4.1 CONSOLIDATED FINANCIAL STATEMENTS

4.1.1 Consolidated balance sheet

Assets

(in thousands of euros)	Notes	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Intangible assets		**220,675**	**217,230**	**217,230**
Goodwill	*1*	155,058	155,082	155,082
Other intangible assets	*2*	65,617	62,148	62,148
Insurance business investments	*3*	**2,833,613**	**2,876,380**	**2,876,380**
Investment property	*3*	288	288	288
Held-to-maturity securities	*3*	1,848	1,852	1,852
Available-for-sale securities	*3*	2,742,533	2,743,385	2,743,385
Trading securities	*3*	9,527	30,111	30,111
Derivatives	*3*	2,354	9,383	9,383
Loans and receivables	*3*	77,063	91,361	91,361
Receivables arising from banking and other activities	*4*	**2,509,047**	**2,522,803**	**2,523,549**
Investments in associates	*5*	**0**	**15,780**	**15,780**
Reinsurers' share of insurance liabilities	*16*	**425,398**	**405,178**	**405,178**
Other assets		**927,888**	**920,776**	**920,776**
Buildings used in the business and other property, plant and equipment	*6*	48,972	54,679	54,679
Deferred acquisition costs	*8*	42,176	43,903	43,903
Deferred tax assets	*18*	52,809	79,516	79,516
Receivables arising from insurance and reinsurance operations	*7*	498,826	494,839	494,839
Trade receivables arising from other activities	*8*	48,553	47,640	47,640
Current tax receivables	*8*	57,267	60,286	60,286
Other receivables	*8*	179,285	139,913	139,913
Cash and cash equivalents	*9*	**302,419**	**264,325**	**264,325**
TOTAL ASSETS		**7,219,040**	**7,222,472**	**7,223,218**

* *Effects related to the first application of IFRS 9.*

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Equity attributable to owners of the parent		**1,806,249**	**1,802,423**	**1,802,621**
Share capital	*10*	307,799	314,496	314,496
Additional paid-in capital		810,420	810,420	810,420
Retained earnings		508,925	518,163	518,361
Other comprehensive income		56,772	76,131	76,131
Consolidated net income for the year		122,333	83,213	83,213
Non-controlling interests		**148**	**160**	**160**
Total equity		**1,806,397**	**1,802,583**	**1,802,781**
Provisions for liabilities and charges	*13*	**94,344**	**121,716**	**121,716**
Financing liabilities	*15*	**388,729**	**388,234**	**388,234**
Liabilities relating to insurance contracts	*16*	**1,746,379**	**1,681,780**	**1,682,258**
Payables arising from banking sector activities	*17*	**2,544,716**	**2,527,716**	**2,527,716**
Amounts due to banking sector companies	*17*	660,204	568,711	568,711
Amounts due to customers of banking sector companies	*17*	346,932	322,064	322,064
Debt securities	*17*	1,537,580	1,636,941	1,636,941
Other liabilities		**638,475**	**700,443**	**700,513**
Deferred tax liabilities	*18*	95,962	113,525	113,595
Payables arising from insurance and reinsurance operations	*19*	195,653	204,730	204,730
Current taxes payable	*20*	41,580	76,996	76,996
Derivative instruments with a negative fair value	*20*	1,666	267	267
Other payables	*20*	303,614	304,925	304,925
TOTAL EQUITY AND LIABILITIES		**7,219,040**	**7,222,472**	**7,223,218**

* *Effects related to the first application of IFRS 9.*

Effects of the first application of IFRS 9 "Financial instruments" on the balance sheet

Assets

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Intangible assets	**217,230**		**217,230**
Goodwill	155,082		155,082
Other intangible assets	62,148		62,148
Insurance business investments	**2,876,380**		**2,876,380**
Investment property	288		288
Held-to-maturity securities	1,852		1,852
Available-for-sale securities	2,743,385		2,743,385
Trading securities	30,111		30,111
Derivatives	9,383		9,383
Loans and receivables	91,361		91,361
Receivables arising from banking and other activities	**2,523,549**	**(746)**	**2,522,803**
Investments in associates	**15,780**		**15,780**
Reinsurers' share of insurance liabilities	**405,178**		**405,178**
Other assets	**920,776**		**920,776**
Buildings used in the business and other property, plant and equipment	54,679		54,679
Deferred acquisition costs	43,903		43,903
Deferred tax assets	79,516		79,516
Receivables arising from insurance and reinsurance operations	494,839		494,839
Trade receivables arising from other activities	47,640		47,640
Current tax receivables	60,286		60,286
Other receivables	139,913		139,913
Cash and cash equivalents	**264,325**		**264,325**
TOTAL ASSETS	**7,223,218**	**(746)**	**7,222,472**

* *Effects related to the first application of IFRS 9.*
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Liabilities

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Equity attributable to owners of the parent	**1,802,621**	**(198)**	**1,802,423**
Share capital	314,496		314,496
Additional paid-in capital	810,420		810,420
Retained earnings	518,361	(198)	518,163
Other comprehensive income	76,131		76,131
Consolidated net income for the year	83,213		83,213
Non-controlling interests	**160**		**160**
Total equity	**1,802,781**	**(198)**	**1,802,583**
Provisions for liabilities and charges	**121,716**		**121,716**
Financing liabilities	**388,234**		**388,234**
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Payables arising from banking sector activities	**2,527,716**		**2,527,716**
Amounts due to banking sector companies	568,711		568,711
Amounts due to customers of banking sector companies	322,064		322,064
Debt securities	1,636,941		1,636,941
Other liabilities	**700,513**	**(70)**	**700,443**
Deferred tax liabilities	113,595	(70)	113,525
Payables arising from insurance and reinsurance operations	204,730		204,730
Current taxes payable	76,996		76,996
Derivative instruments with a negative fair value	267		267
Other payables	304,925		304,925
TOTAL EQUITY AND LIABILITIES	**7,223,218**	**(746)**	**7,222,472**

* *Effects related to the first application of IFRS 9.*
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Coface relies on the internal ratings of debtors for the calculation of depreciation of factoring receivables according to the new standard IFRS 9. The depreciation methodology (expected credit loss or “ECL”) is based on three main parameters: the probability of default “PD”, the loss given default “LGD” and the amount of exposure in case of default “EAD” (exposure at default). The depreciation is the product of the PD by the LGD and the EAD over the lifetime of receivables.

Most of factoring receivables are covered by credit insurance contracts subscribed by Coface entities. Therefore, the depreciation of factoring receivables was already taken into account in the Group consolidated financial statements through insurance provisions.

Thus, the increase of factoring receivables depreciation under new standard IFRS 9 is partially offset by a reversal of technical provisions.

4.1.2 Consolidated income statement

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Gross written premiums		*1,263,364*	*1,219,612*
Premium refunds		*(106,516)*	*(98,954)*
Net change in unearned premium provisions		*(14,240)*	*(10,961)*
Earned premiums	*21*	**1,142,608**	**1,109,697**
Fee and commission income		*132,418*	*128,914*
Net income from banking activities		*66,713*	*72,043*
Income from other activities		*42,995*	*44,279*
Other revenue	*21*	**242,127**	**245,236**
Revenue		**1,384,735**	**1,354,933**
Claims expenses	*22*	**(504,509)**	**(570,863)**
Policy acquisition costs	*23*	*(243,236)*	*(262,607)*
Administrative costs	*23*	*(241,136)*	*(253,532)*
Other insurance activity expenses	*23*	*(82,556)*	*(70,816)*
Expenses from banking activities, excluding cost of risk	*23/24*	*(13,552)*	*(13,779)*
Expenses from other activities	*23*	*(77,739)*	*(53,130)*
Operating expenses	*23*	**(658,219)**	**(653,864)**
Risk cost	*24*	**(2,122)**	**(4,483)**
UNDERWRITING INCOME BEFORE REINSURANCE		**219,885**	**125,723**
Income and expenses from ceded reinsurance	*25*	(62,128)	(25,970)
UNDERWRITING INCOME AFTER REINSURANCE		**157,757**	**99,753**
Investment income, net of management expenses (excluding finance costs)	*26*	51,124	55,281
CURRENT OPERATING INCOME		**208,881**	**155,034**
Other operating income and expenses	*27*	(4,974)	(589)
OPERATING INCOME		**203,907**	**154,445**
Finance costs		(17,681)	(18,109)
Share in net income of associates	*28*	592	2,369
Income tax expense	*29*	(64,132)	(55,651)
NET INCOME FROM CONTINUING OPERATIONS		**122,686**	**83,053**
Non-controlling interests		(353)	159
NET INCOME FOR THE YEAR		**122,333**	**83,213**
Earnings per share *(in €)*	*31*	0.79	0.53
Diluted earnings per share *(in €)*	*31*	0.79	0.53

4.1.3 Consolidated statement of comprehensive income

(in thousands of euros)	Notes	Dec.31, 2018	Dec.31, 2017
Net income for the period		**122,333**	**83,213**
Non-controlling interests		353	(159)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(2,870)**	**(19,233)**
Reclassified to income			
Recognised in equity		*(2,870)*	*(19,233)*
Fair value adjustments on available-for-sale financial assets	*3; 12; 18*	**(17,985)**	**6,646**
Recognised in equity – reclassifiable to income – gross		*(39,298)*	*23,002*
Recognised in equity – reclassifiable to income – tax effect		*20,627*	*(7,840)*
Reclassified to income – gross		*1,913*	*(11,201)*
Reclassified to income – tax effect		*(1,227)*	*2,685*
Fair value adjustments on employee benefit obligations	*3; 12; 18*	**1,395**	**(797)**
Recognised in equity – not reclassifiable to income – gross		*1,823*	*1,024*
Recognised in equity – not reclassifiable to income – tax effect		*(428)*	*(1,821)*
Other comprehensive income for the period, net of tax		**(19,460)**	**(13,384)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**103,226**	**69,670**
◆ attributable to owners of the parent		102,979	70,011
◆ attributable to non-controlling interests		247	(341)

4.1.4 Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**
2016 net income to be appropriated				41,531	
Payment of 2016 dividends in 2017				(20,398)	
Total transactions with owners		**0**	**0**	**21,133**	**0**
December 31, 2017 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					(1,696)
Free share plans expenses				695	
Transactions with shareholders				(3,505)	
Equity at December 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**
Effect of the first application of the standard IFRS 9				**(198)**	
2017 net income to be appropriated				83,213	
Payment of 2017 dividends in 2018				(52,895)	
Total transactions with owners		**0**	**0**	**30,318**	**0**
December 31, 2018 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity	*3;12;14;18*				
Fair value adjustments on available-for-sale financial assets reclassified to income	*3;12;14;18*				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(6,697)		(23,303)	30,000
Treasury shares elimination		0			(46,786)
Free share plans expenses				515	
Transactions with shareholders				18	
EQUITY AT DECEMBER 31, 2018		**307,799**	**810,420**	**530,377**	**(21,452)**

Other comprehensive income						
Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(5,823)	**115,601**	**(22,782)**	**41,531**	**1,755,177**	**5,490**	**1,760,667**
			(41,531)			
				(20,398)		(20,398)
0	**0**	**0**	**(41,531)**	**(20,398)**	**0**	**(20,398)**
			83,213	83,213	(159)	83,054
	15,162			15,162	(1)	15,161
	(8,514)			(8,514)	(1)	(8,515)
		(797)		(797)		(797)
(19,052)				(19,052)	(181)	(19,233)
				(1,696)		(1,696)
				695		695
(38)	2,374			(1,169)	(4,988)	(6,157)
(24,913)	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**
				(198)		**(198)**
			(83,213)			
				(52,895)	(6)	(52,901)
0	**0**	**0**	**(83,213)**	**(52,895)**	**(6)**	**(52,901)**
			122,333	122,333	353	122,686
	(18,668)			(18,668)	(3)	(18,671)
	686			686	0	686
		1,395		1,395		1,395
(2,767)				(2,767)	(103)	(2,870)
				(46,786)		(46,786)
				515		515
(5)				13	(253)	(240)
(27,685)	**106,641**	**(22,184)**	**122,333**	**1,806,249**	**148**	**1,806,397**

4.1.5 Consolidated statement of cash flows

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Net income for the period		**122,333**	**83,213**
Non-controlling interests		353	(159)
Income tax expense		64,132	55,651
+/- Share in net income of associates	*28*	(592)	(2,369)
Finance costs		17,681	18,109
Operating income (A)		**203,907**	**154,445**
+/- Depreciation, amortisation and impairment losses		(5,282)	(11,742)
+/- Net additions to/reversals from technical provisions		57,428	26,362
+/- Unrealised foreign exchange income / loss		(6,958)	(2,898)
+/- Non-cash items		(15,051)	615
Total non-cash items (B)		***30,137***	***12,336***
Gross cash flows from operations (C) = (A) + (B)		***234,044***	***166,780***
Change in operating receivables and payables		(74,892)	14,964
Net taxes paid		(64,772)	(47,699)
Net cash related to operating activities (D)		***(139,664)***	***(32,735)***
Increase (decrease) in receivables arising from factoring operations		2,612	(24,117)
Increase (decrease) in payables arising from factoring operations		(74,491)	1,458
Increase (decrease) in factoring liabilities		102,295	99,343
Net cash generated from banking and factoring operations (E)	*4; 17*	***30,416***	***76,684***
Net cash generated from operating activities (F) = (C + D + E)		**124,796**	**210,730**
Acquisitions of investments	*3*	(341,747)	(1,531,312)
Disposals of investments	*3*	375,163	1,331,927
Net cash used in movements in investments (G)		***33,416***	***(199,385)***
Acquisitions of consolidated subsidiaries, net of cash acquired			(6,500)
Disposals of consolidated companies, net of cash transferred		14,202	
Net cash used in changes in scope of consolidation (H)		***14,202***	***(6,500)***
Disposals of property, plant and equipment and intangible assets		(20,541)	(18,085)
Acquisitions of property, plant and equipment and intangible assets		4,196	2,045
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***(16,345)***	***(16,040)***
Net cash used in investing activities (J) = (G + H + I)		**31,273**	**(221,925)**

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
Proceeds from the issue of equity instruments			
Treasury share transactions		(46,786)	(1,696)
Dividends paid to owners of the parent		(52,895)	(20,398)
Dividends paid to non-controlling interests		(6)	
Cash flows related to transactions with owners		***(99,687)***	***(22,114)***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments			(2,290)
Interest paid		(16,276)	(17,583)
Cash flows related to the financing of Group operations		***(16,276)***	***(19,873)***
Net cash generated from (used in) financing activities (K)		**(115,963)**	**(41,987)**
Impact of changes in exchange rates on cash and cash equivalents (L)		**(2,012)**	**(14,564)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F + J + K + L)		**38,094**	**(67,746)**
Net cash generated from operating activities (F)		124,796	210,730
Net cash used in investing activities (J)		31,273	(221,925)
Net cash generated from (used in) financing activities (K)		(115,963)	(41,987)
Impact of changes in exchange rates on cash and cash equivalents (L)		(2,012)	(14,564)
Cash and cash equivalents at beginning of period	*9*	**264,325**	**332,071**
Cash and cash equivalents at end of period	*9*	**302,419**	**264,325**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**38,094**	**(67,746)**

4.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as of December 31, 2018 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union [(1)]. They are detailed in the section "Accounting principles" of the present consolidated financial statements as of December 31, 2018.

They are presented with comparative financial information at December 31, 2017. A comparison on January 1, 2018 following the application of IFRS 9 is provided for detailed information on balance sheet notes.

These IFRS consolidated financial statements for the year ended December 31, 2018 were reviewed by the Coface Group's Board of Directors on February 11, 2019.

SIGNIFICANT EVENTS

Introduction of a new tag line – Coface For Trade

During its Risk Country Seminar of January 23, 2018, an event bringing together its clients, brokers and partners, Coface introduced its new tagline: Coface For Trade. This new wording is intended to be clearer and more engaging. It underlines the Group's commitment to trade and commerce, which is a powerful driver to create wealth and stability. It expresses the purpose of the Group, which is to help companies developing their business.

Election of François Riahi as Chairman of Coface's Board of Directors

During its meeting on June 15, 2018, the Board of Directors of COFACE SA co-opted François Riahi, Chief Executive Officer of Natixis, as a Board member and then elected him as Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within BPCE Group.

Own shares transactions

In line with the second pillar of Fit to Win which aims at improving the capital efficiency of its business model, Coface implemented in 2018 two share buyback programmes for a total amount of €45 million. The description of these programmes is as follows:

- a first programme of €30 million, performed between February 15 and October 15, resulted in the purchase of 3,348,971 shares. The Board of Directors, in its meeting of October 24, 2018, decided to cancel these shares and to make a corresponding reduction in the share capital of the Company;
- a second programme for a targeted amount of €15 million was launched at October 25, 2018 and extends until January 8, 2019 with 1,867,312 additional shares bought. As of December 31, 2018, Coface had purchased 1,708,735 shares for an amount of €13,736,491.

Set-up of a €300 million syndicated loan agreement for Coface Poland Factoring

As part of the refinancing of its factoring activity, on June 8, 2018 Coface Poland Factoring signed an agreement with a group of banking partners [(2)] for a €300 million syndicated multicurrency loan (EUR, PLN). This syndicated loan partly replaces existing bilateral credit lines.

The loan is put in place for two years, with an option to extend its duration by one year, exercisable once, subject to the banks' agreement.

This operation enables the Group to increase its financial flexibility and to extend the maturity of its refinancing debt, whilst benefiting from current favourable market conditions and strengthening its relationships with its leading banks, who thus confirm their commitment to Coface over the mid-term.

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

(2) The Group's Polish subsidiary is supported by seven banking partners (Crédit Agricole CIB, HSBC, ING Bank Śląski and Natixis, acting as mandated lead arrangers and bookrunners, Banco Santander, Commerzbank and Société Générale CIB, acting as mandated lead arrangers). Natixis is acting as Documentation Agent and Crédit Agricole CIB as Facility Agent.

Disposal of Cofacrédit

Coface announced at end June 2018 that it has ceded to Factofrance (Groupe Crédit Mutuel – CM11) its 36% stake in Cofacrédit, a factoring company previously jointly owned by the two groups. This minority stake was not core to the development strategy in the factoring sector. The disposal is also in line with the second pillar of the Fit to Win strategic plan, which aims to improve Coface's capital efficiency. The transaction had a negative impact of €(2.2) million on net income for Q2 2018.

Signature of an agreement to acquire PKZ (Slovenia)

On September 6, 2018, Coface announced that it has signed a binding agreement with SID Bank, a Slovenian public bank, to acquire 100% of PKZ capital, a credit insurance subsidiary of SID Bank.

Created by SID Bank in 2005, PKZ is the market leader in credit insurance in Slovenia, with a strong market share.

In 2017, the company recorded €15.1m of gross written premiums on an export business focused portfolio.

The acquisition of PKZ by Coface is subject to usual regulatory approvals.

Brexit effects on Coface's activity in the UK

In 2018, the negative impacts of Brexit have highlighted longer-term trends in the UK economy: a decline in business and household confidence, pressure on changing business models (non-food distribution). In this context, Coface continued its rigorous underwriting policy. Our overall exposure to the UK decreased by 12%, mainly in food, distribution and construction sectors.

Uncertainty remains high ("no deal", 2nd referendum) and additional measures may be taken in 2019. To ensure this follow-up, a steering committee, chaired by the Group's General Secretary, has been created and meets regularly to determine the priority measures to be taken: regulatory changes to the status of the branch, change in underwriting policy, communication with our clients and brokers..

Coface South Africa new partnership

Coface South Africa, a South African subsidiary of Compagnie Française d'Assurance pour le Commerce Extérieur, signed a strategic partnership on November 16, 2018 that could result in an opening of its capital with a B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd.

Through this transaction, Coface South Africa will improve and strengthen its local footprint and compliance with B-BBEE (broad-based Black Economic Empowerment) legislation.

This transaction remains subject to the approval of the South African regulatory authorities (not obtained at the closing date); it will result in an equity investment of Coface South Africa's capital up to 25% over a 10-year horizon.

SCOPE OF CONSOLIDATION

Change in the scope of consolidation in 2018

First-time consolidation

The Colombes 5 Bis mutual fund (FCP), held by Coface Europe, and Lausanne 6, held by Coface Ré, were created in 2018.

Exit from consolidation scope

The branches Coface Luxembourg (Western Europe region) and Coface Latvia Insurance (Central Europe region) were liquidated in 2018.

The Colombes 4 bis mutual fund (FCP), held by Coface Europe, was also liquidated in 2018.

Special purpose entities (SPE)

SPEs used for the credit insurance business

Coface's credit enhancement operations consist of insuring via an SPE receivables securitised by a third party through investors for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

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

SPEs used for financing operations

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

Under this solution, every month, Coface Finanz, a Group factoring company, sells its factored receivables to a French special purpose vehicle (SPV), the FCT Vega securitisation fund. The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).

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

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

SPEs used for investing operations

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

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

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

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

All Coface entities are consolidated using the full integration method, except Cofacrédit which was consolidated by equity method. This entity was sold at the end of June 2018.

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Interest Dec. 31, 2018	Control Dec. 31, 2017	Interest Dec. 31, 2017
Northern Europe						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg KG c/o VR-LEASING Hauptstr. 131. 65760 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Securitisation fund) 41 rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services STADIONSTRAAT 20 4815 NG Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Postbus 3377 4800 DJ Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark Jens Ravns Vej 11C 7100 Vejle	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Western Europe						
France	COFACE SA 1 place Costes et Bellonte 92270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacrédit Tour D2 - 17 *bis* place des Reflets 92988 Paris la Défense Cedex	Not consolidated	-	-	36.00%	36.00%
France	Cofinpar 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
France	Fimipar 1 place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *ter* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 *quater* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 *bis* 90 boulevard Pasteur 75015 Paris	Full	-	-	100.00%	100.00%
France	Fonds Colombes 5 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
France	Fonds Colombes 6 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services 100 boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgique 100, boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-		-	Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Suisse Rue Belle-Fontaine 18 1003 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Ré Rue Belle-Fontaine 18 1003 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Interest Dec. 31, 2018	Control Dec. 31, 2017	Interest Dec. 31, 2017
Switzerland	Fonds Lausanne 2 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 *bis* 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 6 90 boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
UK	Coface UK Holdings Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Ireland Unit 5, Adelphi House. 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	
Central Europe						
Austria	Coface Austria Kreditversicherung Service GmbH Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Compagnie française d´assurance pour le commerce extérieur SA Niederlassung Austria Marxergasse 4c 1030 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Compagnie française d´assurance pour le commerce extérieur Hungarian Branch Office Váci út 45. H/7 1134 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland Credit Management Services Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Factoring Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie française d´assurance pour le commerce extérieur Spółka Akcyjna Oddział w Polsce Al. Jerozolimskie 142 A, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Czech Republic	Compagnie française d´assurance pour le commerce extérieur organizační složka Česko I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	Full	100.00%	100.00%	100.00%	100.00%
Romania	Compagnie française d´assurance pour le commerce extérieur S.A. Bois-Colombes – Sucursala Bucuresti Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Technologie - Roumanie Street Pipera number 42, Floor 6, Sector 2, Cladirea Globalworth Plaza (fosta Nusco Tower) 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Compagnie française d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuania	Compagnie francaise d'assurance pour le commerce extérieur Lietuvos filialas A. Tumeno str. 4 01109 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-		-	Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Compagnie française d'assurance pour le commerce extérieur SA – Branch Bulgaria 42 Petar Parchevich Str. 1000 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	CJSC Coface Rus Insurance Company Panorama business center, 8, 2nd Brest Skaya str, 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 23 Bar Kochva st, Bnei Brak 5126002 PB 76	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full		100.00%		100.00%
Israel	BDI – Coface (Business Data Israel) 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full		100.00%		100.00%
South Africa	Coface South Africa 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Services 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B - 7º Piso, Fracção B.1 Edifício Europa 1070 - 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance company 650 College Road East, Suite 2005, Princeton, NJ 08540 - USA	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumer Road Suite 910 Toronto - On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon - 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2018	Percentage Interest Dec. 31, 2018	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017
Mexico	Coface Holding America Latina SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon - 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface do Brasil Seguros de Credito SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 - 12º Andar Brooklin Novo - Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile SA Nueva Tajamar 555. Piso 17 Torre Costanera - Las Condes. Santiago	Full	100.00%	100.00%	100.00%	100.00%
Chile	Coface Chile Nueva Tajamar 555. Piso 17 Torre Costanera - Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Argentina	Coface Argentina Olga Cossettini 263, Piso 3, (C1107CCE) C.A.B.A. Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia LEVEL 11, 1 Market Street, Sydney NSW 2000, Australia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong Kong	Coface Hong Kong 29th Floor, No. 169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface 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	
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	
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	

ACCOUNTING PRINCIPLES

Applicable accounting standards

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of Coface as of December 31, 2018 are prepared in accordance with IAS/IFRS and IFRIC interpretations as adopted in the European Union and applicable at that date.

Standards applied since January 1, 2018

IFRS 9

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

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

Exemption

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

- they do not transfer financial instruments between the insurance sector and the other sectors of the conglomerate (with the exception of instruments at fair value through profit or loss);
- they indicate the insurance entities that apply the IAS 39 standard;
- they provide additional specific information in the attached notes.

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

Scope of application

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

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

IFRS 15

The new standard IFRS 15 "Revenue from Contracts with Customers" was adopted by the European Commission on September 22, 2016 and is applicable retroactively from January 1, 2018. The amendment "IFRS 15 clarification" adopted by the European Commission on October 31, 2017 is also mandatorily applicable from January 1, 2018.

IFRS 15 replaces the current accounting standards and interpretations related to revenue recognition. This standard now imposes a single accounting model for all revenues from customer contracts and highlights the concept of "performance obligation" for separate goods and services present within the same contract.

According to this standard, the accounting of the proceeds from ordinary activities has to reflect the transfer of control of the goods and services promised to the customers for an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services.

IFRS 15 introduces new guidance for revenue recognition in 5 steps:

- identification of contracts with customers;
- identification of separate performance obligations (or elements), each to be recognised separately;
- determination of the price of the transaction as a whole;
- allocation of the transaction price to different performance obligations;
- Accounting of products when performance obligations are met.

IFRS 15 applies to all contracts with customers except for, in particular, leases (within the scope of IAS 17 until December 31, 2018, then within the scope of IFRS 16 applicable from January 1, 2019), insurance contracts within the scope of IFRS 4 "Insurance Contracts", and financial instruments within the scope of IFRS 9 "Financial Instruments". If specific requirements regarding revenue or contract costs are provided by another standard, this one should be applied first.

Coface conducted some workshops related to IFRS 15 first application. This work relied on diagnoses in relevant entities (factoring entities and service entities). Based on this analysis, Coface did not identify any issue arising from IFRS 15 first application.

As a consequence, Coface did not recognise any impact related to IFRS 15 first application either on the equity opening balance as of January 1, 2018 or in profit and loss for 2018.

Annual improvements to IFRS Standards 2014–2016 Cycle

On February 7, 2018, the European Commission adopted the amendment "Annual improvements to IFRS Standards 2014–2016 Cycle". It is mandatorily applicable from January 1, 2018. This amendment is the result of the annual improvement process that aims to simplify and clarify international accounting standards. The following standards have been modified: IAS 28 "Investments in Associates and Joint ventures", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 12 "Disclosure of Interests in Other Entities". This amendment does not have any impact on Coface's financial accounts.

IFRS 2

On February 26, 2018 the European Commission adopted the amendment to IFRS 2 "Share-based payments". It is mandatorily applicable from January 1, 2018. This amendment clarifies the recognition and measurement of share-based payment transactions: it details the criteria required to determine fair value, impacts of tax levies on plans and accounting treatments in case of modification of terms and conditions of plans. This amendment does not have any impact on Coface's financial accounts.

IAS 40

Adopted by the European Commission on March 14, 2018 the amendment to IAS 40 "Investment property" is mandatorily applicable from January 1, 2018. It clarifies in which cases a company is allowed to reclassify an asset from or to the "Investment property" category. This reallocation should be performed if, and only if, the property meets or ceases to meet the definition of an investment property. This amendment does not have any impact on Coface's financial accounts.

IFRIC 22

The European Commission adopted IFRIC 22 "Foreign Currency Transactions and Advance Consideration" on March 28, 2018. Interpretation is effective for annual periods beginning on or after January 1, 2018. It clarifies measurement for advance payments and collections in foreign currency. The trade date, required to determine the exchange rate, is the initial entry date of the non-monetary asset or liability, except in the case of several payments or collections, when the trade date will be determined at each payment or collection. This interpretation does not have any effect on Coface's financial accounts.

The following standards, adopted by the European Union on December 31, 2018, but not yet in force, have not been applied in advance by Coface.

IFRS 16

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

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

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

From the lessor's point of view, the expected impact should be limited, the measures remaining substantially unchanged from the present IAS 17 standard.

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

The right of use will be amortised on a straight-line basis and the financial debt will be amortised actuarially over the duration of the lease. The interest expenses on the financial debt and the amortisation expenses of the right to use will be entered separately on the income statement. However, according to the current IAS 17, so-called simple or operational leases do not induce a registration on the balance sheet and only the related rents are recorded in the income statement.

Regarding Coface activities, the effects of the implementation of IFRS 16 relate mainly to real estate assets leased as offices for operating requirements. The other lease contracts are related to IT and company cars. Coface expects a significant impact of €85 million on the "Property, plant and equipment" item resulting from the recognition of rights of use.

Coface chose the modified retrospective method for the first-time application. This method involves evaluating the amount of lease liabilities according to the remaining payments, using the incremental borrowing rate on January 1, 2019 for remaining contract periods. In particular, the option to not recognise contracts with lease period less than 12 months at January 1, 2019 in the balance sheet will be applied, direct initial costs will be excluded from the right of use valuation. Right of use will be valued with regard to the lease liabilities calculated at that date.

Interpretation IFRIC 23

The IFRIC 23 "Uncertainty over Income Tax Treatments" interpretation was adopted by the European Commission on October 23, 2018 and will be mandatorily applicable from January 1, 2019. This interpretation clarifies the accounting and valuation procedures for current and deferred tax where there are uncertainties over tax treatment. The entity must use the most likely amount of the expected value of the tax treatment. Coface reviewed uncertainties and documentation of the uncertainties and tax risks but without, at this stage, expecting any impact on the variation of income tax in the consolidated financial statements.

IFRS 17

IFRS 17 "Insurance contracts" published by the IASB on May 18, 2017 will replace IFRS 4 "Insurance contracts". Initially effective on January 1, 2021 with a comparison on January 1, 2020, this standard should come into effect from January 1, 2022. Indeed, during a meeting on November 14, 2018, the IASB decided to postpone for one year its application, clarifications are still required on structuring points of the standard.. The IASB also decided to align the term of the temporary exemption of the standard IFRS 9 for insurers in order to coincide with the application of IFRS 17 on January 1, 2022.

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

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

The standard requires a higher level of granularity in calculation detail than before as it requires estimation by group of contracts.

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

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

Consolidation methods used

In accordance with IAS 1 "Presentation of Financial Statements", IFRS 10 and IFRS 3 on Business Combinations, certain interests that are not material in relation to the Coface Group's consolidated financial statements were excluded from the scope of consolidation.

The consolidation methods applied are as follows:

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

All the entities of the Coface Group scope are fully consolidated except Cofacrédit, which is consolidated using the equity method. This entity was sold in June 2018.

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

Intercompany transactions

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

Non-current assets held for sale and discontinued operations

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

A sale is deemed to be highly probable if:

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

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

If the disposal does not take place within 12 months of an asset being classified 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 that meets one of the three conditions below:

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

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

Year-end and accounting period

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

Foreign currency translation

Translation of foreign currency transactions

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

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

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

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the exchange rate at the transaction date provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

Hyperinflationary Economies

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

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

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

General principles

The insurance business

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

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

However, IFRS 4:

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

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IFRS 15 "Revenue from Contracts with Customers".

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

The factoring business

Companies engaged in the factoring business apply IFRS 9 "Financial Instruments". A financial instrument is a contract that gives rise both to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and to a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

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

IFRS 15 "Revenue from Contracts with Customers" is also applied for factoring business according the same rules as the service business.

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

Breakdown by function of insurance company expenses

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

Factoring companies

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

Other companies outside the insurance business and factoring business

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

Revenue

Consolidated revenue includes:

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

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

Insurance operations

Earned premiums

Gross written premiums

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

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

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

Premium refunds

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

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

Reserves for unearned premiums

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

Gross earned premiums

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

Deferred acquisition costs

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

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

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

Contract service expenses

Paid claims

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

Claims provisions

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

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

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

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

Subrogation and salvage

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

Subrogation and salvage includes a provision for debt collection costs.

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

Reinsurance operations

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

Inward reinsurance

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

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

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

Ceded reinsurance

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

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

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded provisions for unwritten earned 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 these headings for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

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

Goodwill

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

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

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

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

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

Impairment tests on goodwill and intangible assets

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

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

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

The seven groups of CGUs are as follows:

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

Measuring groups of CGUs and performing goodwill impairment tests

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

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

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

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

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

Method used for measuring the value of Coface entities

Value in use: Discounted cash flow method

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

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

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

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

Fair value

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

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

Intangible assets: IT development costs

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

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

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

Property, plant and equipment: property assets

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

Coface has identified the following components of property assets:

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

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

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

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

Financial assets

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

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

Available-for-sale financial assets (AFS)

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

Financial assets held for trading

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

Held-to-maturity investments (HTM)

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

Fair value

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

Impairment test

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

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

Impairment indicators include the following:

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

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

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

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

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

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

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

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

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

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

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

Financing liabilities

This item concerns subordinated debt.

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

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

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

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

Accounting treatment of debt issuance costs

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

Transaction costs include:

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

Transaction costs do not include:

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

Payables arising from banking sector activities

This item includes:

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

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

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.

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

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

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

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

Cash and cash equivalents

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

Provisions for liabilities and charges

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

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

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

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

Employee benefits

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

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

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

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

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

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

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

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

Stock options

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

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

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

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

Income tax

Income tax expense includes both current taxes and deferred taxes.

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

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

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

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

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

Receivables and payables denominated in foreign currencies

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

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

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

Segment information

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

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

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

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

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

Related parties

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

Estimates

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

Estimates	Notes	Type of information required
Goodwill impairment	*1*	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Provision for earned premiums not yet written	*16*	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	*16; 21*	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	*16; 22*	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	*16; 22; 40*	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	*16; 22; 40*	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	*14*	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

NOTE 1. GOODWILL

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

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,396	8,417
Mediterranean & Africa	21,993	22,183
North America	6,087	5,795
Latin America	911	1,016
TOTAL	**155,058**	**155,082**

The change in goodwill amounted to €24,000 due to the fluctuation of exchange rates.

Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2018. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2018:

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

The assumptions used in 2017 were as follows:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	586.2	520.2	171.9	184.8	41.8	56.7

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018;
- 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 a 0.5-point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2021 and 2022): 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 an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2018.

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

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets(1)	615.3	406.5	182.1	218.1	58.5	54.0
Value in use of CGU	898.9	592.4	383.7	577.6	91.3	54.4
Sensitivity Long-term growth rate (0.5) point(2)	870.1	556.1	366.3	549.7	65.0	50.5
Sensitivity WACC +0,5 point(2)	862.3	549.5	362.3	542.9	66.4	51.1
Sensitivity Loss Ratio 2023 +1 point(2)	891.6	533.9	379.0	572.5	66.0	52.3
Sensitivity Loss Ratio 2023 +2 points(2)	884.3	473.8	374.3	561.2	60.6	48.2
Sensitivity Cost Ratio 2023 +1 point(2)	884.7	530.9	375.2	562.0	65.2	51.9
Sensitivity Cost Ratio 2023 +2 points(2)	870.6	467.8	366.8	540.2	59.0	47.5

(1) The Contribution to the consolidated Group's net assets corresponds to the difference between the value-in-use of the cash generating units (CGU) and their book value.
(2) The sensitivity analyses were carried out on the Contribution to the Group's net assets.

NOTE 2. OTHER INTANGIBLE ASSETS

	Dec. 31, 2018	Dec. 31, 2017
(in thousands of euros)	Net value	Net value
Development costs and software	62,955	59,463
Purchased goodwill	2,194	2,291
Other intangible assets	468	394
TOTAL	**65,617**	**62,148**

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

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	187,177	(127,714)	59,463
Purchased goodwill	7,832	(5,541)	2,291
Other	2,722	(2,328)	394
TOTAL	**197,731**	**(135,583)**	**62,148**

Group mainly makes investments in hardware and IT licences.

These investments amounted to €15.7 million in the 2018 financial year compared to €15.5 million in the 2017 financial year.

Change in the gross value of intangible assets

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

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Development costs and software	183,821	15,350	(11,055)	(939)	187,177
Purchased goodwill	8,608	0	0	(776)	7,832
Other intangible assets	2,676	117	0	(71)	2,722
TOTAL	**195,105**	**15,467**	**(11,055)**	**(1,786)**	**197,731**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2018
Accumulated amortisation - development costs and software	(124,954)	(12,130)	4,287	342	(132,455)
Accumulated impairment - development costs and software	(2,761)	0	372	129	(2,260)
Total amortisation and impairment - development costs and software	**(127,715)**	**(12,130)**	**4,659**	**471**	**(134,715)**
Accumulated amortisation - purchased goodwill	(5,541)	(98)	1,266	(181)	(4,554)
Accumulated impairment - purchased goodwill	0	0	0	0	0
Total amortisation and impairment - purchased goodwill	**(5,541)**	**(98)**	**1,266**	**(181)**	**(4,554)**
Accumulated amortisation - other intangible assets	(2,308)	(237)	138	55	(2,352)
Accumulated impairment - other intangible assets	(19)	0	19	0	0
Total amortisation and impairment - other intangible assets	**(2,327)**	**(237)**	**157**	**55**	**(2,352)**
TOTAL	**(135,583)**	**(12,465)**	**6,082**	**345**	**(141,621)**

NOTE 3. INSURANCE BUSINESS INVESTMENTS

3.1 Analysis by category

As of December 31, 2018, the carrying amount of available-for-sale (AFS) securities amounted to €2,742,533 thousand, securities held for trading ("trading securities") came to €9,527 thousand and held-to-maturity (HTM) securities was €1,848 thousand.

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

The distribution of the bonds portfolio by rating at December 31, 2018 was as follows:

- bonds rated "AAA": 16%;
- bonds rated "AA" and "A": 42.5%;
- bonds rated "BBB": 33.1%;
- Bonds rated "BB" and lower: 8.4%.

	Dec. 31, 2018					Dec. 31, 2017				
(in thousands of euros)	Amortised cost	Revaluation	Net value	Fair value	Unrealised gains and losses	Amortised cost	Revaluation	Net value	Fair value	Unrealised gains and losses
AFS securities	**2,635,835**	**106,698**	**2,742,533**	**2,742,533**		**2,599,727**	**143,658**	**2,743,385**	**2,743,385**	
Equities and other variable-income securities	207,560	99,425	306,985	306,985		211,479	111,806	323,285	323,285	
Bonds and government securities	2,211,474	(2,144)	2,209,330	2,209,330		2,175,164	26,090	2,201,254	2,201,254	
o/w direct investments in securities	*1,774,405*	*(1,061)*	*1,773,344*	*1,773,344*		*1,757,587*	*25,326*	*1,782,913*	*1,782,913*	
o/w investments in UCITS	*437,069*	*(1,083)*	*435,986*	*435,986*		*417,577*	*764*	*418,341*	*418,341*	
Shares in non-trading property companies	216,801	9,417	226,218	226,218		213,084	5,762	218,846	218,846	
HTM securities										
Bonds	1,848		1,848	1,848	0	1,852		1,852	2,564	712
Fair value through income – trading securities										
Money market funds (UCITS)	9,527		9,527	9,527		30,111		30,111	30,111	
Derivatives (positive fair value)		**2,354**	**2,354**	**2,354**			**9,383**	**9,383**	**9,383**	
(derivatives negative fair value for information)		*(1,666)*	*(1,666)*	*(1,666)*			*(267)*	*(267)*	*(267)*	
Loans and receivables	**77,063**		**77,063**	**77,063**		**91,362**		**91,361**	**91,361**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(408)**	**288**	**288**	
TOTAL	**2,724,968**	**108,645**	**2,833,613**	**2,833,613**	**0**	**2,723,747**	**152,633**	**2,876,380**	**2,877,092**	**712**

(in thousands of euros)	Gross Dec. 31, 2018	Impairment	Net Dec. 31, 2018	Net Dec. 31, 2017
AFS securities	**2,776,026**	**(33,493)**	**2,742,533**	**2,743,385**
Equities and other variable-income securities	338,477	(31,492)	306,985	323,285
Bonds and government securities	2,211,323	(1,993)	2,209,330	2,201,254
o/w direct investments in securities	*1,773,344*		*1,773,344*	*1,782,913*
o/w investments in UCITS	*437,979*	*(1,993)*	*435,986*	*418,341*
Shares in non-trading property companies	226,227	(8)	226,218	218,846
HTM securities				
Bond	1,848		1,848	1,852
Fair value through income – trading securities				
Money market funds (UCITS)	9,527		9,527	30,111
Derivatives (positive fair value)	**2,354**		**2,354**	**9,383**
(for information, derivatives with a negative fair value)	*(1,666)*		*(1,666)*	*(267)*
Loans and receivables	**77,158**	**(94)**	**77,063**	**91,361**
Investment property	**288**		**288**	**288**
TOTAL	**2,867,201**	**(33,587)**	**2,833,613**	**2,876,380**

Impairments

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2018
AFS securities	**30,175**	**3,306**	**0**	**11**	**33,493**
Equities and other variable-income securities	30,167	1,313	0	11	31,492
Bonds and government securities	0	1,993	0	0	1,993
Shares in non-trading property companies	8	0	0	0	8
Loans and receivables	**0**	**94**	**0**	**0**	**94**
TOTAL	**30,175**	**3,400**	**0**	**11**	**33,587**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2018					
	Carrying amount	**Increases**	**Decreases**	**Revaluation**	**Impairment**	**Other movements**	**Carrying amount**
AFS securities	**2,743,385**	**346,208**	**(329,286)**	**(36,711)**	**(3,306)**	**22,244**	**2,742,533**
Equities and other variable-income securities	323,285	30,445	(33,280)	(13,323)	(1,313)	1,173	306,985
Bonds and government securities	2,201,254	307,371	(287,944)	(27,043)	(1,993)	17,685	2,209,330
Shares in non-trading property companies	218,846	8,393	(8,062)	3,655		3,386	226,218
HTM securities							
Bonds	1,852	90	(96)			1	1,848
Fair value through income – trading securities	**30,111**	**9,525**	**(30,111)**	**0**		**2**	**9,527**
Loans, receivables and other business investment	**101,031**	**8,565**	**(15,337)**	**(1,529)**	**(94)**	**(12,930)**	**79,705**
TOTAL	**2,876,380**	**364,388**	**(374,830)**	**(38,240)**	**(3,400)**	**9,317**	**2,833,613**

Derivatives

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

During 2018, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

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

Regarding the bond portfolio, some of our exposure to European sovereign debt is hedged through future rates. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

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

3.2 Financial instruments recognised at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorises 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 84% of the Group's portfolio. They correspond to:

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

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

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

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

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

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

Value in use is the present value of future cash flows that may result from an asset or cash-generating unit. The valuation, using the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two further years based on standardised management ratios (loss ratios and target cost ratios). Beyond the fifth year, the terminal value is evaluated on a basis of infinite capitalisation of the last year's cash flow.

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

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

Movements in Level 3 securities as of December 31, 2018

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

Breakdown of financial instrument fair value measurements as of December 31, 2017 by level in the fair value hierarchy

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,743,385**	**2,743,385**	**2,395,995**	**23**	**347,367**
Equities and other variable-income securities	323,285	323,285	194,741	23	128,521
Bonds and government securities	2,201,254	2,201,254	2,201,254	0	
Shares in non-trading property companies	218,846	218,846			218,846
HTM securities					
Bonds	1,852	2,564	2,564		
Fair value through income – trading securities					
Money market funds (UCITS)	30,111	30,111	30,111		
Derivatives	**9,383**	**9,383**	**3,770**	**5,004**	**609**
Loans and receivables	**91,361**	**91,361**		**91,361**	
Investment property	**288**	**288**			**288**
TOTAL	**2,876,380**	**2,877,092**	**2,432,440**	**96,388**	**348,264**

Movements in Level 3 securities as of December 31, 2017

		Gains and losses recognised in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2016	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2017
AFS securities	**269,595**	**(2,273)**	**1,635**	**84,897**	**(237)**	**(6,250)**	**347,367**
Equities and other variable-income securities	132,456	(2,273)	(2,460)	3,212	(237)	(2,177)	128,521
Shares in non-trading property companies	137,139		4,095	81,685	0	(4,073)	218,846
Derivatives	**1,122**			**(513)**			**609**
Investment property	**787**				**(499)**		**288**
TOTAL	**271,504**	**(2,273)**	**1,635**	**84,384**	**(736)**	**(6,250)**	**348,264**

SPPI Financial assets as of December 31, 2018 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
SPPI financial assets	1,786,680	(26,620)
No SPPI financial assets	12,828	(575)
TOTAL	**1,799,508**	**(27,195)**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	146,923	144,796

NOTE 4. RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES

Breakdown by nature

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Receivables arising from banking and other activities	2,509,047	2,522,803	2,523,549
Non-performing receivables arising from banking and other activities	61,354	57,247	56,501
Allowances for receivables arising from banking and other activities	(61,354)	(57,247)	(56,501)
TOTAL	**2,509,047**	**2,522,803**	**2,523,549**

* *Effects of the first application of IFRS 9.*

Breakdown by age

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

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

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

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

(in thousands of euros)	Dec. 31, 2017					
		Due				
	Not Due	- 3 Months	3 Months to 1 Year	1 to 5 Years	+ 5 Years	Total
Receivables arising from banking and other activities	1,862,396	661,153	0	0	0	2,523,549
Non-performing receivables arising from banking and other activities	0	0	6,972	22,407	27,122	56,501
Allowances for receivables arising from banking and other activities	0	0	(6,972)	(22,407)	(27,122)	(56,501)
Total receivables arising from banking and other activities	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**
Claims reserve as hedge for factoring receivables	0	0	0	0	0	0
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**

NOTE 5. INVESTMENTS IN ASSOCIATES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Investments in associates at January 1	15,780	13,411
Share in net income of associates	592	2,369
Dividends paid	0	0
Change in perimeter	(16,372)	0
TOTAL INVESTMENTS IN ASSOCIATES	**0**	**15,780**

The decrease in investment in associates in the 2018 financial year is related to the sale in June 2018 of Cofacredit participation, which was held at 36%.

NOTE 6. TANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2018 Net value	Dec. 31, 2017 Net value
Buildings used for operational purposes	33,114	35,344
Other property, plant and equipment	15,858	19,335
TOTAL	**48,972**	**54,679**

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

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	107,795	(72,451)	35,344
Other property, plant and equipment	55,832	(36,497)	19,335
TOTAL	**163,627**	**(108,948)**	**54,679**

Change in the gross amount of property, plant and equipment

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

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Land used for operational purposes	14,010	0	0	0	14,010
Buildings used for operational purposes	95,006	7	(1,228)	0	93,785
Total buildings used in the business	**109,016**	**7**	**(1,228)**	**0**	**107,795**
Operating guarantees and deposits	5,247	122	(25)	(87)	5,257
Other property, plant and equipment	52,187	4,071	(5,085)	(598)	50,575
Total other property, plant and equipment	**57,434**	**4,193**	**(5,110)**	**(685)**	**55,832**
TOTAL	**166,450**	**4,200**	**(6,338)**	**(685)**	**163,627**

The Group mainly makes investments in tangible assets relating to the arrangement or layout of operated office buildings.

These investments amounted to €4.8 million in the 2018 financial year compared to €4.2 million in the 2017 financial year.

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

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

(in thousand of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated depreciation – Building used for operational purposes	(70,488)	(2,231)	268	0	(72,451)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0
Buildings used in the business	**(70,488)**	**(2,231)**	**268**	**0**	**(72,451)**
Accumulated depreciation other property, plant & equipment	(36,031)	(3,563)	4,802	394	(34,398)
Accumulated impairment other property, plant & equipment	(2,447)	(19)	333	34	(2,099)
Other property, plant and equipment	**(38,478)**	**(3,582)**	**5,135**	**428**	**(36,497)**
TOTAL	**(108,966)**	**(5,813)**	**5,403**	**428**	**(108,948)**

Market value of buildings used for operational purposes

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Carrying amount	33,114	35,344
Market value	61,933	60,794
UNREALISED GAIN	**28,819**	**25,450**

Buildings held by Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2018.

NOTE 7. RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

Breakdown by nature

	Dec. 31, 2018			Dec. 31, 2017		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	304,247	(35,149)	269,098	303,603	(33,601)	270,003
Earned premiums not written	115,355	0	115,355	119,998	0	119,998
Receivables arising from reinsurance operations, net	114,655	(282)	114,373	105,129	(289)	104,840
TOTAL	**534,257**	**(35,431)**	**498,826**	**528,730**	**(33,890)**	**494,840**

Breakdown by age

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

	Dec. 31, 2017					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**360,819**	**78,253**	**37,193**	**13,635**	**4,939**	**494,839**

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

Consequently, the risk of liquidity linked to insurance receivables is considered to be marginal.

NOTE 8. OTHER ASSETS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Deferred acquisition costs	42,176	43,903
Trade receivables arising from other activities	48,553	47,640
Current tax receivables	57,267	60,286
Other receivables	179,285	139,913
TOTAL	**327,281**	**291,742**

"Other receivables" mainly includes:

- receivables in factoring entities towards credit insurance entities for €65 million;
- loans granted to non-consolidated Coface entities for €34 million.

NOTE 9. CASH AND CASH EQUIVALENTS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Cash at bank and available	275,567	236,813
Cash equivalents	26,852	27,512
TOTAL	**302,419**	**264,325**

Operational cash optimisation continued during FY 2018, leading in the majority of the entities to a decrease of the cash amounts and an increase in long-term investments.

However, some entities had to keep some cash equivalents in the very short term.

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

NOTE 10. SHARE CAPITAL

Ordinary shares	Number of shares	Per value	Share capital *(in €)*
At December 31, 2017	157,248,232	2	314,496,464
Cancellation of shares	(3,348,971)	2	(6,697,942)
At December 31, 2018	**153,899,261**	**2**	**307,798,522**
Treasury shares deducted	(2,600,240)	2	(5,200,480)
AT DECEMBER 31, 2018 (EXCLUDING TREASURY SHARES)	**151,299,021**	**2**	**302,598,042**

Shareholders	Dec. 31, 2018 Number of shares	Dec. 31, 2018 %	Dec. 31, 2017 Number of shares	Dec. 31, 2017 %
Natixis	64,853,881	42.86%	64,853,881	41.38%
Public	86,445,140	57.14%	91,883,815	58.62%
TOTAL EXCLUDING TREASURY SHARES	**151,299,021**	**100%**	**156,737,696**	**100%**

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

Natixis holds, at the end of December 2018, 42.86% of the COFACE Group's shares excluding treasury shares, and 42.14% including treasury shares.

NOTE 11. SHARE-BASED PAYMENTS

Ongoing free share plans

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

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year *(in €k)*
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	0
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	(994)
Long-term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	462
Long-term Incentive Plan 2017	Feb. 08, 2017	366,146	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	577
Long-term Incentive Plan 2018	Feb. 12, 2018	298,132	3 years	Feb. 15, 2021	Feb. 15, 2021	8.5	632

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2017	Number of new free share grants in 2018	Number of free shares cancelled in 2018	Number of free shares acquired in 2018	Number of shares to be acquired at Dec. 31, 2018
Long-term Incentive Plan 2014	0				0
Long-term Incentive Plan 2015	106,800		(106,800)		0
Long-term Incentive Plan 2016	302,196		(3,199)		298,997
Long-term Incentive Plan 2017	366,146				366,146
Long-term Incentive Plan 2018		298,132			298,132

The total number of shares allocated to the Long-term Incentive Plan 2018 amounts to 382,869 shares; only 327,132 shares were allocated in registered form to beneficiaries, including 298,132 shares and 29,000 performance units.

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

Free shares under the Long-term Incentive Plan are definitively granted based upon presence in the Group and performance achievement.

Measurement of free shares

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

The plans were measured on the assumptions below:

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

Based on these assumptions, a total of €677 thousand was expensed under the implemented plans at December 31, 2018.

NOTE 12. 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, 2018	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,913		(1,227)	686	0	686
Fair value adjustments on available-for-sale financial assets recognised in equity	(39,294)		20,627	(18,667)	(1)	(18,668)
Change in reserves - gains and losses not reclassificable to income (IAS 19R)	0	1,823	(428)	1,395	0	1,395
Transactions with shareholders	0		0	0	0	0
AT DECEMBER 31, 2018	**116,607**	**(30,314)**	**(1,836)**	**84,457**	**(122)**	**84,335**

(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, 2017	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**
Fair value adjustments on available-for-sale financial assets reclassified to income	(11,199)		2,684	(8,515)	(1)	(8,516)
Fair value adjustments on available-for-sale financial assets recognised in equity	23,128		(7,913)	15,215	(157)	15,058
Change in reserves - gains and losses not reclassificable to income (IAS 19R)		968	(1,821)	(853)	0	(853)
Transactions with shareholders	2,373		5	2,378	(2,378)	0
AT DECEMBER 31, 2017	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**

NOTE 13. PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of euros)	Dec 31, 2018	Dec. 31, 2017
Provisions for disputes	3,441	5,652
Provisions for pension and other post-employment benefit obligations	62,564	66,141
Other provisions for liabilities and charges	28,339	49,923
TOTAL	**94,344**	**121,716**

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

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals (utilised)	Reversals (surplus)	Reclassifications	Changes in OCI	Exchange rate effects	Dec 31, 2017
Provisions for employees	7,005	246	(1,347)	(714)	(2,080)	0	(16)	3,094
Provisions for other disputes	2,678	353	0	0	(72)	0	(401)	2,558
Provisions for disputes	**9,683**	**599**	**(1,347)**	**(714)**	**(2,152)**	**0**	**(417)**	**5,652**
Provisions for pensions	**71,798**	**3,160**	**(6,466)**	**(1,032)**	**(4)**	**(1,026)**	**(289)**	**66,141**
Provisions for liabilities	15,786	1,480	0	(3,057)	0	0	(58)	14,151
Provisions for restructuring	42,906	6,967	(10,589)	(8,446)	1	0	(1)	30,838
Provisions for taxes (excl. income taxes)	4,932	5,215	(8,414)	0	336	0	(24)	2,045
Other provisions for liabilities	5,969	1,517	(5,699)	(806)	1,905	0	3	2,889
Other provisions for liabilities and charges	**69,593**	**15,179**	**(24,702)**	**(12,309)**	**2,242**	**0**	**(80)**	**49,923**
TOTAL	**151,074**	**18,938**	**(32,515)**	**(14,055)**	**86**	**(1,026)**	**(786)**	**121,716**

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

Changes in provisions for liabilities and charges in 2018 mainly come from the decrease of provisions for restructuring, including of which a €7.9 million release of provision linked to the strategic plan Fit to Win and a €12.7 million release of provision for vacant units.

The renegociation of buildings' lease occupied by Coface in Bois-Colombes allowed a redefinition of financial conditions and occupied area organization. So, provision for vacant units has been completely released in 2018 financial year.

The provision linked to the strategic plan Fit to Win amounted to €10.5 million at December 31, 2018.

NOTE 14. EMPLOYEE BENEFITS

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Present value of benefit obligation at January 1	***68,203***	***73,863***
Current service cost	2,241	2,191
Interest cost	619	(1,107)
Actuarial (gains)/losses	(1,672)	(1,167)
Benefits paid	(4,688)	(5,600)
Other	(118)	24
Present value of benefit obligation at December 31	**64,585**	**68,203**
Change in plan assets		
Fair value of plan assets at January 1	***2,062***	***2,065***
Revaluation adjustments – Return on plan assets	52	(117)
Acquisitions/mergers/deconsolidations	0	0
Employee contributions	0	0
Employer contributions	64	158
Benefits paid	(158)	(225)
Other	1	181
Fair value of plan assets at December 31	**2,021**	**2,062**
Reconciliation		
Present value of benefit obligation at December 31	***64,585***	***68,203***
Fair value of plan assets	2,021	2,062
(Liability)/Asset recognised in the balance sheet at December	**(62,564)**	**(66,141)**
Income statement		
Current service cost	2,279	1,901
Benefits paid including amounts paid in respect of settlements	(4,789)	289
Interest cost	978	1,079
Interest income	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)
Other	(320)	155
(Income)/ Expenses recorded in the income statement	**(1,852)**	**3,160**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	(1,823)	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,823)**	**(1,026)**

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

	Dec. 31, 2017					
(in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1	***18,329***	***29,099***	***19,757***	***3,666***	***3,012***	***73,863***
Current service cost	729	1,343	(249)	124	244	2,191
Interest cost	(274)	(842)	119	(110)	0	(1,107)
Actuarial (gains) / losses	(570)	(613)	331	(315)	0	(1,167)
Benefits paid	(1,146)	(2,645)	(1,656)	(153)	0	(5,600)
Other	3	(13)	(143)	0	176	23
Present value of benefit obligation at December 31	**17,070**	**26,330**	**18,159**	**3,213**	**3,431**	**68,203**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,339***	***907***	***0***	***(181)***	***2,065***
Revaluation adjustments – Return on plan assets	0	(75)	(42)	0	0	(117)
Employer contributions	0	15	143	0	0	158
Benefits paid	0	(57)	(168)	0	0	(225)
Other	0	0	0	0	181	181
Fair value of plan assets at December 31	**0**	**1,221**	**841**	**0**	**0**	**2,062**
Reconciliation						
Present value of benefit obligation at December 31	***17,070***	***26,330***	***18,159***	***3,213***	***3,431***	***68,203***
Fair value of plan assets	0	1,221	841	0	0	2,062
(Liability) / Asset recognised in the balance sheet at December 31	**(17,070)**	**(25,109)**	**(17,318)**	**(3,213)**	**(3,431)**	**(66,141)**
Income statement						
Current service cost	656	1,119	47	79	0	1,901
Past service cost	0	0	0	0	0	0
Benefits paid including amounts paid in respect of settlements	0	0	289	0	0	289
Interest cost	165	183	45	155	531	1,079
Interest income	0	(10)	0	0	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)	0	0	0	(255)
Other	0	0	0	155	0	155
(Income) / Expenses recorded in the income statement	**821**	**1,037**	**381**	**389**	**531**	**3,160**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(570)	(613)	331	(315)	141	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(570)**	**(613)**	**331**	**(315)**	**141**	**(1,026)**

Actuarial assumptions

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

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

	Dec. 31, 2017			
	France	Germany	Austria	Italy
Inflation rate	1.60%	1.60%	1.90%	1.60%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*1.75%*	*1.75%*	*N/A*
Statutory retirement benefits	*1.10%*	*N/A*	*1.75%*	*1.75%*
Long service awards	*0.75%*	*1.75%*	*1.75%*	*1.75%*
Other benefits	*1.60%*	*1.75%*	*N/A*	*1.75%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.60%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*0.37*	*5.02*	*7.70*
Statutory retirement benefits	*15.80*	*N/A*	*9.92*	*12.40*
Long service awards	*15.82*	*15.69*	*18.65*	*9.20*
Other benefits	*0.00*	*2.28*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.87*	*12.52*	*16.14*	*17.25*
Statutory retirement benefits	*11.92*	*0.00*	*9.06*	*10.10*
Long service awards	*8.18*	*10.41*	*9.86*	*10.72*
Other benefits	N/A	1.39	N/A	N/A

Sensitivity tests on the defined benefit obligation

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

	Dec. 31, 2017			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long service awards	Other benefits
1% increase in the discount rate	(12.28%)	(9.87%)	(9.11%)	(1.34%)
-1% decrease in the discount rate	15.43%	11.74%	10.69%	1.38%
1% increase in the inflation rate	7.93%	9.20%	1.22%	1.12%
-1% decrease in the inflation rate	(6.60%)	(7.86%)	(1.40%)	(1.11%)
1% increase in rate of increase in medical costs	15.93%	0.00%	0.00%	0.00%
-1% decrease in rate of increase in medical costs	(13.12%)	0.00%	0.00%	0.00%
1% increase in rate of salary increase (including inflation)	10.86%	10.98%	2.30%	1.12%
-1% decrease in rate of salary increase (including inflation)	(9.05%)	(9.42%)	(2.34%)	(1.11%)

NOTE 15. FINANCING LIABILITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Due within one year		
◆ Interest	11,756	11,756
◆ Amortisation of expenses	(524)	(502)
Total	**11,232**	**11,254**
Due between one and five years		
◆ Amortisation of expenses	(2,343)	(1,642)
Total	**(2,343)**	**(1,642)**
Due beyond five years		
◆ Amortisation of expenses	(160)	(1,378)
◆ Nominal	380,000	380,000
Total	**379,840**	**378,622**
TOTAL	**388,729**	**388,234**

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

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

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

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

As of December 31, 2018, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €388,729 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- less the debt issuance costs and the issue premium for €3,027 thousand;
- plus accrued interest of €11,756 thousand.

The impact on the consolidated income statement income as of December 31, 2018 mainly includes interest related to the period for €16,156 thousand.

NOTE 16. LIABILITIES RELATING TO INSURANCE CONTRACTS

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2018*	Dec. 31, 2017
Provisions for unwritten earned premiums	280,584	271,227	271,227
Claims reserves	1,290,857	1,265,123	1,265,601
Provisions for premium refunds	174,938	145,430	145,430
Liabilities relating to insurance contracts	**1,746,379**	**1,681,780**	**1,682,258**
Provisions for unwritten earned premiums	(60,752)	(61,584)	(61,584)
Claims reserves	(321,289)	(309,120)	(309,120)
Provisions for premium refunds	(43,357)	(34,474)	(34,474)
Reinsurers' share of technical insurance liabilities	**(425,398)**	**(405,178)**	**(405,178)**
NET TECHNICAL PROVISIONS	**1,320,981**	**1,276,602**	**1,277,080**

* *Effects related to the first application of IFRS 9.*

Bridge table explaining effect of the first application of IFRS 9 "Financial Instruments"

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018*
Provisions for unwritten earned premiums	271,227		271,227
Claims reserves	1,265,601	(478)	1,265,123
Provisions for premium refunds	145,430		145,430
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Provisions for unwritten earned premiums	(61,584)		(61,584)
Claims reserves	(309,120)		(309,120)
Provisions for premium refunds	(34,474)		(34,474)
Reinsurers' share of technical insurance liabilities	**(405,178)**		**(405,178)**
NET TECHNICAL PROVISIONS	**1,277,080**	**(478)**	**1,276,602**

* *Effects related to the first application of IFRS 9.*

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €706 million at December 31, 2018.

NOTE 17. PAYABLES ARISING FROM BANKING SECTOR ACTIVITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Amounts due to banking sector companies	660,204	568,711
Amounts due to customers of banking sector companies	346,932	322,064
Debt securities	1,537,580	1,636,941
TOTAL	**2,544,716**	**2,527,716**

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

NOTE 18. DEFERRED TAX

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets	(52,809)	(79,516)
Deferred tax liabilities	95,962	113,595
NET DEFERRED TAX - LIABILITIES	**43,153**	**34,079**
Temporary differences	(19,129)	(26,984)
Provisions for pensions and other employment benefit obligations	(9,397)	(10,751)
Tax loss carry-forwards	(6,619)	(7,752)
Cancellation of the claims equalisation provision	78,298	79,566
NET DEFERRED TAX - LIABILITIES	**43,153**	**34,079**

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

In France, the finance law for 2018 predicted a decline in the current common law rate from 33.33% to 25% progressively between 2019 and 2022. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of the Coface Group.

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

Changes in deferred tax balances by region

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

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

* *Effects related to the first application of IFRS 9.*

Bridge table explaining effect of the first application of IFRS 9 “Financial Instruments”

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of IFRS 9	Jan. 1, 2018
Northern Europe	55,548	(50)	55,498
Western Europe	10,562	0	10,562
Central Europe	(386)	(20)	(406)
Mediterranean & Africa	(14,930)	0	(14,930)
North America	(221)	0	(221)
Latin America	(3,241)	0	(3,241)
Asia-Pacific	(13,253)	0	(13,253)
TOTAL	**34,079**	**(70)**	**34,009**

(in thousands of euros)	Dec. 31, 2016	Change through income	Revaluation adjustment on AFS investments	Change in Currency impact	Other movements	Dec. 31, 2017
Northern Europe	68,120	(12,684)	(80)	0	192	55,548
Western Europe	(9,456)	14,269	4,100	(191)	1,840	10,562
Central Europe	164	(374)	(48)	(45)	(83)	(386)
Mediterranean & Africa	(10,802)	(4,427)	0	88	211	(14,930)
North America	(2,880)	2,550	(205)	317	(3)	(221)
Latin America	(3,842)	124	1,413	835	(1,771)	(3,241)
Asia-Pacific	(8,777)	(5,205)	(22)	751	0	(13,253)
TOTAL	**32,527**	**(5,747)**	**5,158**	**1,755**	**386**	**34,079**

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

Deferred taxes related to Loss Carry

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

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	0	0
Western Europe	136	173
Central Europe	542	953
Mediterranean & Africa	271	580
North Africa	854	244
Latin America	1,097	0
Asia-Pacific	3,719	5,802
NET DEFERRED TAX - LIABILITIES	**6,619**	**7,752**

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognised at the level of the entity's income tax results estimated for the period from 2019 to 2024, *i.e.* a recoverability horizon of five years.

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

NOTE 19. PAYABLES ARISING FROM INSURANCE AND REINSURANCE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Guarantee deposits received from policyholders and other	2,472	4,520
Amounts due to policyholders and agents	67,981	120,908
Payables arising from insurance and inward reinsurance operations	**70,453**	**125,428**
Amounts due to reinsurers	121,321	75,279
Deposits received from reinsurers	3,879	4,023
Payable arising from ceded reinsurance operations	**125,200**	**79,302**
TOTAL	**195,653**	**204,730**

NOTE 20. OTHER LIABILITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Current tax payables	**41,580**	**76,996**
Derivatives and related liabilities	**1,666**	**267**
Accrued personnel costs	54,873	51,545
Sundry payables	215,872	226,704
Deferred income	8,224	8,338
Other accruals	24,645	18,338
Other payables	**303,614**	**304,925**
TOTAL	**346,860**	**382,188**

NOTES TO THE INCOME STATEMENT

NOTE 21. REVENUE

Breakdown of consolidated revenue

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Premiums – direct business	1,169,260	1,137,778
Premiums – inward reinsurance	94,102	81,834
Gross written premiums	**1,263,364**	**1,219,612**
Premium refunds	**(106,516)**	**(98,954)**
Change of provisions for unwritten earned premiums	**(14,240)**	**(10,961)**
Earned premiums	**1,142,608**	**1,109,697**
Fees and commission income	**132,418**	**128,914**
Net income from banking activities	**66,713**	**72,043**
Other insurance-related services	3,637	4,382
Remuneration of public procedures management services	0	574
Business information and other services	28,550	27,436
Receivables management	10,809	11,886
Income from other activities	**42,995**	**44,279**
Revenue or income from other activities	**242,127**	**245,236**
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

Consolidated revenue by country of invoicing

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	303,081	303,872
Western Europe	283,965	280,785
Central Europe	133,843	127,708
Mediterranean & Africa	370,370	348,021
North America	126,502	121,894
Latin America	71,528	75,715
Asia-Pacific	95,447	96,938
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

Consolidated revenue by activity

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Earned premiums - Credit	*1,068,404*	*1,029,499*
Earned premiums - Single risk	*26,779*	*27,190*
Earned premiums - credit insurance	**1,095,183**	**1,056,689**
Fees and commission income	**132,418**	**128,914**
Other insurance-related services	**3,637**	**4,382**
Remuneration of public procedures management services		**574**
Revenue of credit insurance activity	**1,231,238**	**1,190,559**
Earned premiums - Guarantees	**47,425**	**53,008**
Financing fees	35,295	39,472
Factoring fees	32,416	33,884
Other	(998)	(1,314)
Net income from banking activities (factoring)	**66,713**	**72,043**
Business information and other services	28,550	27,436
Receivables management	10,809	11,886
Revenue of business information and other services activity	**39,359**	**39,322**
CONSOLIDATED REVENUE	**1,384,735**	**1,354,933**

NOTE 22. CLAIMS EXPENSES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Paid claims, net of recoveries	(444,072)	(502,446)
Claims handling expenses	(28,020)	(26,607)
Change in claims reserves	(32,417)	(41,810)
TOTAL	**(504,509)**	**(570,863)**

Claims expenses by period of occurrence

	Dec. 31, 2018			Dec. 31, 2017		
(in thousands of euros)	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(828,774)	208,960	(619,814)	(797,900)	196,781	(601,119)
Claims expenses – prior years	324,265	(72,213)	252,052	227,037	(40,980)	186,057
TOTAL	**(504,509)**	**136,747**	**(367,762)**	**(570,863)**	**155,801**	**(415,062)**

NOTE 23. OVERHEADS BY FUNCTION

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Acquisition costs	(243,236)	(262,607)
Administrative costs	(241,136)	(253,532)
Other operating expenses	(82,556)	(70,816)
Expenses from banking activities, excluding cost of risk	(13,552)	(13,779)
Expenses from other activities	(77,739)	(53,130)
Operating expenses	**(658,219)**	**(653,864)**
Investment management expenses	**(4,006)**	**(2,141)**
Claims handling expenses	**(28,020)**	**(26,607)**
TOTAL	**(690,245)**	**(682,612)**
of which employee profit-sharing	*(6,219)*	*(4,662)*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €690,245 thousand as of December 31, 2018 versus €682,612 thousand as of December 31, 2017.

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 24. EXPENSES FROM BANKING ACTIVITIES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Charges to allowances for receivables	(5,858)	(3,490)
Reversal of allowances for receivables	6,763	38
Losses on receivables	(3,027)	(1,031)
Cost of risk	**(2,122)**	**(4,483)**
Operating expenses	**(13,552)**	**(13,779)**
TOTAL	**(15,674)**	**(18,262)**

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

NOTE 25. INCOME AND EXPENSES FROM CEDED REINSURANCE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Ceded claims	124,536	112,655
Change in claims provisions net of recoveries	12,211	43,153
Commissions paid by reinsurers	128,666	119,767
Income from ceded reinsurance	**265,413**	**275,575**
Ceded premiums	(326,730)	(315,203)
Change in unearned premiums provisions	(811)	13,658
Expenses from ceded reinsurance	**(327,541)**	**(301,545)**
TOTAL	**(62,128)**	**(25,970)**

NOTE 26. INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Investment income	46,272	43,621
Change in financial instruments at fair value through income	(1,976)	1,541
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*0*	*64*
Net gains on disposals	6,621	4,059
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*22*	*(68)*
Additions to/(reversals from) impairment	(4,581)	1,620
Net foreign exchange gains	9,976	8,041
*o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds**	*(4,043)*	*(5,267)*
Investment management expenses	(5,188)	(3,601)
TOTAL	**51,124**	**55,281**

* *The Colombes and Lausanne funds foreign exchange result covered by derivatives amounts to -€4,043 thousand. This amount is broken down into -€7,372 thousand in realised profit and €3,329 thousand in unrealised losses.*

Investment income by class

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Equities	5,473	6,688
Fixed income	30,914	36,821
Investment properties	8,985	6,337
Sub-total	**45,372**	**49,846**
Associated and non-consolidated companies	3,133	4,515
Exchange rate - change profit/loss	7,807	4,521
Financial and investment charges	(5,188)	(3,601)
TOTAL	**51,124**	**55,281**

NOTE 27. OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Fit to Win restructuring charges	(10,607)	(8,433)
Loss on Cofacrédit disposal	(2,170)	
Other operating expenses	(719)	(614)
Total other operating expenses	**(13,496)**	**(9,047)**
Reversal of provisions on Fit to Win strategic plan	0	8,446
Renegotiation of Bois-Colombes lease contract	5,179	
Other operating income	3,343	10
Total other operating income	**8,522**	**8,456**
TOTAL	**(4,974)**	**(591)**

Other operating income and expenses amounted to €(5.0) million as of December 31, 2018.

Other operating income includes:

- the impact of the lease renegotiation of Bois-Colombes of the premises for €5.2 million. This amount mainly includes a reversal of provisions for vacant premises, a reversal of the residual rent-free period, offset by the compensation paid;
- reversals of provisions no longer relevant in Brazil and Belgium for €2.3 million and €0.8 million, respectively.

Other operating expenses include the loss on Cofacrédit disposal for €2.2 million and expenses related to the Fit to Win strategic plan implementation for €10.6 million.

Those expenses mainly include:

- €5.0 million compensation paid to commercial agents in the United States;
- €3.8 million of additional expenses in France (of which €0.6 million as provisions for risks and charges);
- €1.3 million of additional charges in the Mediterranean and Africa region.

NOTE 28. SHARE IN NET INCOME OF ASSOCIATES

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Cofacrédit	592	2,369
TOTAL	**592**	**2,369**

Coface's share in the net income of Cofacrédit is €592 thousand of revenue. Cofacrédit was sold at the end of June 2018.

NOTE 29. INCOME TAX EXPENSE

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Income tax	(37,566)	(63,022)
Deferred tax	(26,566)	(7,371)
TOTAL	**(64,132)**	**(55,651)**

Tax proof

(in thousands of euros)	Dec. 31, 2018		Dec. 31, 2017	
Net income for the year	**122,333**		**83,213**	
Non-controlling interests	(353)		159	
Income tax expense for the year	(64,132)		(55,651)	
Share of net income of associates	592		2,369	
Pre-tax income for the year and before share in net income of associates	**186,226**		**136,336**	
Tax rate		34.43%		34.43%
Theoretical tax	(64,118)		(46,940)	
Tax expense presented in the consolidation income statement	(64,132)	34.44%	(55,651)	40.82%
Difference	**14**	**0.01%**	**8,711**	**6.39%**
Impact of differences between Group tax rates and local tax rates	16,423	8.82%	18,137	13.30%
Specific local taxes	(750)	(0.40%)	(2,589)	(1.90%)
o/w French corporate value added tax (CVAE)	*(1,023)*	*(0.55%)*	*(873)*	*(0.64%)*
Tax losses for which no deferred tax assets have been recognised	(14,769)	(7.93%)	(14,397)	(10.56%)
Utilisation of previously unrecognised tax loss carryforwards	1,183	0.64%	2,943	2.16%
Dividends paid in France non-deductible for tax purposes (1%)	(580)	(0.31%)	(301)	(0.22%)
Tax on dividends paid by COFACE SA (3%)	0	0.00%	2,162	1.59%
Tax audit in France	0	0.00%	(12,382)	(9.08%)
Liability method impact	1,388	0.75%	566	0.42%
Other differences	(2,909)	(1.56%)	(2,850)	(2.09%)

The effective income tax rate decreased from 40.82% at December 31, 2017 to 34.44% at December 31, 2018.

The difference between theoretical tax and tax expense presented in the consolidation income statement is not significant in 2018. The positive impact of differences between Group tax rates and local tax rates is offset by the negative impact of tax losses for which no deferred tax assets have been recognised.

OTHER INFORMATION

NOTE 30. BREAKDOWN OF NET INCOME BY SEGMENT

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is the one in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is the one in which the ceding insurer is located. Geographic segmentation by billing location does not necessarily correspond to the debtor's location.

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

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

Analysis as of December 31, 2018 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
REVENUE	**299,979**	**274,376**	**136,856**	**371,880**
o/w Earned Premium	*201,397*	*241,693*	*106,463*	*313,738*
o/w Factoring	*57,083*	*(894)*	*10,524*	*0*
o/w Other insurance-related services	*41,498*	*33,577*	*19,869*	*58,142*
Claims-related expenses (including claims handling costs)	(98,411)	(83,673)	(52,951)	(153,197)
Cost of risk	(2,233)	0	111	0
Commissions	(22,666)	(40,212)	(9,232)	(37,626)
Other internal general expenses	(117,417)	(106,223)	(47,457)	(112,634)
Underwriting income before reinsurance*	**59,253**	**44,267**	**27,327**	**68,422**
Income/(loss) on ceded reinsurance	(10,310)	(25,716)	(2,937)	(6,133)
Other operating income and expenses	0	(370)	67	(1,613)
Net financial income excluding finance costs	4,220	16,052	5,239	10,965
Finance costs	(177)	692	(968)	(383)
Operating income including finance costs	**52,986**	**34,925**	**28,729**	**71,259**
Share in net income of associates	0	592	0	0
Net income before tax	52,986	35,517	28,729	71,259
Income tax expense	(17,262)	(18,772)	(6,317)	(17,000)
Consolidated net income before non-controlling interests	**35,724**	**16,745**	**22,412**	**54,259**
Non-controlling interests	(1)	(2)	(1)	(2)
NET INCOME FOR THE PERIOD	**35,723**	**16,743**	**22,411**	**54,257**

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

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
129,665	**71,584**	**96,850**	**962,581**	**26,890**	**0**	**(985,926)**	**1,384,735**
117,252	*68,757*	*93,308*	*962,581*	*0*	*0*	*(962,581)*	*1,142,608*
0	*0*	*0*	*0*	*0*	*0*	*0*	*66,714*
12,412	*2,826*	*3,543*	*0*	*26,890*	*0*	*(23,345)*	*175,413*
(45,856)	(39,783)	(22,038)	(411,501)	0	(4,914)	407,814	(504,509)
0	0	0	0	0	0	0	(2,122)
(24,175)	(7,694)	(18,267)	(361,531)	0	0	358,202	(163,203)
(35,058)	(25,625)	(35,482)	0	(26,220)	(20,817)	31,919	(495,015)
24,575	**(1,519)**	**21,063**	**189,549**	**671**	**(25,731)**	**(187,992)**	**219,886**
(6,610)	(5,170)	2,572	(197,374)	0	0	189,549	(62,128)
(5,441)	2,382	0	0	0	0	0	(4,974)
1,826	14,196	3,700	0	(49)	(1,057)	(3,968)	51,124
(1,382)	(204)	(1,264)	0	(238)	(16,169)	2,411	(17,681)
12,969	**9,685**	**26,071**	**(7,825)**	**383**	**(42,957)**	**0**	**186,225**
0	0	0	0	0	0	0	592
12,969	9,685	26,071	(7,825)	383	(42,957)	0	186,818
(2,422)	(5,717)	(9,351)	2,694	(132)	14,790	(4,644)	(64,132)
10,547	**3,969**	**16,720**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,685**
0	(347)	2	0	0	0	0	(353)
10,547	**3,621**	**16,721**	**(5,131)**	**251**	**(28,167)**	**(4,644)**	**122,333**

Analysis as of December 31, 2017 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
Revenue	**300,171**	**281,683**	**131,063**	**349,840**
o/w Earned Premium	*195,611*	*243,592*	*100,493*	*294,817*
o/w Factoring	*62,011*		*10,032*	
o/w Other insurance-related services	*42,549*	*38,091*	*20,538*	*55,023*
Claims-related expenses (including claims handling costs)	(111,964)	(131,528)	(49,815)	(142,586)
Cost of risk	(4,516)		33	
Commissions	(21,254)	(36,732)	(7,848)	(37,805)
Other internal general expenses	(118,739)	(90,020)	(45,880)	(114,653)
Underwriting income before reinsurance*	**43,698**	**23,402**	**27,553**	**54,795**
Income/(loss) on ceded reinsurance	(2,654)	12,665	(1,215)	(18,337)
Other operating income and expenses	8,000	(5,583)	50	(1,054)
Net financial income excluding finance costs	6,105	23,519	4,316	10,319
Finance costs	(263)	1,244	(17)	(550)
Operating income including finance costs	**54,886**	**55,248**	**30,687**	**45,173**
Share in net income of associates		2,369		
Net income before tax	**54,886**	**57,617**	**30,687**	**45,173**
Income tax expense	(17,168)	(45,585)	(5,867)	(5,846)
Consolidated net income before non-controlling interests	**37,718**	**12,031**	**24,820**	**39,327**
Non-controlling interests	(1)	1	(1)	(2)
NET INCOME FOR THE PERIOD	**37,716**	**12,032**	**24,819**	**39,325**

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

	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
	121,894	**75,715**	**96,938**	**983,541**	**28,066**		**(1,013,978)**	**1,354,933**
	108,741	*72,554*	*93,888*	*983,541*			*(983,540)*	*1,109,697*
							0	*72,043*
	13,153	*3,161*	*3,050*		*28,066*		*(30,438)*	*173,193*
	(53,310)	(26,040)	(50,496)	(494,583)		(2,941)	492,400	(570,863)
								(4,483)
	(26,177)	(9,846)	(19,828)	(325,210)			327,042	(157,658)
	(34,678)	(26,788)	(34,913)		(27,446)	(35,337)	32,248	(496,207)
	7,729	**13,041**	**(8,298)**	**163,748**	**620**	**(38,278)**	**(162,288)**	**125,723**
	792	(6,719)	(8,046)	(166,203)			163,747	(25,970)
	(1,783)	(219)						(589)
	1,652	7,023	4,892		(588)	(893)	(1,064)	55,281
	(1,007)	(1,044)	(602)		(142)	(16,156)	428	(18,109)
	7,383	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**136,337**
								2,369
	7,383	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**138,706**
	(3,073)	(7,119)	4,387	845	38	19,049	4,689	(55,651)
	4,310	**4,962**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,054**
		162						159
	4,310	**5,125**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,213**

NOTE 31. EARNINGS PER SHARE

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

	Dec. 31, 2017		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	156,820,959	83,213	0.53
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,820,959**	**83,213**	**0.53**

On February 9, 2016, Coface implemented with BNP Paribas Arbitrage a contingent capital line of €100 million for a period of three years (this can be reduced to two years at the discretion of Coface), available in one tranche, and that can be exercised in the event of the occurrence of certain extreme events (significant increase in the loss or deterioration of the solvency ratio) (1). In the event one of the extreme events planned in the documentation occurs, Coface would benefit from a capital increase for a maximum amount of €100 million. The amount of the capital increase which could be carried out in accordance with the terms described herein shall not in any case exceed 10% of the share capital over the 12 months preceding the day on which the price of the share issuance is determined.

This contingent capital line expired on December 31, 2018 inclusive. Coface decided not to renew it.

NOTE 32. GROUP HEADCOUNT

(in full-time equivalent)	Dec. 31, 2018	Dec. 31, 2017
Northern Europe	625	632
Western Europe	884	945
Central Europe	529	480
Mediterranean & Africa	597	596
North America	162	124
Latin America	225	216
Asia-Pacific	134	134
TOTAL	**3,156**	**3,127**

As of December 31, 2018, the number of employees of fully consolidated companies was 3,156 full-time equivalents (FTE) versus 3,127 at December 31, 2017, up by 29 FTEs.

The decrease of headcounts in Western Europe Region is offset by a significant increase of headcounts in North America Region and Central Europe Region.

(1) See press release published on February 9, 2016, "COFACE SA implements contingent equity line of up to €100M ".

NOTE 33. RELATED PARTIES

As of the end of December 2018, Natixis held 42.86% of the Coface Group's shares excluding treasury shares, and 42.14% including treasury shares.

	Number of shares	%
Natixis	64,853,881	42.86%
Public	86,445,140	57.14%
TOTAL	**151,299,021**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

Current operating income *(in thousands of euros)*	Dec. 31, 2018		
	Natixis SA	Natixis factor	Ellisphere
Revenue (net banking income, after cost of risk)	(3,573)	0	0
Claims expenses	0	0	0
Expenses from other activities	0	0	(34)
Policy acquisition costs	0	1	0
Administrative costs	(46)	1	0
Other current operating income and expenses	0	1	0
OPERATING INCOME/(LOSS)	**(3,619)**	**3**	**(34)**

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

The €135,235 thousand in financing liabilities due to banking sector companies, at the end of December 2018, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income *(in thousands of euros)*	Dec. 31, 2017		
	Natixis SA	Natixis factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,427)	0	0
Claims expenses	1	7	0
Expenses from other activities	(8)	(1)	(18)
Policy acquisition costs	1	10	0
Administrative costs	(60)	79	0
Other current operating income and expenses	1	(1)	0
OPERATING INCOME/(LOSS)	**(2,492)**	**94**	**(18)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2017			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Business investments	**5,855**	**39,966**		
Other assets			**6**	**14**
Cash and cash equivalents		**11,819**		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		149,544		
Other liabilities				**58**

NOTE 34. KEY MANAGEMENT COMPENSATION

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Short-term benefits	3,618	3,188
(Gross salaries and wages, incentives, benefits in kind and annual bonus)	-	-
Other long-term benefits	1,164	870
Statutory termination benefits	88	-
Share-based payment	-	-
TOTAL	**4,870**	**4,058**

The Group Management Committee is composed of seven members on December 31, 2018 and of the Coface CEO.

The line “Other long-term benefits” corresponds to the free performance shares allocation (value at allocation date).

A total of €304.5 thousand was paid out in directors’ fees to the members of the Board of Directors, the Audit, the Risk and the Compensation Committees in 2018.

NOTE 35. BREAKDOWN OF AUDIT FEES

	KPMG				Deloitte				Total			
(in thousands of euros)	2018	%	2017	%	2018	%	2017	%	2018	%	2017	%
Statutory and IFRS Audit												
COFACE SA	(451)	28%	(266)	20%	(447)	20%	(309)	15%	(898)	23%	(575)	17%
Subsidiaries	(941)	59%	(950)	72%	(1,735)	78%	(1,737)	83%	(2,676)	70%	(2,687)	79%
Sub-total	**(1,392)**	**87%**	**(1,216)**	**92%**	**(2,182)**	**98%**	**(2,046)**	**98%**	**(3,574)**	**93%**	**(3,262)**	**96%**
Other fees than Statutory and IFRS Audit												
COFACE SA	(59)	4%	(42)	3%	(30)	1%	(22)	1%	(89)	2%	(64)	2%
Subsidiaries	(153)	10%	(63)	5%	(21)	1%	(21)	1%	(174)	5%	(84)	2%
Sub-total	**(212)**	**13%**	**(105)**	**8%**	**(51)**	**2%**	**(43)**	**2%**	**(263)**	**7%**	**(148)**	**4%**
TOTAL	**(1,604)**	**100%**	**(1,321)**	**100%**	**(2,233)**	**100%**	**(2,089)**	**100%**	**(3,837)**	**100%**	**(3,410)**	**100%**

NOTE 36. OFF-BALANCE SHEET COMMITMENTS

	Dec. 31, 2018		
(in thousands of euros)	Total	Related to financing	Related to activity
Commitments given	**1,098,565**	**1,075,637**	**22,928**
Endorsements and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
Commitments received	**1,443,393**	**1,026,777**	**416,616**
Endorsements and letters of credit	140,063		140,063
Guarantees	174,053		174,053
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**356,927**		**356,927**
Securities lodged as collateral by reinsurers	356,927		356,927
Financial market transactions	**250,081**		**250,081**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes' investors (10-year maturity);
- a joint guarantee of €688,439 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €309,712 thousand and Compagnie française pour le commerce extérieur for €47,215 thousand.

(in thousands of euros)	Dec. 31, 2017 Total	Related to financing	Related to activity
Commitments given	**1,085,684**	**1,047,117**	**38,567**
Endorsements and letters of credit	1,047,117	1,047,117	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	31,067		31,067
Commitments received	**1,366,164**	**962,506**	**403,658**
Endorsements and letters of credit	138,598		138,598
Guarantees	162,194		162,194
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	262,506	262,506	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,866		2,866
Guarantees received	**318,779**		**318,779**
Securities lodged as collateral by reinsurers	318,779		318,779
Financial market transactions	**95,501**		**95,501**

NOTE 37. OPERATING LEASES

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

(in thousands of euros)	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	12,340	24,832
Between 1 and 5 years	49,084	69,943
More than 5 years	47,882	7,456
TOTAL	**109,306**	**102,231**

NOTE 38. RELATIONSHIP BETWEEN PARENT COMPANY AND SUBSIDIARIES

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

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

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

The table below summarises the interim balance of la Compagnie française d'assurance pour le commerce extérieur and its principal financial flows as of December 31, 2018:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other subsidiaries	Eliminations	Total
Revenue	1,247	1,429,849	954,082	(1,000,442)	1,384,736
Total current income and expenses	9,958	101,652	134,885	(37,615)	208,880
Net income	(9,700)	27,288	104,745		122,333
Fixed assets	1,826,937	4,913,847	1,143,320	(4,780,848)	3,103,256
Indebtedness outside the Group	388,729	0	0		388,729
Cash and cash equivalent	351	173,096	128,972		302,419
Net cash generated from operating activities	(19,099)	53,379	90,516		124,796
Dividends paid to the quoted company	0	133,406	0		133,406

NOTE 39. EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event post closing date.

NOTE 40. RISK MANAGEMENT

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