie Française d'Assurance pour le Commerce Extérieur in 2013.

At December 31, 2013, unrecognized tax loss carryforwards (base) amounted to €53,462 thousand and chiefly concern Spain, Belgium, the United Kingdom, Mexico and Sweden. Their expiration dates vary depending on the country concerned.

(3) In accordance with IAS 12, an entity must offset its deferred tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets against current tax liabilities.

This requirement was met by the Group, which explains why it is possible for negative amounts to be recorded under temporary differences for deferred tax assets or liabilities.

Changes in deferred tax balances by region

(in thousands of euros)	Dec. 31, 2010	Impact of IAS 19	Jan. 1, 2011 (restated)	Change recognized through income	Revaluation adjustments on AFS	Change in currency impact	Other movements	Dec. 31, 2011*
Northern Europe	**91,417**	9	**91,426**	12,593	437	2	380	**104,838**
Western Europe	**(80,253)**	(539)	**(80,793)**	11,311	(4,121)	85	173	**(73,345)**
Central Europe	**6,247**	(396)	**5,852**	292	(1,203)	124	(8)	**5,056**
Mediterranean & Africa	**(5,977)**	(128)	**(6,105)**	2,936	(1,838)	317	(252)	**(4,943)**
North America	**733**	0	**733**	(70)	189	50	0	**902**
Latin America	**(2,070)**	0	**(2,070)**	(1,111)	(2,245)	(121)	(456)	**(6,002)**
Asia-Pacific	**(4,225)**	0	**(4,225)**	348	12	(64)	(562)	**(4,491)**
Total deferred tax by region	**5,872**	**(1,054)**	**4,819**	**26,298**	**(8,768)**	**392**	**(726)**	**22,015**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)	Dec. 31, 2011*	Change recognized through income	Revaluation adjustments on AFS investments	Change in currency impact	Other movements	Dec. 31, 2012*	Change recognized through income	Revaluation adjustments on AFS investments	Change in currency impact	Other movements	Dec. 31, 2013
Northern Europe	104,838	6,048	2,684	(4)	(1,329)	**112,236**	11,257	(336)	(75)	914	**123,996**
Western Europe	(73,345)	16,650	8,556	23	(2,670)	**(50,785)**	3,218	(7,584)	(78)	314	**(54,916)**
Central Europe	5,056	(2,147)	1,566	(37)	(1,348)	**3,090**	(935)	(1,429)	5	104	**835**
Mediterranean & Africa	(4,943)	(2,758)	3,661	(9)	(326)	**(4,375)**	702	(1,183)	(30)	(658)	**(5,544)**
North America	902	(647)	(79)	(59)	0	**116**	(94)	191	6	0	**218**
Latin America	(6,002)	(329)	307	913	0	**(5,112)**	(616)	(288)	876	23	**(5,116)**
Asia-Pacific	(4,491)	1,536	(27)	496	0	**(2,486)**	(741)	28	693	0	**(2,505)**
						0	0	0	0	0	0
Total deferred tax by region	**22,015**	**18,352**	**16,668**	**1,322**	**(5,672)**	**52,684**	**12,791**	**(10,601)**	**1,397**	**697**	**56,968**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

In the table above, positive figures correspond to deferred tax liabilities and negative figures correspond to deferred tax assets.

Note 20. Financing liabilities

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Bank borrowings	-	-	-
Obligations under finance leases	10,565	13,159	15,412
Bank overdrafts and other borrowings	4,568	-	52
TOTAL	**15,133**	**13,159**	**15,464**

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Due within one year:			
- Obligations under finance leases	2,609	2,568	2,340
- Bank overdrafts and other borrowings	4,568	0	52
Sub-total	**7,177**	**2,568**	**2,392**
Due between one and five years:			
- Obligations under finance leases	7,956	10,567	11,535
Total	**7,956**	**10,567**	**11,535**
Due beyond five years:			
- Obligations under finance leases	0	24	1,537
Total	**0**	**24**	**1,537**
Total	**15,133**	**13,159**	**15,464**

At December 31, 2013, the Group's financing liabilities corresponded mainly to the finance lease on its headquarters building in Germany.

Note 21. Payables arising from banking sector activities

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Amounts due to banking sector companies	406,759	523,377	2,664,415
Amounts due to customers of banking sector companies	353,751	445,111	699,001
Debt securities	1,348,787	1,112,753	0
TOTAL	**2,109,297**	**2,081,241**	**3,363,415**

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

At December 31, 2013, debt securities comprised:

- €1,038 million in senior units issued by the FCT Vega fund as part of the securitization program set up for Coface Finanz's factoring receivables as from February 2012 (therefore explaining the significant movements in this caption in 2012);
- €311 million in commercial paper issued by Coface SA to finance Coface Finanz's operations, with an average maturity of around 2.5 months at December 31, 2013.

Amounts due to banking sector companies corresponded to drawdowns on the bilateral credit lines set up with various banking partners of Coface Finanz and Coface Factoring Poland (including Natixis).

Note 22. Payables arising from insurance and reinsurance operations

(in thousands of euros)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Guarantee deposits received from policyholders and other	2,257	3,575	4,723
Amounts due to policyholders and agents	67,226	80,597	49,179
Payables arising from insurance and inward reinsurance operations	**69,482**	**84,172**	**53,902**
Amounts due to reinsurers and ceding insurers	49,590	40,394	169,194
Deposits received from reinsurers	6,475	6,444	6,354
Payables arising from ceded reinsurance operations	**56,065**	**46,838**	**175,548**
Total payables arising from insurance and reinsurance operations	**125,547**	**131,010**	**229,450**

Note 23. Other liabilities

	Dec. 31, 2010*	Dec. 31, 2012*	Dec. 31, 2011*
Current tax payables	**51,470**	**81,553**	**68,325**
Derivatives and related liabilities	**2,527**	**26**	**91**
Accrued personnel costs	28,129	53,984	52,273
Sundry payables	150,510	174,528	156,550
Deferred income	7,194	7,240	6,685
Other accruals	9,240	11,302	9,438
Other payables	**195,073**	**247,053**	**224,946**
TOTAL OTHER LIABILITIES	**249,070**	**328,632**	**293,362**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

NOTES TO THE INCOME STATEMENT

Note 24. Consolidated revenue

(in thousands of euros)

a) By business line	**2013**	**2012***	**2011***
Premiums – direct business	1,145,144	1,182,987	1,189,414
Premiums – inward reinsurance	61,546	74,538	55,967
Policyholders' rebates	(75,564)	(91,472)	(83,971)
Provisions for unearned premiums	(2,583)	(6,134)	(23,204)
Earned premiums net of cancellations	**1,128,543**	**1,159,919**	**1,138,206**
Fee and commission income	**123,410**	**127,212**	**112,457**
Net income from banking activities	**69,210**	**77,030**	**99,039**
Other insurance-related services	9,710	9,217	9,956
Remuneration of public procedures management services	65,577	68,559	70,290
Business information and other services	25,194	24,843	28,477
Receivables management	18,685	20,261	15,756
Revenue or income from other activities	**119,167**	**122,880**	**124,479**
Consolidated revenue	**1,440,330**	**1,487,040**	**1,474,181**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

b) By country of invoicing	**2013**	**2012***	**2011***
Northern Europe	366,782	347,182	406,360
Western Europe	469,245	505,270	498,344
Central Europe	109,977	110,638	99,871
Mediterranean & Africa	216,651	213,187	201,780
North America	101,687	112,523	97,834
Latin America	81,209	84,796	72,967
Asia-Pacific	94,780	113,444	97,025
Consolidated revenue	**1,440,330**	**1,487,040**	**1,474,181**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

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

(in thousands of euros)

c) Insurance revenue by type of insurance	2013	2012*	2011*
Credit insurance			
Export	458,141	494,274	472,764
Domestic	574,982	566,910	561,415
Other	5,365	4,642	4,024
Total credit	**1,038,488**	**1,065,827**	**1,038,203**
Guarantees	57,883	59,815	59,223
Single risk	32,172	34,277	40,780
Total guarantees and other	**90,055**	**94,092**	**100,003**
Total insurance revenue	**1,128,543**	**1,159,919**	**1,138,206**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

d) Net income from banking activities	2013	2012*	2011*
Financing fees	34,249	40,303	51,839
Factoring fees	39,508	42,401	51,662
Other	(4,547)	(5,674)	(4,462)
Total net income from banking activities	**69,210**	**77,030**	**99,039**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 25. Claims expenses

(in thousands of euros)	2013	2012*	2011*
Paid claims, net of recoveries	(544,701)	(636,838)	(396,671)
Claims handling expenses	(29,787)	(26,993)	(34,394)
Change in claims provisions	(1,774)	66,325	(163,280)
Total	**(576,263)**	**(597,506)**	**(594,344)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Claims expenses by year of occurrence

(in thousands of euros)	2013			2012*			2011*		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(812,490)	148,415	(664,076)	(853,896)	157,967	(695,929)	(802,142)	189,669	(612,473)
Claims expenses – prior years	236,227	(6,763)	229,464	256,390	(2,203)	254,186	207,797	(32,053)	175,745
Claims expenses	**(576,263)**	**141,651**	**(434,612)**	**(597,506)**	**155,763**	**(441,743)**	**(594,344)**	**157,616**	**(436,728)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 26. Expenses from banking activities

(in thousands of euros)	2013	2012*	2011*
Charges to allowances for receivables	(1,895)	(221)	(6,590)
Reversal of allowances for receivables	1,980	4,551	8,198
Losses on receivables not covered by allowances	(877)	(798)	(1,917)
Losses on receivables covered by allowances	(1,741)	(4,551)	(7,945)
Cost of risk	**(2,533)**	**(1,019)**	**(8,255)**
Operating expenses	**(11,884)**	**(14,672)**	**(13,938)**
Total expenses from banking activities	**(14,417)**	**(15,690)**	**(22,193)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

"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 amortized receivables.

Note 27. General expenses by function

(in thousands of euros)	2013	2012*	2011*
Commissions	(134,939)	(140,444)	(137,174)
Other acquisition costs	(121,928)	(91,883)	(90,329)
Total acquisition costs	**(256,867)**	**(232,327)**	**(227,503)**
Administrative costs	**(263,891)**	**(218,099)**	**(232,445)**
Other current operating expenses	**(83,112)**	**(135,476)**	**(111,758)**
Investment management expenses	**(5,025)**	**(6,436)**	**(5,915)**
o/w insurance investment management expenses	*(2,848)*	*(4,125)*	*(3,509)*
Claims handling expenses	**(29,787)**	**(26,993)**	**(34,394)**
o/w insurance claims handling expenses	*(29,787)*	*(26,993)*	*(28,555)*
TOTAL	**(638,683)**	**(619,332)**	**(612,015)**
o/w employee profit-sharing	*(5,819)*	*(6,196)*	*(6,470)*

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Total administrative costs including general expenses (by function), expenses from other activities and expenses from banking activities came out at €702,534 thousand in 2013 versus €705,500 thousand in 2012.

At December 31, 2013, administrative costs included €8,345 thousand related to the relocation of Coface's headquarters.

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

Note 28. Reinsurance result

(in thousands of euros)	**2013**	**2012***	**2011***
Ceded claims	143,067	176,585	96,422
Change in claims provisions, net of recoveries	(1,415)	(20,822)	61,195
Commissions paid by reinsurers	108,001	117,048	109,613
Income from ceded reinsurance	**249,652**	**272,811**	**267,229**
Ceded premiums	(314,762)	(322,988)	(364,827)
Change in unearned premiums provisions	(1,093)	(6,270)	16,850
Expenses from ceded reinsurance	**(315,855)**	**(329,258)**	**(347,976)**
Reinsurance result	**(66,202)**	**(56,447)**	**(80,747)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 29. Investment income by category

(in thousands of euros)	**2013**	**2012***	**2011***
Investment income (excluding net gains/(losses) on assets and liabilities held for trading)	36,756	49,079	48,577
Net gains/(losses) on assets held for trading	0	(73)	(88)
Net gains/(losses) on disposals	35,400	(6,914)	(999)
Change in provisions:	4,970	5,035	2,606
AFS equities	(302)	10	(544)
AFS bonds and government securities	0	242	(242)
HTM bonds and government securities	0	7,637	0
Other loans and receivables	2,906	0	2,948
AFS investments in non-consolidated companies	(1,274)	(627)	0
Liabilities and charges on AFS investments in non-consolidated companies	3,640	(2,227)	443
Net foreign exchange gains/(losses)	(2,583)	(2,413)	(6)
Investment management expenses	(7,027)	(7,747)	(6,933)
Total investment income, net of management expenses (excluding finance costs)	**67,516**	**36,968**	**43,157**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 30. Investment income by class of investment

(in thousands of euros)	2013	2012*	2011*
Property	257	354	272
Equities	(778)	860	241
Fixed-income instruments	68,802	46,494	45,767
Derivatives	317	(142)	(6)
Sub-total	**68,598**	**47,566**	**46,274**
Management expenses	(7,027)	(7,747)	(6,933)
Net foreign exchange gains/(losses)	(2,583)	(2,413)	(6)
Dividends	1,389	2,416	3,107
Additions to provisions for investments in non-consolidated companies	2,366	(2,854)	444
Net gains/(losses) on investments in non-consolidated companies	4,772	0	271
Total	**67,516**	**36,968**	**43,157**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 31. Other operating income and expenses

(in thousands of euros)	2013	2012	2011
Other operating expenses	(2,590)	(720)	(32,987)
Other operating income	4,311	522	1,694
Net	**1,721**	**(198)**	**(31,293)**

(in thousands of euros)	2013	2012	2011
Provisions for Greek securities			(7,642)
Restructuring costs			(23,601)
Other operating expenses	(2,590)	(720)	(1,744)
Total other operating expenses	**(2,590)**	**(720)**	**(32,987)**
Total other operating income	**4,311**	**522**	**1,694**
Net	**1,721**	**(198)**	**(31,293)**

Following the strategic plan launched in late December 2010, Coface put in place a policy aimed at refocusing its operations on the credit insurance business. At the same time, a restructuring plan was rolled out for its strategic businesses, leading to the recognition of significant costs in 2011, including provisions for operating restructuring measures and provisions for risks relating to the subsidiaries of the maintained activities. Since these costs were unusual, material, and infrequent, they were restated in the income statement and classified in "Other non-recurring operating expenses", thereby enabling readers to better understand the financial statements.

Other operating income generated in 2013 included €2,645 thousand related to the first-time consolidation of Coface RUS.

Note 32. Income tax expense

(in thousands of euros)	2013	2012*	2011*
Current taxes	(54,589)	(46,337)	(29,309)
Deferred taxes	(12,792)	(18,352)	(25,382)
Total	**(67,380)**	**(64,689)**	**(54,691)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Tax proof

(in thousands of euros)	2013		2012*		2011*	
Net income for the year	**127,439**		**124,087**		**63,600**	
Non-controlling interests	569		1,226		1,223	
Income tax expense for the year	(67,380)		(64,689)		(54,691)	
Net income/(loss) from discontinued operations	0		(5,142)		(17,154)	
Share of net income of associates	1,493		1,371		1,885	
Pre-tax income for the year and share in net income of associates	**193,895**		**193,773**		**134,782**	
Tax rate		34.43%		34.43%		34.43%
Theoretical tax	(66,758)		(66,716)		(46,406)	
Tax expense presented in the consolidated income statement	(67,380)	34.75%	(64,689)	33.38%	(54,691)	40.58%
Difference	**622**	**-0.32%**	**(2,027)**	**1.05%**	**8,285**	**-6.15%**
Impact of differences between Group tax rates and local tax rates	13,623	-7.03%	6,191	-3.19%	6,813	-5.05%
o/w United Kingdom – 23%	*3,547*	*-1.83%*	*541*	*-0.28%*	*(875)*	*0.65%*
o/w Poland – 19%	*1,637*	*-0.84%*	*1,519*	*-0.78%*	*1,433*	*-1.06%*
o/w Singapore – 11.22%	*1,710*	*-0.88%*	*1,139*	*-0.59%*	*986*	*-0.73%*
o/w Germany – 31.23%	*1,939*	*-1.00%*	*2,064*	*-1.06%*	*2,252*	*-1.67%*
o/w Austria – 25%	*972*	*-0.50%*	*692*	*-0.36%*	*1,544*	*-1.15%*
o/w Netherlands – 25%	*1,105*	*-0.57%*	*(1,668)*	*0.86%*	*(884)*	*0.66%*
o/w Hong Kong – 16.5%	*0*	*0.00%*	*0*	*0.00%*	*2,248*	*-1.67%*
o/w other Group subsidiaries	*2,713*	*-1.40%*	*1,904*	*-0.98%*	*108*	*-0.08%*
Specific local taxes						
o/w French Corporate value added tax (CVAE)	(4,095)	2.11%	(3,705)	-1.91%	(3,174)	-2.35%
Tax reassessments	(11,306)	5.83%				
Tax losses for which no deferred tax assets have been recognized	(6,164)	3.18%	(1,826)	-0.94%	(5,556)	-4.12%
Utilization of previously unrecognized tax loss carryforwards – United Kingdom branch	7,155	-3.69%	1,270	0.66%		
Utilization of previously unrecognized tax loss carryforwards – Australia branch	2,086	-1.08%				
Utilization of previously unrecognized tax loss carryforwards – Other subsidiaries and branches	1,364	-0.70%				
Dividends paid in France non-deductible for tax purposes (5%)	(1,502)	0.77%	(783)	-0.40%	(1,002)	-0.74%
Provisions for investments in non-consolidated companies					(3,307)	-2.45%
Reversal of deferred tax in Japan					(1,881)	0.00%
Impact of derecognition of German funds	(2,674)	1.38%				
Impact of first-time consolidation of Russia	552	-0.28%				
Other differences	339	-0.17%	880	0.45%	(179)	-0.13%

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

At December 31, 2013, unrecognized tax loss carryforwards (base) amounted to €53,462 thousand and chiefly concern Spain, Belgium, the United Kingdom, Mexico and Sweden. Their expiration dates vary depending on the country concerned.

For reasons of prudence, Coface only recognizes a net deferred tax asset when it is probable that sufficient taxable profits against which the asset can be utilized will be available within a given timeframe (a maximum of 10 years), even though tax losses can be carried forward for far longer periods (e.g., 20 years in the United States) or indefinitely in France and the United Kingdom.

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.

Note 33. Share in net income of associates

(in thousands of euros)	2013	2012	2011
Cofacrédit	1,493	1,371	1,885
Total	**1,493**	**1,371**	**1,885**

ADDITIONAL INFORMATION

Note 34. Analysis of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

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

Reinsurance result – which is calculated and recognized for the whole Group at the level of Compagnie Française d'Assurance pour le Commerce Extérieur – has been reallocated at the level of each region.

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

Analysis of 2013 net income by segment

		Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE		**360,899**	**474,535**	**115,854**	**219,784**	**101,667**	**81,132**	**94,780**	**129,675**	**28,315**	**0**	**(166,310)**	**1,440,330**
	o/w Insurance	*251,028*	*358,679*	*82,348*	*181,139*	*89,594*	*72,401*	*93,277*	*129,675*	*0*	*0*	*(129,597)*	***1,128,543***
	o/w Factoring	*61,522*	*221*	*9,378*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(1,911)*	***69,210***
	o/w Other insurance-related servic	*48,350*	*115,635*	*24,127*	*38,645*	*12,073*	*8,731*	*1,503*	*0*	*28,315*	*0*	*(34,802)*	***242,577***
Policyholder bonuses	*(for information)*	*(25,579)*	*(30,173)*	*(7,359)*	*(943)*	*(3,398)*	*(3,225)*	*(6,171)*	*(2,823)*	*0*	*0*	*4,107*	*(75,564)*
Claims expenses	(incl. management expenses)	(124,303)	(150,792)	(54,791)	(127,169)	(17,336)	(76,164)	(24,208)	(65,007)	0	0	63,508	(576,263)
Cost of risk		(2,728)	0	194	0	0	0	0	0	0	0	0	(2,534)
Commissions		(21,102)	(45,097)	(3,987)	(18,577)	(23,500)	(8,569)	(19,073)	(26,756)	0	0	31,720	(134,939)
Internal general expenses		(140,557)	(171,451)	(38,227)	(71,250)	(25,014)	(27,416)	(26,168)	0	(27,821)	(39,213)	34,416	(532,700)
UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE*		**72,209**	**107,196**	**19,044**	**2,789**	**35,818**	**(31,017)**	**25,331**	**37,912**	**494**	**(39,213)**	**(36,667)**	**193,895**
Income/(loss) on ceded reinsurance		(16,756)	(31,314)	1,816	2,539	(13,281)	1,615	(13,828)	(34,905)	0	0	37,913	(66,202)
Other operating income and expenses		2,810	(628)	(166)	(42)	0	(1)	0	0	0	0	(253)	1,721
Net financial income/(loss) excluding finance costs		13,454	23,250	11,909	12,262	1,640	7,241	2,321	0	(67)	0	(4,493)	67,516
Finance costs		(668)	(3,551)	(148)	(1,033)	(814)	(76)	(14)	0	(231)	0	3,501	(3,035)
OPERATING INCOME/(LOSS) including finance costs		**71,049**	**94,953**	**32,455**	**16,514**	**23,363**	**(22,238)**	**13,810**	**3,007**	**196**	**(39,213)**	**0**	**193,895**
Share in net income of associates		0	1,493	0	0	0	0	0	0	0	0	0	1,493
NET INCOME BEFORE TAX		**71,049**	**96,446**	**32,455**	**16,514**	**23,363**	**(22,238)**	**13,810**	**3,007**	**196**	**(39,213)**	**0**	**195,388**
Income tax expense		(36,216)	(24,560)	(6,708)	(10,805)	(8,346)	(94)	(966)	(1,035)	(26)	13,501	7,876	(67,380)
CONSOLIDATED NET INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS		**34,833**	**71,886**	**25,747**	**5,709**	**15,016**	**(22,331)**	**12,843**	**1,971**	**170**	**(25,712)**	**7,876**	**128,008**
Non-controlling interests		(83)	(141)	(469)	19	(29)	187	(53)	0	(1)	0	0	(569)
NET INCOME/(LOSS) FOR THE YEAR (in €k)		**34,750**	**71,745**	**25,278**	**5,729**	**14,987**	**(22,145)**	**12,791**	**1,971**	**169**	**(25,712)**	**7,876**	**127,439**

** Underwriting income/(loss) before reinsurance is a key financial indicator used by the Coface Group to analyze the performance of its businesses. Underwriting income/(loss) 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.*

The increase in internal general expenses recorded by the holding company between December 31, 2012 and December 31, 2013 is essentially attributable to the relocation of Coface's headquarters.

Analysis of 2012 net income by segment

	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	INTER-ZONE	TOTAL
REVENUE	**344,513**	**513,511**	**117,448**	**216,000**	**113,603**	**84,796**	**113,439**	**145,526**	**31,194**	**0**	**(192,990)**	**1,487,040**
o/w Insurance	*223,052*	*387,663*	*82,888*	*178,470*	*100,799*	*75,566*	*111,977*	*145,526*	*0*	*0*	*(145,900)*	***1,160,042***
o/w Factoring	*69,768*	*153*	*9,220*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(2,111)*	***77,030***
o/w Other insurance-related servic	*51,693*	*125,696*	*25,339*	*37,530*	*12,804*	*9,230*	*1,462*	*0*	*31,194*	*0*	*(44,979)*	***249,969***
Policyholder bonuses (for information)	*(39,695)*	*(29,443)*	*(6,563)*	*(3,615)*	*(2,541)*	*(4,127)*	*(6,701)*	*(3,892)*	*0*	*0*	*5,105*	*(91,472)*
Claims expenses (incl. management expenses)	(122,875)	(200,209)	(55,202)	(122,702)	(18,807)	(32,246)	(47,126)	(37,828)	0	0	39,490	(597,506)
Cost of risk	(1,019)	0	0	0	(1)	0	0	0	0	0	0	(1,019)
Commissions	(19,571)	(45,987)	(3,885)	(18,203)	(25,216)	(6,979)	(23,616)	(30,195)	0	0	33,209	(140,444)
Internal general expenses	(140,802)	(186,721)	(37,864)	(67,037)	(26,011)	(27,288)	(28,961)	0	(30,886)	(29,789)	43,710	(531,649)
UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE	**60,245**	**80,594**	**20,496**	**8,057**	**43,569**	**18,284**	**13,736**	**77,503**	**308**	**(29,789)**	**(76,581)**	**216,423**
Income/(loss) on ceded reinsurance	(14,412)	(22,290)	(571)	3,108	(11,336)	(7,544)	(4,278)	(76,626)	0	0	77,503	(56,447)
Other operating income and expenses	77	(515)	10	198	0	0	0	0	0	0	15	(215)
Net financial income/(loss) excluding finance costs	6,195	10,647	6,642	7,835	2,044	6,258	188	0	(211)	0	(2,611)	36,988
Finance costs	(1,281)	(807)	(651)	(750)	(920)	(50)	(7)	0	(182)	0	1,674	(2,974)
OPERATING INCOME/(LOSS) including finance costs	**50,825**	**67,630**	**25,926**	**18,448**	**33,356**	**16,947**	**9,640**	**877**	**(85)**	**(29,789)**	**0**	**193,774**
Share in net income of associates	0	1,371	0	0	0	0	0	0	0	0	0	1,371
NET INCOME BEFORE TAX	**50,825**	**69,001**	**25,926**	**18,448**	**33,356**	**16,947**	**9,640**	**877**	**(85)**	**(29,789)**	**0**	**195,145**
Income tax expense	(14,554)	(24,195)	(5,215)	(7,629)	(10,581)	(6,883)	(3,533)	(302)	(23)	10,259	(2,033)	(64,689)
Net income from continuing operations	36,271	44,806	20,711	10,819	22,775	10,064	6,107	575	(108)	(19,530)	(2,033)	130,456
Net income/(loss) from discontinued operations	1,726	1,983	(1,047)	(7,350)	(454)	0	0	0	0	0	0	(5,142)
CONSOLIDATED NET INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**37,997**	**46,789**	**19,664**	**3,469**	**22,321**	**10,064**	**6,107**	**575**	**(108)**	**(19,530)**	**(2,033)**	**125,314**
Non-controlling interests	(96)	(146)	(844)	18	(41)	(104)	(14)	0	0	0	0	(1,226)
NET INCOME/(LOSS) FOR THE YEAR (in €k)*	**37,901**	**46,643**	**18,820**	**3,487**	**22,280**	**9,960**	**6,093**	**575**	**(108)**	**(19,530)**	**(2,033)**	**124,087**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Analysis of 2011 net income by segment

	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total (excluding non-recurring items and discontinued operations)	Non-recurring items and discontinued operations	Group total
REVENUE	**412,878**	**509,262**	**103,679**	**207,797**	**100,306**	**73,002**	**96,510**	**175,259**	**38,556**	**0**	**(243,068)**	**1,474,181**		**1,474,181**
*o/w Insurance	260,757	413,456	71,781	171,504	89,088	63,850	95,391	175,259	0	0	(175,302)	1,165,784		1,165,784
*o/w Factoring	63,469	95,806	21,510	36,293	11,219	9,152	1,119	(0)	38,556	0	(67,766)	209,358		209,358
*o/w Other insurance-related services	88,652	0	10,388	0	(1)	0	0	0	0	0	0	99,039		99,039
Policyholder bonuses *(for information)*	*(35,523)*	*(336)*	*(6,667)*	*(2,871)*	*(992)*	*(3,709)*	*(5,850)*	*(2,489)*	*0*	*0*	*2,489*	*(55,948)*		*(55,948)*
Claims expenses (incl. management expenses)	**(155,100)**	**(223,419)**	**(39,853)**	**(105,787)**	**(29,526)**	**(19,642)**	**(20,811)**	**(40,347)**	**0**	**0**	**40,141**	**(594,344)**		**(594,344)**
Cost of risk	**(8,444)**	**1**	**189**	**0**	**(1)**	**0**	**0**	**0**	**0**	**0**	**0**	**(8,255)**		**(8,255)**
Commissions	**(25,525)**	**(54,160)**	**(3,955)**	**(16,057)**	**(22,214)**	**(6,976)**	**(21,556)**	**(24,207)**	**0**	**0**	**37,474**	**(137,174)**		**(137,174)**
Internal general expenses	**(145,416)**	**(192,397)**	**(38,111)**	**(75,354)**	**(25,227)**	**(23,624)**	**(23,670)**	**0**	**(37,843)**	**(19,860)**	**56,160**	**(525,342)**		**(525,342)**
UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE	**78,393**	**39,287**	**21,949**	**10,599**	**23,339**	**22,760**	**30,473**	**110,705**	**713**	**(19,860)**	**(109,293)**	**209,066**		**209,066**
Income/(loss) on ceded reinsurance	**(22,750)**	**(24,231)**	**(4,884)**	**(2,756)**	**(8,336)**	**(7,421)**	**(10,498)**	**(110,577)**	**0**	**0**	**110,705**	**(80,747)**		**(80,747)**
Other operating income and expenses								**0**	**0**	**0**		**0**	**(31,293)**	**(31,293)**
Net financial income/(loss) excluding finance costs	**8,684**	**12,305**	**5,978**	**7,817**	**5,154**	**6,205**	**480**	**0**	**137**	**0**	**(3,611)**	**43,150**		**43,150**
Finance costs	**(3,524)**	**(1,624)**	**(675)**	**(836)**	**(571)**	**(85)**	**26**	**0**	**(243)**	**0**	**2,139**	**(5,392)**		**(5,392)**
OPERATING INCOME/(LOSS) including finance costs	**60,803**	**25,738**	**22,369**	**14,825**	**19,586**	**21,459**	**20,481**	**128**	**607**	**(19,860)**	**(60)**	**166,076**	**(31,293)**	**134,783**
Share in net income of associates	**0**	**1,885**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,885**		**1,885**
NET INCOME BEFORE TAX	**60,804**	**27,622**	**22,369**	**14,825**	**19,586**	**21,459**	**20,481**	**128**	**607**	**(19,860)**	**(60)**	**167,961**	**(31,293)**	**136,668**
Income tax expense	(16,564)	(11,853)	(4,401)	(7,200)	(5,084)	(7,111)	(7,112)	(44)	(485)	6,838	(1,676)	**(54,691)**		**(54,691)**
Net income from continuing operations	44,240	15,770	17,968	7,625	14,502	14,349	13,370	84	122	(13,022)	(1,736)	**113,270**	(31,293)	**81,977**
Net income/(loss) from discontinued operations													(17,154)	**(17,154)**
CONSOLIDATED NET INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**44,240**	**15,770**	**17,968**	**7,625**	**14,502**	**14,349**	**13,370**	**84**	**122**	**(13,022)**	**(1,736)**	**113,270**	**(48,447)**	**64,823**
Non-controlling interests	**(104)**	**(103)**	**(777)**	**(111)**	**(15)**	**(78)**	**(36)**	**0**	**0**	**0**	**0**	**(1,223)**		**(1,223)**
NET INCOME/(LOSS) FOR THE YEAR (in €k)	**44,137**	**15,667**	**17,191**	**7,514**	**14,487**	**14,271**	**13,334**	**84**	**122**	**(13,022)**	**(1,736)**	**112,047**	**(48,447)**	**63,600**

Note 35. Net income/(loss) from discontinued operations

(in thousands of euros)	**2012***	**2011***
Net income/(loss) from discontinued operations	230	36,764
Dividends received	1,100	400
Liquidation costs	(6,472)	(22,226)
Loss on disposal of investments in non-consolidated companies	0	(32,092)
NET LOSS FROM DISCONTINUED OPERATIONS	**(5,142)**	**(17,154)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

All restatements mentioned above are presented in Note 1, Reconciliation of the published and restated financial statements for 2011 and 2012.

The loss from discontinued operations recorded for 2012 breaks down as follows by region:

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	**Total**
Revenue	**1,700**	**2,140**	**195**	**1,235**	**104**	**5,374**
Net income from banking activities	1,700	2,140	195	1,235	104	**5,374**
Cost of risk	221	(391)	(958)	(2,491)	193	**(3,426)**
Foreign exchange gains	0	(61)	0	0	2	**(59)**
Expenses from banking activities	(175)	(543)	81	(525)	(29)	**(1,191)**
Income tax expense	(20)	(109)	0	0	(94)	**(223)**
Net income/(loss) from discontinued operations	**1,726**	**1,036**	**(682)**	**(1,781)**	**176**	**476**
Dividends received	0	1,100	0	0	0	**1,100**
Provisions on securities	0	0	(486)	(5,569)	0	**(6,055)**
Provisions on current account	0	0	0	0	(630)	**(630)**
Gain or loss on liquidation	0	214	0	0	0	**214**
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS*	**1,726**	**1,983**	**(1,047)**	**(7,350)**	**(454)**	**(5,142)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The loss from discontinued operations recorded for 2011 breaks down as follows by region:

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia	**Total**
Revenue	**20,794**	**265,326**	**737**	**3,384**	**17,502**	**0**	**0**	**307,743**
Net income from banking activities	11,361	144,357	737	3,384	4,447	0	0	164,286
Fee and commission income	0	1,931	0	0	0	0	0	1,931
Revenue or income from other activities	9,433	119,038	0	0	13,054	0	0	141,525
Cost of risk	(1,188)	(7,080)	(14)	(300)	(284)	0	0	(8,867)
Foreign exchange gains	(6)	(1,068)	0	0	(1)	0	0	(1,075)
Expenses from banking activities	(7,861)	(17,840)	(579)	(2,454)	(2,827)	0	0	(31,562)
Expenses from other activities	(7,212)	(179,347)	0	0	(12,130)	0	0	(198,689)
Other current operating income and expenses	2	(3,440)	0	0	(1)	0	0	(3,439)
Other operating income and expenses	0	(991)	0	0	0	0	0	(991)
Finance costs	(15)	(5,685)	0	0	(119)	0	0	(5,819)
Share in net income of associates	0	3,014	0	0	0	0	0	3,014
Income tax expense	(1,128)	(21,785)	(694)	(54)	7	101	0	(23,552)
Net income/(loss) from discontinued operations	**3,385**	**31,105**	**(550)**	**576**	**2,147**	**101**	**0**	**36,764**
Dividends received	0	0	400	0	0	0	0	400
Liquidation costs	(128)	(3,509)	(6,849)	(676)	(6,677)	(1,487)	(2,900)	(22,226)
Loss on disposal of investments in non-consolidated companies	1,290	(40,004)	2,897	79	3,646	0	0	(32,092)
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS*	**4,547**	**(12,408)**	**(4,102)**	**(21)**	**(884)**	**(1,386)**	**(2,900)**	**(17,154)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 36. Earnings per share

Year ended December 31, 2013				
		Average number of shares	Net income for the period (in €k)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	127,439	0.81
	Dilutive instruments	0		
	Diluted earnings per share	**156,841,307**	**127,439**	**0.81**

Year ended December 31, 2012*				
		Average number of shares	Net income for the period (in €k)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	124,087	0.79
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**124,087**	**0.79**
Continuing operations	Basic earnings per share	156,841,307	129,229	0.82
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**129,229**	**0.82**
Discontinued operations	Basic earnings per share	156,841,307	(5,142)	(0.03)
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**(5,142)**	**(0.03)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Year ended December 31, 2011*				
		Average number of shares	Net income for the period (in €k)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	63,600	0.41
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**63,600**	**0.41**
Continuing operations	Basic earnings per share	156,841,307	80,754	0.51
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**80,754**	**0.51**
Discontinued operations	Basic earnings per share	156,841,307	(17,154)	(0.11)
	Dilutive instruments:	0	0	0
	Diluted earnings per share	**156,841,307**	**(17,154)**	**(0.11)**

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Note 37. Number of employees

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Northern Europe	790	845	880
Western Europe	1,375	1,484	1,669
Central Europe	448	438	444
Mediterranean & Africa	395	385	406
North America	119	123	134
Latin America	256	236	226
Asia-Pacific	106	103	104
Total	**3,489**	**3,614**	**3,862**

At December 31, 2013, the number of employees of fully consolidated companies was 3,489 full-time equivalents versus 3,614 at December 31, 2012, down 3.5% (125 FTEs) year-on-year, mainly in Northern Europe (down 55 FTEs) and Western Europe (down 109 ETPs).

Note 38. Off-balance sheet commitments

(in thousands of euros)

Off-balance sheet commitments	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Commitments given	**38,600**	**39,934**	**51,346**
Endorsements and letters of credit	29,000	29,300	39,217
Property guarantees	7,500	7,500	7,500
Financial commitments in respect of equity interests	210	2,152	2,507
Obligations under finance leases	1,890	982	2,122
Commitments received	**626,780**	**399,302**	**145,139**
Endorsements and letters of credit	116,828	139,580	135,679
Credit lines	500,000	250,000	0
Financial commitments in respect of equity interests	9,952	9,722	9,460
Guarantees received	**349,488**	**379,721**	**333,849**
Securities lodged as collateral by reinsurers	349,488	379,721	333,849
Financial market transactions	**237,133**	**3,100**	**10,200**

Credit lines correspond to liquidity lines related to commercial paper issues.

Financial market transactions in the amount of €237,133 thousand relate to the issuance of derivatives in the "Colombes" funds for €219,398 thousand:

- Currency futures: €146,051 thousand
- Equity options: €1,353 thousand
- Interest rate futures: €217 thousand
- Interest rate swaps: €71,777 thousand

The amount also includes options on Coface Europe shares for €17,735 thousand.

Note 39. Operations carried out on behalf of the French government

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

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

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

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

Consequently:

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

Note 40. Related parties

Natixis is the sole shareholder of the Coface Group

	Number of shares	%
Natixis	156,841,307	100
Total	**156,841,307**	**100**

RELATIONS WITH CONSOLIDATED ENTITIES

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

Transactions	**2013**							
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Kompass Belgique	Coface Collections North America
Total revenue and income from ordinary activities	**(6,649)**	**7**	**67**	**0**	**27**	**126**	**0**	**10**
Revenue (net banking income, after cost of risk)	(7,077)	0	0	0	0	0	0	0
Revenue or income from other activities	0	0	107	0	0	126	0	10
Earned premiums	0	0	26	0	0	0	0	0
Fee and commission income	0	6	5	0	0	0	0	0
Investment income, net of management expenses	428	1	(71)	0	27	0	0	0
Total current income and expenses	**(1,307)**	**(42)**	**(6,077)**	**7**	**1,387**	**(51)**	**0**	**(41)**
Claims expenses	(96)	4	(1,339)	0	102	1	0	(108)
Expenses from other activities	0	0	(243)	0	0	0	0	(33)
Policy acquisition costs	(650)	24	(1,799)	0	691	6	0	(6)
Administrative costs	(347)	(78)	(2,102)	7	366	(61)	0	108
Other current operating income and expenses	(214)	8	(594)	0	228	3	0	(2)
Current operating income/(loss)	**(7,956)**	**(35)**	**(6,010)**	**7**	**1,414**	**75**	**0**	**(31)**

Related-party receivables and payables	**2013**								
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Ignios	Coface Collections North America
Financial investments	**23,317**	**214,207**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other assets	**0**	**55,643**	**87**	**1,236**	**0**	**1,657**	**101**	**52**	**24**
Receivables arising from insurance and reinsurance operations	0	0	2	16	0	0	0	0	0
Current tax receivables	0	4,710	0	0	0	0	0	0	0
Deferred tax assets	0	50,933	0	0	0	0	0	0	0
Other receivables	0	0	85	1,220	0	1,657	101	52	24
Cash and cash equivalents	**0**	**(11,859)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing liabilities due to banking sector companies	**0**	**27,555**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**67**
Payables arising from banking sector activities	**0**	**261,304**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	261,304	0	0	0	0	0	0	0
Amounts due to customers of banking sector companies	0	0	0	0	0	0	0	0	0
Other liabilities	**0**	**2,314**	**45**	**2,282**	**0**	**0**	**14**	**0**	**0**
Current taxes	0	2,211	0	0	0	0	0	0	0
Other	0	103	45	2,282	0	0	14	0	0

The €50,933 thousand in deferred tax assets corresponds to a receivable owed to Natixis as Compagnie Française d'Assurance pour le Commerce Extérieur is a member of the Natixis tax group.

The €261,304 thousand in amounts due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business (see Note 21).

Transactions	**2012**							
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Kompass Belgique	Coface Collections North America
Total revenue and income from ordinary activities	**(18,542)**	**1,421**	**333**	**(194)**	**29**	**70**	**0**	**26**
Revenue (net banking income, after cost of risk)	(18,507)	0	0	(610)	0	0	0	0
Revenue or income from other activities	0	0	226	0	0	68	0	22
Earned premiums	0	0	115	416	0	0	0	0
Fee and commission income	0	1,424	0	0	0	0	0	0
Investment income, net of management expenses	(35)	(3)	(8)	0	29	2	0	4
Total current income and expenses	**(1,158)**	**(226)**	**(2,211)**	**(135)**	**1,172**	**(193)**	**0**	**(3)**
Claims expenses	(88)	(7)	(548)	0	74	3	0	(428)
Expenses from other activities	0	0	(233)	2	0	(277)	0	25
Policy acquisition costs	(662)	(53)	(162)	0	558	39	0	76
Administrative costs	(135)	(144)	(1,201)	(143)	310	22	0	191
Other current operating income and expenses	(273)	(22)	(67)	6	230	19	0	133
Current operating income	**(19,701)**	**1,194**	**(1,879)**	**(330)**	**1,200**	**(125)**	**(1)**	**22**

Related-party receivables and payables	**2012**								
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Ignios	Coface Collections North America
Financial investments	**15,214**	**273,106**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other assets	**0**	**55,979**	**379**	**5,391**	**7**	**1,718**	**91**	**144**	**812**
Receivables arising from insurance and reinsurance operations	0	0	0	0	0	0	0	0	0
Current tax receivables	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	54,727	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	**0**	**(15,085)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing liabilities due to banking sector companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**84**
Payables arising from banking sector activities	**0**	**350,259**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	350,259	0	0	0	0	0	0	0
Amounts due to customers of banking sector companies	0	0	0	0	0	0	0	0	0
Other liabilities	**0**	**0**	**(4,251)**	**10,503**	**0**	**18**	**89**	**8**	**(4,345)**
Current taxes	0	4,285	0	0	0	0	0	0	0
Other	0	101	135	0	0	18	89	8	41

Transactions	**2011**
(in thousands of euros)	Natixis group (excl. discontinued operations)
Total revenue and income from ordinary activities	**(59,220)**
Revenue (net banking income, after cost of risk)	(59,240)
Revenue or income from other activities	0
Earned premiums	0
Fee and commission income	0
Investment income, net of management expenses	20
Total current income and expenses	**(13,288)**
Claims expenses	6
Expenses from other activities	(12,461)
Policy acquisition costs	(522)
Administrative costs	(94)
Other current operating income and expenses	(217)
Current operating income	**(72,508)**

Natixis Factor, Ellisphère, Coface Finans Danemark, Kompass International, Coface Services Belgium, Kompass Belgique, Ignios and CCNA, carried as subsidiaries of Coface during 2011, were sold to Natixis at end-December 2011. Intragroup income and expense items were eliminated in consolidation.

Related-party receivables and payables				**2011**					
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Ignios	Coface Collections North America
Financial investments	**12,972**	**412,535**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other assets	**0**	**61,921**	**1,535**	**6,259**	**82**	**822**	**1,620**	**181**	**200**
Receivables arising from insurance and reinsurance operations	0	0	0	0	0	0	0	0	0
Current tax receivables	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	61,637	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	**0**	**1,843**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing liabilities due to banking sector companies	**0**	**22,845**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6**
Payables arising from banking sector activities	**0**	**2,330,699**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	2,330,699	0	0	0	0	0	0	0
Amounts due to customers of banking sector companies	0	0	0	0	0	0	0	0	0
Other liabilities	**0**	**4,337**	**2,021**	**4,671**	**0**	**0**	**1,710**	**276**	**75**
Current taxes	0	4,324	0	0	0	0	0	0	0
Other	0	13	2,021	4,671	0	0	1,710	276	75

Off-balance sheet commitments	**Dec. 31, 2013**	**Dec. 31, 2012**	**Dec. 31, 2011**
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis group (excl. discontinued operations)	Natixis group (excl. discontinued operations)
Commitments given	**300**	**0**	**0**
Endorsements and letters of credit	300	0	0
Commitments received	**143,537**	**90,967**	**41,599**
Endorsements and letters of credit	43,537	40,967	41,599
Credit lines	100,000	50,000	0

Key management compensation

(in thousands of euros)	**2013**	**2012**	**2011**
Short-term benefits	1,646	1,359	1,634
(gross salaries and wages, incentives, benefits in kind and annual bonus)			
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Statutory termination benefits	-	-	-
Share-based payment	-	-	-
Total	**1,646**	**1,359**	**1,634**

Coface's senior executives sit on the seven-member Management Board.

Note 41. Events after the reporting period

No significant events that are likely to affect the financial statements occurred between the year-end and the date on which they were prepared.

Note 42. Fees paid by Coface to the Statutory Auditors and members of their networks

(in thousands of euros)	**KPMG**	**%**	**Deloitte**	**%**	**2013**	**2012**	**2011**
Audit							
Review of interim financial statements	167		62		229	252	353
Audit of annual financial statements	1,047		1,352		2,399	2,042	2,195
Other assignments and procedures	3		38		41	16	20
Sub-total	**1,217**	**46%**	**1,452**	**54%**	**2,669**	**2,310**	**2,568**
Other services							
Internal audit	0		0		0	0	67
Legal, tax and corporate advisory services	132		21		153	63	56
IT services	0		0		0	0	0
Other	30		0		30	52	6
Sub-total	**162**	**89%**	**21**	**11%**	**183**	**115**	**129**
Total	**1,379**	**48%**	**1,473**	**52%**	**2,852**	**2,425**	**2,697**

Note 43. Risk management

Quantitative Disclosures about Risk Factors, Risk-Management Policy and Insurance

To deal with internal as well as external risk factors, the Coface Group has established a risk-management system designed to ensure proper operation of all its internal processes, compliance with laws and regulations of all countries in which it has a presence as well as compliance with group-wide regulations by all operating entities in order to manage operational risks and to optimize effectiveness.

1. Organization of risk oversight

1.1. Governance

The Board of Directors examines and approves the annual report relating to internal controls and ensures compliance with rules relating to insurance regulation and internal risk management rules and procedures.

The Audit Committee guarantees the quality of the implemented management and risk-control system.

The group Risk Committee is chaired by the Chief Executive Officer and meets every quarter. It comprises the members of the executive Committee, the body responsible for the Coface Group's strategic and operational management, the group risk Director, the group legal and compliance Director, as well as the relevant representatives of the operational and functional departments who attend depending on the subject matter. The Group Risk Committee is responsible for:

- setting risk policies;
- monitoring the company's exposure to risk;
- measuring the effectiveness of risk-management systems;
- approving and defining control plans and the audit plan;
- verifying the company's ability to face crisis situations (business continuity plan, solvency); and
- ensuring compliance with organization processes.

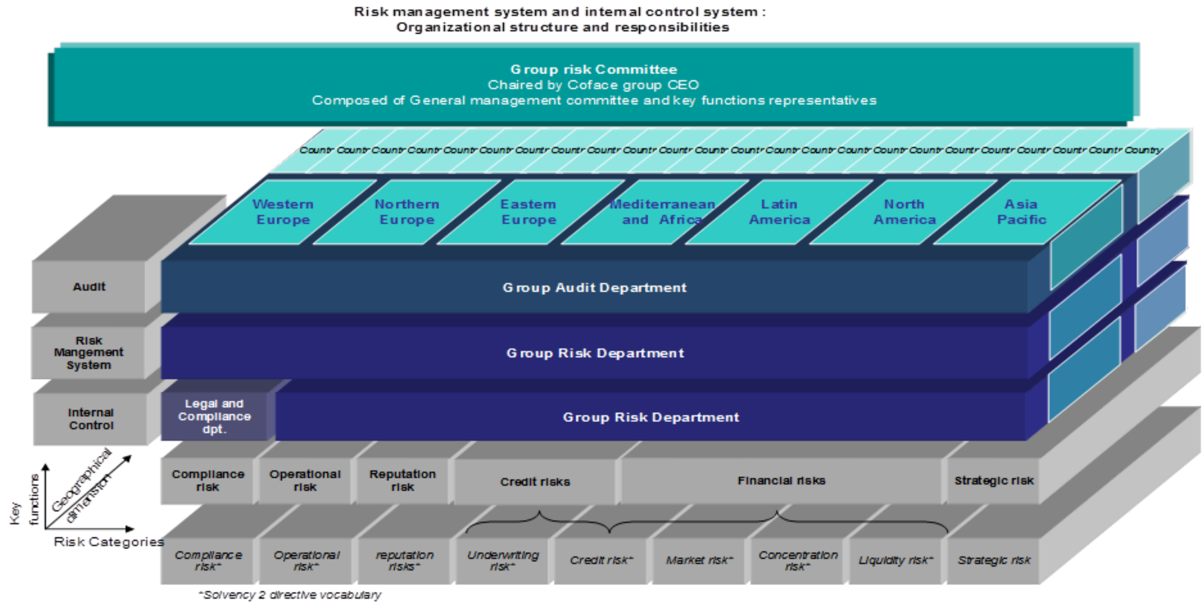
1.2. General Risk-Management System

The Coface Group has implemented a risk-control system in compliance with the Solvency II Directive and the Regulation of the Banking and Financial Regulations Committee ("CRBF") No. 97-02.

The Coface Group defines the internal control system as a set of measures aimed at ensuring control of the development, profitability, risks and operation of the company. Generally speaking, the purpose of these measures is to ensure that:

- all types of risks are identified, assessed and managed;
- operations and behaviors are in line with the decisions made by the executive bodies and comply with laws, regulations, values and internal rules applicable to the Coface Group. More specifically, with regard to financial and management information, these measures are aimed at ensuring that they faithfully reflect the Coface Group's financial condition and activity;
- these operations are conducted with the effectiveness and the efficient use of resources in mind.

As a result, the Coface Group has put in place a general risk-control system organized as follows:



1.3. Classification of risks

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

- **Credit risks**

The core business of the Coface Group being the protection of the trade receivables of its policyholders, i.e. supporting its policyholders' in the management of their debtor risk, the Coface Group needs to control effectively its own risks in order to monitor those of its policyholders.

Credit risks include all risks related to the underwriting of insurance contracts as well as risks inherent in the factoring business:

Thus, credit risks include:

- the underwriting risk inherent in the insurance business (i.e. short-term credit insurance, special risks including single risk and surety bonding) as defined in the Solvency II Directive, that is the risk of loss or of an unfavorable change in the value of insurance commitments due to inadequate pricing and provisioning assumptions; and

- credit risk inherent in the factoring business as defined in the Regulation CRBF No. 97-02, i.e. the risk incurred in the event of default of a counterparty or counterparties deemed to be the same beneficiary pursuant to article 3 of Regulation CRBF No. 93-05.

- **Financial risks**

Financial risks include risks related to balance-sheet management (including interest rates, foreign-exchange rates, technical provisions and factoring non-related credit risks), investment portfolio management (in particular with respect to values, exposures, etc), liquidity and concentration risks as well as reinsurance (default, reinsurance treaties) and other techniques used to reduce risks.

1.4. Risk-management system

The risk-management system implemented within the Coface Group is based on three levels of control in compliance with the provisions of the Solvency II Directive:

– level 1 operational controls performed by the business lines, based on operational application procedures;

– level 2 controls performed by the group risk Department and the group legal and compliance Department (the "**GLCD**");

– level 3 periodic controls performed by the group audit Department.

It relies on different key functions:

– internal audit function (i);

– risk-management function (ii);

– actuarial function (iii); and

– internal control and compliance function (iv).

(i) Internal audit function

The main purpose of the internal audit function performed by the group Audit Department is to assess and report, for each audited unit:

– the quality of the financial condition;

– the level of risks actually incurred;

– the quality of the organization and its management;

– the consistency, adequacy and efficiency of the assessment and risk-management systems;

– the reliability and integrity of the accounting and management information;

– compliance with laws, regulations and rules of the Coface Group;

– the effective implementation of the recommendations of previous missions and of regulators.

This control is carried out through periodic missions aimed at covering the entire scope of the Coface Group over a limited number of financial years. It results in the issue of a report and the formulation of recommendations.

In the context of the Solvency II Directive, the internal audit function must assess the adequacy and the efficiency of the internal control system and the other elements of the governance system.

(ii) Risk-management function

The risk-management function consists in defining risk policies and monitoring their implementation, assessing the relevance and the efficiency of the internal control system, tracking the business continuity plan, gathering claims and losses and updating risk mapping.

This function is performed by the group risk Department.

The group risk Department was created in order to conform the Coface Croup's risk-management system to the new Solvency II regulation. It is in charge of rolling out and coordinating the Solvency II regulation at the Coface Group level.

The group risk Department reports on its activity to the group risk Committee, which meets quarterly. This committee decides on or approves action plans, monitors their implementation and addresses any risk-management issues referred to it.

The group risk Department coordinates a network of seven correspondents in each region. These correspondents are in charge of monitoring a network of "control and compliance" correspondents in the countries within their geographic scope.

These correspondents are responsible for the implementation at the local level of the level 2 controls defined by the Coface Group, ensuring compliance with the group rules and monitoring the progress of any decided action plans.

The organizing principles are outlined in the charter of the risk-management function that defines the purpose, the responsibilities and the skills required to carry out these functions.

(iii) Actuarial function

The actuarial function, performed by the Actuarial division of the group risk Department, is in charge of modeling, the review of the Debtor Risk Assessment ("DRA") ratings, the provisioning methods, the management of capital adequacy requirements, pricing models as well as internal risk and solvency assessments.

(iv) Internal control and compliance functions

The internal control and compliance function monitor compliance of the procedures with the rules and carry out the management of the operational activities. The internal control function is performed by the group risk Department and the compliance function is performed by the GLCD.

They perform their respective duties through level 2 controls and reporting.

a. Internal control function

The internal control function is organized in line with the Coface Group's new matrix organization based on geographic zone and group function. The group risk Department coordinates a network of seven correspondents in each region tasked with monitoring a network of correspondents in the countries within their geographic scope.

In addition to the existing controls at levels 1 (business lines) and 3 (audit), level 2 control programs applicable to all countries have been established.

The group risk Department establishes a group minimum control program. This annual program is communicated to the correspondents (regional and local), as well as to the regional managers. These programs can be supplemented at the regional or country level depending on local regulatory needs (mandatory additional controls), local priorities or other factors. The frequency of the controls depends on their type (from monthly to annual). The correspondents are responsible for implementing, at the local level, the level 2 controls defined at group level, ensuring compliance with group rules and monitoring the progress of the decided action plans.

These controls are carried out based on procedures that identify the persons responsible for the controls, the periodicity of the controls, the methodology (preparation of samples, documents used, terminology, control points), as well as the methods for reporting any identified anomalies and monitoring of subsequent action plans. After the controls have been effected, action plans are defined in order to resolve any identified malfunctioning. Corrective actions decided upon immediately at the local level are implemented in cooperation with the operational management bodies under the authority of the country and regional managers.

A quarterly report allows the different levels (group, region, country) to track the results (i.e., results of control plans and progress with remediation plans). A summary of the results is communicated quarterly by each correspondent to the group risk Department, which then reports to the group risk Committee.

b. Compliance function

The compliance function, in accordance with the provisions of the Solvency II Directive, is responsible for overseeing risks of non-compliance by establishing rules applicable to all Coface Group entities, training programs aimed at promoting a proper understanding and correct implementation of those rules, as well as setting up a meaningful and effective non-compliance risk-control system.

The risk of non-compliance is the possibility of incurring legal, administrative or disciplinary penalties, or of sustaining significant financial loss or damage to reputation resulting from the failure to comply with the provisions applicable to banking and financial activities of a legislative or regulatory nature or from the failure to comply with professional and ethical standards or instructions from the executive body.

Compliance risk is managed by the GLCD in which the compliance function is responsible in particular for:

- implementing the Coface Group's compliance rules among the various entities of the Coface Group;
- setting up level 2 controls ensuring the proper application of local and group standards;
- reporting the results of the level 2 controls and the incidents of non-compliance uncovered during the controls or outside the controls to the group risk Committee.

To accomplish its mission, the GLCD is assisted in the different regions by regional compliance correspondents and in various countries by local compliance correspondents depending on the functional matrix put in place within the Coface Group.

The GLCD reports regularly to the Coface Group's executive bodies to describe the situation with regard to non-compliance risk, quarterly in the case of the group risk Committee and, periodically directly to the Executive Management in the event of major incidents.

2. Credit Risk Management

The debtor credit risk, directly linked to the economic environment, is the risk of losses generated by the insurance policy portfolio and can determine to a significant degree any change in the activity and in the earnings of the Coface Group.

A distinction is typically made between frequency risk and catastrophe risk:

- frequency risk is the risk of a sudden and significant increase in default by a large number of debtors;
- catastrophe risk is the risk of unusually high losses with respect to a single debtor or group of debtors, or an accumulation of losses sustained in the same country.

The Coface Group manages credit risk using a large number of procedures described below.

2.1 Control and monitoring of products

- Approval of new products: the Coface Group relies on a group products Committee in order to ensure consistency of the distributed product range with the company's strategy. It approves the launching of new product lines and monitors the products distributed in each region. It brings together the marketing, business, organizational, compliance and risk functions and any other functions depending on the project.

- Validation of product development: any development regarding any of the terms of the insurance policy, the pricing policy, the distribution method or the target (policyholders, country) must be notified to the group marketing Department and to the GLCD.

- Business delegations: in order to secure the profitability of the insurance policies, the contractual terms of the insurance policy having a significant influence on the performance of the insurance policy or risk-management are subject to a delegation system with eight levels of responsibility.

- Pricing: the Coface Group uses a common pricing system (PEPS) enabling any of its users to create pricing projects using simulation tools and to formulate pricing proposals in line with the profitability targets of the Coface Group.

2.2 Centralized management of the credit risk

Frequency risk and catastrophe risk are monitored locally and regionally, and also centralized and analyzed at headquarters.

Frequency risk is covered by technical provisions calculated using a statistical claims model that simulates loss ratios based on observed development patterns and ongoing claims. This risk is measured for each region and country by monitoring the instant loss ratio[32] and the monthly indicator that measures domestic/export credit trends by the DRA (see Section 6.5.1 "*Credit-Insurance and Related Services – Risk Underwriting Implemented through a Harmonized Process*" of this registration document) and business sector, by acceptance rate in the DRA scale and by product lines (surety bonding, "Single Risk"). As a result, defaults are analyzed on a weekly basis by the group executive Committee and on a monthly basis by the group risk underwriting Committee. The loss ratios of the various underwriting regions are also monitored at the consolidated Coface Group level.

The main purpose of the Coface Group's reinsurance strategy is to cover catastrophe risk (see Section 4.4.2.8 "*Intercompany Risk Sharing and Reinsurance*" below). In addition to the weekly and monthly controls carried out at the level of each country and region, the Coface Group has put in place a central system based on:

- centralizing potential claims in excess of a certain ceiling (currently €0.5 million for all Coface Group underwriting centres) which then are subject to post mortem analysis enabling to improve the performance of the information, factoring and collection functions;

- a maximum standard exposure monitoring process of risk underwriting, which is established and approved by the group risk underwriting Department for exposures in excess of previously established amounts calculated on the basis of a DRA;

- a risk assessment system through the DRA which covers all debtors.

2.3. Diversification of credit risks

The Coface Group maintains a diversified insurance portfolio so as to minimize the risk that default by a given debtor, a downturn in any particular industry or an adverse event in any particular country do not have a disproportionate impact on the Coface Group's overall loss ratio. In addition, the Coface

[32] The instant loss ratio is a weekly indicator enabling to monitor the evolution of the loss ratio. It is monitored for each region and country and is subject to weekly reporting within the Coface Group enabling, notably, the risk underwriters to monitor the evolution of their portfolios and to detect each eventual deterioration in order to put in place preventive measures at an early stage

Group policies include clauses that provide for the amendment of credit limits during the validity of the insurance policy.

- Exposure to debtor risk

The Coface Group insurance policies cover the risk of non-payment by almost 2.5 million debtors worldwide. As of December 31, 2013, the average risk per debtor was €182,000. 79.7% of debtors covered by the Coface Group’s credit insurance policies are located in OECD countries, mainly in Europe and more particularly in Germany, France, Italy, Spain and the United Kingdom, and in the United States.

The vast majority of debtors taken individually do not represent a material risk since no individual debtor represents more than 1% of the Coface Group’s exposure.

The following table analyzes debtors breakdown at December 31, 2011, 2012 and 2013, respectively, based on the Coface Group's total credit risk exposure in each case. An analysis of the number of debtors by debtor exposure band demonstrates a low risk concentration profile:

	2013				**2012**				**2011**				**Change in exposure**	
Debtor Exposure Band	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**Exposure[1] (in €m)**	**Number of limits[2]**	**Number of debtors[3]**	**% of total exposure**	**2013/2012**	**2012/2011**
Refusal	0	876,862	614,149	0.0	0	781,262	548,556	0.0	0	672,815	486,835	0	0%	0
1 - 10 KE	3,709	524,909	481,172	0.8	3,956	552,087	511,020	0.9	4,188	571,354	536,087	0.9	-6%	-6%
11 - 20 KE	6,052	476,234	376,206	1.3	6,490	498,923	393,623	1.5	6,846	510,250	406,418	1.5	-7%	-5%
21 - 30 KE	4,671	286,931	178,201	1.0	4,904	298,474	184,119	1.1	4,899	295,902	183,638	1.1	-5%	0%
31 - 40 KE	3,546	192,870	97,736	0.8	3,678	202,482	100,028	0.8	3,734	205,000	101,323	0.8	-4%	-2%
41 - 50 KE	4,591	176,365	96,474	1.0	4,983	188,753	104,026	1.1	5,636	202,725	117,626	1.2	-8%	-12%
51 - 60 KE	3,102	124,769	54,738	0.7	2,949	126,864	51,860	0.7	3,256	133,778	57,086	0.7	5%	-9%
61 - 70 KE	2,611	101,178	39,250	0.6	2,812	109,879	42,418	0.6	2,797	110,874	41,985	0.6	-7%	1%
71 - 80 KE	3,519	102,646	46,864	0.8	3,550	105,959	46,523	0.8	3,645	109,462	47,893	0.8	-1%	-3%
81 - 90 KE	2,017	71,293	23,431	0.4	1,943	73,955	22,477	0.4	2,077	75,339	24,084	0.5	4%	-6%
91 - 100 KE	5,059	98,524	51,437	1.1	5,522	107,085	56,156	1.3	5,778	112,116	58,614	1.3	-8%	-4%
101 - 150 KE	12,781	296,686	101,842	2.8	12,299	306,035	98,141	2.8	12,805	315,425	102,211	2.8	4%	-4%
151 - 200 KE	10,075	199,009	56,712	2.2	10,598	208,734	59,791	2.4	11,163	217,622	62,847	2.4	-5%	-5%
201 - 300 KE	17,077	276,986	69,033	3.8	16,647	286,982	67,152	3.8	17,519	296,433	70,510	3.8	3%	-5%
301 - 400 KE	14,078	195,205	40,293	3.1	13,944	199,478	39,867	3.2	14,320	204,876	40,920	3.1	1%	-3%
401 - 500 KE	11,916	145,010	26,403	2.6	11,597	147,997	25,670	2.6	12,004	151,018	26,555	2.6	3%	-3%
501 - 800 KE	27,537	283,401	43,502	6.1	26,767	290,364	42,195	6.1	27,917	302,055	44,003	6.1	3%	-4%
801 – 1 500 KE	41,388	322,587	38,020	9.1	40,113	328,500	36,864	9.1	41,746	347,229	38,415	9.1	3%	-4%
1 500 KE – 3 ME	50,895	272,411	24,241	11.2	49,149	275,176	23,552	11.2	50,320	288,650	24,091	11.0	4%	-2%
3 ME – 5 ME	39,288	149,993	10,219	8.7	37,570	148,828	9,812	8.5	37,903	153,929	9,907	8.3	5%	-1%
5 ME - 10 ME	50,359	141,414	7,257	11.1	48,638	141,295	7,042	11.1	50,348	147,161	7,309	11.0	4%	-3%
10 ME - 50 ME	89,611	142,863	4,732	19.8	86,837	144,355	4,604	19.7	89,551	151,281	4,780	19.6	3%	-3%
50 ME - 100 ME	21,360	17,798	321	4.7	22,707	17,777	332	5.2	23,345	18,042	346	5.1	-6%	-3%
100 ME - 200 ME	14,191	10,221	110	3.1	11,587	8,609	91	2.6	14,399	9,484	109	3.1	22%	-20%
200 ME et +	13,094	5,693	32	2.9	10,716	4,917	28	2.4	10,994	4,616	28	2.4	22%	-3%
Total	**452,530[4]**	**5,491,858**	**2,482,375**	**100**	**439,958[4]**	**5,554,770**	**2,475,947**	**100**	**457,188**	**5,607,436**	**2,493,620**	**100**	**2.9%**	**-3.8%**

[1] *The exposure amounts in the above table are before reinsurance (direct business and accepted business) and correspond to maximum insured amounts granted by the Coface Group to its policyholders. They do not correspond to the actual amounts used by the Coface Group policyholders.*

[2] *A limit is an authorization granted to a policyholder following its request to have its commercial exposure covered with respect to a given debtor.*

[3] *The debtors referred to in the above table are clients of the Coface Group's policyholders.*

[4] *The €12.57 billion increase in the total exposure between December 31, 2012 and December 31, 2013 includes a negative exchange rate impact of €11.8 billion.*

- Geographical breakdown of risks

The debtors covered by the Coface Group credit insurance policies are located mainly in Western Europe. At December 31, 2011, 2012 and 2013, the ten largest countries in terms of exposure accounted for 66.6%, 65.2% and 64.1%, respectively, of the Coface Group's overall exposure resulting from its activities:

Debtor country	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposure (in €m)	%	Exposure (in €m)	%	Exposure (in €m)	%	2013/2012	2012/2011
Germany	74,576	16.5	72,269	16.4	73,339	16.0	3.2%	-1.5%
France	50,831	11.2	52,266	11.9	59,178	12.9	-2.7%	-11.7%
Italy	38,837	8.6	42,857	9.7	48,794	10.7	-9.4%	-12.2%
United States	29,684	6.6	25,969	5.9	24,547	5.4	14.3%	5.8%
United Kingdom	26,079	5.8	24,425	5.6	24,550	5.4	6.8%	-0.5%
Spain	19,093	4.2	19,530	4.4	24,281	5.3	-2.2%	-19.6%
China	15,636	3.5	14,557	3.3	12,958	2.8	7.4%	12.3%
Netherlands	13,900	3.1	13,499	3.1	14,139	3.1	3.0%	-4.5%
Brazil	11,413	2.5	11,728	2.7	13,142	2.9	-2.7%	-10.8%
Poland	10,201	2.3	9,891	2.2	9,500	2.1	3.1%	4.1%
Total	**290,250**	**64.1**	**286,990**	**65.2**	**304,428**	**66.6**	**1.1%**	**-5.7%**

A breakdown of the Coface Group's exposure to debtor risk by region at December 31, 2011, 2012 and 2013, respectively, is shown in the table below:

Region	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposure (in €m)	%	Exposure (in €m)	%	Exposure (in €m)	%	2013/2012	2012/2011
Western Europe	135,797	30.0	133,908	30.4	147,931	32.3	1%	-9%
Northern Europe	91,275	20.2	87,833	20.0	88,873	19.4	4%	-1%
Mediterranean & Africa	63,283	14.0	66,647	15.1	74,436	16.3	-5%	-10%
Asia-Pacific	61,214	13.5	56,940	12.9	52,393	11.5	8%	9%
North America	34,824	7.7	31,141	7.1	29,531	6.5	12%	5%
Central Europe	34,317	7.6	33,188	7.5	33,630	7.4	3%	-1%
Latin America	31,820	7.0	30,301	6.9	30,394	6.6	5%	0%
Total	**452,530**	**100**	**439,958**	**100**	**457,188**	**100**	**3%**	**-4%**

- **Exposure by debtor's business sector**

Business segment	As at December 31						Change in exposure	
	2013		2012		2011			
	Exposures (in €m)	%	Exposures (in €m)	%	Exposures (in €m)	%	2013/2012	2012/2011
Minerals, chemicals, oil, plastics, pharmaceutical and glass	65,029	14.4	60,059	13.7	56,971	12.5	8%	5%
Agriculture. livestocks, agro-business and wine	62,792	13.9	61,230	13.9	62,068	13.6	3%	-1%
Construction	50,291	11.1	50,960	11.6	54,573	11.9	-1%	-7%
Electrical equipment, electronics, IT and telecommunications	43,326	9.6	40,322	9.2	42,665	9.3	7%	-5%
Non-specialist commerce	42,706	9.4	41,976	9.5	44,146	9.7	2%	-5%
Metals	35,097	7.8	35,820	8.1	37,224	8.1	-2%	-4%
Cars and cycles, other vehicles and transportation	33,773	7.5	34,014	7.7	31,120	6.8	-1%	9%
Mechanics and measurements	26,221	5.8	25,542	5.8	25,586	5.6	3%	0%
Miscellaneous	25,449	5.6	25,404	5.8	36,072	7.9	0%	-30%
Textile. leather and apparel	16,959	3.7	16,212	3.7	16,117	3.5	5%	1%
Business and private services	14,874	3.3	13,819	3.1	13,617	3.0	8%	1%
Paper, packing and printing	13,100	2.9	12,658	2.9	13,364	2.9	3%	-5%
Collective services	11,539	2.5	11,304	2.6	11,608	2.5	2%	-3%
Financial services	7,208	1.6	6,512	1.5	8,015	1.8	11%	-19%
Wood and furniture	4,166	0.9	4,125	0.9	4,042	0.9	1%	2%
Total	**452,530**	**100**	**439,958**	**100**	**457,188**	**100**	**2.9%**	**-3.8%**

2.4 Duration of risks

95% of the Coface Group's credit insurance portfolio consists of short-term risks. The maximum duration of these policies rarely exceeds 180 days.

Level 2 controls are performed to ensure compliance with Coface Group's credit risk rules.

2.5 Valuation of Provisions

The Coface Group maintains claims provisions against possible losses arising on its credit insurance portfolio. Specific provisions are made in respect of claims that have been reported at year-end but not settled. In addition, the Coface Group records provisions to reflect estimates of future claims it will have to settle on the basis of events that have occurred up to the year-end. Estimates are based on statistical models using historical loss experience in relevant industries and countries, adjusted to take into account major events that are likely, in the Coface Group's opinion, to have an impact on its claims.

Claims provisions recorded at any given moment are composed as follows:

- provisions for reported claims, which are subject to a case-by-case analysis based on the characteristics of the relevant insurance policy and related claim. Such provisions are calculated on the amount of reported unpaid receivables which are the subject of an indemnification claim;
- "**IBNR**" (Incurred But Not Reported) provisions, covering both risks related to uncertainties for case-by-case reported claims and late claims (i.e. claims incurred but not reported at the closing date); and
- an estimate of future recoveries on settled claims.

Credit-insurance technical provisions are not subject to discounting.

IBNR provisions estimates are based on the estimate of an ultimate loss ratio, which is an estimate of the final amount of claims. The determination of this ultimate loss ratio is the result of periodic actuarial analyses conducted by the Actuarial division of the group risk Department.

This Department is also responsible for ensuring that the Coface Group's overall provisions level is sufficient to cover future indemnification payments and establishing and ensuring the effective implementation of the actuarial principles that must be complied with when calculating the estimated provisions.

To date, the main actuarial methods used by the Coface Group's entities are based on loss triangles (Chain Ladder, Bootstrapping method, etc.) and other methods (Bornhuetter-Fergusson, etc.). These methods define the reasonable actuarial estimated range within which the group risk Department recommends fixing an ultimate loss ratio.

Based on this actuarial estimated range, the actuaries' recommendations and on other analyses whether or not actuarial in nature, management decides upon the amount of provisions to be established at each quarter end at a loss reserving Committee meeting. The committee convenes at the level of each entity, then the Coface Group level. Meetings take place at least quarterly, but can be convened in the event of major incidents requiring a significant revision of the amount of the provisions (in particular, in the event of an important claim). Estimates are also refined through economic, risk underwriting and debt collection information examined during an "economic expectations" quarterly committee meeting.

- Loss Ratio

The Coface Group measures its loss experience mainly by reference to its loss ratio, which corresponds to the ratio of paid claims, claims handling expenses and changes in technical provisions to gross written premiums. The Coface Group's loss ratio, calculated on the basis of consolidated accounting data, was 51.1% in 2013. The development of the Coface Group's annual average recorded loss ratio between 2008 and 2013 is shown in the table below:

Year	2008	2009	2010	2011	2012	2013
Loss ratio	75.3%	102.5%	53.6%	51.7%	51.5%	51.1%

As at December 31, 2013, a +/- one percentage point variation[33] of the gross accounting loss ratio would have had an impact of +/- €11 million on claims expense, of +/- €8 million on the claims expense after reinsurance, of +/- €6 million on net income and of +/- €6 million on equity. The Coface Group considers that a one percentage point variation of the gross accounting loss ratio is reasonable compared to previous years' experienced loss ratio.

[33] i.e. a variation from n% to (n+1)%.

- Expenses related to claims at the Coface Group's level

In the table below, the gross aggregate transactions represent the cost of claims recorded in the Coface Group's balance sheet under direct business and acceptances. The outward reinsurance and retrocessions represent the share of the Coface Group's external reinsurance which was ceded.

In euro millions	As at December 31								
	2013			**2012**			**2011**		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	-812	148	-664	-854	158	-696	-802	190	-612
Claims expenses – prior years	236	-7	229	256	-2	254	208	-32	176
Claims expenses	**-576**	**142**	**-435**	**-598**	**156**	**-442**	**-594**	**158**	**-437**

- Technical provisions at the Coface Group's level

In the table below, the provisions for unearned premiums correspond to the premium part that continues to accrue between the closing date and the due date of the premium. They are calculated pro-rata temporis for each insurance contract. The provisions for the bonuses correspond to an estimate of the bonuses cost still outstanding at the end of the financial year. Bonuses are a contractual stipulation that consist of refunding the policyholder a part of the profit that may flow from the contract at the end of a defined period.

In euro millions	As at December 31		
	2013	**2012**	**2011**
Provisions for unearned premiums	267	275	263
Claims provisions	1,121	1,153	1,222
Provisions for policyholder's bonuses and rebates	63	56	46
Technical liabilities relating to contracts	**1,450**	**1,484**	**1,532**
Provisions for unearned premiums	-42	-43	-51
Claims provisions	-289	-295	-316
Provisions for policyholder's bonuses and rebates	-16	-15	-13
Reinsurers' share of technical liabilities relating to insurance contracts	**-347**	**-353**	**-380**
Net technical provisions	**1,103**	**1,131**	**1,152**

- Development of claims provisions

The table of the development of claims provisions shows the change in the loss ratio from 2004 to 2013, based on the accounting standards previously applied in accordance with IFRS 4.

The first tables set out for a given line N, the anticipated estimates on each of the following year-ends (N+1, N+2, etc.). The loss ratio estimates vary depending on the increasing reliability of information related to the ongoing claims.

The difference between the initial and the ultimate loss ratios measures the excess or the shortfall of the initially recorded provisions.

Development triangle for ultimate loss ratio (before reinsurance and claims handling expenses)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
2004	53 %	48 %	46 %	45 %	45 %	44 %	42 %	41 %	41 %	42 %
2005	54 %	48 %	46 %	45 %	44 %	44 %	43 %	42 %	42 %	
2006	58 %	48 %	49 %	47 %	46 %	47 %	46 %	46 %		
2007	62 %	61 %	66 %	66 %	66 %	63 %	64 %			
2008	94 %	115 %	115 %	114 %	109 %	107 %				
2009	75 %	64 %	58 %	60 %	56 %					
2010	58 %	44 %	38 %	35 %						
2011	74 %	61 %	55 %							
2012	77 %	68 %								
2013	73 %									

Development triangle for ultimate loss ratio (before reinsurance, policyholders' bonuses and rebates, and claims handling expenses)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
2004	51 %	46 %	44 %	42 %	42 %	42 %	40 %	39 %	39 %	40 %
2005	53 %	46 %	44 %	42 %	41 %	41 %	41 %	40 %	40 %	
2006	56 %	46 %	46 %	44 %	43 %	44 %	43 %	43 %		
2007	59 %	58 %	63 %	63 %	63 %	60 %	60 %			
2008	90 %	111 %	110 %	108 %	103 %	101 %				
2009	72 %	62 %	55 %	56 %	53 %					
2010	56 %	42 %	35 %	33 %						
2011	71 %	57 %	52 %							
2012	75 %	64 %								
2013	69 %									

The second table "Triangle of development for cumulative claims paid net of recourse (before reinsurance)" shows the cumulated amount of payments related to the year of occurrence N and previous years, effected since December 31, N. The claims reporting, compensation and potential litigation process generally last for several years, which implies that the claims are supervised by year of occurrence.

Development triangle for cumulative claims paid net of recourse (before reinsurance)

Year of occurrence/ year of development	1	2	3	4	5	6	7	8	9	10
(in euro millions)										
2004	62,522	240,319	287,913	303,019	307,510	314,170	315,329	315,449	316,850	318,293
2005	72,845	269,446	321,324	331,841	338,473	339,591	339,545	340,341	339,227	
2006	68,633	311,988	372,473	394,417	395,738	398,681	400,081	405,711		
2007	74,349	378,298	510,005	546,410	555,623	578,160	584,840			
2008	120,012	808,249	982,228	1,022,135	1,043,854	1,044,573				
2009	144,768	431,483	494,796	511,138	516,142					
2010	55,685	270,061	341,468	354,831						
2011	67,010	458,102	565,976							
2012	118,049	447,181								
2013	83,255									

2.6 Intercompany risk sharing and reinsurance

The Coface Group risk-management system operates through a sophisticated risk-sharing mechanism implemented in each company of the Coface Group to cover abnormally high levels of loss, and a centralized reinsurance system operated by Compagnie française d'assurance pour le commerce extérieur to protect against both frequency losses and catastrophe losses. The system works as follows:

- Inter-Company Risk Coverage for Coface Group Network Entities

The subsidiaries and branches of the Coface Group are covered against abnormally high losses by Compagnie française d'assurance pour le commerce extérieur through an inter-company reinsurance treaty. This treaty is generally a stop-loss treaty per accounting year under which, when the annual loss ratio exceeds the threshold provided in the treaty, all loss supplements are borne by Compagnie française d'assurance pour le commerce extérieur. These annual treaties are designed to encourage the subsidiaries and branches to manage risk carefully as the collection costs for any past losses are invoiced to them.

- Centralized Coverage of the Coface Group's Frequency Risks and Catastrophe Risks

The cumulative risks associated with insurance policies underwritten directly by Coface Group entities and the policies accepted for reinsurance with Compagnie française d'assurance pour le commerce extérieur's CreditAlliance partners are covered by a centralized reinsurance program that involves a coverage on a proportional basis in the form of a quota-share treaty based on gross written premiums and a coverage on a non-proportional basis in the form of excess of loss program, which covers the risks retained by the Coface Group after ceded quota-share reinsurance, against losses by debtor in excess of certain thresholds. It is calculated to ensure that no single claim represents more than 3% of own funds.

The reinsurance treaties cover, on an underwriting year basis, the whole insurance portfolio of the Coface Group for a one year period, from January 1 to December 31.

The reinsurance program for 2013 is composed of:

– a group quota-share treaty with a 25% cession rate; and

– two excess-of-loss treaties, one by debtor and the other by country covering the retained risks after ceded quota-share reinsurance. Country risk coverage was reinstated in 2013 and adjusted for liquidation in 2012 i.e. covering the subscribed insurances in 2012 in exception to the usual reinsurance functioning. It covers only the Single Risk.

3. Internal control of investment management

At year-end 2012, the Coface Group decided to centralize the management of its investments and to delegate its management to different agents under the control of a single investment provider, the asset management company Amundi.

This is aimed at optimizing investment management by centralizing the assets of the Coface Group as a whole and by outsourcing all administrative tasks to a single administrative management platform managed by the asset management company Amundi.

The main missions of the platform are as follows:

– advising on strategic and tactical allocation of assets;

– reporting (economic, risks, Solvency II and accounting reports);

– back-office and middle-office functions; and

– providing tools/software as the case may be.

With this platform, the Coface Group's overall portfolio can be managed on the basis of a target allocation of each calculated asset class by including (i) risk and liquidity limitations, (ii) regulatory and insurance constraints, (iii) capital expenses and investment adequacy in terms of risk and duration with the Coface Group's liabilities, (iv) the selection of asset managers and the implementation of related mandates.

In order to optimize this organization, it was decided to unify and centralize as much as possible the custodian and valuation functions at the Coface Group level, performed by Caceis as regards the assets custody functions (Caceis Bank) and the valuation functions (Caceis Fund administration).

In terms of operational risk, delegating these functions (management and valuation) results in the identification of the Amundi and Caceis companies as key service providers for the Coface Group. In this regard, controls were conducted on the services performed during 2013 before selection by the group finance Department and the group risk Department: this included site visits, providing and analyzing assessment procedures, transactions processing, operational and compliance controls, identifying back-up systems, continuity plans, etc. These controls were also performed after the selection during the second half of 2013 and will be maintained with compliance visits to be made every year to both service providers or at any time if necessary (in the case of service-quality deterioration, a serious operational incident, organizational change, etc.).

This new organization gives the Group access to more diversified and sophisticated asset classes and management techniques with the aim of obtaining a stable long-term performance for its investment portfolio while maintaining high quality and liquidity for the underlying assets.

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

– the Board of Directors ensures compliance with insurance regulations (i.e., representation of the regulated commitments, assets dispersion, congruency and solvency). To that end, it relies on the solvency report and the different annual statements presented every year. Those statements report on all investments and the investment policy implemented during the year;

– at least once a year the Coface Group's Chief Executive Officer defines the strategic allocation and the maximum limits allowed for each asset, on the basis of the elements presented by the asset manager during the investment strategy Committee. The general investment policy that defines all the rules pertaining to the Coface Group's investments and specific limits is also approved at that time. This policy includes the limits permitted by issuer and country, specific limits for some asset classes based on their financial rating, a list of strictly-prohibited products, and specific limits applied to subsidiaries and branches that are still engaged in a direct investment management activity.

– the Coface Group's strategic allocation proposed by the asset manager is reviewed twice a year by the investment strategy Committee in consultation with the group financing and investment Department. The committee defines the general guidelines in terms of investment policy and exposure to the different asset classes, imposed by the market conditions, the changes in the Coface Group's collections and liabilities, yield optimization and the changes in applicable regulatory constraints. The committee analyzes all of the Coface Group's investments, its subsidiaries and branches and conducts a general review of the managed portfolios, the agents and the risks applicable to the portfolio (control of compliance with risk limits, review of overall risk limits, etc.).

In addition to these three bodies that govern the Coface Group's general organization in terms of investment policy, other committees ensure the on-going monitoring of the investment management and results:

– the investment Committee: this monthly committee deals with changes in the financial markets and the detailed review of the Coface Group's investments through its dedicated UCITS or local management mandates set by the Coface Group's subsidiaries and branches. Macro-economic scenarios and underlying risk factors are reported by the asset manager as well as an analysis of investment strategies and any tactical recommendations.

– the investment risk Committee: this semi-annual committee includes the same representatives as the Investment Committee along with the Coface Group's heads of permanent control and financial risk. This committee deals with the coverage control and the risk management pertaining to the services under this agreement. It covers investment risks (financial risk, spread risk (including counterparties and derivatives), liquidity risk and operational risks. These risks have the meaning ascribed to them in the Solvency II Directive.

4. Financial risks management

The Coface Group has put in place an investment policy that takes into account the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies and the investment constraints resulting from the management of its liabilities. The investment strategy implemented shall allow the Coface Group to honor its commitments regarding its policyholders while optimizing the return on investments and improving performance in a framework of defined risk.

The Coface Group's investment policy, which is reviewed twice a year, covers strategic asset allocation, the assets and product classes eligible for investment, the target maturity of the portfolio, the management of any hedging and the Coface Group's income management policy. The allocation defined each year relies on an analysis of liabilities, simulations and stress on yield/risk behaviors of the different asset classes of the portfolio and compliance with the defined parameters related to the Coface Group's activity and its commitments: sensitivity of the target, use of own funds, maximum loss depending on the behavior of the financial markets, and on the quality and liquidity of the investment portfolio.

Managing financial risk thereby relies on a strict system of standards and controls reviewed constantly.

4.1 Management of asset allocation risk

- Investment assets

As an insurance company, the Coface Group maintains an asset allocation focused primarily on fixed income products that offer more stable and recurring income.

Investment portfolio (fair value)[1]	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	%	in €m	%	in €m	%
Equities	100	4.7	24	1.2	22	1
Bonds	1,343	63.8	1,352	64.1	1,218	57.8

Loans, deposits and other financial investments	662	31.4	731	34.7	867	41.1
Real-estate investments	1	0.1	1	0.1	2	0.1
Total	**2,106**	**100**	**2,109**	**100**	**2,108**	**100**

[1]*Excluding non-consolidated subsidiairies.*

At December 31, 2013, bonds accounted for 63.8% of the investment portfolio.

In connection with the review of its strategic allocation and more specifically for tactical reasons, in 2013 the Coface Group maintained its exposure to the sovereign debt of the main issuers in the financial markets and increased its investment in the credit assets class by exposing itself for a longer period to the debt of companies domiciled in OECD markets (primarily Europe and the United States).

Breakdown by type of debt in bond portfolio

Breakdown by type of debt in bond portfolio (fair value)	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
Sovereign and equivalent	420	31.3	819	60.6	895	73.5
Non sovereign	923	68.7	533	39.4	323	26.5
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

These investments are realized in a strictly-defined risk framework; the quality of the issuers, the sensitivity of the issuances, the dispersion of issuer positions and geographical areas are subject to precise rules defined in the different management mandates granted to the Coface Group's dedicated managers.

Specific limits applying to the entire investment portfolio are also defined in terms of portfolio rating and limits per counterparty and country. The liquidity of the credit portfolio, changes in spreads and total exposure of the Coface Group to the main asset/liability exposures are monitored regularly. If applicable, hedging is used systematically for foreign exchange risk and on a discretionary basis for interest rate and spread risk.

The chart below shows the main characteristics of the bond portfolio as at December 31, 2011, 2012 and 2013:

Breakdown by type of rate of the bond portfolio(fair value)	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
Fixed rate	1,268	94.4	1,306	96.6	1,096	89.9
Variable rate	74	5.5	27	2.0	121	10
Other	1	0.1	19	1.4	1	0.1
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

Breakdown by geographical area of the bond portfolio (fair value)	As at December 31					
	2013		2012		2011	
	in €m	%	in €m	%	in €m	%
Asia	37	2.7	18	1.3	19	1.6
Emerging Markets [1]	60	4.5	53	3.9	62	5.1
EMU	894	66.5	1,053	77.9	954	78.4
Europe ex-EMU [2]	112	8.4	121	8.9	52	4.3
North America	240	17.9	108	8.0	130	10.7
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

[1] Countries in which the Coface Group is present, mainly Brazil, Mexico, Poland and Chile.
[2] Mainly the United Kingdom, Switzerland, Norway and Sweden.

The risk associated with sovereign issuers of the euro zone has been significant over the 2012 and 2013 years in particular. The financial crises affecting Greek debt increased the uncertainty over the ability of some sovereign issuers to service their debt. This uncertainty was especially pronounced with regard to countries like Ireland, Italy, Spain and Portugal despite the support plans put in place.

Special attention was paid to those risks, leading the Coface Group to very significantly reduce or to eliminate altogether its exposure to the sovereign debt of these countries in 2012 and 2013.

Proportion of PIIGS in the bond portfolio	As at December 31					
	2013		2012		2011	
	in €m	% of bond portfolio	in €m	% of bond portfolio	in €m	% of bond portfolio
Portugal	0	0.0	1	0.1	0.5	0
Italy	82	6.1	89	6.6	95.1	7,8
Ireland	0	0.0	0	0.0	2.6	0,2
Greece	0	0.0	0	0.0	3.4[1]	0,3
Spain	0	0.0	4	0.3	4.2	0,3
Total	**82**	**6.1**	**94**	**7**	**105.9**	**8,7**

[1] Exposure of €3.4 million net of exceptional recorded depreciations, up to an amount of €7.6 million.

The bond portfolio mainly invests in investment-grade[34] companies and countries.

[34] According to the scale of the Standard & Poor's credit rating agency, debt securities attributed with a credit rating of at least BBB- are considered investment grade, whereas debt securities with a credit rating equal to BB+ or less are considered as high yield.

Breakdown by rating[1] of bond portfolio (fair value)	As at December 31					
	2013		2012		2011	
	in €m	%	in €m	%	in €m	%
AAA	109	8.1	398	29.4	659	54.2
AA – A	722	53.7	755	55.8	492	40.4
BBB	330	24.6	197	14.6	63	5.1
BB – B	181	13.5	2	0.2	1	0.1
CCC and below	0	0.0	0	0.0	3	0.2
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

[1] *Median rating between Fitch, Moody's and Standard & Poor's.*

Investments in corporate bonds account for 20% of the total portfolio, more than 60% of which is concentrated on companies of investment-grade quality. Investment in high yield debt consists exclusively of European and US companies with a rating of BB and B with average sensitivity and strictly under 2.5 years maturity.

The interest-rate risk borne by the Coface Group on its financial portfolio is limited, as the maximum sensitivity authorized on the bond asset class is deliberately capped at 4[35] . As of December 31, 2013, the sensitivity of the bond portfolio stood at 2.1.

The risk Committee meets every six months and systematically reviews credit risks and the overall liquidity of the portfolio.

• Hedging policy

The Coface Group's investment Department, responsible for directing and managing the investment portfolio, can authorize the use of liquid forward financial instruments (swaps, futures and options) traded on regulated markets or over-the-counter transactions entered into with counterparties rated A- or higher, to hedge the risk of a rise in interest rates.

These operations are carried out exclusively for hedging purposes in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is limited to the amount of the underlying assets held in the portfolio (equities or fixed-income products) so as to hedge the assets actually held in the portfolio.

At December 31, 2013, only Compagnie française d'assurance pour le commerce extérieur held put options with long maturities out-of-the-money on equities listed in the euro zone. This hedging strategy is applied to the equity exposure of the investment portfolio; its level and management are defined and reviewed upon market conditions and the management of unrealized capital gains and losses during the monthly investment Committee meetings between the Coface Group's Management and the manager of the investment platform, Amundi.

4.2 Foreign exchange risk

As of December 31, 2013, 31.6% of the Coface Group's consolidated revenue was earned outside the euro zone and as such were subject to foreign exchange risk.

[35] The sensitivity of a bond measures its real loss in value in the event of an interest rate rise. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if rates rise by 1%.

Most of Coface Group's investment instruments are denominated in euros. The subsidiaries or branches having accounts prepared in euro and underwriting insurance in other currencies must abide by the same principles of congruency (matching between assets and liabilities denominated in a currency other than the currency used as the reference currency with the issuance of the financial statements). Exceptionally, positions opened in other currencies may be hedged. No currency investments are made by the Coface Group for speculative purposes.

Exposure to foreign exchange risk in the investment portfolios is limited; at December 31, 2013, 75% of investments were denominated in euros.

Breakdown by currency of investment portfolio	**As at December 31**					
	2013		**2012**		**2011**	
	in €m	**%**	**in €m**	**%**	**in €m**	**%**
EUR	1,580	75.0	1,629	77.2	1,676	79.5
USD	294	14.0	178	8.5	114	5.4
Other[1]	232	11.0	302	14.3	318	15.1
Total	**2,106**	**100**	**2,109**	**100**	**2,108**	**100**

[1] *Mainly the Singapore dollar, the Canadian dollar and the Brazilian real*

Moreover, for most of the securities in the portfolio, which groups together all of Coface's European entities, the foreign exchange risk is hedged systematically for currencies investments departing from congruence rules. Thus, as of December 31, 2013, investments in bonds denominated in U.S. dollars, pounds sterling, Canadian dollars, and Australian dollars in this portfolio were systematically hedged against the Euro by the managers in charge of the portfolios concerned. As of December 31, 2013, these operations represented €143 million.

- Sensitivity of foreign currency entities' net income to exchange rates

	Average foreign exchange rate December 2013	**Net income – Group share in euro December 2013**	**Net income – Group share in local currency**	**Assumption - 10 per cent variation of foreign exchange rate**	**Net income – Group share in euro following variation of foreign exchange rate**	**Spread between actual rate and 10-per cent increased foreign exchange rate**
Australian dollar	0.7259	6,875	9,471	0.7984	7,562	687
Pound Sterling	1.1775	30,939	26,275	1.2953	34,033	3,094
Singapore dollar	0.6017	6,936	11,527	0.6619	7,630	694
US dollar	0.7530	9,001	11,955	0.8283	9,902	900
Other		12,147			13,361	1,215
Euro		61,541			61,541	
Total		**127,439**			**134,029**	**6,590**

4.3 Equity risk

The equity markets are prone to volatility, which causes a significant risk for an insurer that is also subject to specific rules in terms of provisioning (provisions for long-term impairment) and the use of equity (Solvency II Directive, which introduces heavy penalties for equities risk).

In this context, the Coface Group reviewed its equity exposure in 2013 when reviewing its strategic allocation. Its potential equity exposure is strictly limited to less than 10% of its portfolio. It is concentrated mostly in the euro zone, which is associated with its core business. The Coface Group's equity risk is not exposed to any specific concentration on one or more particular economic sectors. Allocation management is benchmarked against the MSCI EMU reference index. These investments can sometimes be hedged in order to mitigate any extreme shocks. The hedging strategy is dynamic; its level, scope and extent are defined by the Investment Department in collaboration with the asset manager in charge of the management platform.

As of December 31, 2013, equity securities accounted for 4.7% of the investment portfolio, of which 4% were shown listed on a euro zone market. These investments were hedged as to 50% by means of Eurostoxx indexed put options, maturing from December 2014 and June 2015 at a strike price of around 20% out-of-the-money. Such hedging can be adjusted according to the investments and the amount of unreleased optional gain or loss of the shares held.

4.4 Concentration Risk / counterparty default

The Coface Group has introduced an investment policy that defines a general framework for counterparty risk. This approach involves defining limits for bond investments and consolidating all exposures through all financial instruments in order to limit the total potential loss to the Coface Group following a default or a bankruptcy by the counterparty concerned.

The maximum exposure limit to a single counterparty has been set as a percentage of the investment portfolio. The limit is set at 5% of the managed funds outstanding with possible derogations on an exceptional and temporary basis only on exposures associated with short-term investments.

Concerning the bond portfolio more specifically, 62% have a rating above or equal to A-, a rating awarded according to the median rating principle[36].

As at December 31, 2013, the ten main sovereign and non-sovereign exposures of the bond portfolio amounted to € 528.6 million, representing 39.4% of the bond portfolio's fair value.

More generally, the Coface Group has implemented within its investment portfolio and for all asset classes, management rules requiring geographical and sectoral diversification in order to protect against or lessen the impact of any possible defaults. The 10 main "non-sovereign" exposures of the bond portfolio amounted to €306 million, representing 22.7% of the bonds portfolios' fair value.

4.5. Sensitivity tests

Additionally, monthly simulations are conducted on the investment portfolio and presented during investment Committee meetings. The simulations cover for different periods the maximum loss foreseeable in terms of economic performance by asset class with special emphasis on the credit spread risk in particular.

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[36] Second-highest rating amongst the three ratings available from the three international rating agencies; if one of these ratings is provided by only two such agencies, the lowest rating is taken into account; if only one such rating is available, then that rating will be taken into account.

These sensitivity tests cover all asset classes in which the Coface Group is invested, making it possible to assess the overall risk to which the portfolio is exposed in the case of an adverse scenario every month and to take possible measures to reduce the risk if necessary (reducing exposure to certain risk factors, implementing hedging strategies, protecting financial income over a given period, etc.).

The results of these tests are intended to be representative of the different risks related to the investments but, as for any quantitative analysis, present inherent limits related to the data and models used.

- Risk related to equity and bonds of the portfolio as of December 31, 2011, 2012 and 2013

The following table shows that, at December 31, 2013, the portfolio is less sensitive to combined effects of a 100-basis point increase in bond rates of interests and a 10 per cent. decrease of the equity market as compared to December 31, 2012. This is justified by the decrease in the bonds portfolio average sensitivity.

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2013

(in euro millions)	**Market value at December 31, 2013**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities****	**Impact of a 20% fall in equities****
Bonds	1,343	-28.2	-	-
Equities	100	-	-10	-20
Total	1,443	0	0	0

** Average sensitivity of bond portfolio at end-2013: 2.1*
*** Before hedging, where applicable*

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2012

(in euro millions)	**Market value at December 31, 2012**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities**	**Impact of a 20% fall in equities**
Bonds	1,352	-38.7	-	-
Equities	24	-	-2.4	-4.8
Total	1,376	0	0	0

** Average sensitivity of bond portfolio at end-2012: 2.9*

Sensitivity of the portfolio to changes in the equity and bond markets as at December 31, 2011

(in euro millions)	**Market value at December 31, 2011**	**Impact of a 100-basis point increase***	**Impact of a 10% fall in equities**	**Impact of a 20% fall in equities**
Bonds	1,218	-31,2	-	-
Equities	22	-	-2.2	-4.4
Total	1,240	0	0	0

** Average sensitivity of bond portfolio at end-2012: 2.56*

Given that bonds and equities are classified in the available-for-sale category, the sensitivity would impact "other comprehensive income", which affects equity in the balance sheet. Unrealized gains and losses on these securities do not impact net income. In case of disposal, the realized gain or loss would impact the operating income in the income statement.

4.6. Real-estate risks

Real-estate accounts for a limited portion of the Coface Group's assets (less than 4%). Moreover, the Coface Group's current portfolio is composed almost exclusively of properties used in connection with its operating activities.

Real-estate risk corresponds to a reduction in market value thereby impacting on unrealized capital gains recorded on those properties and could even result in the recognition of unrealized capital losses.

As of December 31, 2013, the Coface Group held properties for a current market value (excluding related taxes) of €73 million, of which €48.9 million related to Germany and €22.9 million related to Italy.

5. Management of risks related to factoring

The risks inherent in the factoring activity are credit risks, in the sense of banking regulatory standards or counterparty risk, within the meaning of the Solvency II Directive, given the invoice "pre-financing" granted to clients.

The risks can relate to:

- the quality of invoices: invoice dilution risk (in particular arising from litigation, false invoices);
- client insolvency (transferor risk): the insolvent client cannot reimburse the cash advance made in respect of unpaid invoices (in the case of a recourse contract, meaning without credit insurance, or in the case of write-offs linked to financed invoices);
- the buyer's solvency risk, in particular in the case of factoring contracts with a credit insurance component (non-recourse contracts).

Client risk-management is based on the assessment, for each client, of the probability of the occurrence of the risk and the amount of the potential loss. Different procedures are put in place to manage this risk:

- analysis of the financial position of the client, particularly via internal rating tools;
- on-site audit activities to check the reliability of the data related to the receivables being acquired from new clients or during the monitoring period for existing clients;
- regular verity tests to ensure the existence of acquired receivables;
- specific procedures during the debt collection phase.

When the contract is negotiated, the type of product, the client's and/or buyer's solvency analysis and the conditions and pricing applied influence the credit risk assumed by the Coface Group.

During the lifetime of the contract, the acceptance of invoices through buyers' solvency analysis can be seen as a form of risk underwriting. The receivables financing give rise to the credit risk and creates the Coface Group's risk exposure. In the case of a factoring contract without recourse, an underwriting risk (credit insurance) is taken by the Coface Group over the transferor's buyers.

As with all sensitive activities of the Coface Group, the factoring business is governed by specific group rules.

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

Only certain products have been authorized to be marketed by such entities:

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

The factoring limits on buyers are granted and monitored by the risk underwriting departments pursuant to the same rules and delegations as in credit insurance. These processes enable the monitoring of the total exposure of the Coface Group in this business and for ensuring the same level of expertise.

A single tool forms the structure of the factoring business (Magellan). It concentrates all data relating to the life of the contracts: client data, buyer, invoice, contract (already implemented in Germany with planned roll out in Poland). The factoring exposures are registered within the Atlas system. This allows the Coface Group to exercise a consolidated management of its exposure on a buyer or a group of buyers.

The factoring business is hedged by the Coface Group's reinsurance treaty (buyers risks are hedged by the credit insurance section and transferor risk by the dedicated factoring section).

6. Liquidity and funding risk

- Liquidity risk management relating to credit-insurance activity

Insurance activity is led by a reverse production cycle: premiums are collected before claim payments are made. In addition, the average period of provision liquidation is less than three years and all such provisions are covered by liquid assets. As a result, the liquidity risk linked to the insurance activity is regarded as marginal.

Liquidity risk is monitored through analysis of available funds by the Coface Group's treasury Department and cash flow projections from the different group entities. This data is analyzed constantly so that liquidity for working capital or financial investment purposes can be managed in the event of recurring excess liquidity.

A large portion of the Coface Group's investments are comprised of money market products with an average maturity of three months.

Most of the other fixed income products and all shares in the Coface Group's portfolio are listed on OECD markets and have a liquidity risk that is considered low.

The liquidity of the OECD bond portfolio and of emerging market sovereign bonds is overseen regularly via market indicators (flow trends, credit spreads, buying and selling ranges), and the asset manager conducts regular analyses on the time needed to liquidate any line in the portfolios and the costs related thereto (duration of partial or total liquidation, instant liquidity cost and under conditions of market stress, etc.).

The Coface Group's bond portfolio has a short maturity, in hline with its liabilities. The chart below shows a breakdown of bond maturities:

Breakdown by maturity of the bond portfolio	As at December 31					
	2013		2012		2011	
	in €m	%	in €m	%	in €m	%
< 1 y	502	37.4	481	35.6	309	25.3
1 y < >3 y	385	28.7	460	34.0	456	37.4
3 y < >5 y	255	19.0	128	9.5	176	14.4
5 y < >10 y	190	14.2	228	16.9	210	17.2
>10 y	10	0.8	54	4.0	68	5.6
Total	**1,343**	**100**	**1,352**	**100**	**1,218**	**100**

More than 66% of the securities in the bond portfolio have a maturity of less than three years as of December 31, 2013.

The standard measurement of an insurance company's liquidity is based on its ability to fulfill its financial commitments.

- Management of liquidity risk related to factoring

The average duration of the factoring receivables is very short (less than six months). This reduces the liquidity risk within the factoring business.

In order to ensure the refinancing of its factoring activities, the Coface Group has established several financing programs: a trade receivables securitization program, bilateral credit lines with various partners up to a maximum of €903 million and a €500 million commercial paper program (for a detailed description of these financing programs, see Section 10.2.2 "*Principal Sources of Financing of the Coface Group*" of this registration document).

Securitization Program

Coface connection with the refinancing of its factoring activities, in February 2012, the Coface Group set up a securitization program for its commercial factoring receivables totaling a maximum of €1,100 million, guaranteed by the Compagnie Française d'Assurance pour le Commerce Extérieur. The seller of the factoring receivables portfolio under the program is Coface Finanz, a German subsidiary wholly-controlled by the Compagnie Française d'Assurance pour le Commerce Extérieur. The purchaser of the reeivables is Vega, a French securitization vehicle, governed by the provisions of the French Monetary and Financial Code. Through this program, the Coface Group obtained a source of initial financing with a one-year maturity (35% of the size of the program) and a three-year maturity (65% of the size of the program). On February 3, 2014, the Coface Group entered into an agreement with the banks in charge of the financing to renew the one-year maturity financing and to increase the portion of the three-year financing, which was raised to 75% of the size of the program. The principal covenants to be complied with under the program are the default rate of the receivables, the late payment rate and the dilution ratio. The preferred units issued by the Vega securitization fund were underwritten and refinanced by four vehicles that issued short maturity securities as consideration. The subordinated notes were underwritten by Coface Factoring Poland.

As at December 31, 2013, €1,038 million had been issued under this program.

This securitization program includes a certain number of standardmandatory early payment event for any securitization program relating both to the condition of Coface Finanz (the receivables seller) and other entities of the Coface Group (including certain indicators relating to the quality of the receivables sold) and linked to the occurrence of different events, including:

- payment default by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur on any sum owed to the securitization fund;
- a cross default by any entity of the Coface Group on any debt over €100 million;
- closing of the asset-backed commercial paper market for any consecutive 180-day period;
- any liquidation procedure brought against Coface Finanz, Coface Factoring Poland, the Company or Compagnie Française d'Assurance pour le Commerce Extérieur;
- a cessation of activities or substantial change in the activities of Coface Finanz or Compagnie Française d'Assurance pour le Commerce Extérieur;
- a downgrading of the financial rating of Compagnie Française d'Assurance pour le Commerce Extérieur below BBB-; and
- failure to comply with any of the ratios (covenants) related to the quality of the factoring receivables portfolio sold.

The three covenants imposed by the securitization program are listed below:

Covenant	Definition	Threshold
Rate of receivables default	Sliding average over 3 months of the rate of unpaid receivables beyond 60 days after due date	> 2.24%
Late payment rate	Sliding average over 3 months of the rate of unpaid receivables beyond 30 days after due date	> 5.21%
Dilution ratio	Sliding average over 3 months of the dilution rate	> 9.71%

The securitization program does not contain any provision imposing restrictions on a change in control of the Company, but it does contain restrictions related to a change in control of Compagnie Française d'Assurance pour le Commerce Extérieur and factoring companies within the Group where such a change of control would lead to their withdrawal from the Coface Group.

As at December 31, 2013, the Coface Group had complied with all these covenants.

Bilateral Lines of Credit

In connection with the refinancing of its factoring activities, the Coface Group has also set up (mainly through its subsidiaries) a certain number of bilateral lines of credit and cash credit facilities in a total maximum amount of €903 million as described below.

– bilateral lines of credit and cash credit facilities with nine German banks ("**German Lines of Credit**") and two Polish banks ("**Polish Cash Credit Facilities**") amounting to a maximum of €403 million. These lines of credit and cash credit facilities are entered into for a maximum of one year. Some German Lines of Credit contain customary restrictions, i.e., the borrower having to maintain a certain value of net assets, a provision restricting the borrower's change of control, and a provision entitling the lenders to benefit from the most stringent financial ratios to maintain as agreed to by the borrower with other financial institutions. The Polish Cash Credit Facilities contain the similar customary obligations. As of December 31, 2013, €138 million had been drawn down from the German Lines of Credit and €9 million had been drawn underfrom the Polish Cash Credit Facilities.

– a short-term bilateral line of credit concluded with Natixis up to a maximum amount of €500 million (maturing on December 31, 2014, of which €261 million had been drawn down as at December 31, 2013.

Commercial paper program

The Coface Group also has a program to issue commercial paper up to a maximum amount of €500 million. The Company issues commercial paper regularly, generally with a maturity of between one and three months, under this program. As at December 31, 2013, the total amount of securities issued under this commercial paper program came to €311 million. This commercial paper program was given a P-2 rating by Moody's and F1 by Fitch.

In the event the commercial paper market closes, the Coface Group has currently seven undrawn lines of credit , which have been granted for a period of one year (all maturing in October 2014), covering the maximum amount of the commercial paper issuance program (€500 million). The contracts governing these bilateral lines of credit contain customary restrictive covenants (i.e., a negative pledge clause, a restriction on transferring assets outside the Coface Group above a certain threshold, and, *inter alia*, restrictions related to a cessation of activities or a substantial modification of the Coface Group's business activities) and an early repayment clause (failure to use the proceeds(reserved for cases where the commercial paper program becomes unavailable), payment default, cross default, failure to comply with the use of representations, warranties and undertakings (including the covenants referred to above), any significant adverse change affecting the Company and its ability to meet its obligations under these bilateral lines of credit, insolvency and liquidation procedures commenced against the Company, or a downgrading of the Company's financial rating below BBB+ (by Fitch) or Baa1 (by Moody's)), in line with market practices

These bilateral lines of credit do not contain any change in control clause relating to the Company, but they do contain restrictions related to a change in the control of Compagnie française d'assurance pour le commerce extérieur and factoring companies in the Group, where such change of control would result in their withdrawal from the Coface Group.

Two primary covenants are imposed by these lines of credit:

Covenant	**Threshold**
Consolidated solvency margin	> 100%
Assets net of intangibles	> €900 million

As at December 31, 2013, the Coface Group had complied with all these covenants.

• Management of interest rate risks related to factoring

The Coface Group, through its factoring business, buys and finances its clients' trade receivables. These are mainly short-term credit risks (less than six months) and therefore the interest rate risk is limited.

In order to ensure the refinancing of its business, the Coface Group has set up several financing programs: a securitization program, a commercial paper program and bilateral credit lines with various partners, as described above.

At the end of 2013, the refinancing structure was as follows: out of an aggregate amount of €1,756 million, €1,038 million are units issued by SPVs, €407 million come from credit lines and €311 million is represented by commercial paper issuance. The maturity is varied, €675 million are available within three years, €770 million within one year and €311 million of commercial paper have an average maturity of 2.5 months.

The cost of financing depends on fluctuations in short-term rates and, in particular, the 1-month Euribor rate, other than for commercial paper with a maturity varying between one and three months. This cost is essentially the 1-month Euribor rate plus a fixed margin. On the assets side, the Coface Group receives revenue from its factoring clients consisting of two parts: on the one hand, a factoring commission based on the outstanding amount of receivables during the life of the contract and, on the other hand, a financing cost indexed to the 3-month Euribor rate. In addition, it should be noted that factoring assets are financed in the same currency.

20.2 Report of the statutory auditors on the Coface Group consolidated financial statements Coface S.A.

Coface S.A.

Statutory auditors' report

on the consolidated financial statements prepared for

the purpose of the Registration Document

Period ended 31 December 2011, 2012 and 2013

Coface S.A.

1 Place Costes et Bellonte - CS 20003

92276 Bois-Colombes Cedex

Coface S.A.
Head office: 1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex
Share capital: €784,206,535

Statutory auditors' report on the consolidated financial statements prepared for the purpose of the Registration Document

Years ended 31 December 2011, 2012 and 2013

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Board of Directors,

As statutory auditors of Coface S.A. and pursuant to Regulation (EC) no. 809/2004 in the context of the proposed admission to trading of the shares on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements of Coface S.A. for the years ended 31 December 2011, 2012 and 2013 prepared for the purpose of the Registration Document.

These consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements prepared for the purpose of the Registration Document present fairly, in all material respects, the assets and liabilities and the financial position of the consolidated group as of 31 December 2011, 2012 and 2013 and the results of its operations for the years then ended, in accordance with IFRS as adopted by the European Union.

Without qualifying our above opinion, we draw your attention to Note 1 to the consolidated financial statements setting out, in particular, the impact as of 1 January 2011 of the change in accounting method following application of IAS 19, revised.

Paris La Défense and Neuilly sur Seine, 29 April 2014

KPMG S.A.	Deloitte & Associés
Francine Morelli	Damien Leurent
Partner	*Partner*

20.3 Interim consolidated financial statements - Three months ended March 31, 2014

Consolidated balance sheet

(in thousands of euros)

ASSETS	Notes	Mar. 31, 2014	Dec. 31, 2013
Intangible assets		**239,124**	**240,441**
Goodwill	3	153,740	153,727
Other intangible assets	4	85,384	86,715
Insurance business investments	5	**2,323,365**	**2,208,633**
Investment property	5	1,271	1,271
Held-to-maturity securities	5	8,476	9,403
Available-for-sale securities	5	1,757,821	1,891,204
Trading securities	5	107,584	52,271
Derivatives	5	1,961	1,386
Loans and receivables	5	446,252	253,098
Receivables arising from banking and other activities	6	**2,059,205**	**2,120,516**
Investments in associates	7	**17,952**	**17,621**
Reinsurers' share of insurance liabilities		**358,430**	**347,221**
Other assets		**929,435**	**784,667**
Buildings used in the business and other property, plant and equipment		74,048	75,730
Deferred acquisition costs		44,244	39,547
Deferred tax assets		77,428	81,122
Receivables arising from insurance and reinsurance operations		501,263	420,557
Trade receivables arising from other activities		25,426	20,292
Current tax receivables		48,417	52,073
Other receivables		158,609	95,346
Cash and cash equivalents	8	**608,668**	**273,920**
TOTAL ASSETS		**6,536,179**	**5,993,019**

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Mar. 31, 2014	Dec. 31, 2013
Equity attributable to owners of the parent		**1,828,056**	**1,780,238**
Share capital		784,207	784,207
Additional paid-in capital*		648,462	648,462
Retained earnings		320,811	193,371
Other comprehensive income		37,837	26,758
Consolidated net income for the period		36,739	127,439
Non-controlling interests		**13,386**	**13,089**
Total equity		**1,841,442**	**1,793,327**
Provisions for liabilities and charges	**11**	**113,568**	**112,056**
Financing liabilities		**386,659**	**15,133**
Financing liabilities due to banking sector companies	**12**	386,659	15,133
Liabilities relating to insurance contracts	**9**	**1,477,973**	**1,450,499**
Payables arising from banking sector activities	**13**	**2,040,552**	**2,109,297**
Amounts due to banking sector companies		383,940	406,759
Amounts due to customers of banking sector companies		271,878	353,751
Debt securities		1,384,734	1,348,787
Other liabilities		**675,985**	**512,708**
Deferred tax liabilities		141,484	138,091
Payables arising from insurance and reinsurance operations		182,426	125,547
Current tax payables		55,599	51,470
Derivative instruments with a negative fair value		1,785	2,527
Other payables		294,691	195,073
TOTAL EQUITY AND LIABILITIES		**6,536,179**	**5,993,019**

* *At its meeting of March 19, 2014, the Board of Directors proposed the payment of a special dividend in the amount of €227,000 thousand to be deducted from the additional paid-in capital account. The shareholders approved this resolution at the Ordinary General Meeting of April 14, 2014.*

Consolidated income statement

(in thousands of euros)

	Notes	First-quarter 2014	First-quarter 2013*
Revenue	**14**	**370,004**	**369,681**
Gross written premiums		345,007	343,319
Policyholders' bonuses and rebates		(22,359)	(19,286)
Net change in unearned premium provisions		(35,130)	(36,459)
Earned premiums	**14**	**287,518**	**287,575**
Fee and commission income	**14**	**35,634**	**35,630**
Net income from banking activities	**14**	**16,350**	**16,216**
Cost of risk of banking activities		(743)	(705)
Revenue or income from other activities	**14**	**30,502**	**30,261**
Investment income, net of management expenses		*6,769*	*10,230*
Gains and losses on disposals of investments		*2,314*	*1,236*
Investment income, net of management expenses (excluding finance costs)	**16**	**9,083**	**11,466**
Total revenue and income from ordinary activities		**378,344**	**380,442**
Claims expenses	**10**	(137,177)	(149,905)
Expenses from banking activities, excluding cost of risk		(2,874)	(3,338)
Expenses from other activities		(12,239)	(10,809)
Income from ceded reinsurance		*47,972*	*63,564*
Expenses from ceded reinsurance		*(72,271)*	*(82,588)*
Income and expenses from ceded reinsurance		**(24,299)**	**(19,025)**
Policy acquisition costs	**15**	(65,026)	(60,313)
Administrative costs	**15**	(61,567)	(63,829)
Other current operating expenses	**15**	(20,356)	(26,090)
Total current income and expenses		**(323,538)**	**(333,308)**
CURRENT OPERATING INCOME		**54,806**	**47,134**
Other operating expenses	**17**	(1,396)	(255)
Other operating income	**17**	3	265
OPERATING INCOME		**53,413**	**47,144**
Finance costs		(594)	(861)
Share in net income of associates		332	332
Income tax expense		(16,103)	(16,691)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**37,048**	**29,924**
Non-controlling interests		(309)	(239)
NET INCOME FOR THE PERIOD		**36,739**	**29,685**
Earnings per share (€)	**19**	0.24	0.19
Diluted earnings per share (€)	**19**	0.24	0.19

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Consolidated statement of comprehensive income

(in thousands of euros)

	Notes	First-quarter 2014	First-quarter 2013*
Net income for the period		**36,739**	**29,685**
Non-controlling interests		309	239
Other comprehensive income			
Currency translation differences reclassifiable to income		**2,429**	**7,220**
Reclassified to income		0	0
Recognized in equity		2,429	7,220
Fair value adjustments on available-for-sale financial assets	**5**	**8,746**	**(1,464)**
Reclassified to income – gross		(2,380)	(874)
Reclassified to income – tax effect		835	241
Recognized in equity – reclassifiable to income – gross		15,621	(1,318)
Recognized in equity – reclassifiable to income – tax effect		(5,330)	487
Fair value adjustments on employee benefit obligations		**0**	**0**
Other comprehensive income for the period, net of tax		**11,175**	**5,756**
Total comprehensive income for the period		**48,223**	**35,680**
- attributable to owners of the parent		47,818	35,398
- attributable to non-controlling interests		405	282

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Consolidated statement of changes in equity

(in thousands of euros)

	Notes	Share capital	Consolidated reserves	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
				Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2012 restated for IAS 19R		**784,207**	**787,752**	**(4,491)**	**87,325**	**(16,288)**	**124,087**	**1,762,593**	**13,648**	**1,776,241**
Appropriation of 2012 net income			124,087				(124,087)	0		0
2013 interim dividend*			(65,082)					(65,082)	(1,089)	(66,171)
Total transactions with owners		**0**	**59,005**	**0**	**0**		**(124,087)**	**(65,082)**	**(1,089)**	**(66,171)**
2013 net income			0				127,439	127,439	569	128,008
Fair value adjustments on available-for-sale financial assets recognized in equity	5		0		8,141			8,141	452	8,593
Fair value adjustments on available-for-sale financial assets reclassified to income	5		0		(19,800)			(19,800)	(52)	(19,852)
Change in actuarial gains and losses (IAS 19R)			0			1,076		1,076	4	1,080
Currency translation differences			0	(29,206)				(29,206)	(438)	(29,644)
Other movements		0	(4,923)	(265)	265	0	0	(4,923)	(6)	(4,929)
Equity at December 31, 2013		**784,207**	**841,834**	**(33,962)**	**75,930**	**(15,211)**	**127,439**	**1,780,239**	**13,089**	**1,793,327**
Capital increase			0					0		0
2013 net income to be appropriated			127,439				(127,439)	0		0
Payment of 2013 dividends in 2014**			(0)					(0)	(107)	(107)
Total transactions with owners		**0**	**127,439**	**0**	**0**		**(127,439)**	**(0)**	**(107)**	**(107)**
First-quarter 2014 net income			0				36,739	36,739	309	37,048
Fair value adjustments on available-for-sale financial assets recognized in equity	5		0		10,264			10,264	27	10,291
Fair value adjustments on available-for-sale financial assets reclassified to income	5		0		(1,541)			(1,541)	(4)	(1,545)
Change in actuarial gains and losses (IAS 19R)			0			0		0	0	0
Currency translation differences			0	2,357				2,357	72	2,429
Equity at March 31, 2014		**784,207**	**969,273**	**(31,605)**	**84,653**	**(15,211)**	**36,739**	**1,828,056**	**13,386**	**1,841,442**

** The Ordinary General Meeting of April 14, 2014 approved the interim dividend paid in 2013 in respect of 2013, amounting to €65,089 thousand, and the payment of an extra dividend of €1,851 thousand to be paid in the second quarter of 2014.*

*** At its meeting of March 19, 2014, the Board of Directors proposed the payment of a special dividend in the amount of €227,000 thousand to be deducted from the additional paid-in capital account, approved by the shareholders at the Ordinary General Meeting of April 14, 2014, and which is to be paid in May 2014.*

Consolidated statement of cash flows

(in thousands of euros)	First-quarter 2014	First-quarter 2013 * Unaudited
Net income for the period	**36,739**	**29,685**
Income tax expense	16,103	16,691
Finance costs	594	861
Operating income before tax (A)	**53,437**	**47,237**
Non-controlling interests	309	239
+/- Depreciation, amortization and impairment losses	5,663	5,153
+/- Net additions to/reversals from technical provisions	44,808	47,058
+/- Share in net income of associates	(332)	(332)
+ Dividends received from associates	0	0
+/- Fair value adjustments on financial instruments recognized at fair value through income	2	75
+/- Non-cash items	0	0
Total non-cash items (B)	**50,450**	**52,194**
Gross cash flows from operations (C) = (A) +(B)	***103,887***	***99,431***
Change in operating receivables and payables	(56,241)	(2,201)
Net taxes paid	(9,480)	(8,498)
Net cash related to operating activities (D)	***(65,721)***	***(10,699)***
(Increase) decrease in receivables arising from factoring operations	61,018	129,216
Increase (decrease) in payables arising from factoring operations	(45,926)	(124,494)
Increase (decrease) in factoring liabilities	15,214	11,353
Net cash generated from banking and factoring operations (E)	***30,305***	***16,076***
Net cash generated from operating activities (F) = (C+D+E)	**68,471**	**104,807**
Acquisitions of investments	(1,225,261)	(472,779)
Disposals of investments	1,121,925	423,697
Net cash used in movements in investments (G)	***(103,336)***	***(49,082)***
Acquisitions of consolidated subsidiaries, net of cash acquired	0	0
Disposals of consolidated companies, net of cash transferred	0	0
Net cash generated from changes in scope of consolidation (H)	***0***	***0***
Disposals of property, plant and equipment and intangible assets	178	671
Acquisitions of property, plant and equipment and intangible assets	(2,107)	(3,539)
Net cash used in acquisitions and disposals of property, plant and equipment and intangible assets (I	***(1,928)***	***(2,869)***
Net cash used in investing activities (J) = (G+H+I)	**(105,264)**	**(51,951)**
Proceeds from the issue of equity instruments	0	0
Treasury share transactions	0	0
Dividends paid to owners of the parent	(0)	0
Dividends paid to non-controlling interests in consolidated companies	(107)	0
Cash flows related to transactions with owners	***(107)***	***0***
Proceeds from the issue of debt instruments	377,598	0
Cash used in the redemption of debt instruments	(5,240)	(760)
Cash flows related to the financing of Group operations	***372,358***	***(760)***
Net cash generated from (used in) financing activities (K)	**372,251**	**(760)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**(710)**	**248**
Net increase in cash and cash equivalents (F+J+K+L)	**334,748**	**52,344**
Net increase in cash and cash equivalents (F+J+K+L)	**334,748**	**52,344**
Net cash generated from operating activities (F)	68,471	104,807
Net cash used in investing activities (G)	(105,264)	(51,951)
Net cash generated from (used in) financing activities (K)	372,251	(760)
Impact of changes in exchange rates on cash and cash equivalents (L)	(710)	248
Cash and cash equivalents at beginning of period	**273,920**	**257,010**
Cash and cash equivalents at end of period	**608,668**	**309,354**
Net change in cash and cash equivalents	**334,748**	**52,344**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

These IFRS interim consolidated financial statements of the Coface Group for the three months ended March 31, 2014, have been prepared as part of the proposed admission to trading of the shares on the regulated French market. The Coface Group has not previously published quarterly interim financial statements.

These condensed interim financial statements are presented in accordance with IAS 34 – Interim Financial Reporting, and comprise:

- a balance sheet;
- an income statement;
- a statement of comprehensive income;
- a statement of changes in equity;
- a statement of cash flows; and
- selected explanatory notes.

They are presented with comparative financial information at December 31, 2013 for balance sheet items, and for the three months ended March 31, 2013 for income statement items.

The explanatory notes do not contain all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.[37] The same accounting principles and policies have been used for the consolidated financial statements for the three months ended March 31, 2014 and for the year ended December 31, 2013 – as described in "Basis of presentation" to the consolidated financial statements for the year ended December 31, 2013. These condensed quarterly interim consolidated financial statements were approved by the Board of Directors on April 25, 2014.

Note 1. Significant events

Issuance of subordinated debt

In order to optimize its capital structure and bolster regulatory capital, and further to a reduction in the Group's debt ratio to less than 1% at the end of 2013, on March 27, 2014, Coface SA issued 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 thousand), maturing on March 27, 2024 (10 years). These bonds bear annual interest at 4.125%, paid at the anniversary date each year.

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

These bonds are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie Française d’Assurance pour le Commerce Extérieur, the Coface Group's main operating entity.

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

On March 25, 2014, a joint surety was issued by Compagnie Française d'Assurance pour le Commerce Extérieur for €380 million, to the benefit of the investors in Coface SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by Coface SA).

This subordinated surety is recorded in off-balance sheet items. Since it is classified as an intragroup transaction, it is eliminated in consolidation and is not disclosed in the explanatory notes.

On March 27, 2014, Coface SA granted a subordinated intragroup loan to Compagnie Française d'Assurance pour le Commerce Extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125% payable at the anniversary date each year.

Changes in the scope of consolidation

There were no changes in the scope of consolidation between December 31, 2013 and March 31, 2014.

Geographic expansion

In early 2014, Coface was granted an insurance license in Colombia, which means that it can now sell credit insurance policies directly through its own sales force.

Note 2. Accounting principles

The entry into force on January 1, 2014 of the following new standards and amendments to existing standards had no impact on the condensed interim consolidated financial statements of the Coface Group for the three months ended March 31, 2014:

- Amendments to IAS 32, effective for annual periods beginning on or after January 1, 2014 and applicable retrospectively. These amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.
- The new standards on consolidation: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities, published by the IASB on May 12, 2011 and adopted by the European Commission on December 11, 2012.
- IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements in relation to consolidated financial statements as well as SIC-12 on special purpose entities. It establishes a single control model that applies to all entities, including structured entities. IFRS 11 supersedes IAS 31 – Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

  IFRS 12 combines and enhances the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  Application of IFRS 12 will result in additional disclosures concerning Coface's interests in unconsolidated structured entities.

  As a result of these new standards, the IASB also published revised versions of IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which were adopted by the European Commission on December 11, 2012 and are effective for annual periods beginning on or after January 1, 2014.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 published by the IASB on June 28, 2012 and adopted by the European Commission on April 4, 2013. Application of these amended standards is mandatory for annual periods beginning on or after January 1, 2014. The amendments to IFRS 10 clarify the standard's transition guidance and limit the requirement to provide adjusted comparative information to only the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Accounting principles applied to interim periods

Accounting treatment of debt

Debt is initially recognized at fair value after taking account of directly-attributable transaction costs.

It is subsequently measured at amortized cost using the effective interest method. Amortized cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortization (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 amortized cost and are recognized over the life of the financial liability using the yield-to-maturity method. As and when they are amortized, premiums and discounts impact the amortized cost of the financial liability.

Accounting treatment of debt issuance costs

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

Transaction costs include:

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

Transaction costs do not include:

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

Income tax

The method used to calculate the tax expense for the three months ended March 31, 2014 is the same as that used for the year ended December 31, 2013.

The current tax is calculated on the basis of the latest known tax rate in force in each country.

Income tax expense includes both current taxes and, where justified by the tax position of the companies concerned, deferred taxes resulting from temporary differences and consolidation adjustments.

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

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

For reasons of prudence, Coface only recognizes a net deferred tax asset when it is probable that sufficient taxable profits against which the asset can be utilized will be available within a reasonable timeframe, even though tax losses can be carried forward indefinitely in France and the United Kingdom and for very long periods in certain other countries (e.g., 20 years in the United States).

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.

Where appropriate, adjustments are made to these tax plans in order to reflect specific tax regimes.

At March 31, 2014 deferred tax assets arising on the carryforward of unused tax losses recorded by the Coface SA tax group amounted to €52.1 million (€51.7 million at 31 December 2013). The total related to the unused tax losses of Compagnie Française d'Assurance pour le Commerce d'Extérieur (formerly Coface SA) and represented a receivable owed to Natixis as Compagnie Française d'Assurance pour le Commerce d'Extérieur is a member of the Natixis tax group.

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
Fair value of investment property	5	The fair value of investment property is based on market prices, adjusted where appropriate to take account of the nature, location or any other characteristics specific to the property.
Provision for earned premiums not yet written	9	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognized.
Provision for policyholders' bonuses and rebates	9	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	10	This provision is calculated based on the estimated amount potentially recoverable on paid claims.
Claims provision	10	The claims provision covers the estimated cost of all reported claims not settled at the period-end.
IBNR provision	10	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.

Explanatory notes

Note 3. Goodwill

At March 31, 2014, the change in goodwill amounted to €13 thousand. Accordingly, this note does not present any material changes.

Note 4. Other intangible assets

At March 31, 2014, the change in other intangible assets amounted to a negative €1,331 thousand. Accordingly, this note does not present any material changes.

Note 5. Investments

5.1 – Analysis by category

At March 31, 2014, the carrying amount of held-to maturity (HTM) securities was €8,476 thousand; available-for-sale (AFS) securities totaled €1,757,820 thousand; and securities held for trading (“trading securities”) came to €107,584 thousand.

At December 31, 2013, the carrying amount of held-to maturity (HTM) securities was €9,403 thousand; available-for-sale (AFS) securities totaled €1,891,204 thousand; and securities held for trading (“trading securities”) came to €52,271 thousand.

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

At March 31, 2014, 10% of the Group’s total bond portfolio was rated “AAA”, 40% “AA” and “A”, 31% “BBB” and 19% below “BB”. The portion of the bond portfolio rated below “BB” exclusively comprises securities with maturities of less than three years.

At March 31, 2014, bonds represented 60% of the total investment portfolio.

(in thousands of euros)	March 31, 2014					December 31, 2013				
	Amortized cost	**Revaluation reserve**	**Net value**	**Fair value**	**Unrealized gains and losses**	**Amortized cost**	**Revaluation reserve**	**Net value**	**Fair value**	**Unrealized gains and losses**
AFS securities	**1,663,830**	**93,991**	**1,757,821**	**1,757,821**		**1,810,511**	**80,693**	**1,891,204**	**1,891,204**	
Equities and other variable-income securities	177,043	93,596	**270,639**	270,639		109,981	92,486	**202,467**	202,467	
Bonds and government securities	1,486,786	395	**1,487,181**	1,487,181		1,700,529	(11,793)	**1,688,736**	1,688,736	
o/w direct investments in securities	*1,372,754*	*6,054*	***1,378,808***	*1,378,808*		*1,338,281*	*(4,448)*	***1,333,833***	1,333,833	
o/w investments in UCITS	*114,032*	*(5,659)*	***108,373***	*108,373*		*362,248*	*(7,345)*	***354,903***	354,903	
Shares in non-trading property companies	1	0	**1**	1		1	0	**1**	1	
HTM securities										
Bonds	8,476	0	**8,476**	9,188	713	9,403	0	**9,403**	10,170	767
Fair value through income – trading securities										
Money market funds (UCITS)	107,331	253	**107,584**	107,584		52,271	0	**52,271**	52,271	
Derivatives (positive fair value)	0	1,961	**1,961**	1,961		0	1,386	**1,386**	1,386	
Loans and receivables	446,252	0	**446,252**	446,252		253,098	0	**253,098**	253,098	
Investment property	1,055	216	**1,271**	1,271		1,055	216	**1,271**	1,271	
Total	**2,226,944**	**96,421**	**2,323,365**	**2,324,077**	**713**	**2,126,338**	**82,294**	**2,208,633**	**2,209,400**	**767**

(in thousands of euros)	**Gross Mar. 31, 2014**	**Impairment**	**IFRS Mar. 31, 2014**	**IFRS Dec. 31, 2013**
AFS securities	**1,787,700**	**(29,879)**	**1,757,821**	**1,891,204**
Equities and other variable-income securities	300,510	(29,871)	270,639	202,467
Bonds and government securities	1,487,181	0	1,487,181	1,688,736
o/w direct investments in securities	*1,378,808*	*0*	*1,378,808*	*1,333,833*
o/w investments in UCITS	*108,373*	*0*	*108,373*	*354,903*
Shares in non-trading property companies	9	(8)	1	1
HTM securities				
Bonds	8,476	0	8,476	9,403
Fair value through income – trading securities	107,584	0	107,584	52,271
Derivatives (positive fair value)	1,961	0	1,961	1,386
(for information, derivatives with a negative fair value)	*(1,785)*	*0*	*(1,785)*	*(2,527)*
Investment property	1,271	0	1,271	1,271
Loans and receivables	446,252	0	446,252	253,098
Total investments	**2,353,244**	**(29,879)**	**2,323,365**	**2,208,633**

(in thousands of euros)	**Dec. 31, 2013**	**Additions**	**Reversals**	**Exchange rate effects and other**	**Mar. 31, 2014**
AFS securities	**30,661**	**387**	**(1,122)**	**(48)**	**29,879**
Equities and other variable-income securities	30,653	387	(1,122)	(48)	29,871
Shares in non-trading property companies	8	0	0	0	8
Total impairment	**30,661**	**387**	**(1,122)**	**(48)**	**29,879**

At March 31, 2014, Coface Chile reversed an impairment loss in respect of Coface Factoring Chile further to its liquidation. Since this was the matching entry to the liquidation loss, it had no impact on income.

Change in investments by category

(in thousands of euros)	Dec. 31, 2013 Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Mar. 31, 2014 Carrying amount
AFS securities	**1,891,204**	**384,528**	**(528,898)**	**13,255**	**773**	**(3,040)**	**1,757,821**
Equities and other variable-income securities	202,467	72,689	(6,368)	1,041	773	36	270,639
Bonds and government securities	1,688,736	311,839	(522,531)	12,214	0	(3,077)	1,487,181
Shares in non-trading property companies	1	0	0	0	0	0	1
HTM securities							
Bonds	9,403	73	(1,000)		0	0	8,476
Loans, receivables and other financial investments	308,026	839,344	(592,027)	573	0	1,152	557,068
Total investments	**2,208,633**	**1,223,944**	**(1,121,925)**	**13,829**	**773**	**(1,888)**	**2,323,365**

At March 31, 2014, material changes were observed for the following items:

- equities and other variable-income securities amounted to €270,639 thousand at March 31, 2014, versus €202,467 thousand at December 31, 2013. The €68,172 thousand change in this item chiefly reflects the acquisition of additional equities by the "Colombes" mutual funds in the amount of €64,825 thousand. The "Colombes" mutual funds were set up in 2013, and consolidated as from that date, to centralize the management of the Group's investments;
- bonds and government securities amounted to €1,487,181 thousand at March 31, 2014, versus €1,688,736 thousand at December 31, 2013. The €201,555 thousand decrease in this item is mainly attributable to the expiry of Natixis certificates of deposit in the amount of €160,000 thousand;
- loans, receivables and other financial investments amounted to €557,068 thousand at March 31, 2014, versus €308,026 thousand at December 31, 2013. This item mainly comprises trading securities, certificates of deposit and term deposits.

5.2 – Financial instruments recognized at fair value

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

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

Securities classified as level 1 represent 70% of the Group's portfolio. They correspond to:

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

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

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 historic cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data. This level corresponds to unlisted equities, investment securities and mutual fund units, as well as investment property.

Movements in Level 3 securities

March 31, 2014

(in thousands of euros)	Carrying amount	Fair value	**Level 1** Fair value determined based on quoted prices in active markets	**Level 2** Fair value determined based on valuation techniques that use observable inputs	**Level 3** Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**1,757,821**	**1,757,821**	**1,499,514**	**145,295**	**113,012**
Equities and other variable-income securities	270,639	270,639	142,957	14,671	113,011
Bonds and government securities	1,487,181	1,487,181	1,356,557	130,624	0
Shares in non-trading property compar	1	1			1
HTM securities					
Bonds	8,476	9,188	9,188		
Fair value through income – trading secur	107,584	107,584	107,584		
Derivatives	1,961	1,961		1,961	
Investment property	1,271	1,271			1,271
Loans and receivables	446,252	446,252		446,252	
TOTAL	**2,323,365**	**2,324,077**	**1,616,286**	**593,508**	**114,283**

Movements in Level 3 securities

(in thousands of euros)	Level 3	Gains and losses recognized in the period		Transactions for the period		Reclassifications for the period			Changes in scope of consolidation	Exchange rate effects	Level 3
	At Dec. 31, 2013	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	From level 3	To level 3	Other movements			At Mar. 31, 2014
AFS securities	**107,825**	**0**	**625**	**4,478**	**0**	**0**	**0**	**0**	**0**	**84**	**113,012**
Equities and other variable-income securities	107,824		625	4,478						84	113,011
Shares in non-trading property companies	1										1
Investment property	**1,271**										**1,271**
TOTAL	**109,096**	**0**	**625**	**4,478**	**0**		**0**		**0**	**84**	**114,283**

December 31, 2013

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**1,891,204**	**1,891,204**	**1,637,022**	**146,357**	**107,825**
Equities and other variable-income securities	202,467	202,467	79,972	14,671	107,824
Bonds and government securities	1,688,736	1,688,736	1,557,050	131,686	0
Shares in non-trading property companies	1	1			1
HTM securities					
Bonds	9,403	9,403	9,403		
Fair value through income – trading securities	52,271	52,271	52,271		
Derivatives	1,386	1,386		1,386	
Investment property	1,271	1,271			1,271
Loans and receivables	253,098	253,098		253,098	
TOTAL	**2,208,633**	**2,208,633**	**1,698,695**	**400,842**	**109,096**

Note 6. Receivables arising from banking and other activities

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Receivables arising from banking and other activities	2,040,819	2,094,074
Non-performing receivables arising from banking and other activities	38,293	46,163
Allowances for receivables arising from banking and other activities	(19,907)	(19,721)
Total receivables arising from banking and other activities	**2,059,205**	**2,120,516**

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

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

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

Note 7. Investments in associates

At March 31, 2014, the change in investments in associates amounted to €331 thousand. Accordingly, this note does not present any material changes.

Note 8. Cash and cash equivalents

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Cash at bank and in hand	595,146	260,866
Cash equivalents	13,522	13,054
Total	**608,668**	**273,920**

Cash and cash equivalents totaled €608,668 thousand at March 31, 2014 compared with €273,920 thousand at December 31, 2013, representing a period-on-period increase of €334,748 thousand, chiefly as a result of the issuance of subordinated debt.

Note 9. Liabilities relating to insurance contracts

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Provisions for unearned premiums	300,986	267,023
Claims provisions	1,113,654	1,120,922
Provisions for policyholders' bonuses and rebates	63,333	62,554
Liabilities relating to insurance contracts	**1,477,973**	**1,450,499**
Provisions for unearned premiums	(68,767)	(41,674)
Claims provisions	(273,723)	(289,294)
Provisions for policyholders' bonuses and rebates	(15,939)	(16,254)
Reinsurers' share of technical insurance liabilities	**(358,430)**	**(347,221)**
Net technical provisions	**1,119,543**	**1,103,278**

Note 10. Claims expenses

(in thousands of euros)	First-quarter 2014	First-quarter 2013*
Paid claims, net of recoveries	(107,148)	(111,478)
Claims handling expenses	(8,107)	(6,679)
Change in claims provisions	(21,922)	(31,748)
Total	**(137,177)**	**(149,905)**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Claims expenses by period of occurrence

(in thousands of euros)	First-quarter 2014			First-quarter 2013*		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(213,539)	25,552	(187,987)	(204,837)	28,711	(176,126)
Claims expenses – prior years	76,362	(2,730)	73,632	54,932	7,632	62,564
Claims expenses	**(137,177)**	**22,822**	**(114,355)**	**(149,905)**	**36,343**	**(113,562)**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Note 11. Provisions for liabilities and charges

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Provisions for disputes	9,021	7,056
Provisions for pension and other post-employment benefit obligations	86,526	86,130
Other provisions for liabilities and charges	18,021	18,870
TOTAL	**113,568**	**112,056**

Other provisions for liabilities and charges chiefly include provisions for risks relating to investments in the amount of €14,692 thousand at March 31, 2014, versus €14,347 thousand at December 31, 2013, corresponding to the Group's share in the negative net financial position.

Note 12. Debt

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Subordinated bond debt	376,733	
Obligations under finance leases	9,926	10,565
Bank overdrafts and other borrowings	0	4,568
TOTAL	**386,659**	**15,133**

Coface SA has issued subordinated debt in the form of bonds for a nominal amount of €380 million (3,800 bonds with a nominal amount of €100 thousand), maturing on March 27, 2024 (10 years). These bonds bear annual interest at 4.125%, paid at the anniversary date each year.

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

Note 13. Payables arising from banking sector activities

(in thousands of euros)	Mar. 31, 2014	Dec. 31, 2013
Amounts due to banking sector companies	383,940	406,759
Amounts due to customers of banking sector companies	271,878	353,751
Debt securities	1,384,734	1,348,787
TOTAL	**2,040,552**	**2,109,297**

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

Note 14. Consolidated revenue

(in thousands of euros)

a) By business line	First-quarter 2014	First-quarter 2013*
Premiums – direct business	326,913	325,736
Premiums – inward reinsurance	18,094	17,584
Policyholders' rebates	(22,359)	(19,286)
Provisions for unearned premiums	(35,130)	(36,459)
Earned premiums net of cancellations c)	**287,518**	**287,575**
Fee and commission income	**35,634**	**35,630**
Net income from banking activities d)	**16,350**	**16,216**
Other insurance-related services	2,717	2,349
Remuneration of public procedures management services	16,320	16,432
Business information and other services	6,552	6,853
Receivables management	4,913	4,627
Revenue or income from other activities	**30,502**	**30,261**
Consolidated revenue	**370,004**	**369,681**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

(in thousands of euros)

b) By country of invoicing	First-quarter 2014	First-quarter 2013*
Northern Europe	93,576	90,328
Western Europe	122,430	120,212
Central Europe	28,610	29,131
Mediterranean & Africa	58,087	55,555
North America	27,012	28,556
Latin America	19,637	24,086
Asia-Pacific	20,652	21,813
Consolidated revenue	**370,004**	**369,681**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

(in thousands of euros)

c) Insurance revenue by type of insurance	First-quarter 2014	First-quarter 2013*
Credit insurance	264,895	262,738
Guarantees	14,178	15,040
Single risk	8,445	9,797
Total insurance revenue	**287,518**	**287,575**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

d) Net income from banking activities	**First-quarter 2014**	**First-quarter 2013***
Financing fees	(3,597)	(3,053)
Factoring fees	22,087	19,522
Other	(2,140)	(254)
Total net income from banking activities	**16,350**	**16,216**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Note 15. General expenses by function

(in thousands of euros)	**First-quarter 2014**	**First-quarter 2013***
Commissions	(33,215)	(33,280)
Other acquisition costs	(31,812)	(27,033)
Total acquisition costs	**(65,026)**	**(60,313)**
Administrative costs	**(61,567)**	**(63,829)**
Other current operating expenses	**(20,356)**	**(26,090)**
Investment management expenses	**(1,276)**	**(1,062)**
o/w insurance investment management expenses	*(1,086)*	*(1,062)*
Claims handling expenses	**(8,107)**	**(6,679)**
o/w insurance claims handling expenses	*(7,208)*	*(6,679)*
TOTAL	**(156,332)**	**(157,972)**
o/w employee profit-sharing	*(2,517)*	*(1,589)*

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Total administrative costs for the Coface Group including general expenses (by function), expenses from other activities and expenses from banking activities came out at €171,445 thousand in the three months ended March 31, 2014 versus €172,119 thousand in the three months ended March 31, 2013.

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

Note 16. Investment income by category

(in thousands of euros)	First-quarter 2014	First-quarter 2013*
Investment income (excluding net gains/(losses) on assets and liabilities held for trading)	7,605	9,203
Net gains on disposals	2,314	1,236
Change in provisions:	(905)	412
AFS equities	(387)	0
Other loans and receivables	(77)	0
Liabilities and charges on AFS investments in non-consolidated companies	(441)	412
Net foreign exchange gains	1,776	2,204
Investment management expenses	(1,707)	(1,589)
Total investment income, net of management expenses (excluding finance costs)	**9,083**	**11,466**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Note 17. Other operating income and expenses

(in thousands of euros)	First-quarter 2014	First-quarter 2013*
Other operating income	3	265
Costs directly attributable to the stock market listing	(1,314)	
Other operating expenses	(82)	(255)
Total other operating expenses	**(1,396)**	**(255)**
Total other operating income	**3**	**265**
Net	**(1,393)**	**10**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

In the three months ended March 31, 2014, a non-recurring expense of €1,314 thousand was recognized in other operating expenses in respect of fees in connection with the stock market listing (communications agency, lawyers, Statutory Auditors, consultants, etc.), and expenses and fees paid to Natixis Interépargne.

Note 18. Analysis of net income by segment

Segment reporting is representative of the data monitored for management purposes, and is presented by geographic 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.

Reinsurance result – which is calculated and recognized for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur (formerly Coface SA) – has been reallocated at the level of each region.

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

Analysis of first-quarter 2014 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**90,897**	**124,711**	**30,133**	**58,432**	**27,017**	**19,637**	**20,652**	**56,825**	**7,268**	**0**	**(65,568)**	**370,004**
o/w Insurance	*62,524*	*94,698*	*21,716*	*46,555*	*23,943*	*17,689*	*20,392*	*56,825*	*0*	*0*	*(56,825)*	***287,518***
o/w Factoring	*14,952*	*0*	*2,055*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(657)*	***16,350***
o/w Other insurance-related services	*13,421*	*30,013*	*6,362*	*11,877*	*3,074*	*1,948*	*260*	*0*	*7,268*	*0*	*(8,086)*	***66,136***
Policyholder bonuses (for information)	*(9,793)*	*(9,267)*	*(1,396)*	*(474)*	*(410)*	*(142)*	*(2,086)*	*(1,746)*	*0*	*0*	*2,956*	*(22,359)*
Claims-related expenses (including claims handling costs)	**(35,789)**	**(39,076)**	**(13,122)**	**(27,895)**	**(3,481)**	**(10,130)**	**(7,148)**	**(20,576)**	**0**	**0**	**20,040**	**(137,177)**
Cost of risk	**(601)**	**0**	**(145)**	**0**	**0**	**0**	**3**	**0**	**0**	**0**	**0**	**(743)**
Commissions	**(6,057)**	**(10,810)**	**(1,069)**	**(4,544)**	**(5,401)**	**(1,695)**	**(4,438)**	**(16,550)**	**0**	**0**	**17,320**	**(33,244)**
Other internal general expenses	**(35,540)**	**(39,780)**	**(9,083)**	**(17,618)**	**(6,143)**	**(5,861)**	**(6,769)**	**0**	**(7,139)**	**(9,018)**	**8,133**	**(128,818)**
UNDERWRITING INCOME BEFORE REINSURANCE*	**12,910**	**35,045**	**6,714**	**8,375**	**11,992**	**1,951**	**2,300**	**19,699**	**129**	**(9,018)**	**(20,075)**	**70,022**
Income/(loss) on ceded reinsurance	**(3,983)**	**(8,379)**	**(237)**	**(1,160)**	**(3,079)**	**(4,039)**	**(2,509)**	**(20,615)**	**0**	**0**	**19,701**	**(24,299)**
Other operating income and expenses	**44**	**(1,327)**	**18**	**(91)**	**0**	**0**	**7**	**0**	**0**	**0**	**(44)**	**(1,393)**
Net financial income excluding finance costs	**3,002**	**5,182**	**741**	**855**	**553**	**2,769**	**867**	**0**	**183**	**0**	**(5,069)**	**9,083**
Finance costs	**(145)**	**(5,750)**	**0**	**(56)**	**(113)**	**(12)**	**(3)**	**0**	**(7)**	**0**	**5,491**	**(594)**
OPERATING INCOME including finance costs	**11,829**	**24,771**	**7,236**	**7,924**	**9,353**	**669**	**663**	**(916)**	**305**	**(9,018)**	**3**	**52,819**
Share in net income of associates	**0**	**332**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**332**
NET INCOME BEFORE TAX	**11,829**	**25,103**	**7,236**	**7,924**	**9,353**	**669**	**663**	**(916)**	**305**	**(9,018)**	**3**	**53,151**
Income tax expense	**(2,607)**	**(7,610)**	**(973)**	**(6,253)**	**(2,832)**	**939**	**(471)**	**315**	**(147)**	**3,105**	**431**	**(16,103)**
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**9,221**	**17,493**	**6,264**	**1,670**	**6,521**	**1,608**	**192**	**(600)**	**158**	**(5,913)**	**434**	**37,048**
Non-controlling interests	**(25)**	**(33)**	**(197)**	**1**	**(18)**	**(29)**	**(6)**	**0**	**(1)**	**0**	**0**	**(309)**
NET INCOME FOR FIRST-QUARTER 2014	**9,196**	**17,459**	**6,067**	**1,671**	**6,503**	**1,579**	**185**	**(600)**	**157**	**(5,913)**	**434**	**36,739**

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

Analysis of first-quarter 2013 net income by segment

(in thousands of euros)		Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	South America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE		**87,806**	**122,267**	**30,628**	**56,192**	**28,597**	**24,086**	**21,813**	**34,265**	**7,284**	**0**	**(43,257)**	**369,681**
	o/w Insurance	*60,256*	*92,086*	*21,717*	*44,318*	*25,762*	*21,828*	*21,607*	*34,265*	*0*	*0*	*(34,264)*	***287,575***
	o/w Factoring	*14,310*	*86*	*2,218*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(398)*	***16,216***
	o/w Other insurance-related servic	*13,239*	*30,096*	*6,694*	*11,874*	*2,835*	*2,258*	*206*	*0*	*7,284*	*0*	*(8,594)*	***65,891***
Policyholder bonuses	*(for information)*	*(8,720)*	*(7,598)*	*(1,912)*	*113*	*(578)*	*437*	*(2,241)*	*(642)*	*0*	*0*	*1,855*	*(19,286)*
Claims-related expenses (including claims handling costs)		**(30,909)**	**(50,505)**	**(12,157)**	**(33,851)**	**(1,165)**	**(11,882)**	**(9,130)**	**(13,593)**	**0**	**0**	**13,288**	**(149,905)**
Cost of risk		**(705)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(705)**
Commissions		**(5,167)**	**(10,630)**	**(756)**	**(4,113)**	**(6,681)**	**(1,568)**	**(4,893)**	**(7,022)**	**0**	**0**	**7,553**	**(33,278)**
Other internal general expenses		**(34,158)**	**(45,800)**	**(9,502)**	**(16,319)**	**(5,560)**	**(6,676)**	**(6,746)**	**0**	**(7,206)**	**(7,783)**	**8,651**	**(131,100)**
UNDERWRITING INCOME BEFORE REINSURANCE		**16,866**	**15,332**	**8,213**	**1,909**	**15,190**	**3,961**	**1,044**	**13,650**	**78**	**(7,783)**	**(13,766)**	**54,693**
Income/(loss) on ceded reinsurance		**(5,387)**	**(5,577)**	**(731)**	**1,177**	**(5,031)**	**(186)**	**(2,751)**	**(14,187)**	**0**	**0**	**13,649**	**(19,025)**
Other operating income and expenses		**0**	**29**	**24**	**(69)**	**0**	**26**	**0**	**0**	**0**	**0**	**0**	**10**
Net financial income excluding finance costs		**1,904**	**1,637**	**1,748**	**3,244**	**423**	**1,354**	**1,526**	**0**	**7**	**0**	**(377)**	**11,466**
o/w investment management expenses		*0*	*(889)*	*(28)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(145)*	*(1,062)*
Finance costs		**(179)**	**(872)**	**(49)**	**(430)**	**(164)**	**(12)**	**(4)**	**0**	**(42)**	**0**	**891**	**(861)**
OPERATING INCOME including finance costs		**13,205**	**10,548**	**9,205**	**5,830**	**10,417**	**5,142**	**(185)**	**(538)**	**43**	**(7,783)**	**398**	**46,283**
Share in net income of associates		**0**	**332**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**332**
NET INCOME BEFORE TAX		**13,205**	**10,880**	**9,205**	**5,830**	**10,417**	**5,142**	**(185)**	**(538)**	**43**	**(7,783)**	**398**	**46,615**
Income tax expense		**(3,854)**	**(3,100)**	**(1,831)**	**(5,040)**	**(3,242)**	**(1,558)**	**(256)**	**185**	**(37)**	**2,680**	**(639)**	**(16,691)**
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**9,352**	**7,780**	**7,374**	**790**	**7,175**	**3,584**	**(441)**	**(353)**	**6**	**(5,103)**	**(241)**	**29,924**
Non-controlling interests		**(20)**	**(13)**	**(143)**	**2**	**(18)**	**(47)**	**(1)**	**0**	**(0)**	**0**	**0**	**(239)**
NET INCOME FOR FIRST-QUARTER 2013		**9,332**	**7,767**	**7,231**	**792**	**7,158**	**3,538**	**(442)**	**(353)**	**6**	**(5,103)**	**(241)**	**29,685**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Note 19. Earnings per share

First-quarter 2014				
		Average number of shares	Net income (in thousands of euros)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	37,048	0.24
	Dilutive instruments	0		
	Diluted earnings per share	**156,841,307**	**37,048**	**0.24**

First-quarter 2013*				
		Average number of shares	Net income (in thousands of euros)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	29,924	0.19
	Dilutive instruments	0		
	Diluted earnings per share	**156,841,307**	**29,924**	**0.19**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Note 20. Off-balance sheet commitments

(in thousands of euros)

Off-balance sheet commitments	mars. 31, 2014	déc. 31, 2013
Commitments given	**38,365**	**38,600**
Endorsements and letters of credit	28,600	29,000
Property guarantees	7,500	7,500
Financial commitments in respect of equity interests	434	210
of which, consolidated companies		
Obligations under finance leases	1,831	1,890
Commitments received	**631,265**	**626,780**
Endorsements and letters of credit	121,313	116,828
Guarantees	0	0
Credit lines	500,000	500,000
Financial commitments in respect of equity interests	9,952	9,952
of which, consolidated companies		
Reciprocal commitments		**0**
Forward purchases and sales of foreign currencies	0	0
Guarantees received	**349,488**	**349,488**
Securities lodged as collateral by reinsurers	349,488	349,488
Financial market transactions	**33,330**	**237,133**

Credit lines correspond to liquidity lines related to commercial paper issues in the amount of €500,000 thousand.

Note 21. Related parties

	Number of shares	%
Natixis	156,841,307	100
Total	**156,841,307**	**100**

RELATIONS WITH CONSOLIDATED ENTITIES

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

Current operating income	**First-quarter 2014**				
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Collections North America
Total revenue and income from ordinary activities	**(1 079)**	**0**	**(15)**	**1**	**0**
Revenue (net banking income, after cost of risk)	(1 105)	0	0	0	0
Revenue or income from other activities	0	0	0	0	0
Earned premiums	0	0	(16)	0	0
Fee and commission income	0	0	2	0	0
Investment income/(loss), net of management expenses	26	0	(1)	1	0
Total current income and expenses	**(627)**	**(39)**	**(340)**	**35**	**(11)**
Claims expenses	(53)	0	(4)	3	(27)
Expenses from other activities	0	0	0	0	(6)
Policy acquisition costs	(345)	0	(22)	20	0
Administrative costs	(136)	(39)	(308)	7	22
Other current operating income and expenses	(93)	0	(6)	5	0
Current operating income/(loss)	**(1 706)**	**(39)**	**(355)**	**36**	**(11)**

Related-party receivables and payables	March 31, 2014					
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Collections North America
Financial investments	**23,019**	**182,277**	**0**	**0**	**0**	**0**
Other assets	**0**	**54,567**	**86**	**952**	**1,726**	**55**
Receivables arising from insurance and reinsurance operations	0	0	2	0	0	0
Current tax receivables	0	4,321	0	0	0	0
Deferred tax assets	0	50,246	0	0	0	0
Other receivables	0	0	84	952	1,726	55
Cash and cash equivalents	**0**	**316,747**	**0**	**0**	**0**	**0**
Financing liabilities due to banking sector companies	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**	**0**	**67**
Payables arising from banking sector activities	**0**	**290,182**	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	264,288	0	0	0	0
Amounts due to customers of banking sector companies	0	0	0	0	0	0
Other liabilities	**0**	**3,244**	**133**	**2,338**	**0**	**0**
Current taxes	0	2,000	0	0	0	0
Other payables	0	1,244	133	2,338	0	0

Financial investments at March 31, 2014 correspond solely to investments issued by Natixis and BPCE. Investments managed by Natixis and BPCE amounting to €86,756 thousand are not disclosed in this table.

The €50,246 thousand in deferred tax assets corresponds to a receivable owed to Natixis as Compagnie française d’assurance pour le commerce extérieur is a member of the Natixis tax group.

The €264,288 thousand in amounts due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business (see Note 13).

Current operating income	First-quarter 2013*						
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Services Belgium	Ignios	Coface Collections North America
Total revenue and income from ordinary activities	**(1 239)**	**6**	**35**	**3**	**10**	**1**	**1**
Revenue (net banking income, after cost of risk)	(1 375)	0	0	0	0	0	0
Revenue or income from other activities	0	0	51	0	10	1	1
Earned premiums	0	0	(9)	0	0	0	0
Fee and commission income	0	6	4	0	0	0	0
Investment income/(loss), net of management expenses	136	0	(11)	3	0	0	0
Total current income and expenses	**(677)**	**(63)**	**(992)**	**171**	**(83)**	**(80)**	**26**
Claims expenses	0	0	(105)	10	0	1	(1)
Expenses from other activities	0	0	(7)	0	(17)	(28)	0
Policy acquisition costs	(406)	0	(313)	80	(1)	4	(6)
Administrative costs	(163)	(63)	(425)	45	(65)	1	36
Other current operating income and expenses	(108)	0	(142)	36	0	(58)	(3)
Current operating income/(loss)	**(1 240)**	**(57)**	**(957)**	**174**	**(73)**	**(79)**	**27**

** The interim consolidated financial statements for the three months ended March 31, 2013 were not subject to audit or review by the Statutory Auditors.*

Related-party receivables and payables	**December 31, 2013**									
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Kompass Belgique	Ignios	Coface Collections North America
Financial investments	**23,317**	**214,207**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other assets	**0**	**55,643**	**87**	**1,236**	**0**	**1,657**	**101**	**0**	**52**	**24**
Receivables arising from insurance and reinsurance operations	0	0	2	16	0	0	0	0	0	0
Current tax receivables	0	4,710	0	0	0	0	0	0	0	0
Deferred tax assets	0	50,933	0	0	0	0	0	0	0	0
Other receivables	0	0	85	1,220	0	1,657	101	0	52	24
Cash and cash equivalents	0	(11,859)	0	0	0	0	0	0	0	0
Financing liabilities due to banking sector companies	**0**	**27,555**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**67**
Payables arising from banking sector activities	**0**	**261,304**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	261,304	0	0	0	0	0	0	0	0
Amounts due to customers of banking sector companies	0	**0**	0	0	0	0	0	0	0	0
Other liabilities	**0**	**2,314**	**45**	**2,282**	**0**	**0**	**14**	**0**	**0**	**0**
Current taxes	0	2,211	0	0	0	0	0	0	0	0
Other payables	0	103	45	2,282	0	0	14	0	0	0

Financial investments at December 31, 2013 represent investments issued and managed by Natixis and BPCE. Financial investments managed by Natixis and BPCE amounted to €50,366 thousand.

Note 22. Events after the reporting period

The Ordinary General Meeting of April 14, 2014 approved the payment of a special dividend in the amount of €227,000 thousand to be deducted from the additional paid-in capital account and to be paid in May 2014.

20.4 Statutory auditors' review report on the quarterly condensed consolidated financial statements for the three months ended March 31, 2014

Coface S.A.

Statutory Auditor's Review Report on the quarterly condensed consolidated financial statements prepared for the purpose of the Registration Document ("Document de Base").

Period ended 31 March 2014

Coface S.A.

1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex

Coface S.A.

Head office: 1 Place Costes et Bellonte - CS 20003 - 92276 Bois-Colombes Cedex

Share capital: €784,206,535

Statutory Auditor's Review Report on the quarterly condensed consolidated financial statements prepared for the purpose of the Registration Document ("Document de Base")

Period ended 31 March 2014

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Board of Directors,

In our quality of statutory auditor of Coface SA and in answer to your request within the context of the proposed admission to trading of the shares on the regulated market of Euronext Paris, we conducted a review of the quarterly condensed consolidated financial statements of Coface SA for the period from 1st January 2014 to 31 March 2014 prepared for the purpose of the Registration Document ("the financial statements"), which are attached to this report.

We specify that as Coface SA has prepared for the first time quarterly condensed consolidated financial statements for the period ended 31 march 2014, comparative information for the period from 1st January 2013 to 31 March 2013has not been subject to an audit or a review.

These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review consists primarily of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly condensed consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Paris La Défense and Neuilly sur Seine, 29 April 2014

KPMG S.A.	Deloitte & Associés
Francine Morelli	Damien Leurent
Partner	*Partner*

20.5 Statutory Auditors' Fees

The fees paid to the statutory auditors for the years ended 2011, 2012 and 2013 are shown below:

	KPMG S.A.			Deloitte & Associés Partners			TOTAL		
in thousands of euro	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
Auditor services	**1,630**	**1,252**	**1,214**	**918**	**1,042**	**1,414**	**2,548**	**2,294**	**2,628**
- Coface SA	3	3	150	3	3	150	6	6	300
- Subsidiaries	1,627	1,249	1,064	915	1,039	1,264	2,542	2,288	2,328
Services directly related to the Statutory Auditors' assignment	**15**	**14**	**3**	**5**	**2**	**38**	**20**	**16**	**41**
- Coface SA									
- Subsidiaries	2	2	3	0	0	3	2	2	6
Tax advice	**50**	**47**	**132**	**6**	**16**	**21**	**56**	**63**	**153**
- Coface SA	0	0	0	0	0	0	0	0	0
- Subsidiaries	50	47	132	6	16	21	56	63	153
Other services	**13**	**22**	**30**	**60**	**30**	**0**	**73**	**52**	**30**
- Coface SA	0	0	0	0	0	0	0	0	0
- Subsidiaries	13	22	30	60	30	0	73	52	30
TOTAL	**1,708**	**1,335**	**1,379**	**989**	**1,090**	**1,473**	**2,697**	**2,425**	**2,852**
- Coface SA	5	5	153	3	3	153	8	8	306
- Subsidiaries	1,703	1,330	1,226	986	1,087	1,320	2,689	2,417	2,546

20.6 Dates of the Latest Financial Information

December 31, 2013

20.7 Interim Financial Information and Other

Financial information for the first quarter 2014 is shown in Section 9 "*Review of the Financial Position and Results of the Coface Group*" of this registration document.

20.8 Dividend Distribution Policy

The table below shows the amount of dividends and the net dividend per share distributed by the Company during the last three years:

	Year of distribution		
	2011	**2012**	**2013**
Total dividend *(in million of euros)*	26	-	65
Net dividend per share *(in euros)*	0.17	-	0.41

In accordance with applicable law and the articles of association of the Company, which are intended to be adopted subject to the admission of the Company's shares to the Euronext Paris regulated market, the shareholders in general meeting may, upon the recommendation of its board of directors, decide on the distribution of dividends.

The Company's dividend distribution policy will take into account, *inter alia*, the Company's results, its financial position and the implementation of its objectives, as well as the dividend distribution constraints of its main operating subsidiaries.

The Coface Group has set an objective to distribute annually dividends representing approximately 60% of its consolidated net income (group share), subject to any material change in known and unknown risks, other factors and uncertainties (related in particular to changes in the regulatory environment in terms of solvency ratios and levels of required capital and reserves) which could, if they materialize, affect future profits, performance, the financial rating and the achievement of the Coface Group's objectives. This objective does not in any way constitute a firm commitment from the Coface Group.

It should be noted that the shareholders' meeting of the Company, held on April 14, 2014, approved an exceptional distribution of dividends of €227 million using amount posted to "Additional paid-in capital".

20.9 Judicial and Arbitration Proceedings

The Coface Group may occasionally be involved in legal, administrative or regulatory proceedings in the normal course of its business. A provision is recorded by the Company when there is a sufficient likelihood that such disputes will result in costs being borne by the Company or its subsidiaries.

As of the date of this registration document, to the knowledge of the Company, there are no governmental, legal or arbitral proceedings (including any proceedings of which the Coface Group is aware, that are pending or with which the Coface Group is threatened), likely to have, or having had in the course of the last twelve months, a material adverse effect on the operations, financial position or the results of the Coface Group.

20.10 Material Change in Financial or Business Position

To the best knowledge of the Company, there has been no material change in the financial or business position of the Coface Group since December 31, 2013. However, it should be noted that the shareholders' meeting of the Company, held on April 14, 2014, approved an exceptional distribution of dividends of €227 million using amount posted to "Additional paid-in capital".

21. ADDITIONAL INFORMATION

21.1 Paid-up Share Capital and Authorized but Unissued Share Capital

As of the date of registration of this registration document, the authorized share capital of the Company amounted to €784,206,535. It is divided into 156,841,307 shares with a par value of 5 (five) euros each, all fully subscribed and paid up and of the same class.

The delegation of authority and authorizations to issue shares and other securities will be put in place at the extraordinary shareholders' meeting which will be held after the date of registration of this registration document.

The table below summarizes the resolutions which will be submitted to the vote of the extraordinary shareholders' meeting of June 2, 2014:

Subject of the resolution	Maximum nominal amount	Term of the authorization
Authorization granted to deal in the shares of the Company(1)	Up to a limit of 10% of the total number of shares comprising the share capital or 5% of the total number of shares with the prupose of holdim themfor subsequent payment or exchange in the context of potentialexternal growth transactions	18 months
Authorization granted to the Board of Directors to reduce the capital by canceling treasury shares(1)	With a limit of 10% of the share capital by 24 months period	26 months
Delegation of authority to the Board of Directors to decide the share capital increase by way of a public offering by issuing shares and/or other securities giving access to the share capital, while maintaining the preferential subscription rights(1)	€250 million for share capital increase(2) €500 million for debt securities	26 months
Delegation of authority to the Board of Directors to decide the share capital increase by issuing shares and/or other securities giving access to the share capital without preferential subscription right(1)	€250 million for share capital increase(2) €500 million for debt securities	26 months
Delegation of authority to the Board of Directors to decide the issuance of shares and/or other securities giving access to the share capital without preferential subscription rights pursuant to Article L. 411-2 II of the French Financial and Monetary Code(1)	€250 million for share capital increase(2) €500 million for debt securities	26 months
Authorization granted to the Board of Directors to increase the number of securities to be issued in the case of a share capital increase with or without preferential subscription rights(1)	Within the limit provided by law (to date, 15% of the initial issuance)(2)	26 months
Delegation of authority to the Board of Directors to issue shares or other securities giving access to the share capital without preferential subscription rights in remuneration of contributions in kind representing capital securities or other securities giving access to the share capital(1)	€75 million for share capital increase(2) and €200 million for issue of debt securities	26 months
Delegation of authority to the Board of Directors to increase the share capital by capitalization of premiums, reserves, profits or other amounts(1)	€200 million	26 months

Subject of the resolution	Maximum nominal amount	Term of the authorization
Delegation of authority to the Board of Directors to increase the share capital by issue of shares or other securities giving access to the share capital without preferential subscription rights, following the issue by subsidiaries of the Company of securities giving access to the share capital of the Company (1)	€250 million (2)	26 months
Delegation of authority to the Board of Directors to issue shares reserved for members of employee savings plans without preferential subscription rights(1)	€15 million (2)	26 months
Delegation of authority to the Board of Directors to increase the share capital by issuing shares reserved for designated individuals without preferential subscription right(1)	€15 million (2)	18 months
Delegation of authority to the Board of Directors to issue securities giving the right to the allotment of debt securities(1)	€500 million	26 months

(1) Resolution adopted subject to the pricing of the shares of the Company in the context of their admission on the Euronext Paris regulated market.
(2) The total maximum nominal amount of the capital increases capable of being realized as a result of this delegation of authority is set against the amount of the overall ceiling fixed at €250 million concerning the current or any future capital increases.

21.1.1 Non-Equity Securities

None.

21.1.2 Treasury Shares, Custody and Buy-Back by the Company of its Own Shares

As of the date of registration of this registration document, neither the Company, no any of its subsidiaries, nor any third party holds any shares in treasury or for their own account.

The combined general shareholders' meeting which will be held after the registration date of this registration document, will consider authorizing the board of directors, for a period of 18 moths as from the date of the shareholders' meeting and subject to the admission of the Company's shares to the Euronext Paris regulated market, and with the right to sub-delegate its powers, in accordance with applicable legal and regulatory provisions, and in accordance with the provisions of articles L.225-209 and seq. of the French Commercial code, articles 241-1 to 241-5 of the *Autorité des marchés financiers* General Regulations (*Règlement Général de l'AMF*), Regulation (EC) n°2273/2003 of the European Commission of December 22, 2003 and the market practice accepted by the AMF, to purchase, on one or several times and when it deems appropriate, such number of shares of the Company that may not exceeding 10% of the total number of shares constituting the Company's share capital at any given time, 5% of the total number of shares constituting the Company's share capital if the shares are purchased by the Company with the purpose of holding them for subsequent payment or tender in a merger, spin-off or contribution, it being specified that purchases of the Company's ordinary shares may not, under any circumstances, result in the Company holding more than 10% of the ordinary shares representing its share capital.

These shares may be acquired, pursuant to the decisions of the Board of Directors for the following purposes:

- to ensure liquidity and an active market in the Company's shares through an investment services provider pursuant to a liquidity agreement in accordance with the code of ethics recognized by the AMF;

- granting for free or assign shares to the employees of the Company, and in particular in the context of (i) any profit-sharing scheme of the company; (ii) any Company's stock option plans in accordance with the provisions of articles L.225-177 and seq. of the French Commercial Code; or (iii) any employee savings plan sponsored by the Company pursuant to articles L.3331-1 and seq. of the French Labor Code or any free granting of shares in accordance with the provisions of articles L.225-197-1 and seq. of the French Commercial Code, as well as any hedging operation related to these operations subject to the conditions set out by the market authorities and at such times as, the board of directors or the person acting under the delegation of powers of the board of directors deems appropriate;

- delivering the Company's shares upon exercise of the rights attached to securities giving access to the Company's share capital through repayment, conversion, exchange, presentation of a warrant or in any other manner as provided by law, as well as for the purpose of any hedging operation related to these operations subject to the conditions set out by the market authorities and at such times as, the board of directors or the person acting under the delegation of powers of the board of directors deems appropriate;
- holding the shares for the purpose of subsequent payment or exchange in the context of potential external growth transactions, in accordance with the market practice accepted by the AMF;
- cancelling some or all the shares in the context of a share capital reduction, or
- to implement any market practice accepted by the AMF from time to time, and more generally, perform all operations or any other accepted operation, in accordance with applicable laws and regulations.

The maximum purchase price per share shall not exceed, excluding charges, 200 % of the Company's share price fixed for their admission to the Euronext Paris regulated market, as specified in the Company's official press release related to the final conditions of the public offering of the Company and their admission to the Euronext Paris, regulated market.

The Board of Directors may, nevertheless, in the event of transactions relating to the Company's share capital, and in particular in case of a change in the nominal value o the share, a capital increase through capitalization of reserves followed by the issue and the free allotment of shares, a stock split or stock consolidation, adjust the maximum purchase price referred to above in order to take into account the impact of such transactions on the value of the share.

The acquisition, sale or transfer of these shares may be made and paid for by all appropriate means in accordance with applicable laws and regulations, on a regulated market, on a multilateral trading systems, systematic internalizer or on an over-the-counter market, including by the purchase or sale of blocks, by using options or other financial derivatives or warrants, or more generally, by using securities granting rights to shares of the Company, at such times as the Board of Directors deems appropriate, excluding during any public offer period relating to the Company shares.

All powers are granted to the Board of Directors, with the right to sub-delegate, in order to carry out, in accordance with applicable legal and regulatory provisions, all authorized reallocations of repurchased shares for the purposes of the program or any of its objectives, or their sale, on or off market.

The Board of Directors shall inform the shareholders, as provided by law, of transactions carried out.

21.1.3 Other Securities Providing Access to the Share Capital

None.

21.1.4 Conditions Related to any Acquisition Right and/or Any Liability Attached to the Subscribed but Unpaid Capital

None.

21.1.5 Share Capital of the Group Companies which is Under Option or Agreed to be Put Under Option

None.

21.1.6 Pledges, Guarantees and Collateral Given on the Company's Shares

As of the date of registration of this registration document, no pledges, guarantees or collateral are given on the Company's shares.

21.1.7 History of the Share Capital

No change has been made to the Company's share capital in the past three years.

21.2 Constitution and Articles of Association

The articles of association of the Company have been drawn up in accordance with the legal and regulatory requirements applicable to limited companies with a board of directors (*sociétés anonymes à conseil d'administration*). The main provisions described below are derived from the articles of association of the Company in the form in which they are intended to be adopted subject to the admission to trading of the Company's shares on Euronext Paris.

21.2.1 Corporate Purpose (Article 2 of the Articles of Association)

The purpose of the Company is to undertake all civil or commercial, property, real-estate or financial transactions, to make direct or indirect investments and, in a general manner, to undertake all transactions directly or indirectly related to its corporate purpose.

21.2.2 Provisions of the Articles of Association Relating to Management and Executive Bodies – Internal Regulation of the Board of Directors.

(a) Board of Directors

Composition of the Board of Directors (Article 12 of the articles of association)

The Company is administered by a board of directors consisting of a minimum of three (3) and a maximum of eighteen (18) members.

Duration of appointments – Age limit – Replacement (Article 12 of the articles of association)

The term of appointment is for four years. In case of a vacancy due to death or resignation of one or more seats of directors representing the shareholders, the board of Directors may, between two shareholders' meetings, provide temporarily for the replacement of these members in accordance with the conditions stated in Article L. 225-24 of the French Commercial Code. The board of directors shall proceed to make up its numbers within the three months following the day of vacancy when the number of directors is lower than the minimum prescribed in the articles of association, even if not lower than the legal minimum.

The number of directors over the age of 70 shall not exceed one third of the number of directors in place. When the number of directors over the age of 70 exceeds this proportion, the oldest of the directors must cease to exercise his functions at the conclusion of the next ordinary shareholders' meeting.

The duties of a director terminate at the end of the ordinary shareholders' meeting convened to approve the financial statements for the preceding fiscal year, held in the year during which such director's term of office expires.

When a director is nominated in replacement of another director during his/her term of office , the replacing director shall only exercise his/her duties for the remaining period of his predecessor's appointment.

Directors may be re-elected, subject to the legal requirements and the provisions of the articles of association concerning age.

The directors are personally responsible, in accordance with commercial law, for the exercise of their appointment.

Director's shares (Article 12 of the articles of association)

Each director shall hold at least 500 shares in the Company.

The Chairman of the Board (Article 13 of the articles of association)

The Board elects a chairman from among its individual members for a period which cannot exceed such nominee's appointment as a director.

The chairman may be re-elected.

The age limit for the exercise of the functions of the Chairman is fixed at 65. When a chairman in office has passed this age, he or she is deemed to have resigned at the time of the ordinary shareholders' meeting which approves the financial statements of the fiscal year in which he or she reached the age limit.

The chairman of the Board organizes and directs the work of the board of directors, for which he or she is held to account at the shareholders' meeting. He or she supervises the proper functioning of the Company's management bodies, and in particular, that the directors are capable of undertaking their duties.

In case of temporary disability or death of the chairman, the legal and regulatory provisions are to be applied.

The board, may, if it deems appropriate, nominate from among the directors one or several vice-chairmen, who, in the order of their appointment, assume the chairmanship of the meetings, in case of absence or disability of the chairman.

In the case of absence or disability of the chairman or the vice chairmen, the Board will nominate for each meeting which of the members present will chair it.

The amount and application of the compensation of the chairman and the vice chairmen are fixed by the board of directors.

Performance of the functions of the chief executive officer

General management of the Company (Article 14 of the articles of association)

The general management of the Company is undertaken by the chief executive officer under his responsibility. The chief executive officer is appointed by the board of directors and is either the chairman of the board or another individual.

It is the responsibility of the board of directors to nominate its chairman and to decide by a simple majority to either allocate to him or her the functions of the chief executive office or to confer these functions on another individual. This option for combining the functions of the chairman and chief executive officer – as for all subsequent options – will be valid until a contrary decision of the board of directors which resolves, by a simple majority, to select another system to the exercise the general management referred to above. The board of directors of the Company shall keep the shareholders and third parties informed of this change in accordance with applicable law.

When general management is exercised by the chairman of the board, the legal and statutory provisions relating to the chief executive officer are applicable to him or her.

Chief Executive officer (Article 15 of the articles of association)

The Board determines the term of the appointment and the remuneration of the chief executive officer.

The age limit for the exercise of the functions of the chief executive officer is fixed at 65. When the chief executive officer has passed this age limit, he or she is considered to have resigned at the shareholders' meeting which approves the financial statements of the fiscal year in which he or she reached the age limit.

The chief executive officer is granted all necessary powers to act in all circumstances in the name of the Company. He or she must exercise these powers within the limit of the corporate purpose and subject to those powers expressly attributed to shareholders and to the board of directors.

He or she represents the Company in its relations with third parties. The articles of the articles of association or the decisions of the board of directors limiting the powers of the chief executive officerare unenforcable against third parties.

If the chief executive office does not undertake the duties of the chairman of the board of dDirectors and is not a director, he or she attends the meetings of the bBoard in a consultative capacity.

Deputy chief executive officer (Article 16 of the articles of association)

If the chief executive officer so proposes, the board of directors may nominate an individual to assist the chief executive officer as deputy chief executive officer.

The board of directors determines the compensation of the deputy chief executive officer.

The age limit for the exercise of the functions of the deputy chief executive officer is fixed at 65. When a deputy chief executive has passed this age limit, he or she is considered to have resigned at the shareholders' meeting which approves the financial statements of the fiscal year in which the age limit was reached.

With the agreement of the chief executive officer, the board determines the extent and term of the powers conferred on the deputy chief executive officer. The deputy chief executive officer has, with respect to third parties, the same powers as the chief executive officer.

If not a director, the deputy chief executive, attends board meetings in a consultative capacity.

Deliberations of the board of directors (Article 18 of the articles of association)

The board of directors meets as frequently as the interests of the Company require and at least once a quarter.

The board meets when convened by the chairman. In addition, directors representing at least one third of the members of the board may, on proposing the agenda for the meeting, convene a meeting of the board, if it has not met for more than two months. In the event that the functions of the chief executive officer are not undertaken by the chairman, the chief executive officer may also request the chairman to convene the board meeting on a specific agenda.

Board meetings are convened either at the head office, or any other location designated by the notice of such meeting. Notice for board meetings can be given by regular mail or e-mail addressed to the members of the Board. In an emergency, a board meeting may be convened by all appropriate means, even verbally.

The meeting of the board of directors shall be chaired by the chairman of the board, in case of absence of the chairman, by the oldest director, or by one of the vice-chairmen if any.

A director may give, by letter, a proxy to another director to represent him at a board meeting. Each director may only use, in the course of the same meeting, one of the proxies received in application of the preceding paragraph.

The presence of at least half the directors in office is necessary to validate the deliberations at a board meeting.

Board resolutions are passed by a majority vote of the directors present or represented.

In the case of no majority, the chairman has the casting vote.

In compliance with legal and regulatory provisions, the internal regulations of the board may stipulate that directors who participate in a board meeting by means of video conferencing or telecommunications satisfying the technical specifications established by the legislative and regulatory provisions in force are considered to be present for the calculation of the quorum and majority.

The board may nominate a secretary and choose him from outside its members.

If proposed by the chairman, the board may decide to establish within it, or with the participation of persons who are not directors, committees or commissions tasked with matters which it or the chairman may submit for their consideration; these committees or commissions exercise their duties under the responsibility of the chairman.

For the purpose of validation with respect to third parties, the minutes of each meeting should record the names of the directors present or represented and the names of the directors absent.

Powers of the board of directors (Article 21 of the articles of association)

The board of directors determines the direction of the Company's activity and sees to its implementation. Subject to powers expressly attributed to the shareholders and within the limit of the corporate purposes of the Company, the Board addresses all matters affecting the proper conduct of the Company and governs by its deliberations the affairs which are of its concern. The board of directors undertakes inspections and verifications which it considers appropriate. The chairman or the chief executive is required to provide each director with all the documents and information necessary for the exercise of this responsibility.

The internal regulations of the board of directors establish which decisions will be subject to the prior approval of the board of directors, in addition to those which are already within its powers pursuant to the law.

Attendance fees (Article 19 of the articles of association)

Separately from reimbursement of expenses or allowances for particular tasks which may be granted, directors may receive, as attendance fees, compensation taken from the Company's general expenditure, the total amount of which is fixed by way of ashareholders resolution. The board of directors divides this compensation between its members as per the circumstances it considers appropriate.

(b) Internal regulation of the board of directors

It is proposed that the board of directors of the Company adopts , subject to the admission to trading of its shares on the Euronext Paris, internal regulation intended to clarify the specifics of the board's operation, in addition to the legal, regulatory and statutory provisions.

These internal regulations will set out in detail, on the one hand, the sorganization, operation, powers and functions of the board of directors, as well as the committees which it has established within it (see the Articles 4 and 1.2 of the articles of association, respectively "Creation of committees – common provisions" and "Transactions submitted for prior authorization by the Board of Directors" for a description of the different committees established and the limitations imposed on general management) and on the other, the methods of review and evaluation of the board's operations.

(c) Review and evaluation of the operation of the board of directors.

In accordance with Article 2 of theinternal regulations of the board of directors which it is proposing to implement subject to the admission of trading of the shares of the Company on Euronext Paris, the board of directors will ensure that the presence of at least one third of 'independent members', as defined in the AFEP-MEDEF Code, shall be observed on the board of directors.

Pursuant to Article 2.3.2 of the internal regulations of the board of directors, a director is considered independent if he or she has no relationship whatsoever with the Company, or with the direction of the Coface Group, which could compromise the exercise of his or her freedom of judgment or result in placing him or her in a situation of conflict of interests with the board, the Company or the Coface Group.

The qualification of an independent board member is discussed by the nominations and compensation committee, which issues a report on this subject for the board to review. Each year, the board of directors examines in light of this report and before the publication of that year's reference document, the position of each director with respect to the criteria of independence as defined in Article 2.3.2 of the internal regulations of the board of directors. The board of directors shall bring the conclusions of its review to the attention of the shareholders in the annual report and in the shareholders' meeting in which the directors are appointed.

In addition, pursuant to Article 3.5 of the internal regulations of the board of directors, at least once a year, an agenda item is devoted to evaluating board operations, the result of which is reported in the annual report of the Company.

A formal evaluation of the board of directors is undertaken every three years and is the responsibility of the nominations and compensation committee, with the possible assistance of an exterior consultant.

21.2.3 Rights, Privileges and Limitations Attached to Shares

21.2.3.1 *Form of shares (Article 8 of the articles of association)*

Shares may be in registered or bearer form, at the choice of the shareholder.

Ownership of the shares is evidenced by book-entries in the name of their owner in the account books maintained by the Company or by an authorized agent.

21.2.3.2 *Voting rights (Article 11 of the articles of association)*

Each share of the Company carries rights to vote and be represented at the shareholders' meetings according to legal and statutory conditions.

21.2.3.3 *Double voting rights*

Pursuant to applicable legal provisions, a double voting right will be conferred to shares in respect of which a continuous registered inscription for at least two years (from the admission to trading of the Company's shares on Euronext Paris) in the name of a single shareholder can be established.

21.2.3.4 *Right to dividends and profits (Article 11 of the articles of association)*

Each share of the Company gives the right, in proportion to the share of the capital it represents, to the sharing of profits, corporate assets and liquidation surpluses.

Title to rights and obligations attached to the share pass on with the holding of such share.

Title to a share automatically entails the shareholder's acceptance of the Company's articles of association and agreement to be bound thereby, as well as to the resolutions duly adopted by at shareholders' meetings.

Shareholders are only bound to the extent of the capital value of each share.

Each time that it is necessary to possess more than one share to exercise a certain right, in the case of exchange, consolidation or attribution of shares, or as a result of a capital increase or reduction or merger or other corporate transaction, the owners of isolated shares or less than the number required, may not exercise any such right(s) unless they personally take responsibility for obtaining the necessary number of shares required to exercise such right(s), and potentially, the purchase or sale of those shares.

Co-owners of jointly held shares are represented at shareholders' meetings by one of them or by a single proxy. In the event of disagreement, the proxy is appointed by the court at the request of the first co-owner to initiate action.

Unless agreed to the contrary and notified to the Company, in case of loss of title of the share or shares, voting rights under such share(s) belong to the beneficial owner at ordinary shareholders' meetings and to the bare owner at extraordinary or special shareholders' meetings. Nevertheless, in all cases, the bare owner has the right to attend shareholders' meetings.

21.2.3.5 *Dividends paid in shares (Article 24 of the articles of association)*

The shareholders' meeting held to approve the financial statements of a given fiscal year may grant each shareholder an option for the payment of the dividend, in whole or in part, in shares according to the legal conditions applicable, or in cash or cash equivalent. This option can also be granted in the case of payment of of interim dividends.

The procedures for the payment of dividends in cash or cash equivalent are fixed by the shareholders' meeting or, if not, by the board of directors.

21.2.3.6 *Preferential subscription rights*

The Company's shares carry a preferential subscription rights to share capital increases in circumstances stipulated by the French Commercial Code.

21.2.3.7 *Voting rights restrictions*

No statutory clause restricts the right to vote attaching to the shares.

21.2.4 Changes to Shareholders' Rights (Article 23 of the articles of association)

All proposals of the board of directors aimed at changing the share capital or amending the by-laws are to be considered and debated at extraordinary shareholders' meetings.

21.2.5 Shareholders' Meetings (Article 23 of the articles of association)

21.2.5.1 *Powers*

Shareholders pass resolutions in shareholders' meetings qualified as either ordinary or extraordinary.

The ordinary shareholders' meeting is called to take all decisions which do not change the share capital or the articles of association of the Company. In particular, it is the forum in which shareholders, *inter alia*, nominate, replace, re-elect or dismiss the directors, approve, reject or reinstate financial statement or approve the division and allocation of profits.

The extraordinary shareholders' meeting is the forum in which all proposals of the board of directors aimed at changing the share capital or amending the articles of association are debated.

21.2.5.2 *Notice and place of meeting*

Shareholders' meetings are to be convened according to the conditions established by law.

Meetings are held at the head office or at another location indicated in the notice for the meeting.

21.2.5.3 *Access to and conduct of meetings*

All shareholders may participate, in person or by proxy, according to the conditions established by current regulations, in a shareholders' meetings upon producing proof of their identity and ownership of their shares, such proof taking the form of the book-inscription of their shares as duly recorded under current legislative and regulatory provisions.

If the board decides to allow the use of telecommunications technology and such decision is published in the notice of the shareholders' meeting or in the notive convening the shareholders' meeting to be held, those shareholders who participate in the meeting by means of videoconference, or by means of telecommunication or teletransmission, including the internet, and such means allows them to be duly identified according to the conditions stipulated by any laws and regulations in force, such shareholders are deemed to be present at the meeting for the calculation of the quorum and majority.

Each shareholder has the right to vote remotely or appoint a proxy in accordance with the regulations in force by means of a form issued by the Company and addressed to it, as per the conditions stipulated by the regulations in force, including by electronic means or teletransmission, as determined by the board of directors. This form shall be received by the Company in accordance with any applicable regulatory conditions.

21.2.5.4 *Chairmanship, office, attendance List*

Shareholder meetings are chaired by the chairman of the board, or, in his or her absence, by a director specifically appointed by the board.

In the event the shareholders' meeting is convened by the statutory auditors or a court official, the meeting is chaired by the entity convening it.

The function of scrutineers are performed by the two members of the meeting present and willing who hold the largest number of shares. The bureau nominates a person who is not a shareholder as the secretary of the meeting.

An attendance list is to be maintained according to the conditions stipulated in the by-laws.

21.2.5.5 *Proceedings, minutes*

Shareholders' meeting's are conducted the under the conditions of quorum and majority prescribed by the the applicable laws and regulations. Each share gives the right to one vote.

The proceedings of all meetings are recorded in minutes entered in a special registry and signed by members of the bureau.

Copies of or extracts from the minutes are duly certified by the chairman of the board of directors, the chief executive officer if he or she is a director, or the secretary of the meeting.

21.2.5.6 *Shareholders' right to information*

Each shareholder has the right to obtain the necessary documents to enable him or her to reach a well-considered and informed opinion, and to reach aninformed conclusion as to the management and progress of the Company. The Company is required to place these documents at the shareholders' disposal or to send them to the shareholders.

The nature of these documents and the conditions for their dispatch or availability are determined by law.

21.2.6 Statutory Clauses Likely to Give Rise to a Change of Control

None.

21.2.7 Crossing of Thresholds and Identification of Shareholders (Article 10 of the Articles of Association)

The Company may, in accordance with legal and regulatory conditions, require any body or authorized intermediary to provide all information relating to the ownership of securities conferring immediately or in the future, the right to vote at the shareholders' meetings as well as the number of securities which they hold.

Any individual or legal entity that owns directly or indirectly, alone or acting in concert, a holding of 2% of the share capital or voting rights in the Company (calculated according to the Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the AMF General Regulations), or any multiple of this percentage, must notify the Company of (i) the total number of shares and voting rights that they hold, directly or indirectly, alone or acting in concert, (ii) the securities that they hold giving future access to the share capital of the Company, directly or indirectly, alone or acting in concert, and the voting rights that are potentially attached to such securities, and (iii) the shares already issued which this person could acquire by virtue of an agreement or a financial instrument as defined in Article L.211-1 of the French Monetary and Financial Code. This notification shall be made by way of registered post with acknowledgement of receipt, within four business days from the date of the relevant threshold of ownership being crossed.

The obligation to inform the Company applies equally, with the same time limits and under the same conditions, when the holding of the shareholder in the share capital or voting rights drops below one of the abovementioned thresholds.

In the case of failure to observe the obligation to declare a crossing of the above-mentioned thresholds and at the request, recorded in the minutes of the shareholders' meeting, of one or several shareholders representing at least 2% of the capital or voting rights, the shares in excess of the holding which shall have been declared are deprived of voting rights until after the expiry of a period of two years following the date on which notice is properly served.

The Company reserves the right to inform the public and shareholders either of the information notified to it, or of the failure to observe the above obligation by the person concerned.

21.2.8 Particular Clauses Governing Changes in Authorized Capital

There is no particular provision of the articles of association of the Company governing changes in the share capital.

It may therefore be increased, reduced or amortized in any manner permitted by law.

22. MATERIAL CONTRACTS

No contract (other than contracts entered into in the ordinary course of business) has been entered into by any member of the Coface Group which contains any provision under which any member of the Coface Group has any obligation or entitlement which material to the Coface Group.

23. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Certain market information presented in Section 6.4 "*Overview of the Coface Group's Markets and Competitive Environment*" of this registration document comes from third-party sources. To the knowledge of the Company, this information has been accurately reproduced and no facts have been omitted which would render the reproduced information provided inaccurate or misleading.

24. PUBLICLY AVAILABLE DOCUMENTS

Copies of this registration document are available free of charge from the head office of the Company. This document may also be accessed on the Company's website (www.coface.com) and on the website of the *Autorités des marchés financiers* (www.amf-france.org)

The Company's articles of association, minutes of shareholders' meetings and other corporate documents, as well as historical financial information and any evaluation or report issued by an expert at the request of the Company which is made available to the shareholders in accordance with current regulations, may be consulted at the Company's head office.

With effect from the admission to trading of the Company's shares on Euronext Paris, the regulated information required to be disclosed pursuant to the General Regulations of the AMF will also be available on the Company's website.

25. INFORMATION ON OWNERSHIP INTERESTS

Information on holdings is shown in Section 20.1 of this registration document entitled "*Coface Group Consolidated Financial Statements for the Financial Years Ended December 31, 2011, 2012 and 2013*" (Note 3 thereof, "Scope of consolidation").