**Prospectus dated March 25, 2014**

# COFACE

# €380,000,000 Guaranteed Subordinated 4.125 per cent. Notes due March 27, 2024 unconditionally and irrevocably guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur

**Issue Price: 99.4938 per cent.**

The €380,000,000 4.125 per cent. guaranteed subordinated notes of COFACE SA (the "**Issuer**", "**Coface**" or "**COFACE SA**") maturing on March 27, 2024 (the "**Maturity Date**") unconditionally and irrevocably guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur (the "**Guarantor**") (the "**Notes**") will be issued on March 27, 2014 (the "**Issue Date**") and will bear interest at a rate of 4.125 per cent. *per annum* from (and including) the Issue Date, payable annually in arrear on March 27 of each year, beginning on March 27, 2015 and ending on the Maturity Date, as further described in "*Terms and Conditions of the Notes – Interest*" of this prospectus (the "**Prospectus**").

The Notes will be issued in dematerialized bearer form (*au porteur*) in the denomination of €100,000 per Note. Title to the Notes will be established and evidenced in accordance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier* by book entries (*inscription en compte)*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France which shall credit the accounts of the Account Holders. "**Account Holder**" shall mean any intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes the depositary bank for Clearstream Banking, *société anonyme* and Euroclear Bank S.A./N.V.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at par on the Maturity Date. The Issuer may, at its option, and in certain circumstances shall be required to, redeem all, but not some only, of the Notes at any time at their outstanding principal amount plus accrued interest upon the occurrence of certain Tax gross-up or deductibility events or a Regulatory Event (as further described in "*Terms and Conditions of the Notes – Redemption and Purchase*").

The obligations of the Issuer under the Notes in respect of principal and interest constitute Ordinarily Subordinated Obligations of the Issuer and rank and shall at all times rank without any preference among themselves and equally and rateably with any other present and future Ordinarily Subordinated Obligations of the Issuer, in priority to all present and future *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, any deeply subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Issuer, as further described in *"Terms and Conditions of the Notes – Status of the Notes"*.

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which shall rank *pari passu* with other present and future Ordinarily Subordinated Obligations of the Guarantor, and shall be subordinated to the Unsubordinated Obligations of the Guarantor but shall rank in priority to any present and future *prêts participatifs* granted to the Guarantor, any present and future *titres participatifs* issued by the Guarantor, and any deeply subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés)*, but behind Unsubordinated Obligations of the Guarantor, as further described in *"Terms and Conditions of the Notes – Status of the Guarantee"*.

Payment of interest on the Notes may at the option of the Issuer be deferred under certain circumstances, as set out in *"Terms and Conditions of the Notes – Interest – Interest Deferral"*.

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council dated November 4, 2003, as amended, which includes the amendments made by Directive 2010/73/EU of the European Parliament and of the Council dated November 24, 2010 (the "**Prospectus Directive**").

Application has been made to list and admit to trading the Notes, as of their Issue Date on the regulated market of Euronext in Paris ("**Euronext Paris**"). Euronext Paris is a regulated market within the meaning of the Directive 2004/39/EC of the European Parliament and of the Council dated April 21, 2004, as amended.

The Notes are expected to be rated A- by Fitch Ratings ("**Fitch**") and Baa1 by Moody's Investors Service Ltd ("**Moody's**"). The Insurer's Financial Strength of the Guarantor has been rated AA- by Fitch and A2 by Moody's. As at the date of this Prospectus, Fitch and Moody's are established in the European Union and are registered under the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council dated September 16, 2009, as amended (the "**CRA Regulation**"). As such Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs) in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the rating agency at any time without notice.

Copies of this Prospectus are available on the websites of the *Autorité des marchés financiers* (the "**AMF**") (www.amf-france.org) and of the Issuer (www.coface.com) and may be obtained, without charge on request, at the principal office of the Issuer during normal business hours.

**See the "*Risk Factors*" Section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.**

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and its General Regulations (*Règlement général*), in particular Articles 211-1 to 216-1, the *Autorité des marchés financiers* has granted to this Prospectus the visa n°14-095 on March 25, 2014. This Prospectus has been prepared by the Issuer and the Guarantor and their respective signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa has been granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information in it is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it and the appropriateness of the issue of the Notes.

**Global Coordinator, Sole Bookrunner and Lead Manager**

**Natixis**

**Joint Lead Managers**

**BNP PARIBAS** **Credit Suisse** **Santander**

**Co-Lead Manager**

**The Royal Bank of Scotland**

*This Prospectus has been prepared for the purpose of giving information with respect to the Issuer, and the Issuer and its consolidated subsidiaries (including the Guarantor) taken as a whole (the "**Coface Group**" or the "**Group**") and the Guarantor as well as the Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position and profit and losses of the Issuer and the Guarantor.*

*None of the Managers has (as defined in "*Subscription and Sale*" below) separately verified the information contained in this Prospectus. Accordingly, the Managers do not make any representation, express or implied, or, to the extent permitted by law, accept any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by, or on behalf of, the Issuer, the Guarantor or the Managers that any recipient of this Prospectus or any other financial statements should purchase the Notes.*

*No person is authorized to give any information or to make any representation related to the issue, offering or sale of the Notes not contained in this Prospectus. Any information or representation not so contained herein must not be relied upon as having been authorized by, or on behalf of, the Issuer, the Guarantor or the Managers. The delivery of this Prospectus or any offering or sale of Notes at any time does not imply (i) that there has been no change with respect to the Issuer, the Guarantor or the Coface Group, since the date hereof and (ii) that the information contained in it is correct as at any time subsequent to its date. None of the Managers undertakes to review the financial or general condition of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus or to advise any investor or prospective investor in the Notes of any information coming to its attention.*

*The Prospectus and any other information relating to the Issuer, the Guarantor or the Notes should not be considered as an offer, an invitation, a recommendation by any of the Issuer, the Guarantor or the Managers to subscribe or purchase the Notes. Each prospective investor of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, the Guarantor, the Coface Group, their business, their financial condition and the Notes and consult their own financial or legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. Potential investors should read carefully the Section entitled "*Risk Factors*" set out in this Prospectus before making a decision to invest in the Notes.*

*The distribution of this Prospectus and the offering or the sale of the Notes in certain jurisdictions may be restricted by law or regulation. Neither the Issuer, the Guarantor nor the Managers represents that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution, offering or sale. In particular, no action has been taken by the Issuer, the Guarantor or the Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Note may be offered or sold, directly or indirectly, and neither this Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of Notes and distribution of this Prospectus and of any other offering material relating to the Notes, see "*Subscription and Sale*" below.*

*The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other* *jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.*

*In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act.*

*In connection with the issue of the Notes, Natixis (the "**Stabilizing Manager**") (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on its behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 calendar days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.*

*This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.*

*In this Prospectus, references to "**€**", "**EURO**", "**EUR**" or to "**euro**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997).*

## *FORWARD LOOKING STATEMENTS*

*This Prospectus contains forward looking statements regarding the prospects and growth strategies of the Coface Group. These forward looking statements are sometimes identified by the use of the future of conditional tense, as well as terms such as "consider", "envisage", "think", "aim", "expect", "intend", "should", "anticipate", "think", "wish" and "might", or if applicable, the negative form of such terms and similar expressions or similar technology. Such Information is not historical in nature and should not be interpreted as a guarantee of future performance. Such information is based on data, assumptions, and estimates that the Coface Group considers reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments. In addition, the materialization of one or more of the risks described in Section "Risk Factors" of this Prospectus may have a material adverse effect on the business, financial condition, results of operation of the Coface Group and its ability to reach its objectives. This information is contained in several sections of this Prospectus and includes statements relating to the Coface Group's intentions, estimates and objectives with respect to its markets, strategies, growth, results of operations, financial situation and liquidity. The forward-looking statements speak only as at the date of this Prospectus. Except any applicable legal or regulatory requirements, the Coface Group expressly disclaims any obligation to release any updates to any forward-looking statements contained in this Prospectus to reflect any change in its any change in its expectations or any change in events, conditions or circumstances, on which any forward-looking statement contained in this Prospectus is based.*

*The forward-looking statements contained in this Prospectus also refer to known and unknown risks, uncertainties and other factors which may, if occurred, affect the future results of operation, performance and accomplishments of the Coface Group. These factors may particularly include the change of the commercial and economic situation as well as the risk factors described in Section "Risk Factors" of this Prospectus.*

*Risk Factors*

*Investors are invited to carefully consider the risk factors described in Section "Risk Factors" of this Prospectus before making a decision on whether to invest in the Notes. The occurrence of all or any of these risks is likely to have a material adverse effect on the business, financial condition or results of operation of the Coface Group. Furthermore, additional risks that have not yet been identified or that are not considered material by the Coface Group at the date of this Prospectus could have the same material adverse effect and the investors may sustain the loss of all or part of their investment.*

*Information on the Market and Competition*

*This Prospectus contains information relating to the Coface Group's markets and to its competitive position. Unless otherwise indicated, this information is the Coface Group's estimates and are provided for illustrative purposes only. The Coface Group's estimates are based on information obtained from its customers, its suppliers, trade organizations and other stakeholders in the markets in which the Coface Group operates. Although the Coface Group believes its estimates to be reliable as of the date of this Prospectus, it cannot guarantee that the data on which its estimates are based are accurate and exhaustive, or that its competitors define the markets in which they operate in the same manner. These estimates and the data on which they are based have not been verified by independent experts. The Coface Group does not guarantee that a third party using other methods to analyze or compile market data would obtain the same results. To the extent the data relating to market share and market size included in this Prospectus are based solely on the Coface Group's estimates, they do not constitute official data.*

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

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## PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE PROSPECTUS

I declare, on behalf of the Issuer, after taking all reasonable measures for this purpose, that the information contained in this Prospectus is in accordance with the facts and that it makes no omission likely to affect its import. The consolidated financial statements of the Issuer for the two years ended December 31, 2012 and 2013 were audited by the statutory auditors who issued an audit report which is reproduced on pages F-101 and F-102 of this Prospectus. This report contains an observation.

COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

Duly represented by:

**Jean-Marc Pillu**
*Directeur général* of COFACE SA

Dated March 25, 2014

I declare, on behalf of the Guarantor, after taking all reasonable measures for this purpose, that the information contained in this Prospectus relating to the Guarantor and the Guarantee is in accordance with the facts and that it makes no omission likely to affect its import. The annual financial statements of the Guarantor for the years ended December 31, 2013 and December 31, 2012, respectively, were audited by the statutory auditors who issued audit reports which are reproduced on pages F-146 to F-148 and F-211 to F-213, respectively, of this Prospectus. The audit report relating to the annual financial statements of the Guarantor for the year ended December 31, 2012, contains the following observation:

*"Without modifying the above opinion, we would draw your attention to the point set out in Note 1 to the financial statements, "Major Events", concerning the restructuring through conversion into branches with retroactive effect from January 1, 2012 and to the pro forma financial information presenting the comparative income statement for the year ended December 31, 2011."*

Compagnie française d'assurance pour le commerce extérieur
1, Place Costes et Bellonte
92270 Bois-Colombe
France

Duly represented by:

**Jean-Marc Pillu**
*Président-Directeur général* of the Compagnie française d'assurance pour le commerce extérieur

Dated March 25, 2014

## CERTAIN TERMS USED IN THIS PROSPECTUS

The following terms will have the meanings set forth below when used in this Prospectus:

"**ACPR**" means the *Autorité de contrôle prudentiel et de résolution*.

The "**Coface Group**" or the "**Group**" means COFACE SA and its consolidated subsidiaries (including the Guarantor) and associates.

"**Guarantor**" or "**Compagnie française d'assurance pour le commerce extérieur**" means Compagnie française d'assurance pour le commerce extérieur, a *société anonyme à conseil d'administration*, as guarantor.

The "**Issuer**", "**COFACE SA**" or "**Coface**" means COFACE SA, a *société anonyme à conseil d'administration* or, as the context requires, the Coface Group, as issuer of the Notes.

"**Natixis**" means Natixis, a *société anonyme à Conseil d'Administration*.

# RISK FACTORS

*In purchasing the Notes, investors assume the risk that the Issuer or the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or the Guarantee. There is a wide range of factors which individually or together could result in the Issuer, or the Guarantor, becoming unable to make all payments due in respect of the Notes or the Guarantee. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer or the Guarantor may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's or the Guarantor's control. The Issuer and the Guarantor have identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. The order in which the following risks factors are presented is not an indication of the likelihood of their occurrence.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*Prior to making an investment decision, prospective investors should consider carefully all the information set out in this Prospectus, including in particular the risk factors detailed below, and consult with their own financial and legal advisors as to the risks entailed by an investment in the Notes. The following statements are not exhaustive. In addition, investors should be aware that the risks described may be combined and thus interrelated with one another. Prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus.*

*Terms defined in* "Terms and Conditions of the Notes" *below shall have the same meaning where used below.*

## 1. RISKS RELATING TO THE ISSUER, THE COFACE GROUP AND THE GUARANTOR

The following risk factors relate to the Issuer, the Coface Group and the Guarantor. The risk factors relating to the Issuer and the Coface Group also apply to the Guarantor, which is an operating subsidiary of the Issuer belonging to the Coface Group.

See also note 43 of the Issuer's 2012-2013 Financial Statements (as described below) and Section 4.5 "*Quantitative Disclosure about Risk Factors and Risk Management Policy*" of this Prospectus.

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

***Risks related to macroeconomic conditions***

The Coface Group is present in 66 countries and markets its services in nearly 100 countries and in the many sectors of the economy in which its policyholders operate. By its nature, its activity is directly related to the economic environment, at both the local and global level of business activity and, indirectly, to the financial markets. Although the diversity of the sectors and regions in which the Coface Group operates gives it some resistance to economic cycles, the Coface Group's business activity is sensitive to changes in general macroeconomic conditions, global trade, levels of investment and consumption, and to potential changes in economic policies that affect its policyholders.

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

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

**Risks related to conditions in the global financial markets**

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

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

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

The Coface Group operates in a highly regulated environment, which differs depending on the country in which it operates. Its insurance activities are subject to control by local regulators, which can sometimes differ significantly depending on the country of operation (see Section 4.8 "*Regulatory Environment*").

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

Most countries in which the Coface Group operates have laws and regulations that relate to solvency standards, such as levels of capital and reserves, the multitude and diversification of financial investments, conduct of business activity (including in particular licensing) distribution practices, anti-money laundering rules or customer protection and KYC (Know Your Customer) rules (see Section 4.8 "*Regulatory Environment*" for a detailed description of these procedures).

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

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

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

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

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

***Risks related to the implementation of the Solvency II regulations***

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

Solvency II, which will be applicable as from January 1, 2016, aims in particular to achieve a better understanding of insurer risk; in this perspective, Solvency II includes the Solvency Capital Requirements ("**SCR**") that set the equity targets required by the insurer for the purpose of absorbing a major shock. The SCR may be calculated on the basis of a standard formula established by regulation or a total or partial internal model developed by the insurer and approved by the national prudential regulator (see Section 4.8 "*Regulatory Environment*" for a detailed description of Solvency II). To date, not all implementing regulations have been finalized and it is therefore difficult to predict exactly how Solvency II could impact the insurance industry in general and the financial condition, results of operations or solvency of the Coface Group.

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

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

***Risks related to the competitive environment***

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

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

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

In recent years, the Coface Group has been faced with strong competitive pressure, particularly on prices, in all of its sectors of activity, and on the scope and nature of insurance coverage issued principally in Western Europe.

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

In this context, the Coface Group may need to adapt its services and tariffs, or its underwriting risk policy, thus affecting its profitability or losing market shares, if it is unable to implement its sustained and profitable growth strategy and, in particular, offer prices, innovative products, services or quality of service at least comparable to those of its competitors. Increased competition could have a material adverse effect on the Coface Group's business, financial condition, results of operations or prospects.

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

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

***Risks related to changes in accounting standards***

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

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

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

## 1.2 Risks relating to the Coface Group's business activity

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

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

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

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

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

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

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

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

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

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

The Coface Group insures the payment default risk for more than 37,000 policyholders worldwide. Debtor risks covered by Coface Group credit insurance policies are mainly located in Western Europe, in particular Germany, France, Italy and the UK. At December 31, 2013, these four countries accounted for 42% of overall Coface Group exposure arising from its credit insurance activities, with the whole of Western Europe representing 55% of the total Coface Group exposure. On the same date, debtors outside OECD countries accounted for 20.3% of the Coface Group's overall exposure (see Section 4.5.2.3 "*Credit Risk Management - Diversification of Credit Risks*").

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

The Coface Group debt insurance portfolio covers a wide range of industries. However, as at December 31, 2013, the construction, agro-food and chemical industries accounted for 39.4% of the overall exposure of the Coface Group. A breakdown by industry sector of the Coface Group's debt insurance portfolio amounts is set out in Section 4.5.2.3 "*Credit Risk Management - Diversification of Credit Risks*").

Despite the diversity of sectors of the Coface Group policyholders and of the debtors covered by its credit insurance policies, the Coface Group cannot rule out that a significant deterioration in economic conditions in a given sector particularly impacts the level of risk as well as premium volumes collected and results in a material adverse effect on the business, financial condition, results or prospects of the Coface Group.

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

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

***Risks related to the investment portfolio***

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

**Interest rate risk**

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

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

**Counterparty risk**

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

**Equity risk**

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

***Risks related to exchange rate fluctuations***

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

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

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

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

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

***Liquidity risks***

The Coface Group's liquidity needs correspond in part to the coverage of its operating costs, the settlement of claims and its financial expenses, and in part to its factoring business in Germany and Poland. The principal sources of financing relating to its insurance business comprise the insurance premiums collected and the net product of its investments. The liquidity required to cover the needs of its factoring business amounted to €1.756 billion as of December 31, 2013 and was financed by drawdowns under bilateral credit lines in a total maximum amount of €903 million (including a €500 million bilateral short-term credit line granted by Natixis) and by issuances under its commercial paper program for a total maximum amount of €500 million and a factoring receivables securitization program in Germany for an overall maximum of €1.1 billion. Any early termination of the factoring receivables securitization program or related financing, including pursuant to a breach of covenants or event of default (see Section 4.5.6 "*Liquidity and Funding Risk*") could significantly affect the financial condition of the Coface Group.

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

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

The theoretical exposure level estimated by the Coface Group would not match the amount of the Coface Group's own funds. The reason for this is that the theoretical exposure is based primarily on the fact that a certain number of claims resulting from this exposure will be transferred to reinsurers under a proportional reinsurance treaty, although this transfer of risk to reinsurance companies does not relieve the Coface Group of its indemnification obligations to its policyholders. The Coface Group has also established a reinsurance strategy against the extreme risks it could suffer through excess loss reinsurance (see Section 4.5.2.8 "*Credit Risk Management - Intercompany Risk Sharing and Reinsurance*"). In its relations with reinsurance companies, the Coface Group is subject to the creditworthiness risks of its reinsurers and its inability to place its reinsurance treaties or place them on acceptable pricing terms.

The Coface Group has established management procedures to assess the creditworthiness of its reinsurers and maintain diversification in its risk transfers to reinsurers. Although, notwithstanding the financial crisis, no default among any of the Coface Group's reinsurers has been recorded, one or more of the Coface Group's reinsurers may not be able to meet their financial obligations, which could lead to increased equity losses for the Coface Group. In addition, reinsurance capacities on the market and the price of reinsurance depend on general economic conditions and many other factors and can vary significantly. Therefore, although such a situation has never occurred, the Coface Group may have difficulties with being reinsured on commercially or financially acceptable terms, thus increasing the risk of potential losses for the Coface Group or causing it to change its prices or its underwriting risk, and negatively impacting its profitability and competitiveness. The occurrence of any of these risks could have a material adverse effect on the financial condition, results of operation, solvency margin, business and prospects of the Coface Group.

***Risks related to a rating revision***

Ratings of the ability to settle claims and of financial strength are an important element in assessing the competitive position of insurance companies. Rating agencies regularly review their ratings and methodologies and can therefore modify the ratings they assign at any time. In the current economic context, some rating agencies have downgraded their outlook for the insurance industry and have downgraded the outlook and/or ratings of a growing number of companies. At the date of this Prospectus, the Coface Group maintains a rating of AA- by Fitch and A2 by Moody's, which were confirmed in November 2013 and December 2013, respectively, with a stable outlook.

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

– deterioration in its competitive position;

– difficulties in distributing new insurance policies;

– termination of certain existing insurance policies;

– increases in reinsurance costs;

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

– need to provide additional guarantees for certain contracts;

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

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

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

***Risks related to operational failures or inadequacies***

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

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

***Risks associated with information systems***

The Coface Group's business activity relies heavily on its information systems. The Coface Group manages complex computer systems (in particular for the collection and management of information on the creditworthiness of companies, management of product sales and services, centralization of its risk and for its bookkeeping and reporting) that are essential to the conduct of its credit insurance business and additional services related to business information, factoring and debt management. IT tools and information systems are essential for all of its activities in both the development and the quality of its commercial offerings (business information, management and collection of debts, credit insurance offers, including pricing and underwriting decisions of the Coface Group risk underwriters) as well as for management, back office, reporting and internal control procedures. Notwithstanding a policy of strengthening emergency programs for its computer systems and infrastructure, particularly in the context of Solvency II, and the availability of information systems backup for all of its databases and emergency plans for its activities including priority information systems (see Section 4.5.7 "*Operational Risk Management*" and 4.4.4 "*Information Systems*"), there can be no assurance that the tools and systems and the databases will not be destroyed or damaged as a result of an incident or any failure by these IT tools and information systems.

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

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

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

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

***Risks related to the Coface Group's international activities***

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

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

– fluctuations in exchange rates and monetary devaluations;

– capital transfer restrictions;

– changes in legal and tax regimes, including regulations relating to transfer pricing and withholding tax on payments made by members of the Coface Group;

– rises in interest rates;

– inflation, possible recessions and financial market volatility; or

– political instability or risks of terrorism or war.

In addition, the Coface Group is present in countries whose legal systems are very varied and where the court and dispute resolution systems sometimes present certain characteristics or degrees of maturity different from those of its more important European markets. It could, in this context, have a material adverse effect on its business, financial condition, results of operations or prospects.

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

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

Although the Coface Group has various distribution channels for its credit insurance policies, including its own sales teams, about two-thirds of its business is intermediated and depends on the existence and quality of its relationships with various partners that distribute credit insurance policies on its behalf, especially in countries where the Coface Group is not directly present or does not have its own license ("fronting"). The Coface Group's partnership network is composed principally of insurance brokers, financial institutions, non-specialized intermediaries with which most often it has a long-standing relationship that are not exclusive distributers or intermediaries (see Section 4.4.1.4 "*Credit-Insurance and Related Services – Distribution Network and Partnerships*").

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

***Risks relating to the factoring activities of the Coface Group***

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

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

***Risks related to relations with the French government***

In accordance with the statutory and regulatory provisions of the French Insurance Code, Compagnie française d'assurance pour le commerce extérieur is responsible for managing the public service of export credit insurance on behalf of the French government. The arrangements for the management of this activity are set out in agreements with the government (see Sections 4.4.1.5 "*Credit-Insurance and Related Services – Public Procedures Management*" and 4.8.2 "*Management and Coverage of Public Procedures*"). This set of texts provides that:

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

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

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

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

There can be no assurance as to the maintenance of the current system of management of the Public Procedures, in particular whether the government will continue to use the services of Compagnie française d'assurance pour le commerce extérieur regarding Public Procedures, it being understood that a change in the undertaking of this mission would require the enactment of legislation. In addition, the Coface Group cannot exclude, at the end of its renegotiation, a change in the contractual terms between the government and Compagnie française d'assurance pour le commerce extérieur, including the financial agreement entered into in February 2012. Certain changes may have an impact on the activities of Compagnie française d'assurance pour le commerce extérieur and the perception of its activities by the market, and thus affect the business, financial condition, results of operations and prospects of the Coface Group.

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

Finally, the French government appointed a government commissioner responsible for ensuring the implementation of the government's guarantee so that it does not compromise the exercise of the responsibilities entrusted to Compagnie française d'assurance pour le commerce extérieur by the government. Indeed, the government commissioner has veto power with respect to any decision contemplated by the Compagnie française d'assurance pour le commerce extérieur that may be detrimental to the Public Procedures (for more information on this specific guardianship, see Section 4.8.2, "*Management and Coverage of Public Procedures*").

***Tax risk***

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

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

***Risks related to deferred tax assets***

In addition, the Coface Group recognizes deferred tax assets on its balance sheet in respect of future tax savings resulting from differences between taxable income and accounting income of Coface Group entities or from potential use in the future of tax loss carry-forwards available within the Coface Group entities. The actual realization of these assets in future years depends on tax laws and regulations, the outcome of any audits and pending or future litigation, and the expected future results of operations of the entities concerned. As at December 31, 2013 consolidated deferred tax assets of the Coface Group amounted to €81.1 million.

*Risks related to goodwill and intangible assets valuation*

As at December 31, 2013, goodwill amounted to €153.7 million. The Coface Group cannot exclude the possibility of the occurrence of future events which are capable of resulting in the impairment of certain intangible assets and/or goodwill or in the acceleration of the rate of amortization between taxable income and accounting income. As a result of the significance of the value of intangible assets and goodwill in the balance sheet, any significant depreciation could have a material adverse effect on the financial situation and results of operations of the Coface Group for accounting period during which such charges fall to be recorded.

*Risks associated with any judicial, administrative or arbitral proceedings*

In the normal course of business, Coface Group entities may be involved in a number of procedures of a judicial, administrative or arbitral nature, especially following the making of claims. Although to date no such procedure is likely to affect the Coface Group's business, financial condition or results of operations, it cannot be excluded that in the future new proceedings may be initiated against the Issuer or its subsidiaries. Depending on the circumstances, claims for a significant amount could be made against the Issuer or its subsidiaries and the outcome of these proceedings could result in a significant level of liability for the Coface Group. In such a case, although the Coface Group may implement a prudent provisioning policy in this regard for litigation, these proceedings could have a material adverse effect on the business, reputation, financial condition, results of operations and prospects of the Coface Group.

## 1.3 Risks related to the Issuer

*Risks related to the control of the Issuer and its relations with Natixis*

The main shareholder of the Issuer is Natixis, which holds 99.99% of the capital and voting rights of the Issuer at the date of this Prospectus. Natixis has exercised significant influence over the strategic decisions of the Coface Group, and may continue to do so in the future. In particular, Natixis has the ability to control decisions relating to financing, distribution of dividends, capital increases, mergers and any other decisions requiring the approval of the shareholders of the Issuer.

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

*Risks associated with the holding structure of the Issuer*

The Issuer is a holding company that operates indirectly through operating subsidiaries, including Compagnie française d'assurance pour le commerce extérieur and its subsidiaries and does not operate its own credit insurance or services of its own. As a holding company, the main sources of funds of the Issuer comes from dividends paid by its subsidiaries, funds that may result from the issuance of debt or equity and from bank or other loans. The Coface Group's operating subsidiaries own their assets and are responsible for almost all profits and cash flows of the Coface Group. If the profits of these operating subsidiaries were to fall, Coface Group profits and cash flows would be affected and the affected subsidiaries may not be able to honor their obligations or pay, in whole or in part, the expected dividends to the Issuer. The ability of the operating subsidiaries of the Coface Group to make these payments depends on economic, commercial and contractual considerations and legal or regulatory constraints related in particular to the solvency margin, restricting the use of capital and to the dividend. It can also be affected by various risk factors described in this paragraph. In addition, in the event of a failure by any of the Issuer's insurance subsidiaries to meet the minimum regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions including limiting or prohibiting the issuance of new business, prohibiting payment of dividends and/or in extreme cases, putting a company into rehabilitation or insolvency proceedings, including opening a judicial reorganization procedure (*procédure de redressement judiciaire*) or a judicial liquidation procedure (*procédure de liquidation judiciaire*) with respect to such subsidiary in France. A failure of any of the Issuer's insurance subsidiaries to meet their regulatory capital requirements and/or a reduction in the level of their regulatory capital that may negatively impact their competitive position may also result in the Issuer deciding to inject significant amount of new capital into its insurance subsidiaries which could adversely affect the Issuer's liquidity position, results of operations and financial position. Any decline in profits or failure or inability of the Coface Group's subsidiaries to make payments to other subsidiaries of the Coface Group could have a material adverse effect on the ability of the Coface Group to distribute dividends, repay debt and meet its other obligations, and could have a material adverse effect on the business, solvency margin, results of operations, financial condition and prospects of the Coface Group.

## 2. RISKS RELATING TO THE NOTES

The following paragraphs describe the risk factors that the Issuer believes material to the Notes to be issued in order to access the market risks associated with these Notes. Therefore, they do not describe all potential risks of an investment in the Notes. Potential investors should consult their own advisers if necessary about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

### 2.1 Risks related to the Notes generally

*The Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

*Independent Review and Advice*

Each potential investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each potential investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes. A potential investor may not rely on the Issuer, the Guarantor or the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

*Legality of Purchase*

Neither the Issuer, the Guarantor, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a potential investor in the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that potential investor with any law, regulation or regulatory policy applicable to it.

*Regulatory and legal investment considerations may restrict certain investments*

The investments activities of certain investors are subject to laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase, sale or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

*Taxation*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors cannot rely upon such tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

*EU Savings Directive*

On June 3, 2003, the European Council of Economic and Finance Ministers adopted a directive 2003/48/CE regarding the taxation of savings income in the form of interest payments (the **"Directive"**). The Directive requires each Member State, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or certain limited types of entities established in that other Member State, except that, for a transitional period, Luxembourg and Austria will instead withhold an amount on interest payments unless the relevant beneficial owner of such payment elects otherwise. The Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive. The rate of this withholding tax is currently 35%.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer, the Guarantor, any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

*The proposed financial transaction tax (the* ***"FTT"****)*

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **"Participating Member States"**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1% of the sale price on such transactions. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. If the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished. Potential holders of the Notes are advised to seek their own professional advice in relation to the FTT.

*U.S. Foreign Account Tax Compliance Withholding*

France has signed an intergovernmental agreement (an "**IGA**") with the United States to help implement the U.S. Foreign Account Tax Compliance Act ("**FATCA**") for certain French entities. The Issuer and/or the Guarantor will be required to report certain information on its U.S. account holders to the government of France, which information may ultimately be reported to the U.S. Internal Revenue Service, in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable French law.

The Issuer and the Guarantor do not anticipate that payments on the Notes will be subject to FATCA withholding. However, if the IGA is modified so that withholding is required on "foreign passthru payments" (a term not yet defined) or payments by the Issuer or the Guarantor otherwise become subject to passthru payment withholding, the Issuer, the Guarantor or other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after December 31, 2016 in respect of any Notes issued or materially modified on or after the date that is six (6) months subsequent to the date on which final regulations defining the term "foreign passthru payment" are filed with the Federal Register (such date, the "**grandfathering date**"). This withholding tax may also apply in respect of any Notes issued prior to the grandfathering date that are of the same series as Notes issued after the grandfathering date other than pursuant to a "qualified reopening" for U.S. federal income tax purposes.

This withholding tax may apply to such payments if (i) the Issuer or the Guarantor agrees to provide certain information concerning its account holders, directly or indirectly, to the U.S. Internal Revenue Service, (ii) any of the Issuer or the Guarantor is required to withhold on "foreign passthru payments" (as defined in FATCA) and (iii)(a) either a holder of Notes does not provide information sufficient for the relevant foreign financial institution (“**FFI**”) (i.e. the Issuer or the Guarantor) or (b) any other financial institutions through which payments on the Notes are made) to determine whether the holder is subject to withholding under FATCA, or any FFI that is an investor, or through which payment on the Notes is made, is not a Participating FFI (as defined in FATCA) or otherwise exempt from FATCA withholding.

Neither the Issuer nor the Guarantor nor any paying agent nor any other person will have any obligation to gross up or otherwise pay additional amounts for any U.S. withholding or deduction required with respect to payments on the Notes under or in connection with FATCA.

FATCA is particularly complex and its application to the Issuer and/or the Guarantor is uncertain at this time. Each holder of Notes should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstance.

*Change of law*

The Conditions of the Notes are based on the laws of France in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial or administrative decision or change to the laws of France or administrative practice after the date of this Prospectus. Furthermore, the Issuer operates in a highly regulated environment and has to comply with extensive regulations in France and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Prospectus.

*Modification of the Terms and Conditions of the Notes*

Noteholders will be grouped automatically for the defense of their common interests in a *Masse*, as defined in Condition 10 "*Representation of the Noteholders*" and a general meeting of Noteholders can be held.

The general meeting of Noteholders may, subject to the provisions set out in Condition 10 "*Representation of the Noteholders*", deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, including any proposal relating to the change of corporate purpose, any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions and any proposal relating to the merger or spin-off of the Issuer. The Terms and Conditions of the Notes permit in certain cases defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant general meeting and Noteholders who voted in a manner contrary to the majority.

Any such decision may reduce or exclude the potential profit and the expected yield on the Notes.

*French Insolvency Law*

Under French insolvency law, notwithstanding any clause to the contrary, holders of debt securities (*obligations)* are automatically grouped into a single assembly of holders (the **"Assembly"**) in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganization procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer. The Assembly will comprise holders of all debt securities (*obligations*) issued by the Issuer (including the Notes) regardless of their governing law applicable to such issuance. The Assembly will deliberate on the draft safeguard (*projet de plan de sauvegarde*), draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or draft judicial reorganization plan (*projet de plan de redressement*) prepared in relation to the Issuer and may further agree to:

(a) increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling payments which are due and/or partially or totally writing off debts of the Issuer;

(b) establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or

(c) decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the amount of debt securities held by the holders attending such Assembly or represented thereat). No quorum is required on convocation of the Assembly. The holders whose rights are not modified by the proposed plan do not participate in the vote. For the avoidance of doubt, the provisions relating to the Representation of the Noteholders described in the Terms and Conditions of the Notes set out in this Prospectus will not be applicable in these circumstances to the extent they are not in compliance with compulsory insolvency law provisions that apply in these circumstances.

## 2.2 Risks related to the market generally

*Interest rate risk*

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. While the nominal interest rate of a fixed interest rate note is fixed during the life of such a note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such note changes in the opposite direction. If the market interest rate increases, the price of such note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate decreases, the price of a fixed rate note typically increases, until the yield of such note is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell Notes during the period in which the market interest rate exceeds the fixed rate of the Notes.

*Market Value of the Notes*

The market value of the Notes will be affected by the creditworthiness of the Issuer and the Guarantor and a number of additional factors, including market interest and yield rates.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchange on which the Notes are listed. The price at which a holder of Notes will be able to sell the Notes may be at a discount, which could be substantial, from the issue or the purchase price paid by such purchaser.

*No active secondary market for the Notes*

An investment in the Notes should be considered primarily with a view to holding them until their maturity. The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

*Exchange rate risk and exchange controls*

The Issuer or the Guarantor, as the case may be, will pay principal and interest on the Notes in euros. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## 2.3 Risks related to the structure of the Notes

*The Notes are subordinated obligations of the Issuer*

The obligations of the Issuer under the Notes in respect of principal and interest (including Arrears of Interest (as defined in Condition 6 "Interest") constitute Ordinarily Subordinated Obligations of the Issuer and rank and shall at all times rank, without any preference among themselves, and equally and rateably with any other present and future Ordinarily Subordinated Obligations of the Issuer, in priority to all present and future *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, any deeply subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Issuer.

If any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the rights of the Noteholders in respect of principal and interest (including any Arrears of Interest) will be subordinated to the payment in full of the Unsubordinated Obligations of the Issuer and, subject to such payment in full, the Noteholders will be paid in priority to any *prêts participatifs* granted to the Issuer, any *titres participatifs* issued by the Issuer and any other subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*).

In the event of incomplete payment of the creditors in respect of Unsubordinated Obligations of the Issuer, the obligations of the Issuer in respect of principal and interest (including Arrears of Interest) on the Notes will be terminated by operation of law.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a significant risk that an investor in the Notes will lose all or some of his investment should both the Guarantor and the Issuer become insolvent.

Thus, the Noteholders face a higher performance risk than holders of Unsubordinated Obligations of the Issuer.

*There are no events of default under the Notes*

The Terms and Conditions of the Notes do not provide for events of default or other provisions allowing acceleration of the Notes if certain events occur (other than the liquidation of the Issuer). Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of principal.

*No limitation on the ability of the Issuer to issue or to guarantee debt ranking senior or* pari passu *with the Notes*

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations of the Issuer under the Notes. The issue or guarantee of such debt may reduce the amount recoverable by the Noteholders on an Issuer Liquidation. In particular, the Notes shall rank junior to Unsubordinated Obligations of the Issuer. Accordingly, in an Issuer Liquidation and after payment of the Unsubordinated Obligations of the Issuer, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders. In addition, the Notes do not contain any "negative pledge" or similar clause, meaning that the Issuer and its subsidiaries and affiliates may pledge its or their assets to secure other obligations without granting similar security in respect of the Notes.

*Optional interest payment*

On any Optional Interest Payment Date, the Issuer may, at its option, (a) pay the interest accrued to that date in whole or in part (but shall not have any obligation to make such payment), or (b) elect, by giving notice to the Noteholders in accordance with Condition 11 "*Notices*", to defer payment of all of the interest or part thereof accrued to that date in respect of the Notes, and any failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

An Interest Payment Date is an Optional Interest Payment Date in certain circumstances described in the Conditions, including (but not limited to) if the Coface Group has breached the applicable consolidated solvency margin requirement or any applicable solvency capital requirement under the Applicable Supervisory Regulations during the immediately preceding interest period unless (x) the Issuer has made a payment of a dividend or a payment of any nature (other than redemption at maturity) on any Ordinarily Subordinated Obligation or Junior Obligation of the Issuer or, subject to limited exceptions, has redeemed, repurchased or acquired any class of its share capital or (y) the Guarantor has made a payment, other than redemption at maturity, of any Obligation of the Guarantor that ranks pari passu with the Guarantee of the Notes or on any Junior Obligation of the Guarantor. For the complete definition of "Optional Interest Payment Date", see Condition 1 "*Definitions*".

Any interest not paid on an Optional Interest Payment Date and deferred, so long as the same remains outstanding, constitute Arrears of Interest and shall become due and payable as outlined in Condition 6.2.2 "Arrears of Interest". However, there can be no assurance that the Issuer will have the financial capacity to pay any Arrears of Interest.

Any actual or anticipated deferral of interest payments will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the Issuer’s financial situation.

*Future capital adequacy requirements for "tier-two" instruments: Solvency II*

The Notes are issued for capital adequacy regulatory purposes with the intention that all the proceeds of the Notes be eligible, (a) before the implementation of the Solvency II Directive, for the purpose of the determination of the solvency margin or solvency capital adequacy levels of the Coface Group, or (b) following the implementation of the Solvency II Directive, as "tier two" own funds regulatory capital (or whatever the terminology employed by Applicable Supervisory Regulations), including any grandfathering provision thereof, of the Issuer or the Coface Group for the purposes of the determination of the regulatory capital of the Issuer.

The Issuer's expectation is based on its review of available information relating to the implementation of Solvency II. However, such information has not been finalized and is subject to change prior to its implementation of Solvency II.

In particular, there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. The new framework will, among other things, cover the definition of "own funds" capital and, accordingly, will set out the features which any capital must have in order to qualify as regulatory capital. This new framework also contains grandfathering provisions applying to capital instruments issued before the implementation of the Solvency II Directive, such as the Notes. However the grandfathering regime to be contained in the so-called Omnibus II Directive, on which the European Parliament, the Council and the European Commission have reached political agreement on November 13, 2013, has not been voted yet by the Parliament and the vote is expected to occur on March 11, 2014, and even when the final text will be approved it will remain subject to interpretation by the regulators, including the Relevant Supervisory Authority. Thus, even if the Issuer expects the Notes to be eligible for grandfathering as "tier two" following the implementation of the Solvency II Directive, it cannot be certain that this will be the case. These features are not expected to be settled until, at the earliest, "level two" implementation measures and "level three" guidance relating to Solvency II are finalized and there can be no assurance that, following their initial publication, the "level two" implementation measures and "level three" guidance will not be amended. Moreover, there is considerable uncertainty as to how regulators, including the Relevant Supervisory Authority, will interpret the Solvency II Directive, the "level two" implementation measures and/or "level three" guidance and apply them to the Issuer or the Coface Group.

Upon the occurrence of a Regulatory Event, there is a risk that the Issuer could decide to exercise its option to redeem the Notes early in accordance with Condition 7.3 "Optional redemption for Regulatory Reasons".

Such redemption options will be exercised at the Principal Amount of the Notes (together with accrued interest, Arrears of Interest) to the date fixed for redemption.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

*Early Redemption Risk*

Subject to the prior approval of the Relevant Supervisory Authority, the Notes may be redeemed in whole (but not in part), at the option of the Issuer, at any time for certain Taxation or Regulatory Reasons (as set out in Condition 7.2 "*Redemption for Taxation Reasons*" and Condition 7.3 "*Optional redemption for Regulatory Reasons*"). There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

*Rating may not reflect all risks*

The Notes are expected to be rated A- by Fitch and Baa1 by Moody's. Fitch and Moody's are established in the European Union, are registered under the CRA Regulation and are included in the list of registered credit ratings agencies published on the website of the European Securities and Markets Authority, as updated on June 3, 2013 (www.esma.europa.eu). The rating assigned to the Notes by each rating agency is based on the Issuer's financial situation, but takes into account other relevant structural features of the transaction, including, *inter alia*, the terms of the Notes and the Guarantee, and reflects only the views of the rating agency.

The rating assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities but only addresses the likelihood of full and timely payment to the Noteholders of all payments of interest on each interest payment date and repayment of principal on the final payment date. There is no assurance that any such rating will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the rating agency as a result of changes in or unavailability of information or if, in the rating agency's judgment, circumstances so warrant. In addition, any other rating agencies may assign in the future a lower rating to the Notes which may have a negative impact on the value of the Notes.

A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

## 2.4 Risks related to the Guarantee

*Subordination*

The payment of any Guaranteed Amounts (as defined in Condition 4.1 "Status of the Guarantee") is irrevocably and unconditionally guaranteed on a subordinated basis by the Guarantor acting as guarantor (*caution solidaire*) pursuant to Articles 2288 and 2298 of the French Civil Code (*Code civil*).

The Guarantee has been granted by the Guarantor prior to the issue of the Notes and is for the benefit of the Noteholders.

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which shall rank *pari passu* with other present and future Ordinarily Subordinated Obligations of the Guarantor, and shall be subordinated to the Unsubordinated Obligations of the Guarantor but shall rank in priority to any present and future *prêts participatifs* granted to the Guarantor, any present and future *titres participatifs* issued by the Guarantor, and any deeply subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Guarantor.

If any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Guarantor, or in the event of a transfer of the whole business of the Guarantor (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Guarantor is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the payment obligation of the Guarantor under the Guarantee shall be subordinated to the payment in full of the Unsubordinated Obligations of the Guarantor and, subject to such payment in full, the Noteholders will be paid in priority to any *prêts participatifs* granted to the Guarantor, any *titres participatifs* issued by the Guarantor and any other subordinated Obligations of the

Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*).

In the event of incomplete payment of the creditors in respect of Unsubordinated Obligations of the Guarantor, the obligations of the Guarantor in connection with the Guarantee will be terminated by operation of law.

Although, there is a significant risk that an investor in the Notes will lose all or some of his investment should both the Issuer and the Guarantor become insolvent.

*No limitation on the ability of the Guarantor to issue or to guarantee debt ranking senior or* pari passu *with the Guarantee*

There is no restriction on the amount of debt which the Guarantor may issue or guarantee. The Guarantor and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations of the Guarantor under the Guarantee. The issue or guarantee of such debt may reduce the amount recoverable by the Noteholders on a Guarantor Liquidation (as defined below). In particular, the obligations of the Guarantor under the Guarantee shall rank junior to Unsubordinated Obligations of the Guarantor. Accordingly, if any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Guarantor, or in the event of a transfer of the whole business of the Guarantor (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Guarantor is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency) (a "Guarantor Liquidation") and after payment of the Unsubordinated Obligations of the Guarantor, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders upon exercise of the Guarantee. In addition, the Guarantee does not contain any "negative pledge" or similar clause, meaning that the Guarantor and its subsidiaries and affiliates may pledge its or their assets to secure other obligations without granting similar security in respect of the Guarantee (see Condition 4 "*Guarantee*" and Chapter "*Description of the Guarantee*" below).

*The Guarantor may be unable to perform its payment obligations under the Guarantee*

The Guarantor will guarantee irrevocably and unconditionally, as guarantor (*caution solidaire*) and on a subordinated basis, the payment of all Guaranteed Amounts due by the Issuer in relation to the Notes (as set out in Condition 4 "*Guarantee*" and see Chapter "*Description of the Guarantee*" below). Should the Guarantee be enforced, the Guarantor may not be in a position to pay all of the Guaranteed Amounts. In particular, the Guarantor is the only subsidiary of the Issuer. As a result, if the Issuer is unable to make payments in respect of the Notes, it is likely that the same circumstances will impact the financial capacity of the Guarantor, and therefore its ability to make payments under the Guarantee.

## GENERAL DESCRIPTION OF THE NOTES

*This overview is a general description of the Notes and is qualified in its entirety by the remainder of this Prospectus. For a more complete description of the Notes, including definitions of capitalized terms used but not defined in this section, please see "*Terms and Conditions of the Notes*".*

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| **Issuer** | COFACE SA. |
| **Guarantor** | Compagnie française d'assurance pour le commerce extérieur. |
| **Securities** | €380,000,000 4.125 per cent. Guaranteed Subordinated Notes due March 27, 2024 (the "**Notes**"). |
| **Maturity** | March 27, 2024. |
| **Form and Denomination** | The Notes will be issued in dematerialized bearer form (*au porteur*) and in the denomination of €100,000 (the "**Principal Amount**"). |
| **Issue Date** | March 27, 2014. |
| **Status/Ranking of the Notes** | The obligations of the Issuer under the Notes in respect of principal and interest (including Arrears of Interest), constitute Ordinarily Subordinated Obligations of the Issuer and rank and shall at all times rank without any preference among themselves and equally and rateably with any other present and future Ordinarily Subordinated Obligations of the Issuer, in priority to all present and future *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, any deeply subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés)* but behind Unsubordinated Obligations of or issued by the Issuer.<br><br>"**Junior Obligations**" means, in respect of any person, any existing and future Obligations (other than existing and future shares) that rank, or are expressed to rank, junior to the Notes or the Guarantee of the Notes (as the case may be) and any Obligation expressed to be assumed by or imposed on it and expressed to rank, junior to the Notes or the Guarantee of the Notes (as the case may be).<br><br>"**Obligations**" means, in respect of any person, any obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, document, instrument, conduct or relationship or directly by the law (including any shares, bonds, notes or other securities).<br><br>"**Ordinarily Subordinated Obligations**" means, in respect of any person, any Obligations of such person which constitute direct and subordinated Obligations of such person which rank and will at all times rank equally and rateably with its other present and future Ordinarily Subordinated Obligations, and in priority to present and future *prêts participatifs* granted to, and present and future *titres participatifs* issued |

by it, any deeply subordinated Obligations of it that by their terms (including *titres super subordonnés*) rank junior to such *prêts participatifs* and *titres participatifs* but behind its Unsubordinated Obligations.

"**Unsubordinated Obligations**" means, in respect of any person, any Obligations which constitute direct and unsubordinated Obligations of such person and which rank and will at all times rank equally and rateably with its other existing or future Unsubordinated Obligations and in priority to Ordinarily Subordinated Obligations of, *prêts participatifs* granted to, *titres participatifs* issued by, and deeply subordinated Obligations that by their terms rank junior to such *prêts participatifs* and *titres participatifs* of, such person.

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| **Guarantee** | The payment of any amount due and payable in respect of the Notes, including principal, interest, additional amounts (unless they would not be due in respect of a payment by the Guarantor rather than the Issuer), expenses and other sums from time to time which are due and payable by the Issuer in respect of the Notes ("**Guaranteed Amounts**") is irrevocably and unconditionally guaranteed on a subordinated basis by the Guarantor acting as guarantor (*caution solidaire*) pursuant to Articles 2288 and 2298 of the French Civil Code (*Code civil*). |
| **Status/Ranking of the Guarantee** | The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which shall rank *pari passu* with other present and future Ordinarily Subordinated Obligations of the Guarantor, and shall be subordinated to the Unsubordinated Obligations of the Guarantor but shall rank in priority to any present and future *prêts participatifs* granted to the Guarantor, any present and future *titres participatifs* issued by the Guarantor, and any deeply subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Guarantor. |
| **Interest** | Unless previously redeemed in accordance with the Conditions and subject to the provisions relating to interest deferral, each Note will bear interest on its Principal Amount at the fixed rate of 4.125 per cent. *per annum* from, and including, March 27, 2015 (the "**Interest Commencement Date**"), payable annually in arrear on March 27 of each year (each an "**Interest Payment Date**"), commencing on March 27, 2015. |
| **Interest Deferral** | *Optional Interest Payment Dates*<br>On any Optional Interest Payment Date, the Issuer may, at its option, (i) pay the interest accrued to that date in whole or in part (but shall not have any obligation to make such payment), or (ii) elect, by giving notice to the Noteholders, to defer payment of all of the interest or part thereof accrued to that date in respect of the Notes, and any failure to pay shall |

not constitute a default by the Issuer under the Notes or for any other purpose.

Any interest not paid on an Optional Interest Payment Date and deferred in accordance with this paragraph shall, so long as the same remains outstanding, constitute arrears of interest ("**Arrears of Interest**") and shall become due and payable as set out below.

*Arrears of Interest*

Arrears of Interest may be paid in whole or in part on any Optional Interest Payment Date, but all Arrears of Interest in respect of all Notes for the time being outstanding shall become due in full on whichever is the earliest of:

(i) the next Interest Payment Date which is a Compulsory Interest Payment Date; or

(ii) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; or

(iii) the date of the Issuer Liquidation.

Arrears of Interest shall not themselves bear interest.

For the purpose hereof:

"**Applicable Supervisory Regulations**" means the solvency margin, solvency capital adequacy regulations or any other regulatory capital rules or regulations then in effect in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) as applied and construed by the Relevant Supervisory Authority (including the official application or interpretation of those rules and regulations including a decision of any court or tribunal) and applicable to the Issuer or the Coface Group, including any regulations which currently or would after the Issue Date lay down the requirements to be fulfilled by financial instruments for inclusion in "tier two" own funds regulatory capital as opposed to "tier one" own funds regulatory capital or "tier three" own funds regulatory capital (or whatever the terminology that may be retained) and any grandfathering provision thereof.

"**Compulsory Interest Payment Date**" means each Interest Payment Date (i) in respect of which no Solvency Event has occurred during the Interest Period immediately preceding such Interest Payment Date or (ii) in respect of which a Solvency Event has occurred during the Interest Period immediately preceding such Interest Payment Date and a Compulsory Interest Payment Event has occurred after such Solvency Event and prior to the relevant Interest Payment Date.

"**Interest Period**" means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

"**Issuer Liquidation**" is deemed to have occurred when a judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency).

"**Optional Interest Payment Date**" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"**Relevant Supervisory Authority**" means the *Autorité de Contrôle Prudentiel et de Résolution* and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the Coface Group.

"**Solvency Event**" means:

(i) the applicable consolidated solvency margin of the Coface Group falls below 100 per cent. of the required consolidated solvency margin or any applicable solvency margin or solvency capital requirement as applicable under Applicable Supervisory Regulations and on the basis of the Issuer's annual audited consolidated accounts for the financial year immediately preceding the relevant Interest Payment Date; or

(ii) the Relevant Supervisory Authority has notified the Issuer that it has determined, in view of the financial condition of the Coface Group, that in accordance with Applicable Supervisory Regulations at such time, the Issuer must take specified action in relation to payments under the Notes.

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| **Taxation** | All payments of principal and interest (including Arrears of Interest) in respect of the Notes will be made without deduction or withholding in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction or any authority therein or thereof having power to tax ("**Taxes**"), unless such deduction or withholding is required by law. |
| **Additional Amounts** | If French law should require payments of principal or interest (including Arrears of Interest) in respect of any Note be subject to deduction or withholding in respect of any Taxes, the Issuer shall, to the extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; provided, however, that the Issuer shall not be liable to pay any such additional amount in respect of any Note in certain circumstances as more fully described in the Conditions. |
| **Redemption at Maturity** | Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed at their Principal Amount on |

March 27, 2024 (the “**Maturity Date**”).

**Early Redemption following a Gross-Up Event**

If, by reason of change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts, the Issuer may, on any date selected by the Issuer, subject to the prior approval of the Relevant Supervisory Authority, subject to having given not more than forty five (45) nor less than thirty (30) days' prior notice to the Noteholders (which notice shall be irrevocable), redeem all, but, not some only, of the Notes at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date set for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

If the Issuer would on the next payment of principal or interest due in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven (7) days' prior notice to the Noteholders, subject to the prior approval of the Relevant Supervisory Authority, redeem all, but not some only, of the Notes then outstanding at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date set for redemption provided that the due date for redemption shall be a date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or if such date has passed, as soon as practicable thereafter.

**Early Redemption following a Tax Deductibility Event**

If an opinion of a recognized law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date (a “**Change in Law**”), the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer in respect of the Notes being no longer deductible to the same extent as they were prior to the Change in Law (a “**Tax Deductibility Event**”), so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time, the Issuer may, subject to the prior approval of the Relevant Supervisory Authority, redeem the Notes in whole, but not in part, at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date fixed for redemption, on the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible in

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| | France or, if such date is past, as soon as practicable thereafter. The Issuer shall give the Noteholders notice of any such redemption not less than thirty (30) nor more than forty five (45) days before the date fixed for redemption. |
| **Optional Redemption for Regulatory Reasons** | If at any time, the Issuer determines that a Regulatory Event has occurred with respect to the Notes on or after the Issue Date, the Issuer may, subject to the prior approval of the Relevant Supervisory Authority, redeem the Notes in whole, but not in part, on any date selected by the Issuer, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders, at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date fixed for redemption.<br><br>"**Regulatory Event**" means that, on or after the Issue Date, the Issuer or the Coface Group is not permitted under the Applicable Supervisory Regulations at any time while any of the Notes are outstanding to treat the proceeds of the Notes, in whole or in part, (x) as eligible under the Applicable Supervisory Regulations for the purpose of the determination of the solvency margin or solvency capital adequacy levels of the Coface Group, or (y) as "tier two" own funds regulatory capital (or whatever the terminology employed by Applicable Supervisory Regulations), including any grandfathering provision thereof, of the Issuer or the Coface Group for the purposes of the determination of its regulatory capital. |
| **Purchases** | The Issuer may, in accordance with all applicable laws and regulations and subject to the prior approval of the Relevant Supervisory Authority, at any time purchase Notes in the open market or otherwise, at any price. However, for the purpose of enhancing the liquidity of the Notes, so purchased by the Issuer may be held and resold in accordance with Article L.213-1 A and D.213-1 A of the French *Code monétaire et financier*. |
| **Negative Pledge** | There will be no negative pledge in respect of the Notes and in respect of the Guarantee. |
| **Enforcement Events, no Events of Default** | There are no events of default in respect of the Notes. However, the Notes shall become immediately due and payable at their principal amount, together with accrued interest thereon and any Arrears of Interest (if any) in the event of an Issuer Liquidation. |
| **Representation of Noteholders** | The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (the "***Masse***"). The *Masse* will be governed in accordance with the provisions of the French *Code de commerce*.<br><br>The *Masse* will be a separate legal entity, by virtue of Article L.228-46 of the French *Code de commerce*, acting in part through a representative (the "**Representative**") and in part through a general meeting of the |

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| | Noteholders (the "**General Meeting**"). |
| **Listing and admission to trading** | Application will be made for the Notes to be listed and admitted to trading on Euronext Paris. Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter. |
| **Selling Restrictions** | There are restrictions on the offer and sale of the Notes and the distribution of offering material, including in the United States of America, the United Kingdom and France. |
| **Governing law** | The Notes will be governed by, and construed in accordance with, French law. |
| **Settlement** | Euroclear France. |
| **Fiscal Agent, Principal Paying Agent and Calculation Agent** | CACEIS Corporate Trust. |

# TERMS AND CONDITIONS OF THE NOTES

*The terms and conditions of the Notes (the "**Conditions**") will be as follows:*

The issue of €380,000,000 4.125 per cent. Subordinated Notes due 2024 (the "**Notes**") by COFACE SA (the "**Issuer**") with the benefit of an irrevocable and unconditional subordinated guarantee (*cautionnement*) (the "**Guarantee**") of Compagnie française d'assurance pour le commerce extérieur acting as guarantor (*caution solidaire*) (the "**Guarantor**"), was authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer dated February 14, 2014 and a decision of its *Directeur Général* dated March 21, 2014, and the Guarantee was authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Guarantor dated March 3, 2014.

The Issuer has entered into a fiscal agency agreement dated March 25, 2014 with CACEIS Corporate Trust as fiscal agent and principal paying agent (the "**Agency Agreement**"). The fiscal agent and principal paying agent for the time being are referred to in these Conditions as the **"Fiscal Agent**", the "**Principal Paying Agent**" and, together with any additional paying agent appointed from time to time, the "**Paying Agent(s)**", which expression shall include the Principal Paying Agent. Each such expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement, and are collectively referred to as the "**Agents**". References below to "Conditions" are, unless the context otherwise requires, to the numbered paragraphs contained in the terms and conditions set forth herein. In these Conditions, "holder of Notes", "**holder of any Note**" or "**Noteholder**" means the person whose name appears in the account of the relevant Account Holder as being entitled to such Notes.

## 1. DEFINITIONS

For the purposes of these Conditions:

**"Account Holder"** has the meaning given in Condition 2.

**"Alternative Representative"** has the meaning given in Condition 10.2.

**"Applicable Supervisory Regulations"** means the solvency margin, solvency capital adequacy regulations or any other regulatory capital rules or regulations then in effect in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) as applied and construed by the Relevant Supervisory Authority (including the official application or interpretation of those rules and regulations including a decision of any court or tribunal) and applicable to the Issuer or the Coface Group, including any regulations which currently or would after the Issue Date lay down the requirements to be fulfilled by financial instruments for inclusion in "tier two" own funds regulatory capital as opposed to "tier one" own funds regulatory capital or "tier three" own funds regulatory capital (or whatever the terminology that may be retained) and any grandfathering provision thereof.

**"Arrears of Interest"** has the meaning given in Condition 6.2.1.

**"Business Day"** means a day (other than a Saturday or a Sunday) on which the TARGET System is operating and on which Euroclear France is open for general business.

**"Change in Law"** has the meaning given in Condition 7.2.3.

**"Clearstream, Luxembourg"** has the meaning given in Condition 2.

**"Coface Group"** means the Issuer and its consolidated subsidiaries taken as a whole.

**"Compulsory Interest Payment Date"** means each Interest Payment Date (i) in respect of which no Solvency Event has occurred during the Interest Period immediately preceding such Interest Payment Date or (ii) in respect of which a Solvency Event has occurred during the Interest Period immediately preceding such Interest Payment Date and a Compulsory Interest Payment Event has occurred after such Solvency Event and prior to the relevant Interest Payment Date.

**"Compulsory Interest Payment Event"** means (i) a declaration or payment by the Issuer of a dividend (whether in cash, shares or any other form), or more generally a payment of any nature, on any class of share capital of the Issuer or on any Ordinarily Subordinated Obligation or Junior Obligation of the Issuer other than in connection with the redemption at maturity of any such Ordinarily Subordinated or Junior Obligation of the Issuer or (ii) the redemption, repurchase or acquisition by the Issuer of any class of its share capital by any means (with the exception of repurchases of share capital for purposes of making shares available to cover employee stock option, stock attribution or stock purchase programmes and any equity derivative hedge transaction associated with these programmes, regularization of the Issuer's share price, investment activities or holding shares with a view to their resale or exchange, particularly in connection with external growth transactions or the issuance of securities convertible into or exchangeable for the Issuer's share capital) or (iii) a payment of any nature by the Guarantor on any Obligation of the Guarantor that ranks or is expressed to rank *pari passu* with the Guarantee of the Notes or on any Junior Obligations of the Guarantor other than in connection with the redemption at maturity of any such other Obligation or Junior Obligation of the Guarantor.

**"Euroclear"** has the meaning given in Condition 2.

**"Euroclear France"** has the meaning given in Condition 2.

**"General Meeting"** has the meaning given in Condition 10.1.

**"Guaranteed Amounts"** has the meaning given in Condition 4.1.

**"Interest Commencement Date"** has the meaning given in Condition 6.1.

**"Interest Payment Date"** has the meaning given in Condition 6.1.

**"Interest Period"** has the meaning given in Condition 6.1.

**"Interest Rate"** has the meaning given in Condition 6.1.

**"Issue Date"** has the meaning given in Condition 2.

**"Issuer Liquidation"** is deemed to have occurred when a judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency).

**"Junior Obligations"** means, in respect of any person, any existing and future Obligations (other than existing and future shares) that rank, or are expressed to rank, junior to the Notes or the Guarantee of the Notes (as the case may be) and any Obligation expressed to be assumed by or imposed on it and expressed to rank, junior to the Notes or the Guarantee of the Notes (as the case may be).

**"*Masse*"** has the meaning given in Condition 10.

**"Maturity Date"** has the meaning given in Condition 7.1.

**"Obligations"** means, in respect of any person, any obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, document, instrument, conduct or relationship or directly by the law (including any shares, bonds, notes or other securities).

**"Optional Interest Payment Date"** means any Interest Payment Date other than a Compulsory Interest Payment Date.

**"Ordinarily Subordinated Obligations"** means, in respect of any person, any Obligations of such person which constitute direct and subordinated Obligations of such person which rank and will at all times rank equally and rateably with its other present and future Ordinarily Subordinated Obligations, and in priority to present and future *prêts participatifs* granted to, and present and future *titres participatifs* issued by it, any deeply subordinated Obligations of it that by their terms (including *titres super subordonnés*) rank junior to such *prêts participatifs* and *titres participatifs* but behind its Unsubordinated Obligations.

**"Principal Amount"** has the meaning given in Condition 2.

**"Regulatory Event"** means that, on or after the Issue Date, the Issuer or the Coface Group is not permitted under the Applicable Supervisory Regulations at any time while any of the Notes are outstanding to treat the proceeds of the Notes, in whole or in part, (x) as eligible under the Applicable Supervisory Regulations for the purpose of the determination of the solvency margin or solvency capital adequacy levels of the Coface Group, or (y) as "tier two" own funds regulatory capital (or whatever the terminology employed by Applicable Supervisory Regulations), including any grandfathering provision thereof, of the Issuer or the Coface Group for the purposes of the determination of its regulatory capital.

**"Relevant Supervisory Authority"** means the *Autorité de Contrôle Prudentiel et de Résolution* and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the Coface Group.

**"Representative"** has the meaning given in Condition 10.1.

**"Solvency Event"** means:

(a) the applicable consolidated solvency margin of the Coface Group falls below 100 per cent. of the required consolidated solvency margin or any applicable solvency margin or solvency capital requirement as applicable under Applicable Supervisory Regulations and on the basis of the Issuer's annual audited consolidated accounts for the financial year immediately preceding the relevant Interest Payment Date; or

(b) the Relevant Supervisory Authority has notified the Issuer that it has determined, in view of the financial condition of the Coface Group, that in accordance with Applicable Supervisory Regulations at such time, the Issuer must take specified action in relation to payments under the Notes.

"**TARGET System**" means the Trans-European Automated Real Time-Gross Settlement Express Transfer System (known as TARGET 2) or any successor thereto.

"**Tax Deductibility Event**" has the meaning given in Condition 7.2.3.

"**Taxes**" has the meaning given in Condition 9.1.

"**Unsubordinated Obligations**" means, in respect of any person, any Obligations which constitute direct and unsubordinated Obligations of such person and which rank and will at all times rank equally and rateably with its other existing or future Unsubordinated Obligations and in priority to Ordinarily Subordinated Obligations of, *prêts participatifs* granted to, *titres participatifs* issued by, and deeply subordinated Obligations that by their terms rank junior to such *prêts participatifs* and *titres participatifs* of, such person.

## 2. FORM, DENOMINATION AND TITLE

The Notes will be issued on March 27, 2014 (the "**Issue Date**") in dematerialized bearer form (*au porteur*) in the denomination of €100,000 per Note. Title to the Notes will be established and evidenced in accordance with Articles L. 211-3 and R. 211-1 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including certificats représentatifs pursuant to Article R. 211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be registered in the books of Euroclear France ("**Euroclear France**"), which shall credit the accounts of Account Holders. For the purpose of these Conditions, "Account Holder" shall mean any intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), and Euroclear Bank S.A./N.V. ("**Euroclear**").

Title to the Notes shall at all times be evidenced by entries in the books of the Account Holders and will pass upon, and transfer of Notes may only be effected through registration of the transfer in such books.

For the purposes of these Conditions, "**Principal Amount**" means €100,000, being the principal amount of each Note on the Issue Date (as defined above).

## 3. STATUS OF THE NOTES

### 3.1 Status of the Notes

The obligations of the Issuer under the Notes in respect of principal and interest (including Arrears of Interest (as defined below)), constitute Ordinarily Subordinated Obligations of the Issuer and rank and shall at all times rank without any preference among themselves and equally and rateably with any other present and future Ordinarily Subordinated Obligations of the Issuer, in priority to all present and future *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, any deeply subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Issuer.

### 3.2 Payment on the Notes in the event of the Issuer Liquidation

In the event of an Issuer Liquidation, the rights of the Noteholders in respect of principal and interest (including any Arrears of Interest) will be subordinated to the payment in full of the Unsubordinated Obligations of the Issuer and, subject to such payment in full, the Noteholders will be paid in priority to any *prêts participatifs* granted to the Issuer, any *titres participatifs* issued by the Issuer and any other subordinated Obligations of the Issuer that by their terms rank junior to the Notes or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*).

In the event of incomplete payment of the creditors in respect of Unsubordinated Obligations of the Issuer, the obligations of the Issuer in respect of principal and interest (including Arrears of Interest) on the Notes will be terminated by operation of law.

## 4. GUARANTEE

### 4.1 Status of the Guarantee

The payment of any amount due and payable in respect of the Notes, including principal, interest, additional amounts (unless they would not be due in respect of a payment by the Guarantor rather than the Issuer), expenses and other sums from time to time which are due and payable by the Issuer in respect of the Notes ("**Guaranteed Amounts**") is irrevocably and unconditionally guaranteed on a subordinated basis by the Guarantor acting as guarantor (*caution solidaire*) pursuant to Articles 2288 and 2298 of the French Civil Code (*Code civil*).

The Guarantee has been granted by the Guarantor prior to the issue of the Notes and is for the benefit of the Noteholders.

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which shall rank *pari passu* with other present and future Ordinarily Subordinated Obligations of the Guarantor, and shall be subordinated to the Unsubordinated Obligations of the Guarantor but shall rank in priority to any present and future *prêts participatifs* granted to the Guarantor, any present and future *titres participatifs* issued by the Guarantor, and any deeply subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including titres *super subordonnés*), but behind Unsubordinated Obligations of the Guarantor.

If any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Guarantor, or in the event of a transfer of the whole business of the Guarantor (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Guarantor is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the payment obligation of the Guarantor under the Guarantee shall be subordinated to the payment in full of the Unsubordinated Obligations of the Guarantor and, subject to such payment in full, the Noteholders will be paid in priority to any *prêts participatifs* granted to the Guarantor, any *titres participatifs* issued by the Guarantor and any other subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including titres *super subordonnés*).

In the event of incomplete payment of the creditors in respect of Unsubordinated Obligations of the Guarantor, the obligations of the Guarantor in connection with the Guarantee will be terminated by operation of law.

Pursuant to Article L. 327-2 of the French Code des assurances, a lien (*privilège*) over the moveable assets of the Guarantor is granted for the benefit of the Guarantor’s policyholders. Noteholders, even if they are policyholders of the Guarantor, do not have the benefit of such lien in relation to amounts due under the Guarantee.

### 4.2 Duration

The Guarantee applies as of the Issue Date of the Notes and shall remain in effect until the Issuer has been discharged of all payment obligations under the Notes.

*The Guarantee is reproduced on pages 132 to 134 of this Prospectus.*

## 5. NEGATIVE PLEDGE

There will be no negative pledge in respect of the Notes and in respect of the Guarantee.

## 6. INTEREST

### 6.1 Interest Rate

Each Note will bear interest on its Principal Amount at the fixed rate of 4.125 per cent. per annum (the "**Interest Rate**") from, and including, March 27, 2015 (the "**Interest Commencement Date**"), payable annually in arrear on March 27 of each year (each an "**Interest Payment Date**"), commencing on March 27, 2015.

Interest will be calculated on an Actual/Actual (ICMA) basis. This means that, if interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a day count fraction which will be calculated by taking the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**".

Each Note will cease to bear interest from the date on which it is to be redeemed, upon such due date, unless payment of the full amount due in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment thereof. In such event, such Note shall continue to bear interest in accordance with this Condition (after as well as before judgment) on the Principal Amount of such Note until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day after the Fiscal Agent has notified the Noteholders in accordance with Condition 11 of receipt of all sums due in respect of all the Notes up to that day (except if and to the extent the subsequent payment to the relevant Noteholders is not made in accordance with these Conditions).

Payments of interest will be made subject to, and in accordance with, the provisions of Condition 8.

### 6.2 Interest Deferral

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraph. The interest to be paid will be calculated on the basis of the Principal Amount of the Notes outstanding during any Interest Period.

6.2.1 Optional Interest Payment Dates

On any Optional Interest Payment Date (as defined above), the Issuer may, at its option, (i) pay the interest accrued to that date in whole or in part (but shall not have any obligation to make such payment), or (ii) elect, by giving notice to the Noteholders in accordance with Condition 11, to defer payment of all of the interest or part thereof accrued to that date in respect of the Notes, and any failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Any interest not paid on an Optional Interest Payment Date and deferred in accordance with this paragraph shall, so long as the same remains outstanding, constitute arrears of interest ("**Arrears of Interest**") and shall become due and payable as set out below.

The deferral of interest in accordance with this Condition 6.2 shall be notified by the Issuer to the Noteholders in accordance with Condition 11 not later than seven (7) Business Days prior to the relevant Interest Payment Date.

6.2.2 Arrears of Interest

Arrears of Interest may be paid in whole or in part on any Optional Interest Payment Date, but all Arrears of Interest in respect of all Notes for the time being outstanding shall become due in full on whichever is the earliest of:

(a) the next Interest Payment Date which is a Compulsory Interest Payment Date; or

(b) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; or

(c) the date of the Issuer Liquidation.

Arrears of Interest shall not themselves bear interest.

## 7. REDEMPTION AND PURCHASE

The Notes may not be redeemed other than in accordance with this Condition 7.

### 7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed at their Principal Amount (i.e. €100,000 per Note) on March 27, 2024 (the "**Maturity Date**").

### 7.2 Redemption for Taxation Reasons

7.2.1 If, by reason of change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 9.2, the Issuer may, on any date selected by the Issuer, subject to the prior approval of the Relevant Supervisory Authority, subject to having given not more than forty five (45) nor less than thirty (30) days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, redeem all, but, not some only, of the Notes at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date set for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

7.2.2 If the Issuer would on the next payment of principal or interest due in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 9.2, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven (7) days' prior notice to the Noteholders in accordance with Condition 11, subject to the prior approval of the Relevant Supervisory Authority, redeem all, but not some only, of the Notes then outstanding at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date set for redemption provided that the due date for redemption shall be a date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or if such date has passed, as soon as practicable thereafter.

7.2.3 If an opinion of a recognized law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date (a **"Change in Law"),** the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer in respect of the Notes being no longer deductible to the same extent as they were prior to the Change in Law (a **"Tax Deductibility Event"),** so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time, the Issuer may, subject to the prior approval of the Relevant Supervisory Authority, redeem the Notes in whole, but not in part, at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date fixed for redemption, on the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible in France or, if such date is past, as soon as practicable thereafter. The Issuer shall give the Noteholders notice of any such redemption not less than thirty (30) nor more than forty five (45) days before the date fixed for redemption.

### 7.3 Optional redemption for Regulatory Reasons

If at any time, the Issuer determines that a Regulatory Event has occurred with respect to the Notes on or after the Issue Date, the Issuer may, subject to the prior approval of the Relevant Supervisory Authority, redeem the Notes in whole, but not in part, on any date selected by the Issuer, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11, at their Principal Amount (together with accrued interest and Arrears of Interest, if any) to the date fixed for redemption.

### 7.4 Purchases

The Issuer may, in accordance with all applicable laws and regulations and subject to the prior approval of the Relevant Supervisory Authority, at any time purchase Notes in the open market or otherwise, at any price.

However, for the purpose of enhancing the liquidity of the Notes, Notes so purchased by the Issuer may be held and resold in accordance with Article L. 213-1 A and D. 213-1 A of the French *Code monétaire et financier*.

### 7.5 Cancellation

All Notes which are redeemed or purchased for cancellation by the Issuer will be promptly cancelled and accordingly may not be reissued or resold.

## 8. PAYMENTS

### 8.1 Method of Payment

Payments of principal and interest (including Arrears of Interest) in respect of the Notes will be made in Euros by credit or transfer to a Euro-denominated account (or any other account to which Euros may be credited or transferred). Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments validly made to such Account Holders shall be an effective discharge of the Issuer and the Paying Agent, as the case may be, in respect of such payment.

Payments of principal and interest (including Arrears of Interest) in respect of the Notes will, in all cases, be made subject to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9.2. No commission or expenses shall be charged by the Issuer or the Paying Agent to the Noteholders in respect of such payments.

### 8.2 Payments on Business Days

If any due date for payment of principal and interest (including Arrears of Interest) in respect of any Note is not a Business Day, then the Noteholder shall not be entitled to payment of the amount due until the next following day which is a Business Day and the Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

### 8.3 Fiscal Agent and Paying Agent

The name of the initial Fiscal Agent and Principal Paying Agent and its specified office is set forth below.

**FISCAL AGENT AND PRINCIPAL PAYING AGENT**
CACEIS Corporate Trust
14, rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or the Principal Paying Agent and/or appoint other person as Paying Agent or approve any change in the office through which any such Agent acts, provided that there will at all times be a Paying Agent having a specified office a European city. Any termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor less than 30 calendar days' notice thereof shall have been given to the Noteholders by the Issuer in accordance with Condition 11.

## 9. TAXATION

### 9.1 Payments free of deduction or withholding

All payments of principal and interest (including Arrears of Interest) in respect of the Notes will be made without deduction or withholding in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction or any authority therein or thereof having power to tax ("**Taxes**"), unless such deduction or withholding is required by law.

### 9.2 Additional Amounts

If French law should require payments of principal or interest (including Arrears of Interest) in respect of any Note be subject to deduction or withholding in respect of any Taxes, the Issuer shall, to the extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; provided, however, that the Issuer shall not be liable to pay any such additional amount in respect of any Note to a Noteholder:

9.2.1 who is subject to such Taxes in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note; or

9.2.2 where such deduction or withholding is imposed on a payment to an individual or an entity as set out in Article 4(2) of European Council Directive 2003/48/EC and is required to be made pursuant to such Directive or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 or any subsequent meeting of the ECOFIN Council on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 9.2.

## 10. REPRESENTATION OF THE NOTEHOLDERS

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "***Masse***").

The *Masse* will be governed in accordance with the provisions of the French *Code de commerce*.

### 10.1 Legal Personality

The *Masse* will be a separate legal entity, by virtue of Article L. 228-46 of the French *Code de commerce*, acting in part through a representative (the "**Representative**") and in part through a general meeting of the Noteholders (the "**General Meeting**").

### 10.2 Representative

The following persons may not be chosen as Representative:

10.2.1 the Issuer, the members of its *Conseil d'Administration* (Board of Directors), its general manager (*directeur général*), its statutory auditors, its employees and their ascendants, descendants and spouses;

10.2.2 companies guaranteeing all or part of the obligations of the Issuer (including the Guarantor), their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors,

10.2.3 companies of which the Issuer possesses at least 10 per cent. of the share capital or companies possessing at least 10 per cent. of the share capital of the Issuer; or

10.2.4 persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The Representative shall be CACEIS Bank France, domiciled at 1-3, place Valhubert, 75013 Paris, represented by M. Philippe Dupuis.

The alternative representative (the "**Alternative Representative**") shall be CACEIS Corporate Trust domiciled at 14, rue Rouget de Lisle, 92130 Issy les Moulineaux, represented by M. Jean-Michel Desmarest.

In the event of death, incompatibility, resignation or revocation of the Representative, such Representative will be replaced by the Alternative Representative. The Alternative Representative shall have the same powers as the Representative.

In the event of death, incompatibility, resignation or revocation of the Alternative Representative, a replacement will be elected by a meeting of the general assembly of the Noteholders.

The Issuer shall pay to the appointed Representative an amount of 500 € (VAT excluded) per annum.

The appointment of the Representative shall terminate automatically on the date of final redemption in full of the Notes.

All interested parties will have the right to obtain the names and addresses of the Representative and Alternative Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

**10.3 Powers of the Representative**

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

**10.4 General Meetings**

General Meetings may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30) of the outstanding principal amount of the Notes may address to the Issuer and the Representative a request for convocation of the General Meeting; if such General Meeting has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition the competent court within the jurisdiction of the *Cour d'Appel* of Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any General Meeting will be published as provided under Condition 11 not less than fifteen (15) calendar days prior to the date of the General Meeting on first convocation and not less than ten (10) calendar days prior to the date of the General Meeting on second convocation.

Each Noteholder has the right to participate in General Meetings in person or by proxy, by correspondence, or if the *statuts* of the Issuer so specify, by visioconference or by any other means of telecommunications allowing the participation of Noteholders. Each Note carries the right to one vote.

**10.5 Powers of General Meetings**

The General Meeting is empowered to deliberate on the dismissal or replacement of the Representative and the Alternative Representative and may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorizing the Representative to act at law as plaintiff or defendant.

In accordance with Article L. 228-65 of the French *Code de commerce*, the General Meeting may further deliberate on any proposal relating to the modification of the Conditions of the Notes including any proposal relating to the change of the corporate purpose, any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, any proposal relating to the merger or spin-off of the Issuer, it being specified, however, that a general assembly may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares. However, any modification of the Conditions of the Notes may only be made after the Relevant Supervisory Authority has declared that it does not object to such modification, in accordance with Article A.334-1, III, 3° of the French *Code des assurances*.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth (1/5) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-thirds (2/3) majority of votes cast by the Noteholders attending such meeting or represented thereat.

In accordance with Article R. 228-71 of the French *Code de commerce,* the right of each Noteholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third business day in Paris preceding the date set for the meeting of the relevant General Meeting.

**10.6 Notice of decisions to the Noteholders**

Decisions of the General Meeting must be published in accordance with the provisions set out in Condition 11 not more than ninety (90) calendar days from the date thereof.

**10.7 Information to the Noteholders**

Each Noteholder or representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of the General Meeting.

**10.8 Expenses**

The Issuer will pay all duly evidenced and reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of general assemblies and the expenses which arise by virtue of the remuneration of the Representative, if any, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders. Other expenses incurred in the operation of the *Masse* may be imputed against interest payable on the Notes.

## 11. NOTICES

Any notice to the Noteholders will be valid if delivered to the Noteholders through Euroclear France, Euroclear or Clearstream, Luxembourg, for so long as the Notes are cleared through such clearing systems and as long as the Notes are admitted to trading on the Regulated Market of Euronext in Paris, if it is published on the website of Euronext Paris (https://www.euronext.com/) or in a leading daily newspaper having general circulation in France (which is expected to be *Les Echos*) or, at the option of the Issuer, on the website of the Issuer (http://www.coface.com). Any such notice shall be deemed to have been given on the date of delivery of such notice to Euroclear France, Euroclear and Clearstream, Luxembourg or, where relevant and if later, the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

In addition to the above, with respect to notices for a General Meeting, any convening notice shall be published in accordance with applicable provisions of the French *Code de commerce*.

## 12. PRESCRIPTION

Claims against the Issuer or the Guarantor for the payment of principal and interest in respect of the Notes shall become prescribed five years from the due date for payment thereof.

## 13. ENFORCEMENT EVENTS

There are no events of default in respect of the Notes. However, the Notes shall become immediately due and payable at their principal amount, together with accrued interest thereon and any Arrears of Interest (if any) in the event of an Issuer Liquidation.

## 14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholder, issue further Notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further Notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further Notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated Notes may, for the defense of their common interests, be grouped in a single *masse* having legal personality.

## 15. GOVERNING LAW AND JURISDICTION

The Notes and the Guarantee are governed by the laws of the Republic of France.

Any action against the Issuer in connection with the Notes or the Guarantee may be brought before the courts of the competent jurisdiction in Paris.

## USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used to reinforce the solvency margin of the Coface Group and to optimize the capital structure. For this purpose, the net proceeds of the issue of the Notes will be primarily on-lent to the Guarantor.

# DESCRIPTION OF THE ISSUER AND THE COFACE GROUP

## 1. Incorporation, Corporate Seat, Duration and Corporate Purpose

COFACE SA (the "**Issuer**") was incorporated as a *société par actions simplifiée* for duration of 99 years, unless extended, on August 7, 2000. In 2012, it was transformed into a *société anonyme*. It has its registered office at 1, Place Costes et Bellonte – 92270 Bois Colombes, France (Tel.: +33 1 49 02 20 00).

The Issuer is registered with the Nanterre trade and companies registry under number 432 413 599.

Pursuant to the articles of association of the Issuer, the corporate purpose of the Issuer is to carry out all civil, commercial, asset or real property or financial transactions, to acquire all direct or indirect equity stakes and, more generally, carry out all transactions relating, directly or indirectly, to the above-mentioned corporate purpose.

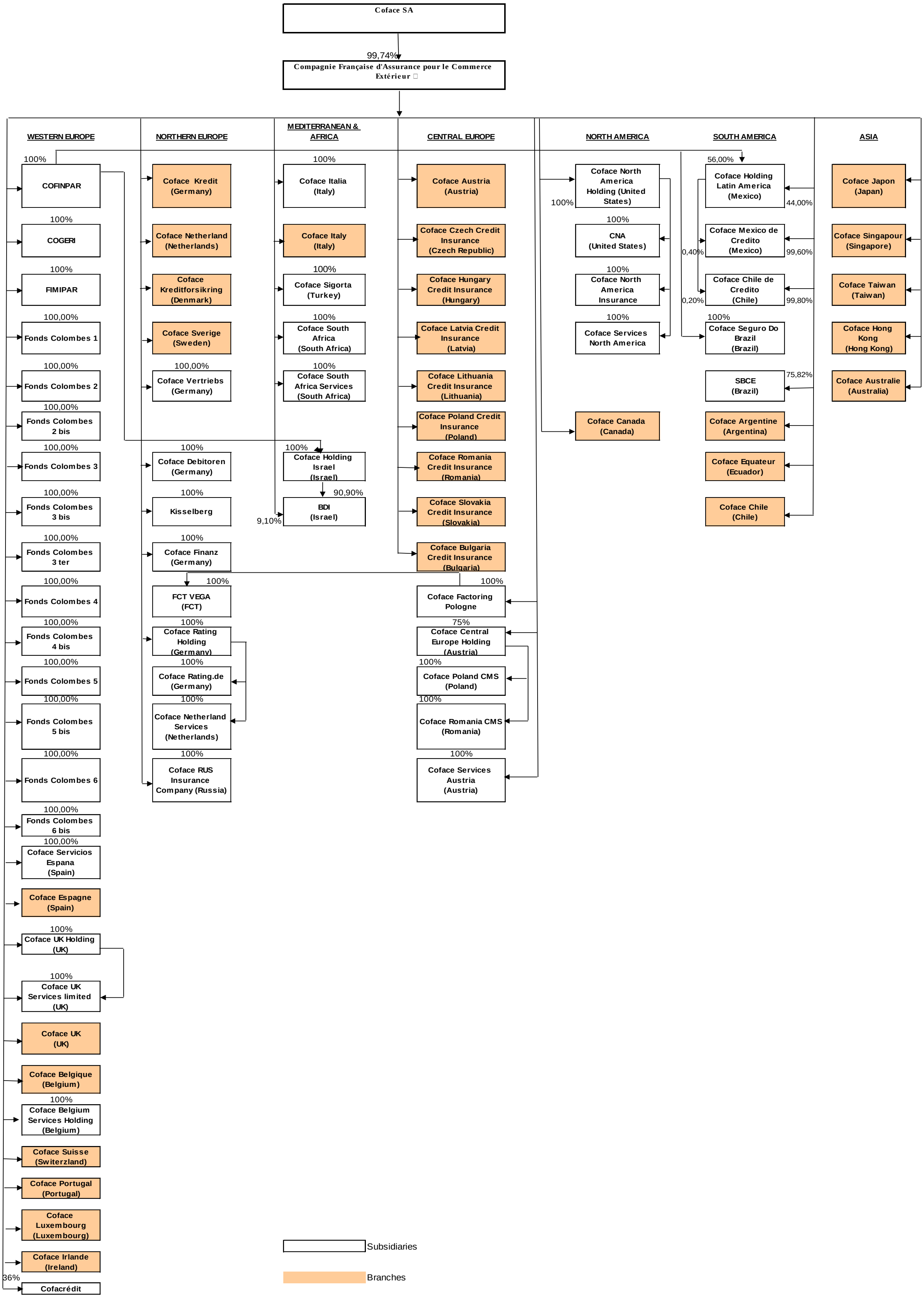
## 2. Share Capital and Ownership

The issue paid-up capital of the Issuer amounts to 784,206,535 euros and is divided into 156,841,307 shares.

Natixis holds 99.99% of the shares and the voting rights of the Issuer. The Issuer's board of directors (*Conseil d'administration*) is consisting of thirteen directors, 2 of which being independent.

The Coface Group's structure as at December 31, 2013 is illustrated in the following chart:

**Simplified organization chart as of December 31, 2013**



## 3. History of the Coface Group

The Issuer is the holding company of the Coface Group. It operates its business through its main operational subsidiary, Compagnie française d’assurance pour le commerce extérieur, and the branches and subsidiaries thereof.

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

In 2000, shareholders decided to list Compagnie française d’assurance pour le commerce extérieur on the Paris stock exchange’s primary market.

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

*International Development of the Coface Group*

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

During the 1990s, the Coface Group engaged in a policy of international growth by acquiring various credit insurance companies and expanded through the creation of new subsidiaries and branches. Such strategic acquisitions included: (1) La Viscontea, an Italian surety and credit insurance company acquired in 1992; (2) London Bridge Finance, a British finance company offering credit insurance services acquired in 1993, whose activities have since been taken over by the Coface Group’s local branch, Coface UK; (3) Allgemeine Kredit, a German company offering both domestic and export credit insurance services acquired in 1995; (4) Osterreichische Kreditversicherung, the most prominent credit insurance company in Austria acquired in 1996 and 1997; and (5) the US portfolio of Continental acquired in 2002. This international development was also based on the creation in 1992 of the CreditAlliance network, which enabled the establishment of different strategic partnerships, particularly in emerging markets (such as Latin America, Asia and Africa). Since 2002, the Coface Group has been positioning itself as a multi-services player specialized in trade receivables management.

*Refocusing on its Core Business: Credit Insurance and Preparing for Challenges Ahead Through the Implementation of the First Strategic Plan 2011-2013 ("**Strong Commitment I**")*

In 2011, in order to refocus its activities on its credit insurance core business, the Coface Group implemented the Strong Commitment I. For three years, this plan outlined the framework of 80 structural actions in order to clarify and optimize the Coface Group's business model around a core business: credit insurance. This refocusing led the Coface Group to divest all its non-strategic interests (Coface Services, Kompass, Graydon, Coface Finans A/S Danmark, TKB and Coface Collection North America) or liquidate them.

In addition, in the context of regulatory changes related to the implementation of the Solvency II Directive (see Section 4.8 "*Regulatory Environment*") and the Strong Commitment I, the Coface Group converted all of its insurance subsidiaries located in the European Union territory into branches in order to rationalize its organization and to have a single regulatory contact at the European level.

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

- reorganization of the internal governance of the Coface Group through the implementation of a matrix organization which allows it to have a close relationship with its policyholders and also ensures it a greater responsiveness in the decision-making process (see Section 4.7 "*Functional Organization and Operational Departments*"),

- strengthening risk analysis, assessment and management tools (see Section 4.5 "*Quantitative Disclosure about Risk Factors and Risk Management Policy*"),

- redeploying the risk underwriting much closer to the risk through the creation of 25 new underwriting centers and an organization by activity sectors, the creation of enriched information centers (which now number 45) and 3 centers dedicated to the mass treatment of tasks generated by the Coface Group's IT systems and further harmonization of its IT systems (see Section 4.4.1.2 "*Credit Insurance and Related Services - Information on the Solvency of Debtors in the Center of the Activities of Coface Group*"),

- harmonizing the commercial delegation rules and reviewing the pricing policy aimed at standardizing the subscription rules and procedures worldwide, in particular through a common pricing tool "PEPS" (see Section 4.4.4 "*Information Systems*"),

- implementing a product governance policy to change the Coface Group's products line including a new division of policyholders and the creation of various offers such as "Coface Global Solutions" for multinationals, or as "Topliner" which provides supplementary coverage wider than classic credit insurance (see Section 4.4.1 "*Credit Insurance and Related Services*"), and

- preparing the implementation of the Solvency II Directive (see Section 4.8 "*Regulatory Environment*") and the development the Coface Group's internal model.

To complete its ongoing transformation, the Coface Group revealed a new visual identity in 2013, a new logotype and a new signature, "Coface for safer trade", a symbol of a renovated and modernized image. The Coface Group also moved its head office to Bois Colombes in June 2013, which includes both the French and head office activities.

In the context of the further optimization of its operational organization, the improvement of its offers and services, and its development, the Coface Group launched a new pluri-annual business plan (the "**Strong Commitment II**") in 2013. The structural actions are currently being implemented in order to capitalize on Strong Commitment I's achievements and further improve them, particularly with regard to the Coface Group's commercial development (see Section 4.3 "*Strategy*").

## 4. Overview of Coface Group business activity

### 4.1 Introduction

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

- credit insurance products and related services (prevention of associated risks, management and collection of debts, "Single Risk" and public procedures management); and

- additional services (mainly factoring and surety bond in certain countries).

For the financial year ended December 31, 2013, the Coface Group's consolidated revenue totaled €1,440.3 million, with recurring operating income of €195 million and net income of €127 million, with credit insurance products and related services, the core business of the Coface Group, representing 88% of the consolidated revenue of the Coface Group and the balance consisting of additional services offered primarily to its policyholders (see Section 4.4.2 "*Complementary Services*").

The services and guarantees offered by the Coface Group play a key role in the management of financial risks for over 37,000 companies with debtors in more than 200 countries in a variety of sectors ranging from the agro-food sector to the aerospace industry. With 4,440 employees worldwide, the Coface Group relies on an international network of local offices, giving it a direct presence in 66 countries (through its subsidiaries and branches) as well as a network of nearly 200 local partners, managed through the CreditAlliance network, which market its credit insurance solutions and additional services in 97 countries.
The Coface Group benefits from a strong financial structure. It is rated AA-, with stable outlook by Fitch Ratings and A2, with stable outlook by Moody's.

*Credit Insurance and Related Services*

As an expert in trade risk, the Coface Group provides its policyholders with expertise in business assessments and risk prevention and offers credit insurance solutions that aim to protect policyholders against the risk of financial default by their debtors as well as to support them domestically or internationally, regardless of their business sector, size or nationality. It relies on its expertise in the acquisition and management of data on debtors and their environment, which is essential for the analysis and monitoring of debtor risks both for its policyholders as well as for its risk underwriters responsible for assessing those risks. The main credit insurance solutions offered by the Coface Group can take the form of global guarantees in relation to a particular business flow through "Globalliance", the leading product of the Coface Group, ad hoc guarantees for specific and/or complex operations ("Globalliance Projects Cover" and "Single Risk"), or even consist of supplementary coverage ("TopLiner") (see Section 4.4.1 "*Credit Insurance and Related Services*").

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

Moreover, Compagnie française d'assurance pour le commerce extérieur, one of the Issuer's subsidiaries, provides public procedures management on behalf of, and with the guarantee of, the

French State, (see Section 4.4.1.5 "*Credit Insurance and Related Services – Public Procedures Management*").

*Additional Services*

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

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

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

*Key indicators*

| **Consolidated revenue** (in millions of euros) | **2013** | | **2012** | |
|---|---|---|---|---|
| **BY BUSINESS LINE** | | | | |
| **Credit insurance and related services** | | | | |
| *Gross earned premiums net of rebates* | 1,071 | 74% | 1,100 | 74% |
| *Insurance-related services* | 133 | 9% | 136 | 9% |
| *Public procedures management* | 66 | 5% | 69 | 5% |
| **Additional services** | | | | |
| *Net income from banking activities* | 69 | 5% | 77 | 5% |
| *Surety bonds – gross earned premiums net of rebates* | 58 | 4% | 60 | 4% |
| *Services* | 44 | 3% | 45 | 3% |
| **Total** | 1,440 | 100% | 1,487 | 100% |

| **Consolidated revenue** (in millions of euros) | **2013** | | **2012** | |
|---|---|---|---|---|
| **BY COUNTRY OF INVOICING** | | | | |
| *Northern Europe* | 367 | 25% | 347 | 23% |
| *Western Europe* | 469 | 33% | 505 | 34% |
| *Central Europe* | 110 | 8% | 111 | 7% |
| *Mediterranean & Africa* | 217 | 15% | 213 | 14% |
| *North America* | 102 | 7% | 113 | 8% |
| *Latin America* | 81 | 6% | 85 | 6% |
| *Asia-Pacific* | 96 | 7% | 113 | 8% |
| **Total** | 1,440 | 100% | 1,487 | 100% |

| *(in million of euros)* | **2013** | **2012** |
|---|---|---|
| *Operating income* | 197 | 197 |
| *Net Income attributable to owners of the parent* | 128 | 125 |
| *Net Income* | 127 | 124 |

| **Ratios relating to credit-insurance and surety bonds gross earned premiums net of rebates** | **2013**[2] | **2012**[3] |
|---|---|---|
| *Loss Ratio before Reinsurance* | 51.1% | 51.5% |
| *Cost Ratio before Reinsurance* | 30.5% | 29.5% |
| *Combined Ratio before Reinsurance* | 81.5% | 81.0% |
| *Combined Ratio after Reinsurance* | 82.5% | 80.3% |

## 4.2 Competitive Strengths

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

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

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

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

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

**The World's Leading Credit-Insurance Network**

Due to its direct presence in 66 countries, the Coface Group considers it benefits from the largest geographic coverage amongst the three principal global players in credit-insurance. This deep geographic coverage, together with the ability to distribute solutions through fronting agreements (in the form of reinsurance treaties supplemented by partnership agreements) in 33 countries, constitutes an advantage for market and local risk knowledge and sales development, the collection of data on buyers and debt collection efficiency. The extent of the Coface Group network, together with the

[2] Excluding relocation costs.
[3] Excluding discontinued operations.

strong "Coface" brand recognition, which has remained unchanged since 1946 and has established an important recognition at the international level, also constitutes an advantage in terms of visibility and image.

**Balanced Geographic Risk Exposure and Significant Presence in Emerging Markets**

The Coface Group benefits from balanced geographic risk exposure between its historic credit insurance markets, in particular in Western Europe, and other markets with, in particular, significant market shares in emerging markets, in particular in Latin America and Asia-Pacific where it considers itself to be the leading global player in the sector. This emerging-markets presence constitutes a competitive advantage to the extent that these countries represent a priority for foreign exporters and thereby to support the growth perspectives for the Coface Group.

**First-Class Information Basis**

The Coface Group considers that it possesses a first-class debtor information base, ATLAS, both in terms of its quality and its global reach (see Section 4.4.1.2 "*Credit-Insurance and Related Services – Information Relating to Solvency of debtors at the Center of the Coface Group's Activities*"). It considers that it constitutes a decisive competitive advantage compared to regional and local players of the sector. Among the three leading global players, the Coface Group considers that its knowledge of debtors located in emerging markets and in countries judged to be challenging in terms of risk analysis represents a competitive advantage in these countries and constitutes, both for policyholders as well as for itself, vectors for growth of the global economy.

**A High-Performance Technical Platform**

Through the global integration of its business lines and the support of its integrated IT systems, the Coface Group considers that it has one of the best-performing operational platforms on the market. This advantage results principally from the initiatives taken during the period the Coface Group refocused on its core credit-insurance business between 2012 and 2013.

Some 80 or so implemented projects have allowed the Coface Group to improve its technical platform with regard to data collection, risk underwriting, collection of unpaid receivables, pricing policies, navigation tools and also cost improvements. The actions taken also allowed it to pass through the Eurozone crisis with a loss ratio among the best for the sector (51.5% in 2012 and 51.1% in 2013), notwithstanding that the Coface Group was very exposed to risks in this region, and ensured that the Coface Group had a solid base from which it could roll out its durable growth and profitability strategy.

**High-Quality Human Resources**

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

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

**A Solid Financial Structure Combined with Durable Profitability**

The Coface Group benefits from a solid capital structure and a healthy balance-sheet. As at December 31, 2013, the Coface Group owned funds totaling €1.8 billion and tangible own funds (without intangible assets, goodwill, capitalized IT development costs) of €1.6 billion. In addition, the control of its loss-ratio, demonstrated over four consecutive years, shows furthermore a solid contribution of the operating income to the financial profile of the entity. As in all insurance businesses, the financial solidity of the Coface Group, shown in particular by its capacity to maintain its AA- rating by Fitch and A2 rating by Moody's with stable outlook (confirmed in both November 2013 and December 2013) even while certain rating agencies were downgrading the outlook and/or the ratings of an increasing number of companies in the insurance sector, constitutes an advantage and much-sought-after quality by customers, especially in the framework of third-party financing of trade receivables.

## 4.3 Strategy

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

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

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

**Densify and Dynamize its Commercial Approach to Markets**

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

*Improving the Operational Efficiency of the Network*

As with the tasks carried out during 2012-2013 related to the fundamental business line of risk management, the Coface Group undertook an operational review of its marketing functions, aiming to improve the efficiency of the sales forces. It put in place a harmonized marketing organization common to all seven regions of the Coface Group, capable of supporting in an optimal manner its multichannel distribution strategy and of simplifying its commercial follow-up and commercial direction tools.

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

*Selective Reinforcement of the Commercial Network in Zones Representing Important Potential Growth*

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

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

In addition, the markets in certain developed countries, in which the density of the network is not adapted to the potential of the actual market, will also benefit from these efforts, in particular the United States, where the credit-insurance market represents an important potential given the still relatively low rate of penetration, or even in Scandinavian countries, where the Coface Group's presence is not representative of its global market share.

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

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

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

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

Based on this move, the objectives and priorities of the "Credit Alliance" partners network, an historic advantage of the Coface Group, were redefined and its commercial contribution will be re-dynamized in 2014 (See Section 4.4.1.4 "*Distribution Network and Partnerships*").

**Enlarge the Prospecting Base in all Market Segments**

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

This policy is principally directed at the SME segment that will generally be included in its commercial strategy in each market. This activity will be launched in priority through distribution partners, using tools aimed at ensuring a certain autonomy of its partners during the prospection cycle, while maintaining reasonable distribution costs for the Coface Group, in particular through the view "SME Pack" launched in 2014 (see Section 4.4.1.2 "*Credit Insurance and Related Services*").

At the other extreme of policyholder typology, the large multinational entities segment, in which the Coface Group is particularly present through its Coface Global Solutions offering, will also be the subject of particular attention within the framework of its commercial development. The Coface Group recognizes the potential for rapid growth this segment offers, as well as the determining role that large enterprises play in the distribution of credit-insurance in new markets, both with regard to product awareness and, for the Coface Group, the attainment of a minimum level of business activity upon penetration of such markets. The Coface Group intends to pursue its efforts in this international credit-insurance program segment by reinforcing its Coface Global Solutions commercial network and by developing an adapted offering and services in this segment.

**Continued Geographic Extension into Potential Markets**

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

*Increase the Number of Direct Insurance licenses*

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

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

*Prepare and Realize New Country Penetration*

A monitoring service regularly analyzes the potential of any country in which the Coface Group is not yet present in order to determine short-, medium- and long-term priorities. The Coface Group envisages extending its presence in 10 or so new countries whose potential has been identified between now and 2018, both in terms of marketing and business plans.

*Watching for External Growth Opportunities*

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

**Continue its Policy of Product Innovation**

The Coface Group has historically set itself apart by a sustained policy of product innovation, including during the period of its refocusing on its core business, credit-insurance. Operating in a business driven by product offering, it has engraved into its strategy a policy of differentiation, wherein product innovation must be the essential vector.

*Renew and Specialize the Credit-Insurance Range*

The market segmentation efforts carried out by the Coface Group during its refocusing period led it to redefine and specialize its target product range. A renovation program will result in the Coface Group launching a new contract for SMEs in 2014, the “SME Pack”, which will back up the principal offerings in this segment, to be rolled out in the 66 countries. The Coface Group also envisages the renewal of its leading “Globalliance” contract in 2015, in particular with a view to improving the management of the modularity and a harmonization of the options it offers, as well as a better management of the underwriter risk policy upon insurance policy renewal.

The Coface Group Solutions client offering will also be subject to a specialization process, but will continue to be managed on the basis of the central product platform (the “**Globalliance**” contract, on the COFANET website), supplemented by a series of co-ordination and directional insurance programmes (a Master Agreement and risk analysis tools and CGS Dashboard reporting).

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

*Exploit Opportunities for Services Remuneration*

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

In addition to the getting the best value out of existing services, the Coface Group intends to support revenue from services by launching new paying services. To this end, it has announced the launch in 2014 of two complementary services based on exploiting the policyholder's accounting information: the COFANET Policy Master, which will reduce the management of the credit-insurance policy by the policyholders and COFANET Cash Master, which will facilitate the financing of covered receivables by making more precise information available to third-party lenders about credit-insurance policies, in particular in markets where the factoring offer is not yet very prevalent.

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

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

Armed with greater experience as a result of the way credit-insurers managed the 2008-2009 crisis, the Coface Group is now working on a series of innovations aimed at reinforcing and continuing its know-how research by its companies during an economic cycle, including during crisis periods where insurance is more difficult to provide. The TopLiner offering, launched by the Coface Group in December 2012, (see Section 4.4.1.2 "*Credit Insurance and Related Securities*") provides supplementary coverage where, for a particular debtor, the policyholder obtained coverage for an amount lower than it applied for or even none at all, should be seen as a first step in this journey of innovation whose culmination should result in an improvement in the management by policyholders of its clients' credit. This product is completely ingrained in its core business, which sets itself apart from competing offerings by its construction and its tools (setting up of an automatic ad-hoc pricing model for sensitive risks). This new product has rapidly found its place in the Coface Group's product line, generating €12 million of additional premiums for the 2013 financial year.

**Continue Business Line Investment to Reinforce Risk Control**

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

*Information Quality*

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

In particular, the Coface Group intends to review certain sections of its DRA (Debtor Risk Assessment) methodology (see Section 4.4.4 "*Information Systems*") for the purpose of improving the coherence of this risk-assessment tool in all countries.

*Control of Risk Underwriting*

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

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

Finally, with regard to the sale of insurance, the Coface Group intends to derive advantage from all the data accumulated from the very start through its global PEPS (Past & Expected Profitability System) tool in order to improve the parameters and the direction of its pricing policy.

*Efficiency in Debt Collection*

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

**Control Cost Base to Enable Growth to Maximize Operational Leverage**

*Continue Information Systems Convergence*

Following the investments made between 2012 and 2013 aimed at aligning the information systems to the strategic objectives of centralizing and securitizing business data, the Coface Group intends to complete the convergence of its information systems, in order to improve operational efficiency and to reduce application-maintenance costs. The main elements of this workstream will relate to contract management tools, accounting and financial control tools and indemnification/collection cycle tools. These investments will be fully financed by savings maintenance and will not require an increase in the budget allocated to the information systems.

*Reinforce Cost Rationalization*

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

*Managing Headcount Growth with Reference to Revenue Growth*

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

**Success through Coface Group Employees**

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

*Reinforce the Sharing of a Common Ambition*

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

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

*Reinforce further a High-Performance Management Team*

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

## 4.4 Description of Activities

### 4.4.1 Credit Insurance and Related Services

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

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

With its leading product, Globalliance, the Coface Group targets all types of companies seeking to cover their debtor risk and, as part of its innovation strategy, strengthens its offer by providing supplementary coverage ("TopLiner"), products and offers geared to specific customer groups (international corporations ("Coface Global Solutions") or small- and medium-size businesses ("SME Pack")) and also specific coverage, including through its "Single Risk" offer, which enables its policyholders to protect themselves against trade or political risk related to a project or a particular investment.

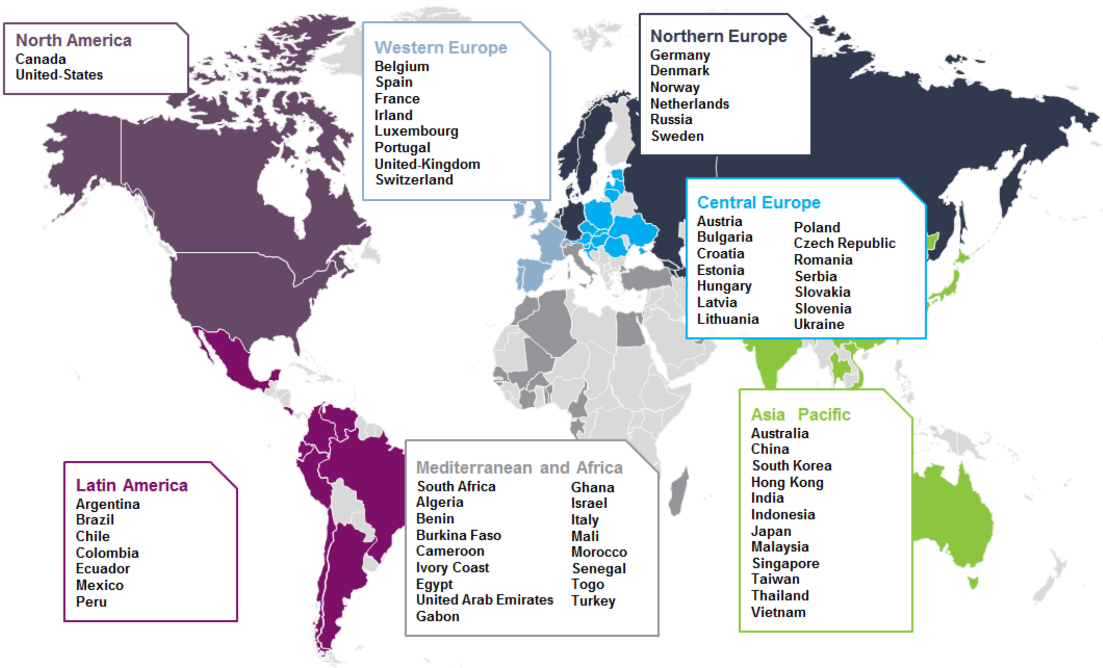
Moreover, Compagnie française d'assurance pour le commerce extérieur, one of the Issuer's subsidiaries, has been providing public procedures management on behalf of, and with the guarantee of, the French State since 1946.

For the financial year ended December 31, 2013, credit insurance products and its related services represented revenue of €1,270 million , or 88% of the Coface Group's consolidated revenue. The following table shows the changes in the contribution of this activity to Coface Group consolidated revenue during the 2012-2013 period (in millions of euros and as a percentage of the Coface Group total):

| **Share of consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| ***Credit insurance*** | 1,270 | 88% | 1,305 | 88% |
| *of which earned gross Premiums net of rebates* | 1,071 | 74% | 1,100 | 74% |
| *of which Information and other services* | 133 | 9% | 136 | 9% |
| *of which Public procedures management* | 66 | 5% | 69 | 5% |

Through its subsidiaries and branches, the Coface Group has a direct presence in a geographic area that represents nearly 91% of the global gross domestic product. It relies on its international network of nearly 200 local partners and markets its credit insurance solutions and additional services in 97 countries, thereby giving it a large presence and a geographic footprint on all continents. The Coface Group considers itself to be one of the three global market players in the credit insurance industry. In particular, the Coface Group considers itself to be the leading player in the Latin America region and the first among the three major leaders in the Asia-Pacific region, the second leading player in the North America, Mediterranean & Africa and Central Europe regions, and the third leading player in the Western Europe and Northern Europe regions.

The following map illustrates the direct presence of the Coface Group in 66 countries (through its subsidiaries and branches), grouped and organized into the seven major geographic regions of the Coface Group (Central Europe, Western Europe, Northern Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific) as of December 31, 2013:




The following table shows the change in revenue of its credit insurance activity by region during the 2012-2013 period (in millions of euros and as a percentage of the total of the Coface Group's credit insurance activity):

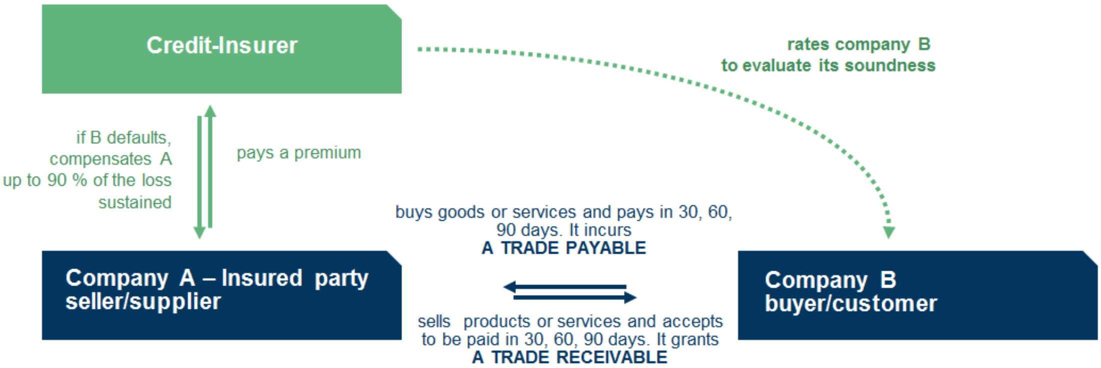
| **Consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| *Northern Europe* | 288 | 23% | 259 | 20% |
| *Western Europe* | 466 | 37% | 500 | 38% |
| *Central Europe* | 87 | 7% | 87 | 7% |
| *Mediterranean & Africa* | 156 | 12% | 153 | 12% |
| *North America* | 98 | 8% | 109 | 8% |
| *Latin America* | 80 | 6% | 84 | 6% |
| *Asia-Pacific* | 95 | 7% | 112 | 9% |
| **TOTAL** | 1,270 | 100% | 1,305 | 100% |

### 4.4.1.1 Credit Insurance and Related Services

*Credit insurance mechanism*

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

The following diagram illustrates the typical credit insurance mechanism:




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

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

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

In the event of non-payment of a debt, the Coface Group generally handles the recovery of unpaid receivables, in order to limit losses and release the policyholder from the management of this litigation stage and allow it to maintain, to the extent possible, its business relations with its debtor (unless the policyholder expressly wishes to retain the ability to exercise itself the recovery). Accordingly, the Coface Group is required to conduct negotiations and, if necessary, litigation (either before indemnification, according to the terms of the insurance policy, or after indemnification as a result of subrogation) for the collection of the amounts due (see Section 4.4.1.3 "*Indemnification of Claims and Recovery of Debts*"). If these procedures fail, and after a period specified in the insurance policy, the Coface Group pays the policyholder a portion of the unpaid insured receivable (usually 85% to 90% of the unpaid receivable). The purpose of this risk sharing is to contribute to the development of a common set of interests between the Coface Group and its policyholder in order to encourage prudential risk-management. Upon payment of this indemnification, the Coface Group is subrogated to the rights of its policyholder for the part of the debt it indemnified, with all legal proceedings, and recovery exercised by the Coface Group reducing the total amount of indemnification paid.

The use of credit insurance thus allows Coface Group policyholders to protect their margins by being insured against the financial impact of an unpaid debt, while benefiting from prevention and information tools regarding the financial solvency of their debtors as part of the management of their credit risks, as well as through regular discussions with the Coface Group industry and country specialists (see in particular Section 4.4.4 "*Information Systems – Key Coface Group applications and tools available to its policyholders – COFANET*").

In addition, credit insurance facilitates access to debt financing solutions, in particular through the use of factoring (see Section 4.4.2.1 "*Complementary Services – Factoring*"). It mitigates the risks associated with financing trade receivables as a result of the coverage provided, the counterparties selected and the assessment of their solvency and the associated mechanisms for the recovery of unpaid receivables.

*Major Credit Insurance Products Offered by the Coface Group*

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

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

**Globalliance**

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

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

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

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

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

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

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

– communication of the DRA ("Debtor Risk Assessment") on all debtors of the insured portfolio on the secured COFANET website (see Section 4.4.4 "*Information Systems*");

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

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

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

**TopLiner**

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

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

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

**Globalliance Projects Cover**

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

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

**SME Pack**

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

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

In addition, the "SME Pack" will allow the Coface Group both to directly distribute this new commercial offering (through its Internet portal) through brokers and to develop a wider distribution method with a variety of "white labels" in collaboration with its extensive network of partners and non-specialized distributors (see Section 4.4.1.4 "*Marketing Network and Partnerships*").

**"Single Risk"**

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

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

For the year ended December 31, 2013, the Single Risk offer accounted for €32 million in revenue, representing 2% of the Coface Group's consolidated revenue. The following table shows the development of the contribution of this offer to the Coface Group's consolidated revenue during the 2012-2013 period (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

| **Share of consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| *Single Risk* | 32 | 2% | 34 | 2% |

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

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

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

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

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

*Coface Global Solutions, A System Dedicated for Major International Companies*

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

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

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

*Pricing of Credit Insurance*

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

Pricing is a key component of the Coface Group's commercial policy, especially when its sales representatives meet with policyholders or prospective clients. The Coface Group's sales teams' commercial underwriting pricing activities are independent from the risk underwriting conducted by the risk underwriters (see Section 4.4.1.2 "*Risk Underwriting Implemented Through a Harmonized Process*").

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

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

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

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

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

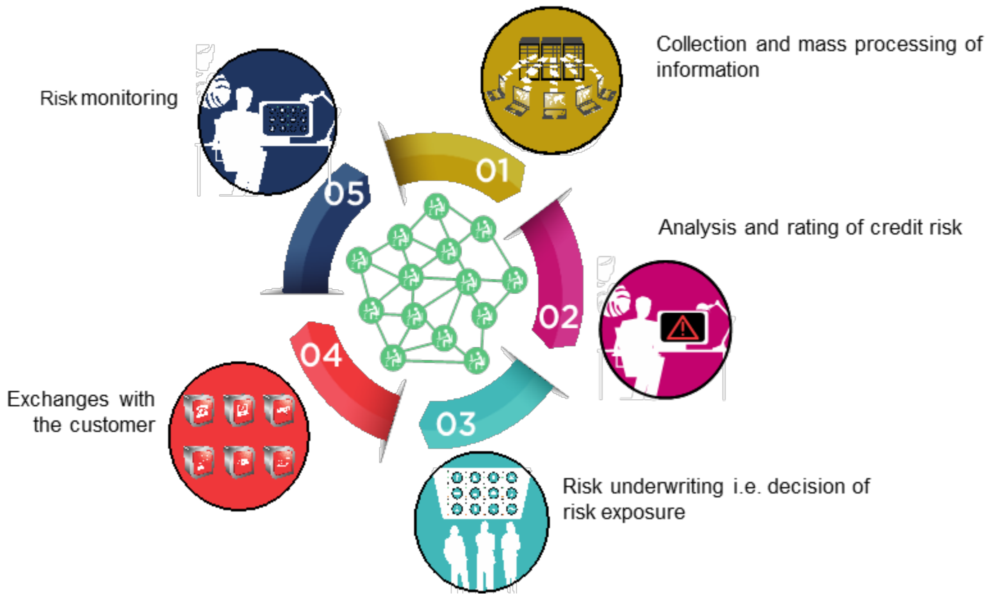
*Introduction*

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

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

Data is a key component for the Coface Group at every stage of risk monitoring compiled by the ATLAS database (see Section 4.4.4 "*Information Systems – ATLAS*" below). First, it is collected and processed by outside service providers. This data is analyzed, taking into account the Coface Group as a whole, in order to establish Debtor Risk Assessments (DRA). The risk underwriters consult these DRAs to decide the amount of risk to undertake for each policyholder. Finally, the data the Coface Group collects, analyzes and uses is updated regularly, in particular through discussions with the policyholders, to monitor the risks associated with its policyholder's debtors. All the Coface Group activities rely on EASY, a unique identification data base of the debtors facilitating the communication between the Coface Group and its partners and customers (see Section 4.4.4 "*Information Systems – EASY*").

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




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

– manage its pricing policy and enrich the quality of its credit insurance offers (see Section 4.4.1.1 "*Credit Insurance and Related Services – Pricing of Credit Insurance*";

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

– facilitate its debt management and debt collection activities.

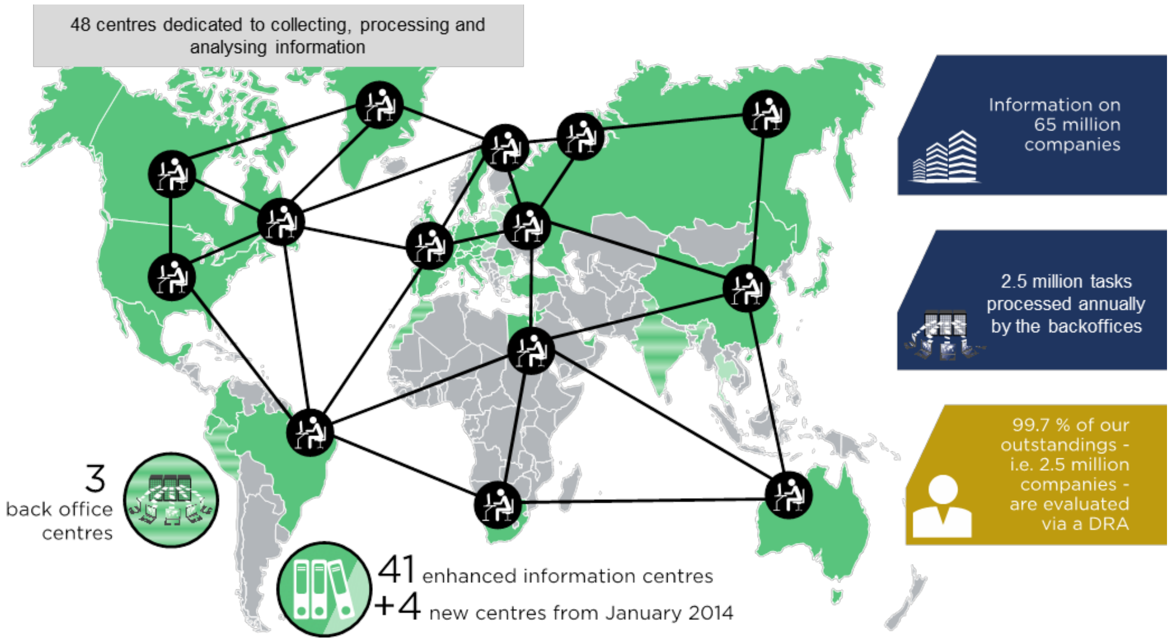
In addition, this policy allows the Coface Group to obtain macroeconomic information, which is subject to analysis by teams from the economic research Department, which comprises 18 economists, including five who work in the regions covered by the Coface Group in order to ensure local coverage. These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

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

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

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

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




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

*Risk Underwriting Implemented Through a Harmonized Process*

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

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

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

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

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

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

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

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

#### 4.4.1.3 Indemnification of Claims and Recovery of Debts

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

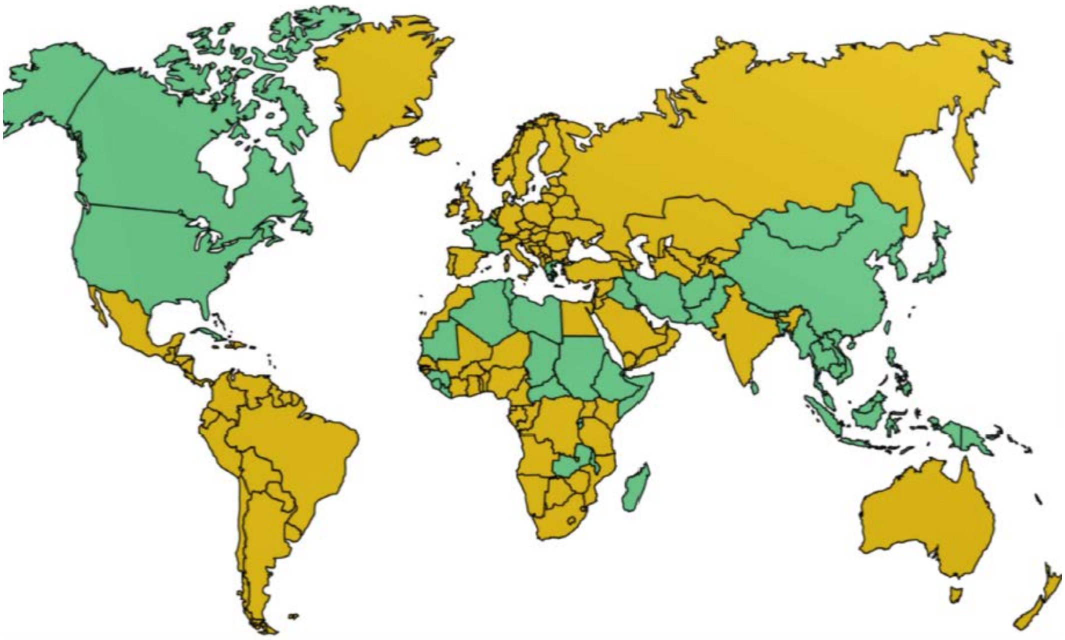
Indemnification of claims and collection of unpaid debts are two activities essential to the proper functioning of credit insurance. Accordingly, policyholders expect their insurer to be reactive and efficient in the management of their unpaid debts. Moreover, efficiency of collection has a direct impact on the Coface Group's loss ratio; an increase of one percentage point in the collection rate represents nearly €10 million of recovered receivables, which has an immediate effect on its results and improves its loss ratio.

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

The Coface Group's indemnification and collection network, which handles coverage in 217 countries, consists of 560 employees (200 are responsible for the analysis of indemnification requests and 360 for collections) that rely on DCON, the web tool allowing them to record and approve all identified unpaid receivables by the Coface Group's policyholders (see Section 4.4.4

“*Information Systems – ATLAS-INFO*”). It is supplemented by a network of 41 companies that provide support services to the Coface Group’s staff, either to handle all doubtful debt management (i.e. approximately 50,000 separate files in 2013), or intervene to support their in-house teams at any stage of the collection process.

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



**Service provider network** **Direct collection by Coface Group**

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

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

#### 4.4.1.4 Distribution Network and Partnerships

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

To market and distribute its credit insurance products and its complementary services, the Coface Group uses many distribution channels that vary depending on the specificity of each of the local markets in which the Coface Group operates. The Coface Group's distribution department supervises both direct sales and indirect sales at the international level through its partner network.

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


These distribution channels include the Coface Group's own sales teams which, as at December 31, 2013, were comprised of approximately 1,340 sales staff throughout the world (excluding guarantees managed on behalf of the French State), and a large network of approximately 200 partners. The direct sales force of the Coface Group is also composed of exclusive agents distributing its policies, due to the specific characteristics of the distribution network in certain countries such as the United States and Italy.

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

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

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

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

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

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

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

Exchanges within the Coface Partners network will focus on marketing and credit insurance product sales techniques and sharing common experiences.

#### 4.4.1.5 Public Procedures Management

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

The following table shows the changes in the contribution of these services to the Coface Group's consolidated revenue during the 2012-2013 period (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

| **Share of consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| *Public procedures management* | 66 | 5% | 69 | 5% |
| France | 60 | 4% | 63 | 4% |
| Brazil | 6 | 0.42% | 6 | 0.4% |

This activity does not represent a risk for the Coface Group as all risks are assumed by the State. All financial flows relating to public guarantees (premiums, indemnities, payouts) are recorded by Compagnie française d'assurance pour le commerce extérieur in a separate set of accounts. Premiums and payouts received by it are directly transferred to the State's account. Indemnities are paid by Compagnie française d'assurance pour le commerce extérieur from this same account. The management arrangements of these guarantees and their remuneration are set out in a binding agreement between Compagnie française d'assurance pour le commerce extérieur and the State (see Section 4.8 "*Regulatory Environment*").

***Types of Insurance Offered Benefiting from the State Guarantee***

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

– *Prospection insurance*

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

– *Exporter risk insurance*

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

– *Export credit insurance*

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

– *Foreign exchange insurance*

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

– *Foreign investment insurance*

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

***Response framework***

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

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

***Public Procedures Management on Behalf of the Brazilian State***

Since 1996, the Coface Group has been managing the same type of services on behalf of, and with the guarantee of, the Brazilian State through its Brazilian subsidiary SBCE. The management of these services and their remuneration are determined by an agreement entered into by the government of Brazil and SBCE. Renewed in February 2012, this agreement is valid for one year and can be renewed accordingly on an annual basis for five years maximum. It was last renewed in February 2014, until April 30, 2014. For the year ended December 31, 2013, this activity income amount to €6 million, i.e. 0.42% of the consolidated revenue of the Coface Group.

### 4.4.2 Complementary Services

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

#### 4.4.2.1 Factoring

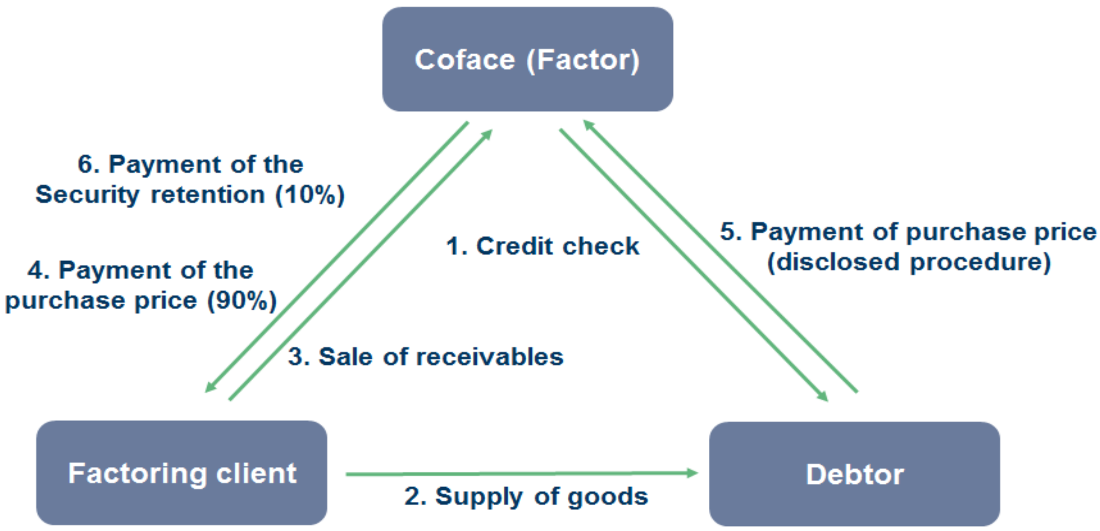
The Coface Group offers factoring solutions in Germany and Poland. Historically present in other geographical markets, the Coface Group has refocused its factoring activities towards the countries where it has a sufficient presence allowing its activities to be conducted under optimal profitability conditions.

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

The following table shows the changes in the contribution of this offer to the Coface Group's consolidated revenue during the 2012-2013 period (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

| **Net income from banking activities and percentage of consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| *Factoring* | 69 | 5% | 77 | 5% |

The following diagram illustrates the factoring mechanism:




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

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

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

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

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

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

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

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

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

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

#### 4.4.2.2 Surety Bonds

In addition to its main credit insurance business and benefitting from its expertise in debtor risk-management, the Coface Group offers surety bond solutions[4] to its policyholders in certain countries (mainly Germany, Austria, Italy and France), to meet their specific needs in certain markets.

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

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

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

The following table shows the changes in the contribution of this offer to the Coface Group's consolidated revenue during the 2012-2013 period (in millions of euros and as a percentage of the Coface Group's total consolidated revenue):

| **Net revenue and percentage of consolidated revenue** | **2013** | | **2012** | |
|---|---|---|---|---|
| *Surety bonds* | 58 | 4% | 60 | 4% |

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

- **performance bonds**: tender bid bonds (guaranteeing to the buyer that the seller that has submitted its bid to the tender offer can, if awarded the contract, actually provide the services announced in its submission to the tender offer), performance bonds (guaranteeing to the buyer that the seller will perform the contract), advance payment restitution bonds (commitment to return any advance paid by the buyer, in the event the seller decides not to

[4] For the avoidance of doubt, this activity refers to guarantees granted to policyholders and not to any kind of financial instruments whatsoever.

continue with its obligations under the contract), guarantee retention bonds (covers any defects arising during the coverage period);

- **outsourcing bonds**: guarantee the payment of subcontractors hired by the company; and
- **customs bonds**: allow companies to benefit from duties credits, and in certain markets, guarantee amounts payable in respect of indirect or excise duties, or permit to postpone their payment.

#### 4.4.2.3 Other Services

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

### 4.4.3 Major Coface Group Policyholders

The Coface Group generates its consolidated revenue from more than 37,000 policyholders, and the average annual consolidated revenue per policyholder is less than €40,000 spread across highly diversified areas, which allows the Coface Group to better withstand changes during sectoral economic cycles.

Given its very broad customer base, the diversity of the sectors represented and their geographical spread, the Coface Group believes that it is not dependent on any individual policyholder. Accordingly, for the year ended December 31, 2013, the largest policyholder accounted for less than 1% of the Coface Group's consolidated revenue.

### 4.4.4 Information Systems

*Introduction*

The use of efficient, reliable and secure IT systems is a major challenge for the Coface Group both in the course of its commercial offerings (see Section 4.4.1.2 "*Credit Insurance and Related Services – Information on the Solvency of Debtors is at the Center of the Coface Group Activities*") and as part of its management procedures, reporting and internal controls, which allow it to have a global view of all its activities, the progress of its strategic plans and development, the management of its risks, as well as adequate follow-ups to internal and external audit reports (Prudential Control Authority, the BPCE Internal Audit) (see Sections 4.5 "*Quantitative Disclosures about Risk Factors and Risk Management Policy*" and 4.8 "*Regulatory Environment*").

During the last few years, pursuant to Strong Commitment I, the IT Department focused on aligning its IT systems with the strategic objectives of the Coface Group by unifying its IT systems, in order to centralize and secure its business data, among other objectives. Therefore, since 2012, the Coface Group relies on a new IT structure: all of the servers are saved on two external data centers located in the Paris region and data is being stocked into a private cloud system. The IT systems are all located at these two sites (servers, storage, backup, network equipment and telecommunications, etc.). In the event of a failure of one of these two sites, the other takes over transparently for all users. Accordingly, pursuant to its Activities Continuation Plan, all data and IT applications used by the Coface Group are replicated on two backup sites located in the Paris region. Backup sites have been anticipated in case of an emergency affecting major sites, including for central office employees. The "*Information Systems*" section of the ACP is tested at least once per year (See Section 4.5.7 "*Operational Risk Management*").

In general, this new organization reduces maintenance costs and improves security and business continuity aspects. Furthermore, the IT Department is currently implementing the STAR project, which consists in creating a centralized data base with information collected worldwide in each operational domain of credit insurance. Once reliability has been confirmed, this information feeds the production tools of the Coface Group. The STAR project will also be used to produce reportings for the operational management of the Coface Group. The first phase of the STAR project, relating to the scope of the claims data, was completed at the end of 2013.

For nearly 20 years, the Coface Group has been using Oracle to ensure a high level of expertise and quality in data management and has opted for open IT systems, which support the Coface Group in the technological developments required for its activities through an applications portfolio composed of internally-developed software and software packages.

In addition, the Coface Group has submitted its IT systems to a quality and active certification process. Accordingly, as of the date of this prospectus, the Coface Group's information systems have received an ISO 9001 certification since 2000[5].

The Coface Group is committed to invest in its IT systems in order to support its distribution and innovation strategy, while controlling its related expenses and investments, which accounted for €54 million, or 3.8%, of the consolidated revenue for the year ended December 31, 2013.

*Principal Coface Group Applications and Tools Available to Policyholders*

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

– **ATLAS**

ATLAS is the software tool for risk underwriting for credit insurance and risk-management related to all activities of the Coface Group used by all entities of the Coface Group and its CreditAlliance network partners.

– **EASY**

EASY is a centralized database and a software developed by the Coface Group for identifying debtors, regardless of their location in the world. EASY is connected to all Coface Group applications requiring access to such data, including among others:

- research and identification of debtors;
- managing content and quality of information in this database on a continuous basis (history of changes made);
- deduplication of files and data standardization; and
- cross-listings of debtors appearing on blacklists of international institutions.

– **ATLAS-INFO**

Closely associated with ATLAS, ATLAS-INFO is the IT management tool used by the 45 Coface Group enriched information centers allowing to manage more than two million tasks per year handled by the back office.

With ATLAS-INFO, enriched information centers manage their to-do lists in light of the maintenance of Coface Group databases, including among others:

- data deduplication and data standardization;

[5] ISO: Founded in 1947, the ISO (International Organization for Standardization) is the world's largest producer of international voluntary standards in almost all technological and economic fields. These standards set quality specifications and standards for products, services and best practices to increase efficiency in all sectors of the economy.

- requests for financial statements and claims to debtors;
- integration of reports and documents in the Coface Group's electronic document management system ("EDMS"); and
- processing and updating debtors' capital links.

– **PEPS**

PEPS (Past and Expected Profitability System) is the Coface Group's internal pricing system (see Section 4.4.1.1 "*Credit Insurance And Related Services –Pricing of Credit Insurance*").

– **DCON**

DCON (Debt Collection Online) is a web tool used by the Coface Group as part of its debt management and collection activities as well as for the management of invoices related to this activity. A centralized tool, DCON, is used in the 48 countries where the Coface Group directly carries out its debt management and collection activities. This application makes it possible to enter and verify all outstanding payments reported by Coface Group policyholders, then to follow each case from the attempted amicable settlement phase and through to a potential judicial phase until its termination (whether the outcome is positive or negative). DCON groups all tasks and reminders relating to a case into one folder and also facilitates communication and sharing of information between Coface Group entities for international cases.

– **COFANET**

COFANET is a secured web platform for the management of information flows dedicated to Coface Group policyholders. With COFANET, each Coface Group policyholder may, in a few seconds, identify its debtors, know the total volume of its guaranteed risks outstanding, submit its claims and track the indemnification of its unpaid invoices.

COFANET offers key services for various Coface Group business lines:

- credit insurance: online coverage management, consultation of debtors/prospects/ suppliers portfolios, coverage applications and online declaration of unpaid invoices;
- information about companies: access to detailed company information (identification, key figures, balance sheet, income statement, financial ratios, activities, etc.), access to the rating given by the Coface Group to each company, access to the debtors portfolio diagnostic produced by the Coface Group;
- debt management and collection: posting new cases online, daily monitoring of debt balance following the Coface Group actions on each collection case, direct communication with the Coface Group, consultation of history and statistics of a case.

On top of the online COFANET system, the Coface Group offers data exchange solutions for policyholders that manage significant debtor portfolios and seek to reduce the management cost of their credit insurance contract. The next generation of data exchange solutions, based on the Webservices technology and called COFASERVE, will be launched by the Coface Group during the course of 2014. This exchange protocol offers policyholders a real-time response to the essential operations of a credit insurance contract.

## 4.5 Quantitative Disclosures about Risk Factors and Risk-Management Policy

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

### 4.5.1 Organization of risk oversight

#### 4.5.1.1 Governance

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

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

The group Risk Committee is chaired by the Chief Executive Officer and meets every quarter. It comprises the members of the executive committee, the body responsible for the Coface Group's strategic and operational management, the group risk director, the group legal and compliance director, as well as the relevant representatives of the operational and functional departments who attend depending on the subject matter. The Group Risk Committee is responsible for:

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

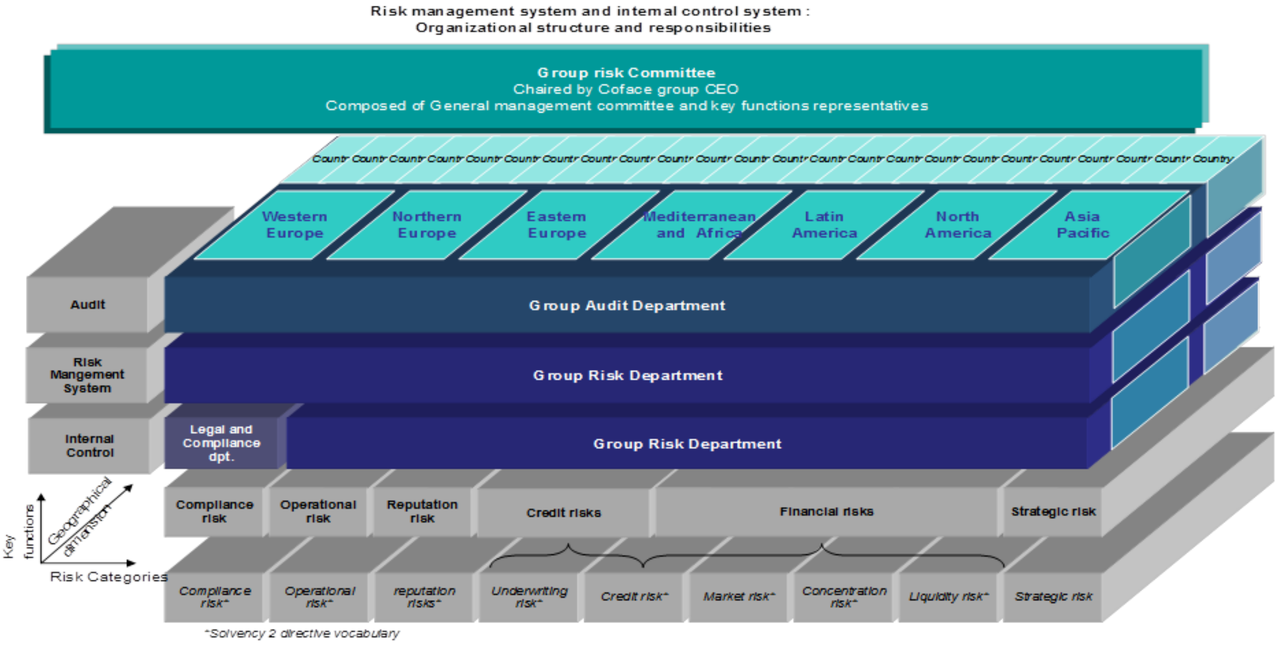
#### 4.5.1.2 General Risk-Management System

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

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

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

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




#### 4.5.1.3 Classification of risks

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

- **Credit risks**

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

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

Thus, credit risks include:

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

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

- **Financial risks**

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

- **Operational risk**

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

- **Other risks**

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

#### 4.5.1.4 Risk-management system

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

- level 1 operational controls performed by the business lines based on operational application procedures;
- level 2 controls performed by the Group Risk Department and the Group Legal and Compliance Department;
- level 3 periodic controls performed by the Group Audit Department.

It relies on different key functions:

- internal audit function (i);
- risk-management function (ii);
- actuarial function (iii); and
- internal control and compliance function (iv).

*(i) Internal audit function*

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

- the quality of the financial condition;
- the level of risks actually incurred;
- the quality of the organization and its management;
- the consistency, adequacy and efficiency of the assessment system and risk-management systems;
- the reliability and integrity of the accounting and management information;
- compliance with laws, regulations and rules of the Coface Group;
- the effective implementation of the recommendations of previous missions and regulators.

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

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

*(ii)* *Risk-management function*

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

This function is performed by the Group Risk Department.

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

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

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

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

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

*(iii)* *Actuarial function*

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

*(iv)* *Internal control and compliance function*

The internal control and compliance function monitor compliance of the procedures with the rules and ensure the management of the operational activities. The internal control function is performed by the Group Risk Department and the compliance function is performed by the Group Legal and Compliance Department.

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

*a. Internal control function*

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

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

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

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

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

*b. Compliance function*

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

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

Compliance risk is managed by the Group Legal and Compliance Department in which the compliance function is responsible in particular for:

- implementing the Coface Group’s compliance rules among the various entities of the Coface Group;
- setting up level 2 controls ensuring the proper application of local and group standards;
- reporting the results of the level 2 controls and the incidents of non-compliance uncovered during the controls or outside the controls to the Group Risk Committee.

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

The Group Legal and Compliance Department reports regularly to the Coface Group's executive bodies to summarize the situation with regard to compliance risk, quarterly in the case of the Group Risk Committee and, periodically directly to the Management in the event of major incidents.

### 4.5.2 Credit Risk Management

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

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

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

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

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

#### 4.5.2.1 Control and monitoring of products

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

- *Validation of product development*: Any development regarding either the terms of the insurance policy, the pricing policy, the distribution method or the target (policyholders, country) must be communicated to the Group Marketing Department and to the Group Legal and Compliance Department.

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

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

#### 4.5.2.2 Centralized management of the credit risk

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

Frequency risk is covered by technical provisions calculated using a statistical claims model that simulates loss ratios based on observed development patterns and ongoing claims. This risk is measured for each region and country by monitoring the instant loss-ratio[6] and the monthly indicator that measures domestic/export credit trends by the DRA (see Section 4.4.1.2 "*Information on the Solvency of Debtors in the Center of the Activities of Coface Group – Risk Underwriting Implemented through a Harmonized Process*") and business sector, by acceptance rate in the DRA scale and by products line (surety bonding, "Single Risk"). As a result, defaults are analyzed on a

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

weekly basis by the Group Executive Committee and on a monthly basis by the Group Underwriting Committee. The loss ratios of the various underwriting regions are also monitored at the consolidated Coface Group level.

The main purpose of the Coface Group's reinsurance strategy is to cover catastrophe risk (see Section 4.2.6.8 "*Intercompany Risk Sharing and Reinsurance*"). In addition to the weekly and monthly controls carried out at the level of each country and region, the Coface Group has put in place a central system based on:

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

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

- a DRA system covering all debtors.

### 4.5.2.3 Diversification of credit risks

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

- **Exposure to debtor risk**

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

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

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

| | **2013** | | | | **2012** | | | | **Change in exposure** |
|---|---|---|---|---|---|---|---|---|---|
| **Debtor Exposure Band** | **Exposure[1] (in €m)** | **Number of limits[2]** | **Number of debtors[3]** | **% of total exposure** | **Exposure[1] (in €m)** | **Number of limits[2]** | **Number of debtors[3]** | **% of total exposure** | **2013/2012** |
| Refus | 0 | 876,862 | 614,149 | **0.0%** | 0 | 781,262 | 548,556 | **0.0%** | 0% |
| 1 - 10 KE | 3,709 | 524,909 | 481,172 | **0.8%** | 3,956 | 552,087 | 511,020 | **0.9%** | -6% |
| 11 - 20 KE | 6,052 | 476,234 | 376,206 | **1.3%** | 6,490 | 498,923 | 393,623 | **1.5%** | -7% |
| 21 - 30 KE | 4,671 | 286,931 | 178,201 | **1.0%** | 4,904 | 298,474 | 184,119 | **1.1%** | -5% |
| 31 - 40 KE | 3,546 | 192,870 | 97,736 | **0.8%** | 3,678 | 202,482 | 100,028 | **0.8%** | -4% |
| 41 - 50 KE | 4,591 | 176,365 | 96,474 | **1.0%** | 4,983 | 188,753 | 104,026 | **1.1%** | -8% |
| 51 - 60 KE | 3,102 | 124,769 | 54,738 | **0.7%** | 2,949 | 126,864 | 51,860 | **0.7%** | 5% |
| 61 - 70 KE | 2,611 | 101,178 | 39,250 | **0.6%** | 2,812 | 109,879 | 42,418 | **0.6%** | -7% |
| 71 - 80 KE | 3,519 | 102,646 | 46,864 | **0.8%** | 3,550 | 105,959 | 46,523 | **0.8%** | -1% |
| 81 - 90 KE | 2,017 | 71,293 | 23,431 | **0.4%** | 1,943 | 73,955 | 22,477 | **0.4%** | 4% |
| 91 - 100 KE | 5,059 | 98,524 | 51,437 | **1.1%** | 5,522 | 107,085 | 56,156 | **1.3%** | -8% |
| 101 - 150 KE | 12,781 | 296,686 | 101,842 | **2.8%** | 12,299 | 306,035 | 98,141 | **2.8%** | 4% |
| 151 - 200 KE | 10,075 | 199,009 | 56,712 | **2.2%** | 10,598 | 208,734 | 59,791 | **2.4%** | -5% |
| 201 - 300 KE | 17,077 | 276,986 | 69,033 | **3.8%** | 16,647 | 286,982 | 67,152 | **3.8%** | 3% |
| 301 - 400 KE | 14,078 | 195,205 | 40,293 | **3.1%** | 13,944 | 199,478 | 39,867 | **3.2%** | 1% |
| 401 - 500 KE | 11,916 | 145,010 | 26,403 | **2.6%** | 11,597 | 147,997 | 25,670 | **2.6%** | 3% |
| 501 - 800 KE | 27,537 | 283,401 | 43,502 | **6.1%** | 26,767 | 290,364 | 42,195 | **6.1%** | 3% |
| 801 – 1 500 KE | 41,388 | 322,587 | 38,020 | **9.1%** | 40,113 | 328,500 | 36,864 | **9.1%** | 3% |
| 1 500 KE – 3 ME | 50,895 | 272,411 | 24,241 | **11.2%** | 49,149 | 275,176 | 23,552 | **11.2%** | 4% |
| 3 ME – 5 ME | 39,288 | 149,993 | 10,219 | **8.7%** | 37,570 | 148,828 | 9,812 | **8.5%** | 5% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 5 ME - 10 ME | 50,359 | 141,414 | 7,257 | **11.1%** | 48,638 | 141,295 | 7,042 | **11.1%** | 4% |
| 10 ME - 50 ME | 89,611 | 142,863 | 4,732 | **19.8%** | 86,837 | 144,355 | 4,604 | **19.7%** | 3% |
| 50 ME - 100 ME | 21,360 | 17,798 | 321 | **4.7%** | 22,707 | 17,777 | 332 | **5.2%** | -6% |
| 100 ME - 200 ME | 14,191 | 10,221 | 110 | **3.1%** | 11,587 | 8,609 | 91 | **2.6%** | 22% |
| 200 ME et + | 13,094 | 5,693 | 32 | **2.9%** | 10,716 | 4,917 | 28 | **2.4%** | 22% |
| **Total** | **452,530**[4] | **5,491,858** | **2,482,375** | **100.0%** | **439,958**[4] | **5,554,770** | **2,475,947** | **100.0%** | **2.9%** |

[1]The exposure amounts in the above table are before reinsurance (direct business and accepted business) and correspond to maximum insured amounts granted by the Coface Group to its policyholders. They do not correspond to the actual amounts used by the Coface Group policyholders.
[2]A limit is an authorization granted to a policyholder following its request to have its commercial exposure covered with respect to a given debtor.
[3]The debtors referred to in the above are clients of the Coface Group policyholders.
[4]The €12.57 billion increase in the total exposure between December 31, 2012 and December 31, 2013 includes a negative exchange rate impact of €11.8 billion.

- **Geographical breakdown of risks**

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

| Debtor country | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposure (in €m) | % | Exposure (in €m) | % | 2013/2012 |
| Germany | 74,576 | 16.5% | 72,269 | 16.4% | 3.2% |
| France | 50,831 | 11.2% | 52,266 | 11.9% | -2.7% |
| Italy | 38,837 | 8.6% | 42,857 | 9.7% | -9.4% |
| United States | 29,684 | 6.6% | 25,969 | 5.9% | 14.3% |
| UK | 26,079 | 5.8% | 24,425 | 5.6% | 6.8% |
| Spain | 19,093 | 4.2% | 19,530 | 4.4% | -2.2% |
| China | 15,636 | 3.5% | 14,557 | 3.3% | 7.4% |
| Netherlands | 13,900 | 3.1% | 13,499 | 3.1% | 3.0% |
| Brazil | 11,413 | 2.5% | 11,728 | 2.7% | -2.7% |
| Poland | 10,201 | 2.3% | 9,891 | 2.2% | 3.1% |
| **Total** | **290,250** | **64.1%** | **286,990** | **65.2%** | **1.1%** |

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

| Region | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposure (in €m) | % | Exposure (in €m) | % | 2013/2012 |
| Mediterranean & Africa | 63,283 | 14.0% | 66,647 | 15.1% | -5% |
| Asia-Pacific | 61,214 | 13.5% | 56,940 | 12.9% | 8% |
| Central Europe | 34,317 | 7.6% | 33,188 | 7.5% | 3% |
| Northern Europe | 91,275 | 20.2% | 87,833 | 20.0% | 4% |
| Latin America | 31,820 | 7.0% | 30,301 | 6.9% | 5% |
| North America | 34,824 | 7.7% | 31,141 | 7.1% | 12% |
| Western Europe | 135,797 | 30.0% | 133,908 | 30.4% | 1% |
| **Total** | **452,530** | **100%** | **439,958** | **100.0%** | **3%** |

- **Exposure by debtor's business sector**

| Business segment | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposures (in €m) | % | Exposure (in €m) | % | 2013/2012 |
| Agriculture. livestocks, agro-business and wine | 62,792 | 13.9% | 61,230 | 14% | 3% |
| Wood and furniture | 4,166 | 0.9% | 4,125 | 1% | 1% |
| Minerals, chemical, oil, plastics, pharmaceutical and glass | 65,029 | 14.4% | 60,059 | 14% | 8% |
| Metals | 35,097 | 7.8% | 35,820 | 8% | -2% |
| Paper, packing and printing | 13,100 | 2.9% | 12,658 | 3% | 3% |
| Construction | 50,291 | 11.1% | 50,960 | 12% | -1% |
| Textile. leather and apparel | 16,959 | 3.7% | 16,212 | 4% | 5% |
| Mechanics and measurements | 26,221 | 5.8% | 25,542 | 6% | 3% |
| Electrical equipment, electronics, IT and telecommunications | 43,326, | 9.6% | 40,322 | 9% | 7% |
| Cars and cycles, other vehicles and transportation | 33,773, | 7.5% | 34,014 | 8% | -1% |
| Non-specialist commerce | 42,706 | 9.4% | 41,976 | 10% | 2% |
| Collective services | 11,539 | 2.5% | 11,304 | 3% | 2% |
| Financial services | 7,208 | 1.6% | 6,512 | 1% | 11% |
| Business and private services | 14,874 | 3.3% | 13,819 | 3% | 8% |
| Miscellaneous | 25,449 | 5.6% | 25,404 | 6% | 0% |
| **Total général** | **452,530** | **100.0%** | **439,958** | **100.0%** | **2.9%** |

### 4.5.2.4 Duration of risks

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

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

### 4.5.2.5 Shared interests with the policyholders

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

- **Decision-making**

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

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

- **Quality of risks for the calculation of the premium**

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

- **Risk sharing between the Coface Group and the policyholder**

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

- **Collection-recovery system management by the Coface Group**

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

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

Underwriting decisions are made by groups of risk underwriters located in various underwriting centers, working in real time and online using Atlas, an underwriting and risk-management IT tool for each Coface Group entity which contains information on more than 65 billion debtors located worldwide (see Section 4.4.1.2 "*Credit-Insurance and Related Services – Information Relating to Solvency of debtors at the Center of the Coface Group's Activities*").

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

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

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

#### 4.5.2.7 Valuation of Provisions

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

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

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

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

- an estimate of future recoveries on settled claims.

Credit-insurance technical provisions are not subject to discounting.

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

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

To date, the main actuarial methods used by the Coface Group’s entities are those based on the three sides of the assessment triangle (Chain Ladder, Bootstrapping method, etc.) and other methods (Bornhuetter-Fergusson, etc.). These methods define the reasonable actuarial estimated range, within which the Group Risk Department recommends fixing an ultimate loss ratio.

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

- **Loss Ratio**

The Coface Group measures its loss experience mainly by reference to its loss-ratio, which corresponds to the ratio of paid claims, claims handling expenses and changes in technical provisions to gross written premiums. The Coface Group’s loss-ratio, calculated on the basis of consolidated accounting data, was 51.1% in 2013.

The development of the Coface Group’s annual average recorded loss ratio between 2008 and 2013 is shown in the table below:

| ***Year*** | 2008 | 2009 | 2010 | 2011[7] | 2012 | 2013 |
|---|---|---|---|---|---|---|
| ***Loss-ratio*** | 75.3% | 102.5% | 53.6% | 51.3% | 51.5% | 51.1% |

As at December 31, 2013, a +/- one percentage point variation[8] of the gross accounting loss ratio would have had an impact of +/- €11 million on claims expense, of +/- €8 million on the claims expense after reinsurance, of +/- €6 million on net income and of +/- €6 million on shareholder’s

[7] Excluding non-recurring items.
[8] I.e. a variation from n% to (n+1)%.

equity. The Coface Group considers that a one percentage point variation of the gross accounting loss ratio is reasonable compared to previous years' experienced loss ratio.

- **Expenses related to claims at the Coface Group's level**

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

| (in thousands of euros) | 31/12/2013 | | | 31/12/2012 | | |
|---|---|---|---|---|---|---|
| | Gross | Outward reinsurance and retrocessions | Net | Gross | Outward reinsurance and retrocessions | Net |
| **Claims expenses – current year** | -812,490 | 148,415 | -664,076 | -853,896 | 157,967 | -695,929 |
| **Claims expenses – prior years** | 236,227 | -6,763 | 229,464 | 256,390 | -2,203 | 254,186 |
| **Claims expenses** | **-576,263** | **141,651** | **-434,612** | **-597,506** | **155,763** | **-441,743** |

- **Technical provisions at the Coface Group's level**

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

| (in thousands of euros) | 31/12/2013 | 31/12/12 |
|---|---|---|
| Provisions for unearned premiums | 267,023 | 274,674 |
| Claims provisions | 1,120,922 | 1,153,170 |
| Provisions for policyholder's bonuses and rebates | 62,554 | 55,730 |
| **Technical liabilities relating to contracts** | **1,450,499** | **1,483,575** |
| Provisions for unearned premiums | -41,674 | -42,706 |
| Claims provisionsProvisions for unearned premiums | -289,294 | -294,638 |
| Provisions for policyholder's bonuses and rebatesClaims provisions | -16,254 | -15,218 |
| **Reinsurers' share of techincal liabilities relating to insurance contracts** | **-347,221** | **-352,562** |
| **Net technical provisions** | **1,103,278** | **1,131,013** |

- **Development of claims provisions**

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

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

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

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

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

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

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

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

#### 4.5.2.8 Intercompany risk sharing and reinsurance

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

- **Inter-Company Risk Coverage for Coface Group Network Entities**

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

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

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

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

The reinsurance programs for 2013 and 2014 are described below.

The reinsurance program for 2013 is composed of:

- a group quota-share treaty with a 25% cession rate; and
- two excess-of-loss treaties, one by the debtor and the other by the country covering the retained risks after ceded quota-share reinsurance. Country risk coverage was reinstated in 2013 and adjusted for liquidation in 2012 i.e. covering the subscribed insurances in 2012 in exception to the usual reinsurance functioning. It covers only the Single Risk.

The reinsurance program for 2014 is composed of:

- a group quota-share treaty whose cession rate was reduced from 25% to 20%, and
- two excess-of-loss treaties, one by debtor and the other by country (only for the Single Risk) covering the retained risks after ceded quota-share reinsurance.

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

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

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

- **Accepted reinsurance**

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

### 4.5.3 Internal control of investment management

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

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

The main missions of the platform are as follows:

- advising on strategic and tactical allocation of assets;
- reporting (economic, risks, Solvency II and accounting reports);
- back-office and middle-office functions; and
- providing tools/software as the case may be.

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

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

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

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

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

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

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

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

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

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

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

### 4.5.4 Financial risks management

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

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

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

### 4.5.4.1 Management of asset allocation risk

- **Investment assets**

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

| Investment portfolio (fair value)[1] | 2013 | | 2012 | |
|---|---|---|---|---|
| | **in €m** | **%** | **in €m** | **%** |
| Equities | 100 | 4.7% | 24 | 1.2% |
| Bonds | 1,343 | 63.8% | 1,352 | 64.1% |
| Loans, deposits and other financial investments | 662 | 31.4% | 731 | 34.7% |
| Real-estate investments | 1 | 0.1% | 1 | 0.1% |
| **Total** | **2,106** | **100%** | **2,109** | **100%** |

[1]Excluding unconsolidated subsidiairies.

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

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

| Breakdown by type of debt in bond portfolio (fair value) | 2013 | | 2012 | |
|---|---|---|---|---|
| | **in €m** | **%** | **in €m** | **%** |
| Sovereign and equivalent | 420 | 31.3% | 819 | 60.6% |
| Non sovereign | 923 | 68.7% | 533 | 39.4% |
| **Total** | **1,343** | **100%** | **1,352** | **100%** |

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

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

The chart below shows the main characteristics of the bond portfolio on that same date:

| Breakdown by type of rate of the bond portfolio(fair value) | 2013 | | 2012 | |
|---|---|---|---|---|
| | in €m | % | in €m | % |
| Fixed rate | 1,268 | 94.4% | 1,306 | 96.6% |
| Variable rate | 74 | 5.5% | 27 | 2.0% |
| Other | 1 | 0.1% | 19 | 1.4% |
| **Total** | **1,343** | **100%** | **1,352** | **100%** |

| Breakdown by geographical area of the bond portfolio (fair value) | 2013 | | 2012 | |
|---|---|---|---|---|
| | in €m | % | in €m | % |
| Asia | 37 | 2.7% | 18 | 1.3% |
| Emerging Markets [9] | 60 | 4.5% | 53 | 3.9% |
| EMU | 894 | 66.5% | 1 053 | 77.9% |
| Europe ex-EMU [10] | 112 | 8.4% | 121 | 8.9% |
| North America | 240 | 17.9% | 108 | 8.0% |
| **Total** | **1,343** | **100%** | **1,352** | **100%** |

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

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

| Proportion of PIIGS in the bond portfolio | 2013 | | 2012 | |
|---|---|---|---|---|
| | in €m | % of bond portfolio | in €m | % of bond portfolio |
| Portugal | 0 | 0.0% | 1 | 0.1% |
| Italy | 82 | 6.1% | 89 | 6.6% |
| Ireland | 0 | 0.0% | 0 | 0.0% |
| Greece | 0 | 0.0% | 0 | 0.0% |
| Spain | 0 | 0.0% | 4 | 0.3% |
| **Total** | **82** | **6.1%** | **94** | **7%** |

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

Essentially, the bond portfolio[11] invests in investment-grade companies and countries.

| Breakdown by rating[12] of bond portfolio | 2013 | | 2012 | |
|---|---|---|---|---|
| | in €m | % | in €m | % |
| AAA | 109 | 8.1% | 398 | 29.4% |
| AA – A | 722 | 53.7% | 755 | 55.8% |
| BBB | 330 | 24.6% | 197 | 14.6% |
| BB – B | 181 | 13.5% | 2 | 0.2% |
| CCC and below | 0 | 0.0% | 0 | 0.0% |
| **Total** | **1,343** | **100%** | **1,352** | **100.0%** |

Investments in corporate bonds account for 20% of the total portfolio, more than 60% of which is concentrated on companies of investment-grade quality. Investment in high yield consist exclusively of European and US companies with a rating of BB and B with average sensitivity and strictly under 2.5 years maturity.

The interest-rate risk borne by the Coface Group on its financial portfolio is limited, as the maximum sensitivity authorized on the bond asset class is deliberately capped at 4[13]. As of December 31, 2013, the sensitivity of the bond portfolio stood at 2.1.

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

- **Hedging policy**

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

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

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

#### 4.5.4.2 Foreign exchange risk

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

Most of Coface Group's investment instruments are denominated in euros. The subsidiaries or branches having accounts prepared in euro and underwriting insurance in other currencies must abide by the same principles of congruency (matching between assets and liabilities denominated in a currency other than the currency used as the reference currency with the issuance of the financial

[11] According to the scale of the credit rating agency Standard & Poor's, debt securities attributed with a credit rating of at least BBB- are considered investment grade, whereas debt securities with a credit rating equal to BB+ or less are considered as High yield.
[12] Median rating between Fitch, Moody's and Standard & Poor's.
[13] The sensitivity of a bond measures its real loss in value in the event of an interest rate rise. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if rates rise by 1%.

statements). Exceptionally, positions opened in other currencies may be hedged. No currency investments are made by the Coface Group for speculative purposes.

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

| **Breakdown by currency of investment portfolio** | **2013** | | **2012** | |
|---|---|---|---|---|
| | **in €m** | **%** | **in €m** | **%** |
| EUR | 1,580 | 75.0% | 1.629 | 77.2% |
| USD | 294 | 14.0% | 178 | 8.5% |
| Other[14] (<3%) | 232 | 11.0% | 302 | 14.3% |
| **Total** | **2,106** | 100.0% | **2.109** | 100.0% |

Moreover, for most of the securities in the portfolio, which groups together all of Coface's European entities, the foreign exchange risk is hedged systematically for currencies investments departing from congruence rules. Thus, as of December 31, 2013, investments in bonds denominated in American dollar, pound sterling, Canadian dollar, and Australian dollar in this portfolio were systematically hedged against the Euro by the managers in charge of the portfolios concerned. As of December 31, 2013, these operations represented €143 million.

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

| | **Average foreign exchange rate December 2013** | **Net income – Group share in euro December 2013** | **Net income – Group share in local currency** | **Assumption - 10 per cent variation of foreign exchange rate** | **Net income – Group share in euro following variation of foreign exchange rate** | **Spread between actual rate and 10-per cent increased foreign exchange rate** |
|---|---|---|---|---|---|---|
| Australian dollar | 0.7259 | 6,875 | 9,471 | 0.7984 | 7,562 | 687 |
| Pound Sterling | 1.1775 | 30,939 | 26,275 | 1.2953 | 34,033 | 3,094 |
| Singapore dollar | 0.6017 | 6,936 | 11,527 | 0.6619 | 7,630 | 694 |
| US dollar | 0.7530 | 9,001 | 11,955 | 0.8283 | 9,902 | 900 |
| Other | | 12,147 | | | 13,361 | 1,215 |
| Euro | | 61,541 | | | 61,541 | |
| **Total** | | **127,439** | | | **134,029** | **6,590** |

### 4.5.4.3 Equity risk

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

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

[14] Mainly the Singapore dollar, the Canadian dollar and the Brazilian real.

its level, scope and extent are defined by the Investment Department in collaboration with the asset manager in charge of the management platform.

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

#### 4.5.4.4 Concentration Risk / counterparty default

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

The maximum exposure limit to a single counterparty has been set as a percentage of the investment portfolio. The limit is set at 5% of the managed funds outstanding with possible derogations on an exceptional and temporary basis only on exposures associated with short-term investments.

Concerning the bond portfolio more specifically, 62% have a rating above or equal to A-, a rating awarded according to the median rating principle.[15]

As at December 31, 2013, the ten main sovereign and non-sovereign exposures of the bond portfolio amounted to €572 million, representing 39.4% of the bond portfolio's fair value.

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

#### 4.5.4.5 Sensitivity tests

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

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

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

- **Risk related to equity and bonds of the portfolio as of December 31, 2013 and 2013**

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

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

| (in € m) | Market value at December 31, 2013 | Impact of a 100-basis point increase* | Impact of a 10% fall in equities*** | Impact of a 20% fall in equities*** | Market value at December 31, 2012 | Impact of a 100-basis point increase** | Impact of a 10% fall in equities | Impact of a 20% fall in equities |
|---|---|---|---|---|---|---|---|---|
| **Bonds** | 1343 | -28.2 | - | - | 1352 | -38.7 | - | - |
| **Equities** | 100 | - | -10 | -20 | 24 | - | -2.4 | -4.8 |
| **Total** | **1443** | **0** | **0** | **0** | **1376** | **0** | **0** | **0** |

* Average sensitivity of bond portfolio at end-2013: 2.1
** Average sensitivity of bond portfolio at end-2012: 2.9
*** Before hedging, where applicable

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

#### 4.5.4.6 Real-estate risks

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

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

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

### 4.5.5 Management of risks related to factoring

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

The risk can relate to:

- the quality of invoices: invoice dilution risk (in particular arising from litigation, false invoices);
- client insolvency (transferor risk): the insolvent client cannot reimburse the cash advance made in respect of unpaid invoices (in the case of a recourse contract, meaning without credit-insurance, or in the case of write-offs linked to financed invoices);
- the buyer's solvency risk, in particular in the case of factoring contracts with a credit-insurance component (non-recourse contract).

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

- analysis of the financial position of the client, particularly via internal rating tools;
- on-site audit activities to check the reliability of the data related to the receivables being acquired from new clients or during the monitoring period for existing clients;
- regular verity tests to ensure the existence of acquired receivables;
- specific procedures during the debt collection phase.

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

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

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

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

Only certain products have been authorized to be marketed by such entities:

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

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

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

The factoring business is hedged by the group reinsurance treaty (buyers risks are hedged by the credit-insurance section and transferor risk by the dedicated factoring section).

### 4.5.6 Liquidity and funding risk

- **Liquidity risk management relating to credit-insurance activity**

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

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

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

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

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

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

| **Breakdown by maturity of the bond portfolio** | **2013** | | **2012** | |
|---|---|---|---|---|
| | **in €m** | **%** | **in €m** | **%** |
| < 1 y | 502 | 37.4% | 481 | 35.6% |
| 1 y < >3 y | 385 | 28.7% | 460 | 34.0% |
| 3 y < >5 y | 255 | 19.0% | 128 | 9.5% |
| 5 y < >10 y | 190 | 14.2% | 228 | 16.9% |
| >10 y | 10 | 0.8% | 54 | 4.0% |
| Total | **1,343** | **100%** | **1,352** | **100%** |

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

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

- **Management of liquidity risk related to factoring**

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

In order to ensure the refinancing of its factoring activities, the Coface Group has established several financing programs: a trade receivables securitization program, bilateral credit lines with various partners up to a maximum of €903 million and a €500 million commercial paper program.

*Securitization Program*

In the context of the refinancing of its factoring activites, the Coface Group established in February 2012 a €1,100,000,000 trade receivables securitization program guaranteed by the Compagnie française d'assurance pour le commerce extérieur. The seller of the receivables is Coface Finanz, a wholly-owned German subsidiary of Compagnie française d'assurance pour le commerce extérieur. The purchaser of the receivables is a French "*fonds commun de titrisation*" (French securitization vehicle), called Vega (which a consolidated entity of the Coface Group), regulated by the French Monetary and Financial Code. This securitization program provided the Coface Group with initial financing with a maturity of one year (35% of the program amount) and with a maturity of three years (65% of the program amount). The Coface Group has agreed with the program arrangers on February 3, 2014 to renew the one-year and three-year maturity financings and to increase the three year-maturity portion to 75% of the program amount. The principal monitoring features of the program are the default ratio, the delinquency ratio and the dilution ratio. The senior units issued by the Vega securitisation vehicle are purchased and refinanced by four asset-backed commercial paper vehicles. The subordinated units are purchased by Coface Factoring Poland. As at December 31, 2013, the outstanding amount of the program amounted to €1,038, 000,000.

This securitization program contains a number of early redemption events affecting both Coface Finanz (the receivables seller) as well as other members of the Coface Group which are typical for such securitization programs (including certain quality criteria of the receivables sold), and relating to the occurrence of various events, including in particular:

- a payment default relating to Coface Finanz or Compagnie française d'assurance pour le commerce extérieur with respect to the amounts due to the Vega securitisation vehicle;

- a cross-default in an amount in excess of €100 million of any indebtedness by any member of the Coface Group;

- a disruption in the asset-backed commercial paper market during a consecutive period of 180 days;

- any liquidation proceedings affecting Coface Finanz, Coface Factoring Poland, COFACE SA or Compagnie française d'assurance pour le commerce extérieur;

- the cessation of or a substantial change to the activities carried out by Coface Finanz or Compagnie française d'assurance pour le commerce extérieur;

- any downgrading in the financial rating of Compagnie française d'assurance pour le commerce extérieur to below BBB-; and

- breach of any of the below ratios related to the quality of the factored receivables sold.

| **Covenant** | **Definition** | **Trigger level** |
|---|---|---|
| *Default Ratio* | 3-month rolling average of defaulted receivables remaining unpaid more than 60 days after the due date | greater than 2.24% |
| *Delinquency Ratio* | 3-month rolling average of defaulted receivables remaining unpaid more than 60 days after the due date | greater than 5.21% |
| *Dilution Ratio* | 3 month rolling dilution ratio | greater than 9.71% |

As at December 31, 2013, the Coface Group was in compliance with all of these ratios.

The securitization program does not contain any change of control provision relating to the Issuer, but does contain restrictions relating to a change of control of Compagnie française d'assurance pour le commerce extérieur and of any factoring companies which result in them no longer being part of the Coface Group.

*Bilateral Credit Lines*

For the purpose of the refinancing of its factoring business, the Coface Group, mostly through its subsidiaries, has also put in place a certain number of bilateral overdraft facilities and credit lines in a total amount of up to €903 million with various banking partners, as follows:

- €403 million correspond to bilateral overdraft facilities and credit lines entered into with nine banks in Germany (the "**German Credit Lines**") and two banks in Poland (the "**Polish Overdraft Facilities**"). Such bilateral overdraft facilities and credit lines are generally entered into for a maximum of a one year period. Certain of the German Credit Lines include customary undertakings including relating to the level of net assets of the borrower, change of control of the borrower and to the affect that the lender will benefit from any more restricted financial ratio granted to other financial institutions by the borrower. The Polish Overdraft Facilities contain customary undertakings. As at December 31, 2013, an aggregate amount of €138 million was drawn under the German Credit Lines and an aggregate amount of €9 million was drawn under the Polish Overdraft Facilities;

- €500 million correspond to a bilateral short term credit line entered into with Natixis with a maturity up to December 31, 2014, of which €261 million was drawn as at December 31, 2013.

*Commercial paper program*

The Coface Group has in addition a commercial paper program for a maximum amount of €500 million. COFACE SA regularly issues securities under this program with a maturity normally comprising between 1 and 3 months. As at December 31, 2013, the total amount of securities issued under commercial paper program amounted to €311 million. The commercial paper program is rated P-2 by Moody's and F1 by Fitch.

In the event of the commercial paper market closing, the Coface Group has seven so far unused credit lines for a duration of one year (maturity up to October 2014) covering the total amount of the commercial paper program (€500 million). The bilateral credit line agreements contain typical restrictive covenants (including in particular a negative pledge clause, a prohibition against selling assets outside the Coface Group above a certain threshold and limitations relating to substantial changes to the activities of the Coface Group's activities) and early repayment clauses (wrongful use of proceeds (limited to cases of unavailability of the commercial paper programme), payment default, cross-default, breach of representations, warranties and undertakings (including the restrictive covenants referred to above), material adverse effect affecting COFACE SA and its ability to fulfill its obligations under the bilateral credit lines, insolvency and liquidation proceedings or a ratings downgrading of COFACE SA below BBB+ (by Fitch) or Baa1 (by Moody's)), in line with standard market practice.

These bilateral credit lines do not contain change of control provision relating to COFACE SA, but do contain restrictions relating to a change of control of Compagnie française d'assurance pour le commerce extérieur and of any factoring companies which result in them no longer being part of the Coface Group.

The credit lines contain two specific financial covenants as follows:

| **Covenant** | **Trigger level** |
|---|---|
| *Consolidated Solvency ratio* | greater than 100% |
| *Consolidate Net Intangible Assets test* | greater than €900 million |

As at December 31, 2013, the Coface Group was fully compliant with these covenants:

| Covenant | Trigger level |
|---|---|
| *Consolidated Solvency ratio : x7* | greater than 100% |
| *Consolidate Net Intangible Assets test : €1,540* | greater than €900 million |

- **Management of interest rate risks related to factoring**

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

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

At the end of 2013, the refinancing structure was as follows: out of an aggregate amount of €1,756 million, €1,038 million are units issued by SPVs, €407 million come from credit lines and €311 million is represented by commercial paper issuance. The maturity is varied, €675 million are available within three years, €770 million within one year and €311 million of commercial paper have an average maturity of 2.5 months.

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

- **Solvency margin**

*Solvency I*

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

*Solvency II*

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

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

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

### 4.5.7 Operational risk management

- **Operational risk mapping**

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

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

Risk-assessment is based on an evaluation of the risk's frequency and on the intensity of its impact.

A three-tier assessment scale is used (low, average, high).

- **Gathering of incidents and losses**

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

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

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

- **Action plans and reports**

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

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

- **Business continuity**

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

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

The overall policy is consistent with the main standards in terms of business continuity. The BCP's main operational elements are the crisis management plan and the business-line continuity plans. Two data centers located in the Paris area are responsible for backing up the principal data and computer applications used by the Coface Group (see Section 4.4.4 "*Information Systems*").

### 4.5.8 Legal and compliance risks management

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

The legal and compliance risks are controlled by the Group Legal and Compliance Department supplemented by the compliance correspondents in the various regions and countries. In addition, the Group Legal and Compliance Department provides a regulatory oversight.

- **Legal and arbitration proceedings**

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

## 4.6 Insurance

The Coface Group is covered by insurance policies taken out by the Natixis Group with regard to business civil liability, the civil liability of its corporate officers and fraud. The specific risks covered include civil liability resulting from business operations, environmental risks and professional indemnity insurance, particularly for debt collection services provided to third parties, and internal and/or external fraud.

Compagnie française d'assurance pour le commerce extérieur has also taken out specific policies to cover the various other risks to which its businesses, employees and assets are exposed.

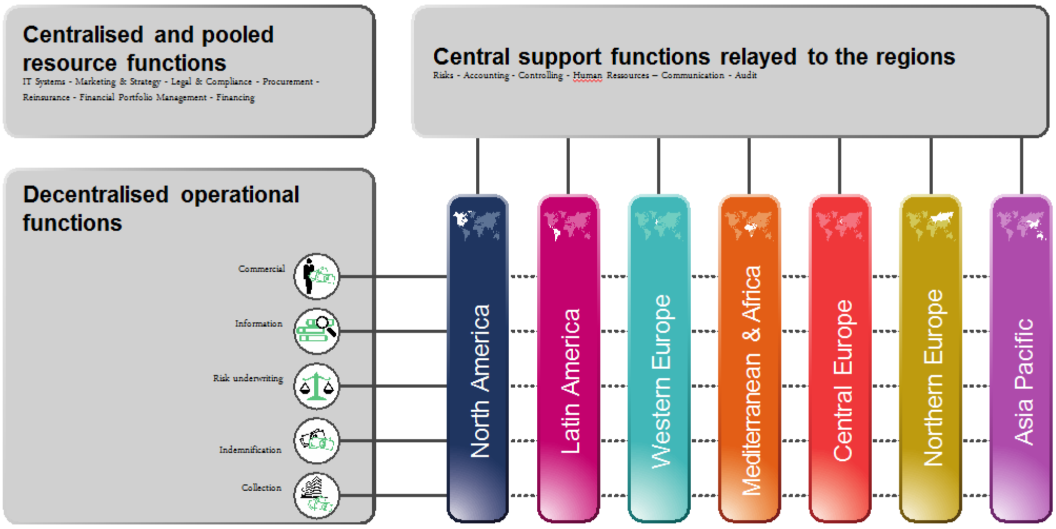
The maximum amount of insurance coverage reasonably covers the financial and other consequences of any losses that may arise. The Coface Group has also entered into contracts with specialized companies ensuring, at all time, the implementation of disaster recovery plans and the continuity of its business following a major incident.

## 4.7 Functional Organization and Operational Departments

In accordance with its Strong Commitment I, the matrix organization upon which the Coface Group is based has been re-examined. This structure allows it to have a close relationship with policyholders and also ensures a greater responsiveness in the decision-making process and in the implementation of new decision-making processes.

This organizational structure is split into seven regions, each headed by a Regional Director, each country being led by a Country Director who reports directly to the Regional Director, and on operational departments.

The operational departments are based on centralized and pooled resources (Information Systems - Marketing & Strategy - Legal & Compliance - Purchasing - Reinsurance - Financial Portfolio Management - Financing), decentralized operational functions (Distribution - Information - Underwriting - Indemnification - Collection) and support functions (Risk - Accounting - Management Oversight - Human Resources – Communication – Audit) relayed to regional level:




The resulting organizational structure, with clearly-defined responsibilities, transparent governance and a direct presence in 66 countries, is designed to facilitate the implementation of the Coface Group's strategic directions.

In terms of governance, the Coface Group relies on:

- management and pilot committees at different levels (board of directors, executive committee, audit committee, executive committee, specific operational committees);

- matrix organization of key functions based on geographic lines; and

- a body of the group's policies and procedures.

Accordingly, the Coface Group's governance is organized around the general management committee, which is the strategic and operational committee. Chaired by the General Director, it meets once a week and is also composed of the Group's underwriting , information and claims director, finance director, marketing and strategy director, human resources and communications director, risk, organization and group IT systems director and legal, compliance and general services director.

Furthermore, the Coface Group's governance includes an executive committee. This committee coordinates operational implementation of the Coface Group strategy and discussions around all cross-disciplinary themes in all regions. The executive committee meets once a month and is composed of members of the general management committee and the seven regional directors of the Coface Group.

At the regional level, the Coface Group's governance relies on regional boards which focus on financial, distribution and operational aspects arising at the regional level. These committees, which meet once every three months under the supervision of the General Director, are composed of the Group and Regional directors of operations, distribution, finance, claims, information and underwriting.

Procedures relating to the Coface Group's activities are internationally coordinated by departments under the responsibility of Mr. Jean-Marc Pillu, Chief Executive Officer of the Issuer. The respective roles of these departments are described below.

***Group Underwriting, Information and Claims Department***

This department includes the Group Underwriting Department and the Group Information and Claims Department:

The Group Underwriting Department defines and oversees credit risk underwriting policies and monitors their implementation. In particular, it monitors the most important and most vulnerable outstanding debts and analyzes monthly reports on credit risk activities for the entire Coface Group. In addition, the Group Underwriting Department handles risks of over €20 million and plays a role in coordinating the underwriting centers.

The Group Information and Claims Department is organized around two divisions: an information division, which is mainly in charge of coordinating the enriched information centers and the back office in order to provide the underwriters with the necessary information, and a claims division in charge of the indemnification process, debt collection and of the validation of all claims amounting over €1 million.

***Human Resources and Communications Department***

This department includes the Group Human Resources Department and Group Communications Department.

The purpose of the Human Resources Department is to oversee human resource policies and procedures, in order to support the Coface Group's strategy, (including compensation programs and benefits, consolidation and verification of social reporting and organization of the European Works Council) and organize Coface Group skills development. To that end, it relies on a strong network that consists of the regional and local Directors of Human Resources ("**HRD**").

The Group Communications Department defines and implements the Coface Group's internal and external communication strategy, both in France and abroad, in conjunction with executive management.

***Group Marketing and Strategy Department***

The Group Marketing and Strategy Department oversees the Coface Group's innovation policy. This department is divided into three departments:

- a products department, whose role is to ensure international convergence of offers and to conduct various projects that achieve the Coface Group's goals;
- a customer department in charge of identifying the behaviors and needs of Coface Group policyholders; and
- a markets and partnerships department responsible for competitive intelligence, market research and operational management of the Coface Group network and partners.

***Group Risk Management, Organization and IT Systems Department***

This department includes the Group Risk Management Department, the Group Organization Department and the Group IT System Department.

The Group Risk Management Department's role is to support the work of the executive management to ensure the solvency and profitability of the Coface Group over the long term and to ensure compliance with the requirements laid down in Solvency II Directive. It covers the functions of risk management, internal control and actuarial sciences under the Solvency II Directive.

The Group Organization Department's mission is to lead all transformation programs necessary to implement the strategy of the Coface Group. It is specifically responsible for defining the needs and supporting the implementation of various Coface Group projects and ensuring the maintenance and configuration of tools, user support and impact studies on the IT system.

The Group IT System Department develops, deploys and manages all common Coface Group IT resources (networks, servers, software, applications in deployment, hardware and software platforms, software packages, IT equipment, acquisition and renewal of equipment and software and maintenance contracts).

***Group Finance Department***

The Group Finance Department works in conjunction with all operational Coface Group departments and entities and includes the Group Finance Department and the Group Investment and Financing Department:

The missions of the Group Finance Department consist in overseeing and monitoring the financial performance of the Coface Group in the countries where it operates, ensuring the Coface Group accounting and activities management control, managing the investments of the Coface Group, publishing regulatory and tax statements, maintaining relations with rating agencies and establishing means for protecting the balance sheet (especially in the field of reinsurance).

The Investment and Financing Department combines the functions of the Coface Group's asset management, cash management and financing. It is also in charge of the trading floor and the back and middle offices.

***Group Legal, Compliance and General Services Department***

This department includes the Group Legal and Compliance Department and the Group General Services Department.

The Group Legal and Compliance Department plays an advisory role to all entities of the Coface Group and is, in particular, responsible for the proper functioning of the corporate bodies and committees of the Coface Group and the managing of significant litigation. In addition, in its compliance function, this department monitors compliance by the Coface Group with all rules that govern its activities (see Section 4.8 "*Regulatory Environment*").

The Group General Services Department that is being created, aims in particular to manage the optimization within the Coface Group of purchasing, coordination and implementation of common procedures and reporting.

***The Commercial Department***

The Group's Commercial Department is divided into three sub-departments. The Sales department is responsible for monitoring sales and pricing. The Single Risk department follows the Single Risk product, as it is subject to a different pricing by a dedicated team. Finally, the Coface Global Solutions department is specifically responsible for the commercial development of its CGS Offer and manages the commercial relationships with its policyholders.

***The Audit Department***

The Audit Department is responsible for undertaking the internal audit (see Section 4.5.1.4(i) "*Internal Audit Function*"). Accordingly, this department also carries out level 3 periodic monitoring, in compliance with the Solvency II Directive requirements.

***The Economic Research Department***

The Economic Research comprises 18 economists, 13 of which are based in Paris and 5 are located in the regions where the Coface Group has a presence so as to ensure local support. The role of this department is to provide a service to the various business activities within the Coface Group, to its policyholders and to the public at an external level, in particular through "panoramas" released on the Coface Group's website.

## 4.8 Regulatory Environment

The Coface Group, which is present in 66 countries and markets its services in nearly 100 countries and many sectors of the economy in which its policyholders operate, is governed by specific regulations in each country in which it operates its insurance or factoring business, either directly or through subsidiaries or partnerships. Credit insurance, the Coface Group's main activity, is subject to strict regulations and strict control in each country in which the Coface Group exercises this activity.
Furthermore, in addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages on behalf of, and under control of, the French State, the risks associated with international trade, which are subject to a specific legislative and regulatory framework.
Finally, the Coface Group operates a factoring business in Germany, where it is subject to specific regulations, and in Poland.

### 4.8.1 Credit Insurance Activities

#### 4.8.1.1 General Principles Governing the Conduct of Coface Group Credit Insurance Activities

In general, even though the scope and nature of regulations may differ from one country to another, most countries in which the Coface Group operates enforce laws and regulations governing the conduct of such activity, distribution practices, solvency standards, the level of capital and provisions, anti-money laundering rules, rules for consumer protection and KYC (Know Your Customer), licensing and monitoring and oversight of credit insurance activities. Generally, insurers are required to file detailed annual financial statements with the regulatory authority in each country where they operate. These authorities may conduct regular or random examinations of activities and accounts of insurers and may request additional information. Some countries require holding companies that control a licensed insurer to be registered and produce periodic reports that generally refer to the legal entity controlling the insurance company and other affiliates and the approval of transactions between the insurer and its affiliates such as transfers of assets and intercompany dividend payments made by the insurance company.

Since 2012, the Coface Group has operated throughout the territory of the European Union through a single insurance company, Compagnie française d'assurance pour le commerce extérieur. Outside the European Union, it operates through branches or dedicated subsidiaries. The Group's headquarters are located in France, and its activity is governed largely by European directives and domestic French regulations applicable to non-life insurance. In France, the only oversight and regulatory authority for the Coface Group's activities is the ACPR. As a limited liability company, the Issuer is primarily subject to the provisions of Chapter II of the French Commercial Code relating to commercial companies.

#### 4.8.1.2 General requirements for monitoring and oversight of Coface Group activities

Within the European Union, pursuant to Council Directive 92/49/EEC dated June 18, 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance (the "**Third Non-Life Directive**"), it is the country of origin that determines, in accordance with the provisions of the applicable directives, the financial and accounting rules applicable to insurance companies, and enforces them. The establishment of the single market has, however, encouraged greater harmonization of regulations within the European Union.

The Third Non-Life Directive, which was transposed into French law by Law No. 94-5 dated January 4, 1994 and codified in the French Insurance Code, in particular into its Book III, provides that an insurance company that has received the approval of a Member State that to operate in one or more classes of insurance, may exercise these activities directly or through subsidiaries, under the European passport.

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

- oversees compliance by insurers' companies with legislative and regulatory regulations relating to insurance activities;

- ensures that insurance companies are always able to meet their commitments with respect to their policyholders and have the required solvency margin;

- approves any potential amendment of the bylaws of Compagnie française d'assurance pour le commerce extérieur;

- is the recipient of the internal control report that must be submitted to it by Compagnie française d'assurance pour le commerce extérieur pursuant to Article R.336-1 of the French Insurance Code. In this respect, second-level controls have been in place since 2008. They focus primarily on licensing and regulatory authorizations, compliance with personal data protection regulations, establishment of procedures to ensure data confidentiality, rules of governance, compliance with anti-money laundering rules and obligations of insurance companies with respect to Know Your Customer regulations and effectiveness of reporting procedures. Subject to the admission to trading of the Issuer's shares on Euronext Paris, this report will no longer have to be submitted because it shall then prepare a report on internal control pursuant to Article L.225-37 of the French Commercial Code, which shall be made public. In addition, the Issuer, in its capacity as a body that has to prepare and publish consolidated financial statements for an insurance group, submits a report annually to the ACPR describing the internal control of the insurance group; and

- oversees the Issuer pursuant to the supplementary supervision of insurance companies that are part of an insurance group.

In addition, pursuant to Articles L. 322-4 and R. 322-11-1 to R. 322-11-3 of the French Insurance Code, any person (acting alone or in concert with other persons) who intends to acquire or dispose of any shares , directly or indirectly, in the share capital of the Issuer or the Guarantor with the result that the voting rights held by such person(s) exceed or fall below the thresholds of one tenth, one fifth, one third or one half of the voting rights of the Issuer or the Guarantor, is required to notify the ACPR thereof prior to such contemplated acquisition or disposal. Any such person (acting alone or in concert as aforesaid) who intends to acquire any such shares which would result in exceeding any such thresholds as aforesaid shall in addition obtain the approval of the ACPR prior to such acquisition.

The Issuer, as the holding company of an insurance group, is also subject to supplementary supervision by the ACPR with respect to compliance with solvency standards.

Finally, pursuant to Article L.561-2 of the French Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to laws relating to anti-money laundering and terrorism financing. The current body of laws, codified in Title VI of Book V of the French Monetary and Financial Code, is derived among others from Ordinance No. 2009-104 dated January 30, 2009 implementing Directive 2005/60/EC of the European Parliament and of the Council dated October 26, 2005 designed to prevent using the financial system for the purpose of money laundering and terrorism financing. It includes the monitoring of any practices through which third parties may engage in insurance activities resulting in corruption or feeding funds obtained through the commission of criminal offenses back into the legal economy. This monitoring is based in particular on the implementation and use of KYC (Know Your Customer) procedures and transaction filtering tools. Transactions that may reveal an act of bribery, money laundering or terrorism financing are analyzed and result, if appropriate, in a statement of suspicion being issued by TRACFIN (Information Processing and Action against Clandestine Financial Circuits), which is the competent authority in France.

#### 4.8.1.3 Prudential Regime for Insurance Companies

The prudential regime for insurance group, as defined by subparagraph 6° of L.334-2 of the French Insurance Code, governs their operations financially and from an accounting standpoint. The Coface Group's companies operating outside the European Union are also subject to prudential regimes.

##### 4.8.1.3.1 Financial Features of the Prudential Regime for Insurance Companies

The financial component of the prudential regime for insurance companies imposes on the Coface Group either at the consolidated level or at the level of its operating companies, three correlative obligations: (i) sufficient provisioning of the commitments undertaken to its policyholders, (ii) permanently covering such commitments with equivalent value assets and (iii) maintaining a level of capital that ensures an adequate solvency margin.

These three requirements are expected to be radically changed by the implementation of the ongoing reform currently under (i) Directive No. 2009/138/EC of the European Parliament and of the Council dated November 25, 2009 on access to activities of insurance and reinsurance and practice and (ii) its implementing regulations (collectively, "**Solvency II**").

- **Obligation to provision commitments**

Liabilities of insurance companies consist primarily of commitments to policyholders. Uncertainty about the quantum and the execution date of these commitments, which are consubstantial with the activity of an insurance company, results in these commitments being recorded on the balance sheet as estimated amounts. These estimates, also called technical provisions, must at all times be sufficient to satisfy the debts they represent, pursuant to Article R.331-1 of the French Insurance Code.

Compagnie française d'assurance pour le commerce extérieur, is required, in accordance with Article R.331-6 of the French Insurance Code, to hold the following technical provisions to cover the full payment of its commitments towards policyholders or beneficiaries of contracts:

- provisions for unearned premiums, to cover, for all ongoing contracts, the share of premiums issued and to be issued relating to the period between the date of the inventory and the date of the next scheduled premium payment date or, failing that, the date of the term of the contract;

- provisions for unexpired risks that complement the provisions for unearned premiums when the latter are insufficient to cover claims and expenses relating to contracts between the end of the accounting period and the next scheduled premium payment date. They aim at covering, for all ongoing contracts, the cost of claims and expenses relating to contracts for the period between the date of the inventory and the date of the next scheduled premium payment date adjustable by the insurer or, failingthat, between the date of the inventory and the date of the term of the contract;

- provisions for outstanding claims, to cover the costs of all principal amounts and costs, both internal and external, of all claims incurred but not yet paid;

- provisions for equalization, to offset any technical deficit arising at the end of the accounting year. In France, these consist of an annual allocation of 75% of any technical surplus of the branch up to a ceiling representing 1.34 times the average of premiums or contributions received annually during the last five financial years, after deducting removals of and additions to reinsurance acceptances;

- capitalization provisions, designed to counter the depreciation of values of the assets of the business and the decrease in the income from these assets; and

- provision for default risk, designed to counter a possible insufficient liquidity of investments.

- **Obligation to represent commitments**

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

In any event, these assets must meet the requirements of equivalence, congruence and location listed in Article R.332-1 of the French Insurance Code:

- equivalence requires that at any time the value of the assets must be at least equal to the represented liabilities;

- congruence requires the commitments made in one currency to be covered, unless waived, by assets denominated or realizable in the same currency; and

- location requires the regulated assets to be located in a Member State of the European Union.

In addition, the assets covering the provisioned commitments must meet specific requirements of admission, dispersion and valuation.

Rules of admission. The part of the assets that cover the provisions of the insurance companies' commitments includes investments (securities, real estate assets, certain bank loans and deposits) and receivables whose payment is deemed sufficiently probable or which the company holds against reinsurers and securitization vehicles to which it has transferred risk.

Article R.332-2 of the French Insurance Code sets out a list of investments eligible to cover technical provisions and requires that they meet qualitative criteria of security, profitability and liquidity. Regulated commitments of Compagnie française d'assurance pour le commerce extérieur must as such be covered by assets consisting primarily of (i) securities admitted to trading on a regulated market or issued by an entity whose registered office is located in an OECD country as well as money market instruments issued by a company whose registered office is in an OECD country, (ii) real estate assets located in the territory of an OECD country and (iii) deposits and loans granted to individuals located or corporate entities whose registered office is established in an OECD country.

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

Valuation rules. Assets eligible to cover commitments of an insurance company must comply with certain rules governing the value at which they will be recorded on the balance sheet, listed in Articles R.332-19 *et seq.* of the French Insurance Code. The regulations provide for three accounting methods depending on the kind of asset under consideration, it being understood that, in general, such assets are recorded at acquisition value, excluding any depreciation and amortization. However, certain assets are recorded at their historical value, or the purchase or cost price. Another category of assets is recorded on the balance sheet at market value (for example, the latest market price for quoted instruments on the date of the inventory), or the price at which such assets would be sold on the date of the inventory. Finally, amortizing assets are recorded in the balance-sheet at their redemption value, as stipulated in the contract.

- **Obligation to provide a sufficient margin of solvency**

Beyond the technical provisions, which basically consist in freezing in advance sums that may become due during a certain period of time, regulations require that insurance companies offer solvency guarantees through their own funds. In general, the solvency rules consist in ensuring that the insurance company holds a minimum surplus of assets in addition to the assets covering its commitments. In this regard, the conversion of all of its insurance subsidiaries located in the European Union area into branches by the Coface Group enabled it to centralize all assets of these entities and to leave at the local level only the minimum cash flow necessary for operational requirements. In other countries, regardless of the legal status of the relevant entity, such entity must comply with local regulations. In this regard, entities have locally retained their assets portfolio as well as their cash flow in order to cover, in particular, their assets-liabilities constraints and solvency ratio requirements imposed by the local regulators.

In the European Union, the Coface Group is subject to supervision by the ACPR, which has extended oversight authority, in particular to review the solvency margin of the Group in accordance with the requirements of Directive No. 98/78/EC of the European Parliament and of the Council dated October 27, 1998 on the complementary supervision of insurance companies which are part of an insurance group, as implemented by order No. 2001-767 dated August 29, 2001 and its implementing Decree No. 2002-360 dated March 14, 2002 codified in Articles R.334-1 *et seq.* of the French Insurance Code. At the consolidated level of the Coface Group and in accordance with French requirements from the European "Solvency I" directive, which is based mainly on Directive No. 73/239/EEC dated July 24, 1973, the Issuer is required to compute a consolidated solvency margin corresponding to the ratio between the Issuer's total available capital and the regulatory capital required. According to applicable French regulations, the Issuer must maintain its consolidated solvency margin at a minimum of 100%.

In recent years, the European Commission (the "**Commission**"), together with the Member States, conducted a substantive review of regulatory capital requirements in the insurance sector in the context of the implementation of Solvency II.

The objective of Solvency II, which will come into effect on January 1, 2016, is aimed at controlling more efficiently insurer risks and providing a common system for all members of the European Union. The new approach is based on three pillars:

- Pillar 1 covers quantitative capital requirements, asset and liability valuation rules and capital adequacy requirements. Solvency II thus provides for Solvency Capital Requirements ("**SCR**") that set the equity capital required for the insurer to absorb a major shock, which is calculated according to a standard model or an internal model developed by the insurer and approved by the national prudential regulator;

- Pillar 2 covers the requirements for the governance and management of risks incurred by insurers as well as the effective supervision of the latter and in particular the requirement for them to conduct an internal assessment on their risks and solvency (Own Risk and Solvency Assessment – ORSA) and communicate the results to the supervisory authority as part of the supervisory review process; and

- Pillar 3 concerns reporting and transparency requirements. This approach will cover, among others, valuations, treatment of insurance groups, the definition of capital and the overall level of capital requirements. One of the main features of Solvency II consists in comparing risk-assessment methods and economic capital methods and would allow the Coface Group to use its internal models for calculating economic capital, once approved by the Coface Group's auditing authority (ACPR), to obtain a better understanding of risks and appropriate management of these risks.

At this stage, there are still uncertainties concerning the application of certain detailed rules yet to be adopted (for a detailed description of the risks attached to these uncertainties, see Section 1.1 "*Risk Factors – Risks related to the economic, financial and regulatory environment of the Coface Group's sectors of activity* - *Risks related to the implementation of the Solvency II regulations*").

#### 4.8.1.3.2 Accounting features of the prudential regime for insurance companies

In addition to the general accounting obligations enacted in Articles L.123-12 *et seq.* of the French Commercial Code, the Coface Group is subject to specific accounting rules applying to insurance companies, as codified in Title IV of Book III of the French Insurance Code. Indeed, the fact that insurance companies are characterized by an inverse production cycle –the provision of services whose actual cost will be known only *a posteriori* – justifies the existence of specific accounting rules for such companies. Article R.341-1 of the French Insurance Code provides in this respect that these rules apply equally to all branches established abroad, with the exception of the operations of branches established outside the European Union, for which an exemption is possible. These rules are applicable to the Compagnie française d'assurance pour le commerce extérieur which draws up financial statements in accordance with the applicable French standards.

The Coface Group's consolidated financial statements are prepared in accordance with the IFRS (more specifically, standard IFRS 4 phase 1). This standard impose that the standards used for this insurance contracts is internationally recognized. As such, the Coface Group has retained French standards to translate its insurance contracts. Only the equalisation provision in not admitted by the IFRS standards and thereby was cancelled in all the IFRS financial statements, whereas it still appears in the Compagnie française d'assurance pour le commerce extérieur.

### 4.8.1.4 Regulations applicable to credit insurance contracts of the Coface Group

Contracts issued in each country where the Coface Group is present comply with the regulations of the corresponding country. In France, credit insurance contracts issued by the Coface Group are not subject to the provisions of the French Insurance Code, but to the common law applying to contracts – with the exception of Articles L.111-6 (major risks), L.112-2 (framework of the pre-contractual phase), L.112-4 (insurance policy content), L.112-7 (information to be provided when the contract is offered under conditions of freedom to provide services) and L.113-4-1 (explanation owed to the policyholder by the credit insurer when it refuses to guarantee claims held by the policyholder with respect to its debtor) of the French Insurance Code.

## 4.8.2 Management and coverage of public procedures

In addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages, on behalf of, and under the control of, the State, the risks associated with international trade that are not likely to be insured by the market. This mission is carried out under the conditions stipulated by Law No. 49-874 dated July 5, 1949 and Decree No. 94-376 dated May 14, 1994, as amended and codified in Articles L.432-1 *et seq.* and R.442-1 *et seq.* of the French Insurance Code, as supplemented by the convention on the public procedures management and the convention on the financial relations between the government and Compagnie française d'assurance pour le commerce extérieur annexed thereto, signed on February 24, 2012. In this context, the company's supervisory authority is the General Directorate of the Treasury.

This public procedures management activity has been maintained, as were all credit insurance transactions made "for the account or with the support of the State, or when the State is the insurer" outside the scope of the 1987 Directive, particularly with respect to the prudential rules it imposes, and the Third Non-Life Directive, pending further coordination yet to take place.

For this activity, certain operations of Compagnie française d'assurance pour le commerce extérieur are guaranteed by the State pursuant to Article L.432-2 of the French Insurance Code.

For the most part, they require the following procedures that support and develop French exports:

- credit insurance, which covers an exporter or its bank against the risk of non-repayment of an export credit;
- investment insurance, which protects against risks of a political nature, damage to property or non-collection of revenue generated by such investments;
- foreign exchange insurance, against the possible failing in the billing currencies of exports;
- prospection insurance, which protects small- and medium-sized enterprises against the risk of failure of their prospection in foreign markets; and
- exporter risk insurance, which protects banks against default by an exporter for which they have issued surety bonds (such as for advance payments) or to whom they have granted a pre-financing loan.

Pursuant to Articles L.432-3 and R.442-2 of the French Insurance Code, insurance coverage is issued by Compagnie française d'assurance pour le commerce extérieur on behalf of the State, in accordance with the decisions of the Minister of the Economy made after consulting the French Export Credit and Guarantee Commission. These decisions determine the terms of policies relating, among others, to the obligations of the policyholders, premium collection, events giving rise to claims, schedule of indemnity payments, distribution of amounts collected from distressed debt, and execution of these policies.

Article L.432-4 of the French Insurance Code provides that all technical flows corresponding to public procedures, except for remuneration received by Compagnie française d'assurance pour le commerce extérieur for its management activity, are recorded in separate accounts in the company's financial statements. As a result, these operations do not have to be recorded in the balance-sheet or income statement of Compagnie française d'assurance pour le commerce extérieur: only the management fees received in this context are recorded in the income statement. Furthermore, this article provides that a separate accounting record is prepared by Compagnie française d'assurance pour le commerce extérieur for these transactions. An agreement between the State and Compagnie française d'assurance pour le commerce extérieur sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more statutory auditors. Finally, without prejudice to the rights of holders of claims arising from State guaranteed transactions, no creditor of Compagnie française d'assurance pour le commerce extérieur other than the State can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under the rules of Book VI, Title II of the French Commercial Code, Articles L. 611-1 to L. 612- 4 of the French Commercial Code, or Articles L.310-25 and L.326-2 and L.327-6 of the French Insurance Code.

In accordance with Article R.442-3 of the French Insurance Code, Compagnie française d'assurance pour le commerce extérieur, as a manager of public funds, is subject, for the purpose of its public procedures management activity, to the economic and financial control of the State. As such, Compagnie française d'assurance pour le commerce extérieur can be audited by State inspectors who have the power to carry out and document on-the-spot any investigations and periodically report their activities to the Ministers in charge of Finance, Economic Affairs and Budget.

In addition, Articles R.442-4 and R.442-5 of the French Insurance Code provide, among others, that the Minister of the Economy shall appoint a Government Commissioner who is responsible for ensuring the implementation of the State's guarantee by Compagnie française d'assurance pour le commerce extérieur so that the latter does not compromise the exercise of the responsibilities delegated to it by the State. The Commission may review at any time the accounting records as well as the documents and information necessary for the performance of its duties and exercise right to veto over any decision relating to the State's guarantee that may jeopardize the exercise thereof. In the case of a veto, Compagnie française d'assurance pour le commerce extérieur has a period of eight days to appeal to the Minister of Economy, who shall rule on the objection within ten days.

Article R.442-6 of the French Insurance Code, restated in Article 9 of the bylaws of Compagnie française d'assurance pour le commerce extérieur, further provides that any acquisition by a person, acting alone or in concert, above the threshold of 10% of the share capital or voting rights of that company, requires a decision by the Board of Directors, subject to the approval of the Minister of the Economy. Such approval is deemed to be granted, unless opposed by the Minister within 15 days after the decision of the Board. If any such acquisition is made without complying with the provisions of this article, the holder or holders of the relevant shares cannot exercise their corresponding right to vote and must sell the shares within three months.

### 4.8.3 Factoring Activities in Germany and Poland

Factoring is regulated by the German Banking Act (*Kreditwesengesetz*) as a financial service (and not as banking business) and defined as the continuous sale of debts on the basis of a framework contract benefitting a third-party institution, with or without recourse against the selling company. As a financial service (*Finanzdienstleistung*), as defined by the German Banking Act, the factoring business is regulated and subject to supervision by the authority of the German financial regulator, BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*), which requires approval for the conduct of such activities.

In Poland, factoring activities, which are carried out under the regime of local civil law relating to the transfer of receivables, are not subject to any specific regulatory framework, except that they are subject to Polish anti-money laundering regulations.

## 4.9 Material Contracts

The Issuer has not entered into contracts outside the ordinary course of its business, which could result in the Issuer or any of its combined subsidiaries being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of Notes in respect of the Notes being issued.

## 4.10 Litigation and Arbitration Proceedings

As of the date of this Prospectus, the Issuer is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the period of 12 months immediately preceding the date of this prospectus, a significant effect on the Issuer's financial condition or profitability.

## 4.11 Management

The Issuer is managed by Jean-Marc PILLU, Chief Executive Officer (*Directeur Général*) and has a board of directors (*Conseil d'administration*) (the "**Board of Directors**") consisting of thirteen directors. As of the date of this Prospectus, the members are:

| **Name** | **Position** | **Principal other activities** |
|---|---|---|
| Laurent MIGNON | Chairman | Chief Executive Officer, Natixis<br>Member of the Management Board (*directoire*), BPCE |
| Laurence PARISOT | Director | Vice-president of the Management Board (*directoire*), IFOP Group |
| Pascal MARCHETTI | Director | Chief Executive Officer, Banque Populaire des Alpes |

| | | |
|---|---|---|
| Bruno DELETRE | Director | Chief Executive Officer, Crédit Foncier |
| Jean ARONDEL | Director | Chairman of the Orientation and Supervisionory Board, Caisse d'Epargne Loire-Centre |
| BPCE | Director | N/A |
| NATIXIS | Director | N/A |
| Yvan de la PORTE du THEIL | Director | Director, BPCE International et Outre-Mer |
| Nicole NOTAT | Director | Chairman of the Board of Directors (*conseil d'administration*), Vigéo |
| Nicolas PLANTROU | Director | Chairman of the Orientation and Supervisory Board, Caisse d'Epargne Normandie |
| Emmanuel POULIQUEN | Director | Chairman of the Board of Directors (*conseil d'administration*), Banque Populaire Atlantique |
| Laurent ROUBIN | Director | Chairman of the Management Board (*directoire*), Caisse d'Epargne Picardie |
| Jean-Paul DUMORTIER | Director | Chairman of the Board of Directors (*conseil d'administration*), Banque Populaire Rives de Paris |

In addition to being members of the Board of Directors of the Issuer, Natixis is also a member of the Board of Directors of the Guarantor. In addition to being *Directeur général* of the Issuer, M. Jean-Marc Pillu is also *Président-Directeur général* of the Guarantor.

To the Issuer's knowledge, there are no conflict of interest between the private interests and/or other duties of the members of the Board of Directors (*Conseil d'administration*) of the Issuer and the duties they owe to the Issuer.

The business address of each of the directors is 1, Place Costes et Bellonte – 92270 Bois Colombes, France.

# DESCRIPTION OF THE GUARANTOR

## Incorporation, Corporate Seat, Duration and Corporate Purpose

Compagnie française d'assurance pour le commerce extérieur (the "**Guarantor**") was incorporated as a *société anonyme* governed by the provisions of the French *Code des assurances* for duration of 99 years, unless extended, on May $1^{st}$, 1948. It has its registered office at 1, Place Costes et Bellonte – 92270 Bois Colombes, France (Tel.: +33 1 49 02 20 00).

The Guarantor is registered with the Nanterre trade and companies registry under number 552 069 791.

Pursuant to the articles of association of the Guarantor, the corporate purpose of the Guarantor is (i) to cover credit insurance risks and the performance of commercial and financial transactions, as well as all related insurances services, reinsurance services, or services which may encourage the development of these operations, (ii) cover and manage, in the interest of France's foreign trade, risks related to international exchanges, commercial, political, monetary and disaster risks and also certain risks referred to as extraordinary risks, on behalf of and under the control of the State pursuant to article L.432-2 of the French *Code des assurances*, and (iii) more generally, to carry out all civil, commercial, industrial, financial, asset or real property transactions which may relate, directly or indirectly, to the above-mentioned corporate purpose.

The Guarantor is the main operating company of the Coface Group. See Section 4.4 "*Description of Activities*" for information on the activities of the Guarantor and the Coface Group.

## Share Capital and Ownership

The issue paid-up capital of the Guarantor amounts to 137,052,417.05 euros and is divided into 35,960,201 shares.

The Issuer holds 99.74% of the shares and the voting rights of the Guarantor. See "*Description of the Issuer and the Coface Group*" for a description of the structure of the Issuer and the Coface Group.

## Organizational Structure

In the context of the regulatory changes related to the implementation of the "Solvency II" Directive (see Section 4.8.1.3 "*Prudential Regime for Insurance Companies*") and the Strong Commitment I, the Coface Group has converted all of its insurance subsidiaries located in the European Union territory into branches in order to rationalize its organization and to have a single regulatory contact at European level, *i.e.* the ACPR.

## Material Contracts

The Guarantor has not entered into contracts outside the ordinary course of its business, which could result in the Guarantor or any of its combined subsidiaries being under an obligation or entitlement that is material to the Guarantor's ability to meet its obligation to holders of Notes in respect of the Guarantee being issued.

## Litigation and Arbitration Proceedings

As of the date of this Prospectus, the Guarantor is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the period of 12 months immediately preceding the date of this prospectus, a significant effect on the Guarantor's financial position or profitability.

**Board of Directors**

The Guarantor has a board of directors (*Conseil d'administration*) (the "**Board of Directors**") consisting of twelve directors. As of the date of this Prospectus, the members are:

| **Name** | **Position** | **Principal other activities** |
|---|---|---|
| Jean-Marc PILLU | Chairman and Chief Executive Officer | N/A |
| Colette MAHE O'CHINAL | Director representing employees | N/A |
| Bernard BENISTI | Director representing employees | N/A |
| Peter ESMANN | Director representing employees | N/A |
| Roland RICHTER | Director representing employees | N/A |
| Richard BURTON | Director | N/A |
| Cyrille CHARBONNEL | Director | N/A |
| Anne MONGAUZE | Director | Head of Strategy, Natixis |
| André Jean OLIVIER | Director | Corporate Secretary, Natixis |
| Carine PIAZZINI | Director | N/A |
| Michael FERRANTE | Director | N/A |
| NATIXIS | Director | N/A |

In addition to being members of the Board of Directors of the Guarantor, Natixis is also a member of the Board of Directors of the Issuer and M. Jean-Marc Pillu is also *Directeur général* of the Issuer.

To the Guarantor's knowledge, there are no conflict of interest between the private interests and/or other duties of the members of the Board of Directors (*Conseil d'administration*) of the Guarantor and the duties they owe to the Guarantor.

The business address of each of the directors is 1, Place Costes et Bellonte – 92270 Bois Colombes, France.

**Regulatory Environment**

The Guarantor is regulated as a *société d'assurance* and is supervised by the ACPR.

# RECENT DEVELOPMENTS

At its next shareholders meeting, Coface intends to propose to the approval of its shareholders, an extraordinary distribution of €227 million by way of a reduction of its additional paid in capital. This amount corresponds to the 2013 net result as well as an additional amount of €100m. Following the issue of the Notes and the payment of such distribution, Coface leverage ratio will remain at approximately 20%.

# DESCRIPTION OF THE GUARANTEE

Compagnie française d'assurance pour le commerce extérieur, a French *société anonyme* with a share capital of €137,052,417.05 whose registered office is at 1, place Costes et Bellontes, 92270 Bois-Colombes in France (the "**Guarantor**").

Terms and expressions defined in the terms and conditions of the Notes (the "**Conditions**") that are not otherwise defined in this Guarantee shall bear the same meanings in this Guarantee.

## 1. Introduction

COFACE SA (the "**Issuer**"), a French *société anonyme* with a share capital of €784,206,535 whose registered office is at 1, place Costes et Bellontes, 92270 Bois-Colombes in France, has, pursuant to the decision taken by its Chief Executive Officer (*Directeur général*) dated March 21, 2014, which was taken pursuant to the resolution of the Issuer's board of directors (*Conseil d'administration*) dated February 14, 2014, decided the issue on March 27, 2014 of its 4.125 per cent. subordinated notes due March 27, 2024 in a principal amount of €380,000,000 (the "**Notes**").

## 2. Guarantee

The Guarantor, pursuant to this agreement, confirms that it has received the final version of the prospectus submitted to the *Autorité des marchés financiers* on March 25, 2014, and confirms that it has full and complete knowledge of the terms and conditions of the Notes (the "**Conditions**").

The Guarantor, acting as guarantor (*caution solidaire*) pursuant to Articles 2288 and 2298 of the French Civil Code (*Code civil*), hereby irrevocably and unconditionally agrees to guarantee on a subordinated basis (as provided in clause 3 of this Guarantee) any amount due and payable in respect of the Notes, including principal, interest, expenses, additional amounts (unless they would not be due in respect of a payment by the Guarantor rather than the Issuer) and other sums from time to time which are due and payable by the Issuer in respect of the Notes ("**Guaranteed Amounts**").

The Guarantor grants the Guarantee prior to the issue of the Notes and for the benefit of the Noteholders.

Acceptance of this Guarantee by the Noteholders will result from the mere subscription or subsequent acquisition of the Notes.

## 3. Subordination

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which shall rank *pari passu* with other present and future Ordinarily Subordinated Obligations of the Guarantor, and shall be subordinated to the Unsubordinated Obligations of the Guarantor but shall rank in priority to any present and future *prêts participatifs* granted to the Guarantor, any present and future *titres participatifs* issued by the Guarantor, and any deeply subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*), but behind Unsubordinated Obligations of the Guarantor.

If any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Guarantor, or in the event of a transfer of the whole business of the Guarantor (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Guarantor is liquidated for any other reason (other than pursuant to a consolidation, amalgamation or merger or other reorganization outside the context of an insolvency), the payment obligation of the Guarantor under the Guarantee shall be subordinated to the payment in full of the Unsubordinated Obligations of the Guarantor and, subject to such payment in full, the Noteholders will be paid in priority to any *prêts participatifs* granted to the Guarantor, any *titres participatifs* issued by the Guarantor and any other subordinated Obligations of the Guarantor that by their terms rank junior to the Guarantee or to such *prêts participatifs* and *titres participatifs* (including *titres super subordonnés*).

In the event of incomplete payment of the creditors in respect of Unsubordinated Obligations of the Guarantor, the obligations of the Guarantor in connection with the Guarantee will be terminated by operation of law.

Pursuant to Article L.327-2 of the French *Code des assurances*, a lien (*privilège*) over the moveable assets of the Guarantor is granted for the benefit of the Guarantor's policyholders. Noteholders, even if they are policyholders of the Guarantor, do not have the benefit of such lien in relation to amounts due under the Guarantee.

## 4. Additional terms

**4.1** Benefit of discussion (*bénéfice de discussion*): The Guarantor hereby expressly, irrevocably and unconditionally, waives the *bénéfice de discussion* provided for under Article 2298 of the French Civil Code (*Code civil*). Each Noteholder or the Representative of the *Masse* may therefore enforce its rights under this Guarantee, for an amount up to the total amount of sums due and payable under the Notes held by it against the Guarantor without first taking any steps or proceedings against the Issuer.

**4.2** Recourse and subrogation: The Guarantor expressly, irrevocably and unconditionally waives any right to assert the benefits of Articles 2305, 2309 and 2316 of the French Civil Code (*Code civil*) prior to the full fulfilment of all rights of Noteholders, provided however that, for the avoidance of doubt, the Guarantor shall have the right to claim and prove in bankruptcy of the Issuer. The Guarantor therefore waives any recourse (including any recourse based on subrogation provided by Article 2306 of the French Civil Code (*Code civil*)) that it may have against the Issuer in connection with the Guarantee until the full fulfillment of all rights of Noteholders.

**4.3** Set-off: The Guarantor expressly, irrevocably and unconditionally waives any right to the benefit of any set-off as provided under Article 1294 of the French Civil Code (*Code civil*) vis-à-vis the Noteholders.

**4.4** Assignment and transfer of the Notes: the benefit of the Guarantee will extend automatically and as a matter of law to each assignee or transferee of the Notes.

**4.5** Changes in the Issuer: The Guarantor expressly, irrevocably and unconditionally waives and renounces any rights which it may have to claim a novation and release under the Guarantee because of a change in the legal form or personality of the Issuer in the future or in the case of any merger, amalgamation, reconstruction, reorganization of the Issuer with another company even if this leads to the establishment of a new legal entity, to the extent the resulting entity (i) assumes the obligations of the Issuer under the Notes and (ii) controls, within the meaning of Article L. 233-3 of the French Commercial Code (*Code de commerce*), the Guarantor.

## 5. Withholding tax

If any French law should require that any amount due under the Guarantee be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any political subdivision or authority therein or thereof having power to tax, the Guarantor will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in the Guarantee to be then due and payable; provided, however, that the Guarantor shall not be liable to pay any such additional amounts in respect of the Guarantee to a holder (or beneficial owner (*ayant droit*)):

(a) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Guarantee by reason of his having some connection with the Republic of France, as the case may be, other than the mere holding of a Note;

(b) where such deduction or withholding is imposed on a payment to an individual or an entity as set out in Article 4(2) of European Council Directive 2003/48/EC and is required to be made pursuant to such Directive or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 or any subsequent meeting of the ECOFIN Council on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives.

## 6. Notices

All notices and demands relating to this Guarantee and in particular in relation to the payment of sums under the Guarantee, will be deemed effective if delivered by any Noteholder or by the Representative of the *Masse,* at the Representative's initiative or upon request of any Noteholder, to: Compagnie française d'assurance pour le commerce extérieur, to the attention of :

Carine Pichon
Chief Financial Officer
Compagnie française d'assurance pour le commerce extérieur
1, place Costes et Bellonte
92270 Bois-Colombes
France
Tel: + 33 (0)1 49 02 20 00 Fax: + 33 (0)1 76 75 35 16
Email: carine.pichon@coface.com

Any change in the above notification details shall be notified to the Representative of the *Masse* and Noteholders pursuant to Condition 11 as soon as possible.

Any sum due under this Guarantee shall be payable upon receipt of such written notice and in any event no later than five (5) calendar days thereafter, by wire transfer to the Principal Paying Agent (currently CACEIS Corporate Trust) on behalf of the Noteholders.

## 7. Duration

The Guarantee applies as of the Issue Date of the Notes and shall remain in effect until the Issuer has been discharged of all payment obligations under the Notes.

## 8. Governing law and jurisdiction

This Guarantee is governed by French law. Any dispute as to its validity, interpretation or performance, will be submitted to the courts of the competent jurisdiction in Paris.

**COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR**

COFACE SA certifies that the Guarantee has been granted by Compagnie française d'assurance pour le commerce extérieur at its initiative.

**COFACE SA**

# TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in France or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

## 1. EU Savings Directive

Under the Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), each Member State of the EU is required to provide to the tax authorities of another EU Member State, inter alia, details of interest payments within the meaning of the Savings Directive (including interest, premiums and other similar income) made by a paying agent established within its jurisdiction to, or secured by such a person for the benefit of, an individual resident in or certain limited types of entity established in, that other Member State.

However, for a transitional period, certain Member States (Luxembourg and Austria) will instead apply a withholding system in relation to interest payments, unless during such period they elect otherwise. The beneficial owner of the interest payment may, on meeting certain conditions, request that no tax be withheld and elect instead for an exchange of information procedure. The rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. The current Luxembourg government has announced its intention to elect out of the withholding system in favor of automatic exchange of information with effect from January 1, 2015.

A number of third countries and territories have adopted similar measures to the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive, once amended, on their investment.

## 2. French Withholding Tax

*The following is a basic summary of certain withholding tax considerations that may be relevant to holders of Notes who do not concurrently hold shares of the Issuer or who are not otherwise affiliated with the Issuer within the meaning of Article 39-12 of the French* Code général des impôts*. Persons who are in doubt as to their tax position should consult a professional tax adviser.*

The Savings Directive was implemented into French law under Article 242 ter of the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Pursuant to Article 125 A III of the French Code general des impôts, payments of interest and other revenue made by the Issuer with respect to the Notes are not subject to the withholding tax unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"), in which case, a 75 per cent. withholding tax is applicable (subject to exceptions, certain of which are set forth below, and to the more favourable provisions of an applicable double tax treaty). The 75 per cent. withholding tax is applicable irrespective of the tax residence of the holder of the Notes. The list of Non-Cooperative States is published by a ministerial executive order, which is updated on a yearly basis.

Furthermore, in application of Article 238 A of the French *Code général des impôts*, interest and other revenue on such Notes are not deductible from the Issuer's taxable income if they are paid or accrued to persons established or domiciled in a Non-Cooperative State or paid to a bank account opened in a financial institution located in a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenue may be recaracterized as constructive dividends pursuant to Articles 109 *et seq.* of the French *Code général des impôts*, in which case such non-deductible interest and other revenue may be subject to the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts*, at a rate of 30 per cent. or 75 per cent. (subject to more favorable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, the law provides that neither the 75 per cent. withholding tax set out under Article 125 A III of the French *Code général des impôts*, the Deductibility Exclusion nor the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts* that may be levied as a result of such non-deductibility, to the extent that the relevant interest or revenue relate to genuine transactions and is not an abnormal or exaggerated amount will apply in respect of the Notes if the Issuer can prove that the principal purpose and effect of the issue of the Notes was not that of allowing the payments of interest or other revenue to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to *Bulletin officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50, BOI-RPPM-RCM-30-10-20-50, BOI-ANNX-000364 and BOI-ANNX-000366 dated September 12, 2012, the Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes, if the Notes are:

- offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

- admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

- admitted, at the time of their issue, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

The Notes which will be admitted to listing and to trading on Euronext Paris and cleared through Euroclear France, will fall under the Exception. Consequently, payments of interest and other revenue made by the Issuer under the Notes are not subject to the 75 per cent. withholding tax set out under Article 125 A III of the French *Code général des impôts*.

Pursuant to Article 9 of the 2013 French Finance Law (*loi n°2012-1509 du 29 décembre 2012 de finances pour 2013*) subject to certain exceptions, interest received from January 1, 2013 by French tax resident individuals is subject to a 24% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5% on interest paid to French tax resident individuals.

# SUBSCRIPTION AND SALE

## 1. Subscription agreement

Pursuant to a subscription agreement dated March 25, 2014 (the "**Subscription Agreement**") entered into between Natixis (the "**Global Coordinator, Sole Bookrunner and Lead Manager**"), Banco Santander, S.A., BNP Paribas, Credit Suisse Securities (Europe) Limited (the "**Joint Lead Managers**") and The Royal Bank of Scotland plc (the "**Co-Lead Manager**" and, together with the Global Coordinator, Sole Bookrunner and Lead Manager, and the Joint Lead Managers, the "**Managers**"), the Issuer and the Guarantor, the Managers have jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to procure subscription or, failing which, to subscribe for the Notes at an issue price equal to 99.4938 per cent. of their principal amount less the commissions agreed between the Issuer and the Managers. The Subscription Agreement entitles, in certain circumstances, the Managers to terminate it prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

## 2. Selling Restrictions

Each of the Managers has represented and agreed that it will not offer, sell or deliver, directly or indirectly, any Note to any of the following:

### 2.1 United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Accordingly, the offer is not being made in the United States and this document does not constitute an offer, or an invitation to apply for, or an offer or invitation to purchase or subscribe for any Notes in the United States. The Notes offered hereby are being offered only outside the United States in "offshore transactions" as defined in Regulation S under the Securities Act. Any person who subscribes or acquires Notes will be deemed to have represented, warranted and agreed, by accepting delivery of this Prospectus or delivery of Notes, that it has not received this document or any information related to the Notes in the United States, is not located in the United States and is subscribing for or acquiring Notes in compliance with Rule 903 of Regulation S in an "offshore transaction" as defined in Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act.

### 2.2 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect form and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Managers; or
- at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to above shall require the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

## 2.3 United Kingdom

Each of the Managers has represented, warranted and agreed that (in connection with the initial distribution of the Notes only):

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes which are the subject of the offering contemplated by this Prospectus (the "**Offer Notes**") in circumstances in which Section 21(1) of the FSMA would not, if the Issuer or the Guarantor were not an authorised person, apply to the Issuer or the Guarantor; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Notes in, from or otherwise involving the United Kingdom.

## 2.4 France

Each of the Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed, directly or indirectly, and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

### 2.5 General

No action has been, or will be taken, in any country or jurisdiction that would permit an offer to the public of any of the Notes. Neither the Issuer, nor the Guarantor, nor the Managers represents that Notes may at any time lawfully be resold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such resale.

Each of the Managers has agreed that it will, to the best of its knowledge, comply with all relevant securities laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any other offering material relating to the Notes and obtain any consent, approval or permission required for the purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction in which it makes such purchase, offer or sale and none of the Issuer, the Guarantor or any other Managers shall have responsibility therefore.

## GENERAL INFORMATION

1. The Notes have been accepted for clearance through Clearstream, Luxembourg (42 avenue JF Kennedy, 1855 Luxembourg, Luxembourg), Euroclear (1, boulevard du Roi Albert II, 1210 Bruxelles, Belgium) and Euroclear France (115 rue Réaumur, 75081 Paris Cedex 02, France) with the common code 104882943. The International Securities Identification Number (ISIN) code for the Notes is FR0011805803.

2. The issue of the Notes was decided by Jean-Marc Pillu, *Directeur général* of the Issuer, on March 21, 2014, acting pursuant to a resolution of the Board of Directors of the Issuer dated February 14, 2014. The issue of the guarantee was authorized pursuant to a resolution of the Board of Directors of the Guarantor dated March 3, 2014.

3. Application has been made for the Notes to be listed and admitted to trading on Euronext Paris on March 27, 2014.

4. For the sole purpose of the admission to trading of the Notes on Euronext Paris, and pursuant to Articles L.412-1 and L.621-8 of the French *Code monétaire et financier,* this Prospectus has been submitted to the AMF and received visa no. 14-095 dated March 25, 2014.

5. The total expenses related to the admission to trading of the Notes are estimated to €12,500 (including AMF fees).

6. The statutory auditors of the Issuer for the period covered by the historical financial information are KPMG Audit (Paris, France) and Deloitte & Associés (Neuilly-sur-Seine, France). They have audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for each of the financial years ended December 31, 2012 and December 31, 2013.

   The statutory auditors of the Guarantor for the period covered by the historical financial information are KPMG Audit (Paris, France) and Deloitte & Associés (Neuilly-sur-Seine, France). They have audited and rendered unqualified audit reports on the financial statements of the Guarantor for each of the financial year ended December 31, 2012 and December 31, 2013.

   KPMG Audit and Deloitte & Associés are registered as *Commissaires aux comptes* (members of *the Compagnie Nationale des Commissaires aux Comptes*).

7. The yield of the Notes is 4.188 per cent. *per annum*, as calculated at the Issue Date on the basis of the issue price of the Notes. It is not an indication of future yield.

7.1 Save for any fees payable to the Managers and the fact that Natixis, acting as Global Coordinator, Sole Bookrunner and Lead Manager, holds 99.99% of the shares and the voting rights of the Issuer, as far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue of the Notes.

8. Except as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Coface Group since December 31, 2013.

9. Except as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer, the Guarantor or the Coface Group since December 31, 2013.

10. For so long as any of the Notes are outstanding, copies of this Prospectus, the Agency Agreement, and the *statuts* (by-laws) of the Issuer and the Guarantor will be available for inspection and copies of the most recent annual financial statements of the Issuer and the Guarantor will be obtainable, free of charge, at the specified offices for the time being of the Paying Agent during normal business

hours. This Prospectus is also available (i) on the website of the AMF (www.amf-france.org) and (ii) on the Issuer’s website (www.coface.com).

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**MANAGEMENT REPORT OF THE ISSUER FOR THE YEAR ENDED DECEMBER 31, 2013**

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As the Coface Group is a subsidiary of Natixis, its CSR information is included in the Natixis management report.

## SIGNIFICANT EVENTS IN 2013

### Ongoing implementation of the strategic plan launched in 2010

Between 2011 and 2013 Coface continued to implement its strategy of bolstering its fundamentals, which is centered on three key aims: paving the way for an independent and profitable growth model, strengthening our recognized expertise in our core business of credit insurance, and putting in place a structured but flexible governance system that can drive innovation.

The underlying objective of our strategic plan is to make Coface "the most attractive credit insurer" for shareholders, customers and employees alike.

The measures put in place in 2013 were focused on three main areas:

- **Innovation:** several innovation projects were launched in 2013, including a plan to extend our offer for large accounts and develop a specific offer for SMEs, which will be rolled out in 2014.

- **Sales development:** a standard sales process was drawn up in early 2013, aimed at training salespeople in how to effectively use the Group’s monitoring and tracking systems and setting out underwriting rules and remuneration terms and procedures.

- **More standardized processes:**
- In the second quarter of 2013, the overall project management function for all of Coface's businesses was brought together into a single Group-level department. This rounded out the measures already put in place in 2012 to centralize the Group's IT function. Both the project management and IT functions now report to a member of the Group Management Board.
- The financial asset management function has also been centralized, based on a single administrative management platform run by Amundi, and using a single custodian and asset servicing provider, Caceis. As a result of the new allocation strategy put in place the portfolio was liquidated in 2013, which resulted in €28 million worth of pre-tax realized gains.

### A new brand image

As part of the transformation processes under way within the Group and with a view to revitalizing and modernizing its image, in mid-2013 Coface unveiled a new visual identity, a new logo and a new slogan – *"Coface for Safer Trade"*. In parallel, in June 2013 the Group’s head office was relocated to Bois Colombes, combining on one site all of our French operations and our headquarters’ functions.

### Financial strength ratings affirmed

On December 19, 2013, **Moody’s** published a press release affirming Coface's A2 financial strength rating with a stable outlook. On November 27, 2013, **Fitch** also affirmed Coface's rating of AA- with a stable outlook. These ratings reflect the Group's strong competitive position in the global credit insurance market and its solid level of capitalization, as well as its prudent investment policy and pro-active risk management strategy underpinned by robust systems and procedures.

### Sale of Kyriba shares

During the year, Coface sold its minority shareholding in the new-generation treasury management company, Kyriba, generating a gain of €2.3 million in the first half of the year.

### Changes in the scope of consolidation

Coface consolidated Coface RUS Insurance Company for the first time in 2013, including it within the Group's Northern Europe region.

### Issue of commercial paper

The €250 million cap set in November 2012 on the commercial paper program put in place to finance factoring operations was increased to €500 million in October 2013. This has given Coface greater autonomy in relation to Natixis as it has reduced Natixis' portion of the financing (14.8% at December 31, 2013 versus 21% at the 2012 year-end).

### Geographic expansion

In early 2014, Coface was granted an insurance license in Colombia, which means that it can now sell credit insurance policies directly through its own sales force.

# OVERVIEW

The operating context for 2013 was virtually unchanged from 2012, namely a morose global economy and a eurozone still mired in recession, with 0.4% negative growth. Business volumes with customers declined year on year but thanks to the good risk diversification profile of our debtors (both in terms of geographic regions and business sectors) our credit insurance premium income (domestic and export) held firm at €1,033 million, only 1% lower than in 2012 on a comparable Group structure and exchange rate basis (like for like).

During 2013 the Group completed its project in Germany and Poland to concentrate factoring operations on the business’s more profitable contracts. Consequently, although net banking income from factoring operations decreased by 10.2% over the full twelve months, it increased by 11% between the first and second half of the year.

Overall, consolidated revenue edged back just 1.6% on a like-for-like basis and rose by 4% in the fourth quarter of the year compared with the last three months of 2012.

The combined ratio before reinsurance held firm at 81.5%, excluding the impact of the costs incurred for the relocation of the Group's head office (€8.3 million). This performance was achieved thanks to rigorous management of both risks (with the loss ratio decreasing by 0.4 points compared to 2012, to 51.1%) and costs (with internal general expenses down by 1%). After reinsurance, the net combined ratio stood at 82.5%, excluding the impact of the relocation costs.

Thanks to our solid underwriting performance during the year and the gains realized on our financial investment portfolio (including €28 million related to the pooling of investments), pre-tax current operating income came to €192.2 million[16] (or €200.5 million excluding the impact of relocation costs), up 4% on 2012. The Group ended 2013 with net income of €127.4 million, or €133 million excluding the relocation costs impact, representing a year-on-year increase of 3% compared to 2012.

[16] After finance costs.

## PRESENTATION OF THE 2013 CONSOLIDATED FINANCIAL STATEMENTS

### 1. INCOME STATEMENT

#### 1.1. Revenue

Consolidated revenue totaled €1,440.3 million in 2013, down 3.1% on 2012 as reported and 1.6% on a like-for-like basis (constant Group structure and exchange rates). Changes in Group structure had a positive 0.5 point effect during the year whereas currency effects represented a negative 2.1 points.

▪ **Analysis by business line (insurance and factoring)**

| | | | *Change* | | |
|---|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** | **% (like for like)** |
| Insurance | 1,410 | 1,371 | -39 | -2.8% | -1.1% |
| Earned premiums | 1,160 | 1,129 | -31 | -2.7% | -0.9% |
| Services | 250 | 243 | -8 | -3.0% | -2.7% |
| Factoring | 77 | 69 | -8 | -10.2% | -10.1% |
| **Consolidated revenue** | **1,487** | **1,440** | **-47** | **-3.1%** | **-1.6%** |

In the insurance business, earned premiums contracted by less than 1% over the year on a like-for-like basis, but were up by a sharp 2.9% in the fourth quarter versus the same period of 2012. This significant fourth-quarter improvement reflects the stronger sales performance recorded since the beginning of 2013, with (i) new contracts contributing €157 million, up by nearly 30% on 2012; (ii) an increase in the retention ratio to 88% (calculated based on portfolio renewal plus terminations/portfolio renewal; and (iii) stable prices, after decreases of 2.9% in 2012 and 4.4% in 2011.

Services revenue edged back slightly year on year, notably remuneration for managing State guarantees. In 2012, an adjustment was made to the remuneration received in previous years, which led to the recognition of non-recurring revenue (€2.6 million). Excluding the impact of this non-recurring revenue, remuneration received in 2013 for managing State guarantees was on a par with the 2012 figure.

Revenue generated by **the factoring business** (accounting for 5% of the consolidated total) declined 10% over the year as a whole but climbed 11% in the second half compared with the first six months. This stronger second-half performance stems from the measures undertaken to focus the factoring portfolio on more profitable contracts and therefore enable Coface to finance its factoring operations on a more autonomous basis.

▪ **Analysis by region**

All of the Group's regions contributed to the upswing in sales activity experienced throughout the course of 2013.

The recovery was led by Northern Europe, where net new business rose by 2.2% in 2013 after declining 4.4% in 2012, Latin America, with net new business up 8% versus 3.4% in 2012, and the Mediterranean & Africa region, with a gain of 6.3% versus 2%. As a result, these three regions saw revenue growth of up to 5.2% on a like-for-like basis.

| (in millions of euros) | 2012 | 2013 | Change (in €m) | % | % (like for like) |
|---|---|---|---|---|---|
| Western Europe* | 505 | 469 | -36.0 | -7.1% | -6.5% |
| Northern Europe | 347 | 367 | 20 | 5.6% | 4.6% |
| Central Europe | 111 | 110 | -0.7 | -0.6% | -0.3% |
| Mediterranean & Africa | 213 | 217 | 3.5 | 1.6% | 3.9% |
| North America | 113 | 102 | -10.8 | -9.6% | -6.0% |
| Latin America | 85 | 81 | -3.6 | -4.2% | 5.8% |
| Asia-Pacific | 113 | 95 | -18.7 | -16% | -8.9% |
| **Consolidated revenue** | **1,487** | **1,440** | **-46.7** | **-3.1%** | **-1.6%** |

*o/w Cogeri

In the Group's other regions, the improved sales performance has not yet fed through to growth in premium income. Western Europe saw a 7% reduction in revenue as a result of a loss on 2012 premiums due to a slower-than-anticipated economic recovery in the region. The revenue decline in the Asia-Pacific region, and particularly in China, reflects the restrictions introduced as from the second half of 2012 on financing covered by credit insurance.

### 1.2. Loss experience

Despite the ongoing lackluster economic environment, claims notifications amounted to €552.8 million in the first half of 2013 and €503.8 million in the second half, representing a decrease of 5.1% over the year.

| (in €m and %) | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 |
|---|---|---|---|---|---|---|---|---|
| Claims notifications | 312.0 | 308.8 | 244.4 | 248.3 | 247.0 | 305.8 | 279.1 | 224.6 |
| Claims expense | 148.4 | 145.7 | 154.0 | 122.3 | 143.2 | 149.1 | 132.9 | 121.3 |
| Loss ratio before reinsurance | 52.4% | 51.9% | 54.5% | 47.0% | 52.1% | 55.3% | 51.2% | 45.7% |

The loss ratio before reinsurance stood at 51.1% in 2013, down 0.4 points on the 51.5% reported in 2012 thanks to the Group's ongoing close supervision of risks. The effects of the measures put in place in relation to countries that still have a high loss experience, such as Italy, began to feed through during the year and the loss ratio in the fourth quarter of the year was 45.7%.

### 1.3. Reinsurance result

The reinsurance cost increased by €9.8 million to €66.2 million in 2013, due to the implementation of (i) a stricter coverage strategy for major risks (which are now covered up to €600 million on a single risk basis), and (ii) a strategy of providing coverage on a country-by-country basis for political and investment risks.

### 1.4. Management expenses

External policy acquisition costs (primarily fees paid to insurance brokers) totaled €134.9 million, down 3.9% on 2012 as reported or 1.5% like for like, in line with the reduction recorded for earned premiums.

Internal management costs amounted to €567.6 million, representing an increase of 0.4% on the €565.1 million reported for 2012 (0.2% increase on a like-for-like basis). Excluding non-recurring items (i.e., the €8.3 million in costs for relocating the Group's head office from La Défense to Bois Colombes), internal management costs were 1% lower than in 2012.

The number of full time equivalent employees fell 2.7% in 2013. IT costs remained more or less unchanged, which enabled the Group to keep its ratio of IT costs to revenue at a controlled level of 3.7%.

1.5. Investment income

**The financial markets in 2013**

2013 saw a modest recovery in worldwide growth in the second half of the year. Real GDP growth for the year as a whole edged back to 2.9% from 3.1% in 2012. Monetary policies were once again loose in developed countries, with a continuation of the unconventional policies implemented over recent years and an ongoing strategy of keeping key interest rates close to zero.
On May 22, 2013, the Fed announced that it might begin to scale back its bond-buying program by the end of the year (USD 85 billion a month in government bond purchases under the third round of quantitative easing (QE3) launched in late 2012). This led to a spike in long-term bond yields in the United States and caused widespread panic in the financial markets, particularly in emerging economies.

While this context of abundant liquidity in the financial system, combined with more positive early signs for the economic outlook in 2014, drove a satisfactory performance from equity markets in developed countries as well as from non-government bond markets, the picture for government bond markets was more mixed. This was because the possibility of the Fed tightening its monetary policy led to a rise in bond yields – particularly for US bonds – by creating higher volatility for longer-term bonds.

**Net financial income**

As part of its strategy of diversifying its investment portfolio, in 2013 the Group launched a process to reallocate its investments within its bond portfolio and to focus on listed equities.

For the bond portfolio this led to an increase in investments classified as credit assets, with more long-term exposure to corporate bonds issued by companies domiciled in OECD countries (primarily Europe and the United States) and a correlative reduction in exposure to government bonds.

These investments were made within the framework of a strictly defined risk policy which sets out specific investment management rules to be followed by the Group’s dedicated investment managers, notably concerning issuer quality, sensitivity of the issued securities, and diversity of positions in terms of both issuers and geographic location.

The reallocation process was carried out gradually and prudently, with high levels of liquidity maintained throughout the year while the Group sought to obtain more attractive yields (on government bonds and credit assets) or waited to receive confirmation that certain situations had stabilized (notably for government bonds in emerging markets).

At December 31, 2013, the Group's investment portfolio broke down as follows by major asset category:

| | Market value (in €m) | |
|---|---|---|
| | 2012 | 2013 |
| Equities | 27 | 100 |
| o/w Listed equities | *4* | *80* |
| o/w Unlisted equities | *23* | *20* |
| Bonds | 1,352 | 1,343 |
| *o/w AFS* | *1,343* | *1,334* |
| *o/w HTM* | *9* | *9* |
| Loans, deposits and dedicated money-market mutual funds (OPCVM) | 731 | 662 |
| **Total investments** | **2,108** | **2,105** |
| Property | 1 | 1 |
| Non-consolidated subsidiaries | 112 | 103 |
| **Total** | **2,221** | **2,209** |

Despite interest rates reaching record low levels in absolute value terms and institutional investors generally seeking higher yields on their investments, the Group's investment portfolio generated income of €68.6 million in 2013 (corresponding to a 3.3% average annual yield) compared with €47.6 million in 2012 (2.3% average annual yield).

| Investment income (in €m) | 2012 | 2013 |
|---|---|---|
| Equities | 0.9 | (0.8) |
| Fixed-income instruments | 46.4 | 69.1 |
| *o/w realized gains* | *0.3* | *30.3* |
| Investment property | 0.4 | 0.3 |
| **Total investment** | **47.6** | **68.6** |
| Non-consolidated subsidiaries | (0.4) | 8.5 |
| *o/w realized gains* | *0.2* | *4.8* |
| Net foreign exchange losses | (2.4) | (2.6) |
| Finance costs and investment expenses | (7.7) | (7.0) |
| **Total** | **37.0** | **67.5** |

After taking into account financial income from investments in non-consolidated companies, net foreign exchange losses, finance costs and investment expenses, consolidated net financial income came to €67.5 million for 2013.

This total includes €28 million in realized gains on the portfolio, related to the pooling of investments. These gains were achieved in connection with the reorganization of the Group's investment management strategy aimed at increasing the portfolio's diversification, which required the liquidation of a large portion of the bond portfolio during the year. The liquidation was carried out in favorable conditions, taking place in April

when rates were particularly low. Consequently, the strong performance of the portfolio over the last 18 months meant that the Group was able to maximize its realized gains.
The overall economic yield on the Group's financial assets came to 1.1% in 2013[17].

1.6. Earnings

| | | | Change | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| Revenue | 1,487 | 1,440 | -47 | -3.1% |
| Cost of risk | (1) | (3) | -2 | 148% |
| Claims | (571) | (546) | 24 | -4.2% |
| General expenses | (706) | (703) | 3 | -0.4% |
| Current operating income excluding net financial income and reinsurance result | 210 | 189 | -21 | -10% |
| Reinsurance result | (56) | (66) | -10 | 17% |
| Net financial income including management expenses | 40 | 70 | 29 | 72% |
| **Current operating income including financial income and reinsurance result** | **194** | **192** | **-2** | **-1%** |
| Gross cost ratio | 29.4% | 30.5% | +1.1 pts | +1.1 pts |
| Gross loss ratio | 51.5% | 51.1% | -0.4 pts | -0.4 pts |
| **Gross combined ratio** | **80.9%** | **81.5%** | **+0.6pts** | **+0.6pts** |
| **Net combined ratio** | **80.2%** | **82.5%** | **+2.3pts** | **+2.3pts** |
| **Net income for the year*** | **129** | **127** | **-2** | **-1.4%** |

*before net income/(loss) from discontinued operations

The Group ended 2013 with net income for the year of €127 million, representing a year-on-year decline of 1.4% compared to 2012. This performance reflects the following three operational factors:

- Strict management of the loss experience (with claims expenses 4.2% lower) as well as general costs (down 0.4%), which offset half of the impact of the year-on-year revenue contraction.
- A financial asset disposal policy as part of the Group's cash pooling system.
- €8.3 million in relocation costs.

## 2. Balance sheet items

### *2.1 Equity and goodwill*

Equity attributable to owners of the parent (calculated in accordance with IFRS) totaled €1.780 billion at December 31, 2013, compared with €1.763 billion at the previous year-end. The year-on-year increase of €17.7 million (1.0%) reflects the impact of the €127.4 million in net income for the year, offset by (i) a €29.2 million decrease in currency translation reserves, (ii) an €11.7 million reduction in revaluation reserves for available-for-sale securities, and (iii) the €65 million interim dividend payment for 2013.

Goodwill amounted to €153.7 million at December 31, 2013, just €0.4 million lower than at the previous year-end.

[17] Economic yield = (current year investment income + [current year revaluation reserve – prior year revaluation reserve])/(average annual yield [current year, prior year])

### *2.2 Debt*

At December 31, 2013, total consolidated debt, excluding operating payables, included €1,756 million in debt used for financing the factoring business. This amount was €120 million higher than the 2012 figure of €1,636 million, due to the upturn in the factoring business.

Gross financial debt excluding financing for the factoring business (securitization and commercial paper) totaled €15 million at end-December 2013, compared with €13 million at December 31, 2012. The Group's gross financial debt-to-equity ratio remained below 1% of equity and primarily concerned the finance lease on the Group's head office building in Germany.

## OUTLOOK

Although there are better growth forecasts for the world economy in 2014 (3.0% growth versus 2.8% for 2013), the recovery is likely to be only slight and still subject to pressure. The eurozone is expected to come out of recession and emerging markets will have to rise to a number of major challenges to achieve sustainable growth.

Against this backdrop of a slight recovery, Coface will continue to focus on boosting its sales activities, without relying on an increase in business volumes from its own customers. This will entail launching new products for all of the Group's corporate markets (from Global Solutions to SMEs), as well as measures to reinvigorate our distribution channels and extend our geographic footprint to new countries.

Following the reorganization measures begun in 2012, the factoring business is expected to contribute to the Group's revenue growth in 2014.

In tandem, we will need to work more closely than ever with our policyholders to strictly manage our risk exposures and we also intend to improve our debt collection procedures.

At the same time, managing headcount and controlling general expenses will once again be key focuses in 2014.

The main themes of the 2015 Strong Commitment Plan will be rolled out over the coming three years.

**BUSINESS REVIEW**
**BY GEOGRAPHIC REGION**

The information provided below is presented on a regional rather than Group basis.

WESTERN EUROPE

Revenue for the Western Europe region – which comprises Coface's operations in France, Spain, Portugal, Belgium, Luxembourg, Switzerland, the United Kingdom and Ireland – came to €472.6 million in 2013, down 7.1% on a like-for-like basis. The impact of the slowdown in business in France was partly offset by robust performances in Spain and Portugal.
At 42%, the region's loss ratio was 9.7 points lower than in 2012.
General expenses decreased by 7% year on year, following the implementation of a cost-reduction and optimization plan in France.
The region's current operating income before reinsurance and net financial income rose 34% compared to 2012, to €105 million.

| | | | *Change* | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **513** | **474** | **-39** | **-7.6%** |
| Earned premiums | 387 | 359 | -29 | -7.4% |
| Services | 126 | 116 | -10 | -8.3% |
| **Factoring** | **(2)** | **(2)** | **0** | **-14%** |
| **Revenue** | **511** | **473** | **-39** | **-7.6%** |
| Claims | (200) | (151) | 49 | -25% |
| General expenses | (233) | (217) | 16 | -7.0% |
| Cost of risk | 0 | 0 | 0.0 | |
| **Current operating income excluding net financial income and reinsurance result** | **78** | **105** | **27** | **34%** |
| Reinsurance result | (22) | (31) | -9.0 | 40% |
| Net financial income | 12 | 22 | 10 | 81% |
| Other operating income and expenses | 0 | (1) | 0 | 26% |
| **Current operating income** | **68** | **95** | **27** | **40%** |
| Share in net income of associates | 1 | 1 | 0 | 8.9% |
| **Net income before tax** | **69** | **96** | **27** | **40%** |
| **Loss ratio** | **51.7%** | **42.0%** | **-9.7 pts** | **-9.7 pts** |

NORTHERN EUROPE

The Northern Europe region – which includes Coface's operations in Germany, the Netherlands, Denmark, Sweden and Russia (consolidated for the first time in 2013) – reported a 3.3% like-for-like increase in revenue to €361 million.

The Group's insurance activities in this region posted 9% growth as reported and 6% on a like-for-like basis, fueled by robust levels of net new business.

The factoring business recorded a 12% decline in revenue for the year as a whole but 13% growth in the second half, reflecting the completion of the portfolio restructuring measures begun in 2011.

General expenses for Northern Europe were more or less unchanged from 2012, edging up just 0.8%. Meanwhile, the region's loss ratio decreased by 5.6 points year on year, to 49.5%.

Current operating income before reinsurance and net financial income climbed 20% to €72 million.

The region recorded €3 million in other operating income in 2013, corresponding to the retained earnings of Coface Russia, which was consolidated for the first time during the year.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **275** | **299** | **25** | **9%** |
| Earned premiums | 223 | 251 | 28 | 13% |
| Services | 52 | 48 | -3.3 | - |
| **Factoring** | **70** | **62** | **-8.2** | **-12%** |
| **Revenue** | **345** | **361** | **16** | **4.8%** |
| Claims | (123) | (124) | -1.4 | 1.2% |
| General expenses | (160) | (162) | -1.3 | 0.8% |
| Cost of risk | (1) | (3) | -1.7 | 168% |
| **Current operating income excluding net financial income and reinsurance result** | **60** | **72** | **12** | **20%** |
| Reinsurance result | (14) | (17) | -2.5 | 18% |
| Net financial income | 5 | 13 | 7.9 | 160% |
| Other operating income and expenses | 0 | 3 | 2.7 | |
| **Current operating income** | **51** | **71** | **20** | **39%** |
| Share in net income of associates | 0 | 0 | - | - |
| **Net income before tax** | **51** | **71** | **20** | **39%** |
| **Loss ratio** | **55.1%** | **49.5%** | **-5.6 pts** | **-5.6 pts** |

CENTRAL EUROPE

Revenue for the Central Europe region came to €116 million, 1.1% lower than in 2012 on a like-for-like basis, essentially for the services and insurance businesses.

After falling 9.7% in 2012, Coface Factoring Poland's revenue held firm in 2013, thanks to the company's new sales strategy and measures taken to adapt its portfolio to smaller companies.

The increase in general expenses was contained, while the loss ratio narrowed by 0.1 of a point to 66.5%.

Current operating income before reinsurance and net financial income totaled €19 million.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **108** | **106** | **-2** | **-2%** |
| Earned premiums | 83 | 82 | -1 | -1% |
| Services | 25 | 24 | -1 | -4.8% |
| **Factoring** | **9** | **9** | **0** | **1.7%** |
| **Revenue** | **117** | **116** | **-2** | **-1.4%** |
| Claims | (55) | (55) | 0 | -0.7% |
| General expenses | (42) | (42) | 0 | 1.1% |
| Cost of risk | 0 | 0 | 0 | - |
| **Current operating income excluding net financial income and reinsurance result** | **20** | **19** | **-1** | **-7.1%** |
| Reinsurance result | (1) | 2 | 2 | -418% |
| Net financial income | 6 | 12 | 6 | 96% |
| Other operating income and expenses | 0 | 0 | 0 | |
| **Current operating income** | **26** | **32** | **7** | **25%** |
| Share in net income of associates | 0 | 0 | - | - |
| **Net income before tax** | **26** | **32** | **7** | **25%** |
| **Loss ratio** | **66.6%** | **66.5%** | **-0.1 pts** | **-0.1 pts** |

## MEDITERRANEAN & AFRICA

The Mediterranean & Africa region encompasses Coface's operations in Italy, Turkey, South Africa, and, since the beginning of 2013, Israel.

Revenue generated by this region in 2013 rose 4% like for like to €220 million, led by buoyant showings from Turkey and Italy.

General expenses were up 5.4% on 2012, primarily due to the Group's ongoing expansion drive in the region. The loss ratio came to 70.2%, 1.4 points higher than in 2012.

Current operating income before reinsurance and net financial income came to €3 million.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **216** | **220** | **4** | **1.8%** |
| Earned premiums | 178 | 181 | 3 | 1.6% |
| Services | 38 | 39 | 1 | 2.6% |
| **Factoring** | **0** | **0** | **0** | |
| **Revenue** | **216** | **220** | **4** | **1.8%** |
| Claims | (123) | (127) | -4 | 3.6% |
| General expenses | (85) | (90) | -5 | 5.4% |
| Cost of risk | 0 | 0 | 0 | |
| **Current operating income excluding net financial income and reinsurance result** | **8** | **3** | **-5** | **-65%** |
| Reinsurance result | 3 | 3 | -1 | -18% |
| Net financial income | 7 | 11 | 4 | 58% |
| Other operating income and expenses | 0 | 0 | 0 | |
| **Current operating income** | **18** | **17** | **-2** | **-11%** |
| Share in net income of associates | 0 | 0 | 0 | |
| **Net income before tax** | **18** | **17** | **-2** | **-11%** |
| **Loss ratio** | **68.8%** | **70.2%** | **+1.4 pts** | **+1.4 pts** |

NORTH AMERICA

The North America region – which includes Coface's operations in the United States and Canada – reported €102 million in revenue for 2013, representing a like-for-like decrease of 10% compared with 2012.

At 19.3% the region's loss ratio was once again very low and general expenses decreased by 5.3% year on year.

Current operating income before reinsurance and net financial income came to €36 million.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | 114 | 102 | -12 | -11% |
| Earned premiums | 101 | 90 | -11 | -11% |
| Services | 13 | 12 | -1 | -6% |
| **Factoring** | 0 | 0 | 0 | -100% |
| **Revenue** | **114** | **102** | **-12** | **-11%** |
| Claims | (19) | (17) | 1 | -7.8% |
| General expenses | (51) | (49) | 3 | -5.3% |
| Cost of risk | (1) | 0 | 1 | -100% |
| **Current operating income excluding net financial income and reinsurance result** | **43** | **36** | **-7** | **-17%** |
| Reinsurance result | (11) | (13) | -2 | 17% |
| Net financial income | 1 | 1 | 0 | -27% |
| Other operating income and expenses | 0 | 0 | 0 | |
| **Current operating income** | **33** | **23** | **-9** | **-29%** |
| Share in net income of associates | 0 | 0 | 0 | |
| **Net income before tax** | **33** | **23** | **-9** | **-29%** |
| **Loss ratio** | **18.7%** | **19.3%** | **+0.6 pts** | **+0.6 pts** |

LATIN AMERICA

The Latin America region includes Coface's operations in Brazil, Argentina, Ecuador, Chile and Mexico.

In each of these countries the Group focuses on credit insurance, and in Brazil it also manages specific public procedures on behalf of the Brazilian government.

Revenue posted by the region in 2013 came to €81.1 million, up 5.2% on a like-for-like basis compared with 2012.

The loss ratio widened by 62.5 points during the year to 105%. The increase was mainly attributable to Chile (frequency claims) and Brazil (catastrophe claims), whose loss ratios were 205% and 98% respectively.

General expenses were 5% higher than in 2012 despite the decline in the region's revenue. This was due to (i) an increase in brokers' fees, notably in Argentina, and (ii) the inflationary rise in personnel costs in Mexico, Argentina and Brazil.

The Latin America region ended the year with a current operating loss before reinsurance and net financial income of €31 million.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **85** | **81** | **-4** | **-4.3%** |
| Earned premiums | 76 | 72 | -3 | -4.2% |
| Services | 9 | 9 | 0 | -5.4% |
| **Factoring** | **0** | **0** | **0** | |
| **Revenue** | **85** | **81** | **-4** | **-4.3%** |
| Claims | (32) | (76) | -44 | 136% |
| General expenses | (34) | (36) | -2 | 5.0% |
| Cost of risk | 0 | 0 | 0 | |
| **Current operating income excluding net financial income and reinsurance result** | **18** | **(31)** | **-49** | **-270%** |
| Reinsurance result | (8) | 2 | 9 | -123% |
| Net financial income | 6 | 7 | 1 | 15% |
| Other operating income and expenses | 0 | 0 | 0 | |
| **Current operating income** | **17** | **(22)** | **-39** | **-231%** |
| Share in net income of associates | 0 | 0 | 0 | |
| **Income before tax** | **17** | **(22)** | **-39** | **-231%** |
| **Loss ratio** | **42.7%** | **105.2%** | **+62.5 pts** | **+62.5 pts** |

ASIA-PACIFIC REGION

The Asia-Pacific region comprises Coface’s direct business in Japan, Taiwan, Hong Kong, Singapore and Australia and indirect operations carried out through local partners in eight other countries.

Premium income generated by the region's credit insurance activities came to €93.3 million (accounting for 8.2% of the Group's total premium income), down 9% compared with 2012 on a like-for-like basis. This decrease was primarily due to the restrictions put in place by the Chinese government in early 2013 in relation to financial guarantees. At €45.2 million, the region's aggregate general expenses were 14% lower than in 2012, following the same downward trend as revenue. This total breaks down as €19 million in external policy acquisition costs and €26.2 million in internal general expenses, which decreased by 19% and 10% respectively.

The region's loss ratio improved significantly, narrowing from 42.1% to 26%, with particularly pronounced decreases in Australia – where the portfolio was totally restructured in 2012 – as well as in Singapore.

Current operating income before reinsurance and net financial income climbed to €25 million from €14 million in 2012. Going forward, earnings growth in this region will be driven by the improved loss ratio.

| | | | ***Change*** | |
|---|---|---|---|---|
| **(in millions of euros)** | **2012** | **2013** | **(in €m)** | **%** |
| **Insurance** | **113** | **95** | **-19** | **-16%** |
| Earned premiums | 112 | 93 | -19 | -17% |
| Services | 1 | 2 | 0 | 3% |
| **Factoring** | **0** | **0** | **0** | |
| **Revenue** | **113** | **95** | **-19** | **-16%** |
| Claims | (47) | (24) | 23 | -49% |
| General expenses | (53) | (45) | 7 | -14% |
| Cost of risk | 0 | 0 | 0 | |
| **Current operating income excluding net financial income and reinsurance result** | **14** | **25** | **12** | **84%** |
| Reinsurance result | (4) | (14) | -9 | 217% |
| Net financial income | 0 | 2 | 2 | 1172% |
| Other operating income and expenses | 0 | 0 | 0 | |
| **Current operating income** | **10** | **14** | **4** | **45%** |
| Share in net income of associates | 0 | 0 | 0 | |
| **Net income before tax** | **10** | **14** | **4** | **45%** |
| **Loss ratio** | **42.1%** | **26.0%** | **-16.1 pts** | **-16.1 pts** |

**CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR YEARS ENDED DECEMBER 31, 2012 AND 2013 (THE ISSUER'S 2012-2013 FINANCIAL STATEMENTS)**

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# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet

(in thousands of euros)

| ASSETS | Notes | Dec. 31, 2013 | Dec. 31, 2012* | Jan. 1, 2012* |
|---|---|---|---|---|
| **Intangible assets** | | **240,441** | **250,810** | **260,248** |
| Goodwill | 5 | 153,727 | 154,104 | 154,283 |
| Other intangible assets | 6 | 86,715 | 96,706 | 105,964 |
| **Insurance business investments** | 8 | **2,208,633** | **2,221,123** | **2,184,639** |
| Investment property | 8 | 1,271 | 1,456 | 1,532 |
| Held-to-maturity securities | 8 | 9,403 | 9,495 | 16,561 |
| Available-for-sale securities | 8 | 1,891,204 | 1,478,896 | 1,299,685 |
| Trading securities | 8 | 52,271 | 103,954 | 285,101 |
| Derivatives | 8 | 1,386 | 0 | 0 |
| Loans and receivables | 8 | 253,098 | 627,322 | 581,760 |
| **Receivables arising from banking and other activities** | | **2,120,516** | **2,109,405** | **3,372,724** |
| **Investments in associates** | 9 | **17,621** | **16,812** | **16,269** |
| **Reinsurers' share of insurance liabilities** | 15 | **347,221** | **352,562** | **380,025** |
| **Other assets** | | **784,667** | **874,560** | **844,764** |
| Buildings used in the business and other property, plant and equipment | 7 | 75,730 | 65,804 | 65,641 |
| Deferred acquisition costs | 11 | 39,547 | 40,112 | 29,112 |
| Deferred tax assets | 18 | 81,122 | 98,506 | 110,534 |
| Receivables arising from insurance and reinsurance operations | 10 | 420,557 | 441,857 | 469,626 |
| Trade receivables arising from other activities | 11 | 20,292 | 21,749 | 18,117 |
| Current tax receivables | 11 | 52,073 | 40,158 | 30,235 |
| Other receivables | 11 | 95,346 | 166,375 | 121,498 |
| **Cash and cash equivalents** | 12 | **273,920** | **257,010** | **242,872** |
| **TOTAL ASSETS** | | **5,993,019** | **6,082,282** | **7,301,538** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

| EQUITY AND LIABILITIES | Notes | Dec. 31, 2013 | Dec. 31, 2012* | Jan. 1, 2012* |
|---|---|---|---|---|
| **Equity attributable to owners of the parent** | | **1,780,238** | **1,762,593** | **1,630,377** |
| Share capital | 13 | 784,207 | 784,207 | 784,207 |
| Additional paid-in capital | | 648,462 | 648,462 | 671,263 |
| Retained earnings | | 193,371 | 139,290 | 60,828 |
| Consolidated net income for the year | | 127,439 | 124,087 | 56,436 |
| Other comprehensive income | | 26,758 | 66,546 | 57,643 |
| **Non-controlling interests** | | **13,089** | **13,648** | **12,379** |
| **Total equity** | | **1,793,327** | **1,776,241** | **1,642,756** |
| **Provisions for liabilities and charges** | 16 | **112,056** | **117,236** | **92,641** |
| **Financing liabilities** | 19 20 | **15,133** | **13,159** | **15,464** |
| Financing liabilities due to banking sector companies | | 15,133 | 13,159 | 15,464 |
| **Liabilities relating to insurance contracts** | 15 | **1,450,499** | **1,483,575** | **1,531,903** |
| **Payables arising from banking sector activities** | 21 | **2,109,297** | **2,081,241** | **3,363,415** |
| Amounts due to banking sector companies | 21 | 406,759 | 523,377 | 2,664,415 |
| Amounts due to customers of banking sector companies | 21 | 353,751 | 445,111 | 699,001 |
| Debt securities | 21 | 1,348,787 | 1,112,753 | 0 |
| **Other liabilities** | | **512,708** | **610,831** | **655,361** |
| Deferred tax liabilities | 18 | 138,091 | 151,190 | 132,549 |
| Payables arising from insurance and reinsurance operations | 22 | 125,547 | 131,010 | 229,450 |
| Current tax payables | 23 | 51,470 | 81,553 | 68,325 |
| Derivative instruments with a negative fair value | 23 | 2,527 | 26 | 91 |
| Other payables | 23 | 195,073 | 247,053 | 224,946 |
| **TOTAL EQUITY AND LIABILITIES** | | **5,993,019** | **6,082,282** | **7,301,538** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Consolidated income statement

(in thousands of euros)

| | Notes | 2013 | 2012* |
|---|---|---|---|
| **Revenue** | 24 | **1,440,330** | **1,487,040** |
| *Gross written premiums* | | *1,206,690* | *1,257,525* |
| *Policyholders' bonuses and rebates* | | *(75,564)* | *(91,472)* |
| *Net change in unearned premium provisions* | | *(2,583)* | *(6,134)* |
| **Earned premiums** | 24 | **1,128,543** | **1,159,919** |
| **Fees and commission income** | 24 | **123,410** | **127,212** |
| **Net income from banking activities** | 24 | **69,210** | **77,030** |
| Cost of risk | 26 | (2,533) | (1,019) |
| **Revenue or income from other activities** | 24 | **119,167** | **122,880** |
| *Investment income, net of management expenses* | | *32,116* | *43,882* |
| *Gains and losses on disposals of investments* | | *35,400* | *(6,914)* |
| Investment income, net of management expenses (excluding finance costs) | 29 30 | 67,516 | 36,968 |
| **Total revenue and income from ordinary activities** | | **1,505,313** | **1,522,989** |
| Claims expenses | 25 | (576,263) | (597,506) |
| Expenses from banking activities, excluding cost of risk | 26 | (11,884) | (14,672) |
| Expenses from other activities | | (51,884) | (71,516) |
| *Income from ceded reinsurance* | | *249,652* | *272,811* |
| *Expenses from ceded reinsurance* | | *(315,855)* | *(329,258)* |
| Income and expenses from ceded reinsurance | 28 | (66,202) | (56,447) |
| Policy acquisition costs | 27 | (256,867) | (232,327) |
| Administrative costs | 27 | (263,891) | (218,099) |
| Other current operating expenses | 27 | (83,112) | (135,476) |
| **Total current income and expenses** | | **(1,310,104)** | **(1,326,044)** |
| **CURRENT OPERATING INCOME** | | **195,210** | **196,945** |
| Other operating expenses | 31 | (2,590) | (720) |
| Other operating income | 31 | 4,311 | 522 |
| **OPERATING INCOME** | | **196,931** | **196,747** |
| Finance costs | | (3,035) | (2,974) |
| Share in net income of associates | 33 | 1,493 | 1,371 |
| Income tax expense | 32 | (67,380) | (64,689) |
| **NET INCOME FROM CONTINUING OPERATIONS** | | **128,008** | **130,455** |
| Net income/(loss) from discontinued operations | 35 | 0 | (5,142) |
| **CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS** | | **128,008** | **125,313** |
| Non-controlling interests | | (569) | (1,226) |
| **NET INCOME FOR THE YEAR** | 34 | **127,439** | **124,087** |
| Earnings per share (€) | 36 | 0.81 | 0.79 |
| Diluted earnings per share (€) | 36 | 0.81 | 0.79 |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Consolidated statement of comprehensive income

(in thousands of euros)

| | Notes | 2013 | 2012* |
|---|---|---|---|
| **Net income for the year** | | **127,439** | **124,087** |
| Non-controlling interests | | 569 | 1,226 |
| **Other comprehensive income (expense)** | | **0** | **0** |
| Currency translation differences | | (29,909) | (6,666) |
| ***Reclassified to income*** | | *0* | *0* |
| ***Recognized in equity*** | | *(29,909)* | *(6,666)* |
| Fair value adjustments on available-for-sale financial assets | 8 14 18 | (10,994) | 27,217 |
| ***Reclassified to income – gross*** | | *(27,795)* | *(1,723)* |
| ***Reclassified to income – tax effect*** | | *7,943* | *679* |
| ***Recognized in equity – reclassifiable to income – gross*** | | *6,200* | *45,602* |
| ***Recognized in equity – reclassifiable to income – tax effect*** | | *2,658* | *(17,346)* |
| Fair value adjustments on hedging derivatives | | 0 | 0 |
| Fair value adjustments on employee benefit obligations | 14 17 18 | 1,080 | (10,944) |
| ***Recognized in equity – not reclassifiable to income – gross*** | | *1,548* | *(15,999)* |
| ***Recognized in equity – not reclassifiable to income – tax effect*** | | *(468)* | *5,055* |
| **Other comprehensive income (expense) for the year, net of tax** | | **(39,823)** | **9,607** |
| **Total comprehensive income for the year** | | **88,186** | **134,920** |
| - attributable to owners of the parent | | 87,695 | 132,988 |
| - attributable to non-controlling interests | | 491 | 1,932 |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

The €2,576 thousand in deferred taxes arising on the remeasurement of available-for-sale financial assets in 2013 was mainly due to the fact that in certain countries gains on the sale of investments in non-consolidated companies are either not taxed or are taxed at very low rates.

# Consolidated statement of changes in equity

(in thousands of euros)

| | Notes | Share capital | Consolidated reserves | Other comprehensive income | | | Retained earnings | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Foreign currency translation reserve | Reclassifiable revaluation reserves | Non-reclassifiable revaluation reserves | | | | |
| Equity at December 31, 2011 | | **784,207** | **728,579** | **1,948** | **61,067** | | **56,436** | **1,632,237** | **12,392** | **1,644,629** |
| Impact of provision for employee benefit obligations (IAS 19R) | | | **3,512** | | | (5,372) | | (1,860) | (13) | (1,873) |
| **Equity at January 1, 2012 restated for IAS 19R** | | **784,207** | **732,091** | **1,948** | **61,067** | **(5,372)** | **56,436** | **1,630,377** | **12,379** | **1,642,756** |
| Capital increase | | | | | | | | | 319 | 319 |
| Appropriation of 2011 net income | | | 56,436 | | | | (56,436) | | | |
| Payment of 2011 dividends in 2012 | | | | | | | | | (929) | (929) |
| Total transactions with owners | | | **56,436** | | | | **(56,436)** | | **(610)** | **(610)** |
| 2012 net income restated for IAS 19R | | | | | | | 124,087 | 124,087 | 1,226 | 125,313 |
| Fair value adjustments on available-for-sale financial assets recognized in equity | 8 | | | | 27,297 | | | 27,297 | 959 | 28,256 |
| Fair value adjustments on available-for-sale financial assets reclassified to income | 8 18 | | | | (1,039) | | | (1,039) | (5) | (1,044) |
| Change in actuarial gains and losses (IAS 19R) | 17 18 | | (595) | | | (10,916) | | (11,511) | (30) | (11,541) |
| Currency translation differences | | | | (6,439) | | | | (6,439) | (227) | (6,666) |
| Other movements | | | (179) | | | | | (179) | (44) | (223) |
| Equity at December 31, 2012 restated for IAS 19R | | **784,207** | **787,752** | **(4,491)** | **87,325** | **(16,288)** | **124,087** | **1,762,593** | **13,648** | **1,776,241** |
| Appropriation of 2012 net income | | | 124,087 | | | | (124,087) | | | |
| Interim dividend in respect of 2013 | | | (65,082) | | | | | (65,082) | (1,089) | (66,171) |
| Total transactions with owners | | | **59,005** | | | | **(124,087)** | **(65,082)** | **(1,089)** | **(66,171)** |
| 2013 net income | | | | | | | 127,439 | 127,439 | 569 | 128,008 |
| Fair value adjustments on available-for-sale financial assets recognized in equity | 8 | | | | 8,141 | | | 8,141 | 452 | 8,593 |
| Fair value adjustments on available-for-sale financial assets reclassified to income | 8 18 | | | | (19,800) | | | (19,800) | (52) | (19,852) |
| Change in actuarial gains and losses (IAS 19R) | 17 18 | | | | | 1,076 | | 1,076 | 4 | 1,080 |
| Currency translation differences | | | | (29,206) | | | | (29,206) | (438) | (29,644) |
| Other movements | | | (4,923) | (265) | 265 | | | (4,923) | (6) | (4,929) |
| Equity at December 31, 2013 | | **784,207** | **841,834** | **(33,962)** | **75,930** | **(15,211)** | **127,439** | **1,780,238** | **13,089** | **1,793,327** |

# Consolidated statement of cash flows

**Consolidated statement of cash flows**

| (in thousands of euros) | Notes | 2013 | 2012 |
|---|---|---|---|
| **Net income for the year** | | **127 439** | **124 087** |
| **Net income/(loss) from discontinued operations** | 35 | **0** | **(5 142)** |
| **Net income from continuing operations** | | **127 439** | **129 228** |
| Income tax expense | 32 | 67 380 | 64 689 |
| Finance costs | | 3 035 | 2 974 |
| **Operating income before tax (A)** | | **197 854** | **191 750** |
| Non-controlling interests | | 569 | 1 226 |
| +/- Depreciation, amortization and impairment losses, net | 6-7-8.1-16 | 10 415 | 12 380 |
| +/- Net additions to/reversals from technical provisions | | 12 768 | (22 646) |
| +/- Share in net income of associates | 9 | (1 493) | (1 371) |
| + Dividends received from associates | 9 | 684 | 828 |
| +/- Fair value adjustments on financial instruments recognized at fair value through income | | 88 | (17) |
| +/- Non-cash items | | (14 405) | (34 322) |
| ***Total non-cash items (B)*** | | **8 625** | **(43 922)** |
| ***Gross cash flows from operations (C) = (A) +(B)*** | | ***206 479*** | ***147 828*** |
| Change in operating receivables and payables | | (5 357) | (114 335) |
| Net taxes paid | | (54 051) | 7 504 |
| ***Net cash related to operating activities (D)*** | | ***(59 408)*** | ***(106 831)*** |
| Increase (decrease) in receivables arising from factoring operations | | (14 497) | 1 275 465 |
| Increase (decrease) in payables arising from factoring operations | | 184 620 | 847 050 |
| Increase (decrease) in factoring liabilities | | (152 254) | (2 150 726) |
| ***Net cash generated from/(used in) banking and factoring operations (E)*** | | ***17 869*** | ***(28 212)*** |
| ***Net cash generated from operating activities – continuing operations*** | | ***164 940*** | ***9 716*** |
| ***Net cash generated from in operating activities – discontinued operations*** | | ***0*** | ***3 068*** |
| **Net cash generated from operating activities (F) = (C+D+E)** | | **164 940** | **12 785** |
| Acquisitions of investments | | (2 719 755) | (1 716 152) |
| Disposals of investments | | 2 637 150 | 1 727 491 |
| ***Net cash generated from movements in investments*** | | ***(82 604)*** | ***11 339*** |
| Acquisitions of consolidated subsidiaries, net of cash acquired | 3 | 6 623 | 0 |
| Disposals of consolidated companies, net of cash transferred | | 0 | 0 |
| Disposals of property, plant and equipment and intangible assets | 6-7 | 2 054 | 1 116 |
| Acquisitions of property, plant and equipment and intangible assets | 6-7 | (25 590) | (14 157) |
| ***Net cash related to investing activities – continuing operations*** | | (99 518) | (1 702) |
| ***Net cash related to investing activities – discontinued operations*** | | 0 | 0 |
| **Net cash generated from/(used in) investing activities (G)** | | **(99 518)** | **(1 702)** |
| Proceeds from the issue of equity instruments | | 0 | 0 |
| Treasury share transactions | | 0 | 0 |
| Dividends paid to owners of the parent | | (65 082) | 0 |
| Dividends paid to non-controlling interests in consolidated companies | | (1 089) | (929) |
| ***Cash flows related to transactions with owners*** | | ***(66 171)*** | ***(929)*** |
| Proceeds from the issue of debt instruments | 19 | 4 509 | 1 026 |
| Cash used in the redemption of debt instruments | 19 | (3 774) | (3 604) |
| ***Cash flows related to the financing of Group operations*** | | ***735*** | ***(2 578)*** |
| ***Net cash generated from/(used in) financing activities – continuing operations*** | | ***(65 437)*** | ***(3 507)*** |
| ***Net cash generated from/(used in) financing activities – discontinued operations*** | | ***0*** | ***0*** |
| **Net cash generated from/(used in) financing activities (H)** | | **(65 437)** | **(3 507)** |
| **Impact of changes in exchange rates on cash and cash equivalents (I)** | | **16 925** | **6 561** |
| **Net increase (decrease) in cash and cash equivalents (F+G+H+I)** | | **16 910** | **14 138** |
| **Net increase (decrease) in cash and cash equivalents (F+G+H+I)** | | **16 910** | **14 138** |
| Net cash generated from/(used in) operating activities (F) | | 164 940 | 12 785 |
| Net cash generated from/(used in) investing activities (G) | | (99 518) | (1 702) |
| Net cash generated from/(used in) financing activities (H) | | (65 437) | (3 507) |
| Impact of changes in exchange rates on cash and cash equivalents (I) | | 16 925 | 6 561 |
| **Cash and cash equivalents at beginning of year** | 12 | **257 010** | **242 872** |
| **Cash and cash equivalents at end of year** | 12 | **273 920** | **257 010** |
| **Net change in cash and cash equivalents** | | **16 910** | **14 138** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Basis of preparation

These IFRS consolidated financial statements of the Coface Group for the years ended December 31, 2013 and December 31, 2012 have been prepared as part of a planned issue of hybrid securities for a private placement in the regulated French market. They have been drawn up specifically for the purpose of the prospectus submitted for approval to the *Autorité des marchés financiers* (French securities regulator), in accordance with the AMF's requirement for the presentation of IFRS consolidated financial statements for two financial years. These consolidated financial statements prepared for the purpose of the bond prospectus are separate from the consolidated financial statements that will be submitted for approval at the Annual Shareholders' Meeting to be held to approve the financial statements for the year ended December 31, 2013.

These IFRS consolidated financial statements for the years ended December 31, 2013 and 2012 were approved by Coface's Board of Directors on February 14, 2014.

They do not constitute the Group's first IFRS financial statements, as its first IFRS financial statements were prepared on a voluntary basis for the year ended December 31, 2012, in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards. Prior to that date, in view of the fact that it is consolidated by the Natixis group, Coface did not publish IFRS consolidated financial statements for its own purposes, as permitted under the exemption provided for in the French Commercial Code for sub-groups of groups that publish consolidated financial statements.

The IFRS consolidated financial statements for the years ended December 31, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and adopted by the European Union at December 31, 2013.

The information presented for the year ended December 31, 2012 corresponds to the 2012 financial statements approved by Coface's Board of Directors on February 15, 2013, as restated to reflect the retrospective application of the revised version of IAS 19 – Employee Benefits (IAS 19R), which was adopted by the Coface Group in 2013.

A number of other restatements and reclassifications have also been made to the 2012 financial statements, the details of which are provided in Note 1.

As these financial statements are purely for the purpose of the bond prospectus, events arising after February 15, 2013 are not reflected in the information disclosed for the year ended December 31, 2012. This is because IAS 10 – Events After the Reporting Period is not applicable, as confirmed by the position taken by the IFRS Interpretations Committee in its Agenda Decision issued in May 2013 (IAS 10 – Events after the Reporting Period – Reissuing Previously Issued Financial Statements).

In accordance with IAS 1, the consolidated financial statements of the Coface Group for the years ended December 31, 2013 and 2012 include:

- a balance sheet;
- an income statement;
- a statement of comprehensive income;
- a statement of changes in equity;
- a statement of cash flows;

- notes to the financial statements.

## Note 1. Reconciliation of the published and restated financial statements for 2012

The 2012 financial statements have been restated to reflect the retrospective application of IAS 19R. A number of other restatements and reclassifications have also been made to the 2012 financial statements.

**Asset restatements:**

(in thousands of euros)

| ASSETS | Notes | Dec. 31, 2011 (published) | Impact of IAS 19 at Jan. 1, 2012 | Jan. 1, 2012 (restated) | Dec. 31, 2012 (published) | Impact of IAS 19 at Dec. 31, 2012 | Dec. 31, 2012 (restated) |
|---|---|---|---|---|---|---|---|
| **Intangible assets** | | **260,248** | **0** | **260,248** | **250,810** | **0** | **250,810** |
| **Insurance business investments** | 8 | **2,184,639** | **0** | **2,184,639** | **2,221,123** | **0** | **2,221,123** |
| **Receivables arising from banking and other activities** | | **3,372,724** | **0** | **3,372,724** | **2,109,405** | **0** | **2,109,405** |
| **Investments in associates** | 9 | **16,269** | **0** | **16,269** | **16,812** | **0** | **16,812** |
| **Reinsurers' share of insurance liabilities** | 15 | **380,025** | **0** | **380,025** | **352,562** | **0** | **352,562** |
| **Other assets** | | **842,120** | **2,642** | **844,762** | **866,863** | **7,697** | **874,560** |
| Buildings used in the business and other property, plant and equipment | 7 | 65,641 | 0 | 65,641 | 65,804 | 0 | 65,804 |
| Deferred acquisition costs | 11 | 29,112 | 0 | 29,112 | 40,112 | 0 | 40,112 |
| Deferred tax assets | 18 | 107,892 | 2,642 | 110,534 | 90,809 | 7,697 | 98,506 |
| Receivables arising from insurance and reinsurance operations | 10 | 469,626 | 0 | 469,626 | 441,857 | 0 | 441,857 |
| Trade receivables arising from other activities | 11 | 18,117 | 0 | 18,117 | 21,749 | 0 | 21,749 |
| Current tax receivables | 11 | 30,235 | 0 | 30,235 | 40,158 | 0 | 40,158 |
| Other receivables | 11 | 121,497 | 0 | 121,497 | 166,375 | 0 | 166,375 |
| **Cash and cash equivalents** | 12 | **242,872** | **0** | **242,872** | **257,010** | **0** | **257,010** |
| **TOTAL ASSETS** | | **7,298,896** | **2,642** | **7,301,538** | **6,074,585** | **7,697** | **6,082,282** |

**Equity and liability restatements:**

(in thousands of euros)

| EQUITY AND LIABILITIES | Notes | Dec. 31, 2011 (published) | Impact of IAS 19 at Jan. 1, 2012 | Jan. 1, 2012 (restated) | Dec. 31, 2012 (published) | Impact of IAS 19 at Dec. 31, 2012 | Dec. 31, 2012 (restated) |
|---|---|---|---|---|---|---|---|
| **Equity attributable to owners of the parent** | | **1,632,237** | **(1,860)** | **1,630,377** | **1,775,939** | **(13,346)** | **1,762,593** |
| Share capital | 13 | 784,207 | 0 | 784,207 | 784,207 | 0 | 784,207 |
| Additional paid-in capital | | 671,263 | 0 | 671,263 | 648,462 | 0 | 648,462 |
| Retained earnings | | 57,317 | 3,512 | 60,829 | 136,374 | 2,916 | 139,290 |
| Consolidated net income for the year | | 56,436 | 0 | 56,436 | 124,062 | 25 | 124,087 |
| Other comprehensive income | | 63,015 | (5,372) | 57,643 | 82,834 | (16,288) | 66,546 |
| **Non-controlling interests** | | **12,392** | **(14)** | **12,379** | **13,691** | **(43)** | **13,648** |
| **Total equity** | | **1,644,629** | **(1,874)** | **1,642,756** | **1,789,630** | **(13,389)** | **1,776,241** |
| **Provisions for liabilities and charges** | 16 | **89,940** | **2,701** | **92,641** | **97,755** | **19,481** | **117,236** |
| **Financing liabilities** | 19 20 | **15,464** | **0** | **15,464** | **13,159** | **0** | **13,159** |
| **Liabilities relating to insurance contracts** | 15 | **1,531,903** | **0** | **1,531,903** | **1,483,575** | **0** | **1,483,575** |
| **Payables arising from banking sector activities** | 21 | **3,363,415** | **0** | **3,363,415** | **2,081,241** | **0** | **2,081,241** |
| **Other liabilities** | | **653,546** | **1,815** | **655,361** | **609,226** | **1,605** | **610,831** |
| Deferred tax liabilities | 18 | 130,734 | 1,815 | 132,549 | 149,585 | 1,605 | 151,190 |
| Payables arising from insurance and reinsurance operations | 22 | 229,450 | 0 | 229,450 | 131,010 | 0 | 131,010 |
| Current tax payables | 23 | 68,325 | 0 | 68,325 | 81,553 | 0 | 81,553 |
| Derivative instruments with a negative fair value | 23 | 91 | 0 | 91 | 26 | 0 | 26 |
| Other payables | 23 | 224,946 | 0 | 224,946 | 247,053 | 0 | 247,053 |
| **TOTAL EQUITY AND LIABILITIES** | | **7,298,896** | **2,642** | **7,301,538** | **6,074,585** | **7,697** | **6,082,282** |

• **Restatements to the income statement:**

(in thousands of euros)

| | Notes | 2012 (published) | Reclass. discontinued operations | Reclass. policyholders ' bonuses | Impact of IAS 19 | Reclass. CVAE tax | Reclass. capital losses on Greek securities | 2012 (restated) |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | 24 | **1,583,887** | **(5,374)** | **(91,472)** | **0** | **0** | **0** | **1,487,040** |
| Premium rebates | 24 | 0 | 0 | (91,472) | 0 | 0 | 0 | (91,472) |
| **Earned premiums** | 24 | **1,251,391** | **0** | **(91,472)** | **0** | **0** | **0** | **1,159,919** |
| Net income from banking activities | 24 | 82,404 | (5,374) | 0 | 0 | 0 | 0 | 77,030 |
| Cost of risk | 26 | (5,075) | 4,056 | 0 | 0 | 0 | 0 | (1,019) |
| Revenue or income from other activities | 24 | 122,880 | 0 | 0 | 0 | 0 | 0 | 122,880 |
| *Investment income, net of management expenses* | *29 30* | *30,423* | *3,482* | *0* | *0* | *0* | *9,977* | *43,882* |
| *Gains and losses on disposals of investments* | *29 30* | *1,745* | *1,318* | *0* | *0* | *0* | *(9,977)* | *(6,914)* |
| Investment income, net of management expenses (excluding finance costs) | 29 30 | 32,168 | 4,800 | 0 | 0 | 0 | 0 | 36,968 |
| **Total revenue and income from ordinary activities** | | **1,610,979** | **3,482** | **(91,472)** | **0** | **0** | **0** | **1,522,989** |
| Claims expenses | 25 | (688,979) | 0 | 91,472 | 0 | 0 | 0 | (597,506) |
| Expenses from banking activities, excluding cost of risk | 26 | (15,863) | 1,191 | 0 | 0 | 0 | 0 | (14,672) |
| Expenses from other activities | | (71,516) | 0 | 0 | 0 | 0 | 0 | (71,516) |
| Income from ceded reinsurance | 28 | 301,101 | 0 | (28,290) | 0 | 0 | 0 | 272,811 |
| Expenses from ceded reinsurance | 28 | (357,548) | 0 | 28,290 | 0 | 0 | 0 | (329,258) |
| Policy acquisition costs | 27 | (234,314) | 0 | 0 | 0 | 1,987 | 0 | (232,327) |
| Administrative costs | 27 | (219,195) | 0 | 0 | 38 | 1,057 | 0 | (218,099) |
| Other current operating income and expenses | 27 | (136,133) | 0 | 0 | 0 | 657 | 0 | (135,476) |
| **Total current income and expenses** | | **(1,422,447)** | **1,191** | **91,472** | **38** | **3,701** | **0** | **(1,326,044)** |
| **CURRENT OPERATING INCOME** | | **188,531** | **4,673** | **0** | **38** | **3,701** | **0** | **196,945** |
| **OPERATING INCOME** | | **188,333** | **4,673** | **0** | **38** | **3,701** | **0** | **196,747** |
| Finance costs | | (2,974) | 0 | 0 | 0 | 0 | 0 | (2,974) |
| Share in net income of associates | 33 | 1,371 | 0 | 0 | 0 | 0 | 0 | 1,371 |
| Income tax expense | 32 | (61,443) | 469 | 0 | (13) | (3,701) | 0 | (64,689) |
| **NET INCOME FROM CONTINUING OPERATIONS** | | **125,287** | **5,142** | **0** | **25** | **0** | **0** | **130,455** |
| Net income/(loss) from discontinued operations | 35 | *0* | *(5,142)* | *0* | *0* | *0* | *0* | *(5,142)* |
| **CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS** | | **125,287** | **0** | **0** | **25** | **0** | **0** | **125,313** |
| **NET INCOME FOR THE YEAR** | 34 | **124,062** | **0** | **0** | **25** | **0** | **0** | **124,087** |

**Reclassification of the results of operations held for sale:** At end-December 2011, the Group's management services companies (Coface Services, Kompass International, Coface Services Belgium, Kompass Belgium, Coface Services Portugal, Coface Services Netherlands, Coface Collection North America and Graydon (a Dutch company that is 27.5%-owned by Coface), as well as its factoring companies in France (Natixis Factor) and Denmark (Coface Finans AS Danmark) were sold to Natixis. Also in 2011, the Group decided to liquidate its factoring companies that were considered unprofitable (Coface Austria Bank, Coface Factoring Italia, Coface Receivables Finance, Coface Factoring España, Coface Factoring Portugal (branch of Coface Austria Bank), Coface Finances Netherlands (branch of Germany-based Coface Finanz), and Coface Credit Management NA).
During 2012, these entities were deconsolidated and their residual results were still included in the 2012 financial statements. However, at December 31, 2013 these entities were classified for accounting purposes as discontinued operations and their results were therefore reclassified at December 31, 2012 to a separate line in the income statement called “Net income/(loss) of discontinued operations”.

**Policyholders' bonuses and rebates:** Policyholders' bonuses and rebates are now included in "Earned premiums" whereas they were previously classified in "Claims expenses".

**CVAE** (tax on added value payable by French companies): the CVAE is now classified as an income tax rather than an operating expense.

**Losses on Greek securities**: the Group's losses on Greek securities, which were included in "Investment income, net of management expenses" are now classified in "Gains and losses on disposals of investments".

**Impact of applying IAS 19R:** this revised standard amends the accounting treatment and presentation of pension and other post-employment benefit obligations, particularly concerning actuarial gains and losses (which are now recognized immediately and in full in other comprehensive income) and past service cost, which is now recognized immediately in income.

The impacts of applying IAS 19R on the Group's 2012 financial statements and opening equity at January 1, 2013 are as follows:

| **(in thousands of euros)** | **Total post-employment defined benefit obligations** | *Revaluation adjustments on defined benefit plans* | *Consolidated reserves* | **Difference between 2012 net income as published and 2012 net income as restated** | **Total impacts on equity** |
|---|---|---|---|---|---|
| **Amounts recognized under IAS 19 at Dec. 31, 2011** | **(63,202)** | 0 | 0 | 0 | **0** |
| Full recognition of actuarial gains and losses in non-reclassifiable OCI | **(8,035)** | (8,035) | | | **(8,035)** |
| Full recognition of past service cost | **5,336** | | 5,336 | | **5,336** |
| Associated deferred taxes | **0** | 2,642 | (1,815) | | **826** |
| **Amounts recognized under IAS 19R at Jan. 1, 2012 (comparative Dec. 31, 2011)** | **(65,902)** | (5,393) | 3,521 | | **(1,873)** |
| **Impact of applying IAS 19R at Jan. 1, 2012** | **(2,698)** | **(5,393)** | **3,521** | **0** | **(1,873)** |
| **Amounts recognized under IAS 19 at Dec. 31, 2011** | **(63,202)** | | | | **0** |
| **Amounts recognized under IAS 19R at Jan. 1, 2012** | **(65,900)** | (5,393) | 3,521 | | **(1,873)** |
| | | | | | |
| **Amounts recognized under IAS 19R at Dec. 31, 2012** | **(65,859)** | | | | **0** |
| Impact of IAS 19R on comparative net income for 2012 | **(783)** | | (821) | 38 | **(783)** |
| Revaluation adjustments (actuarial gains and losses) in 2012 | **(15,999)** | (15,999) | | | **(15,999)** |
| Associated deferred taxes | **0** | 5,055 | 223 | (13) | **5,265** |
| **Amounts recognized under IAS 19R at Dec. 31, 2012 (comparative Dec. 31, 2012)** | **(85,340)** | (16,337) | 2,923 | 25 | **(13,389)** |
| | | | | | |
| **Impact of applying IAS 19R at Jan. 1, 2013** | **(19,481)** | **(16,337)** | **2,923** | **25** | **(13,389)** |
| **Amounts recognized under IAS 19 at Dec. 31, 2012** | **(65,859)** | | | | **0** |
| **Amounts recognized under IAS 19R at Dec. 31, 2012** | **(85,340)** | (16,337) | 2,923 | 25 | **(13,389)** |

The above amounts are presented as shown in "Provisions for pension and other post-employment benefit obligations" rather than only including the amounts attributable to the Group. This explains the differences with the figures presented in “Equity attributable to owners of the parent” in the consolidated statement of changes in equity.

The application of IAS 19R had a negative €13,389 thousand impact on equity at January 1, 2013. However it had a net positive impact of €25 thousand on net income for 2012, breaking down as a €38 thousand decrease in administrative costs and a €13 thousand increase in income tax expense.

## Note 2. Significant events

### Ongoing implementation of the strategic plan launched in 2010

Between 2011 and 2013 Coface continued to implement its strategy of bolstering its fundamentals, which is centered on three key aims: paving the way for an independent and profitable growth model, strengthening our recognized expertise in our core business of credit insurance, and putting in place a structured but flexible governance system that can drive innovation.

The underlying objective of our strategic plan is to make Coface "the most attractive credit insurer" for shareholders, customers and employees alike.

The measures put in place in 2013 were focused on three main areas:

- **Innovation:** several innovation projects were launched in 2013, including a plan to extend our offer for large accounts and develop a specific offer for SMEs, which will be rolled out in 2014.

- **Sales development:** a standard sales process was drawn up in early 2013, aimed at training salespeople in how to effectively use the Group's monitoring and tracking systems and setting out underwriting rules and remuneration terms and procedures.

- **More standardized processes**:

    - In the second quarter of 2013, the overall project management function for all of Coface's businesses was brought together into a single Group-level department. This rounded out the measures already put in place in 2012 to centralize the Group's IT function. Both the project management and IT functions now report to a member of the Group Management Board.
    - The financial asset management function has also been centralized, based on a single administrative management platform run by Amundi, and using a single custodian and asset servicing provider, Caceis. As a result of the new allocation strategy put in place the portfolio was liquidated in 2013, which resulted in €28 million worth of realized gains. Following this liquidation, the Group's entire portfolio was invested in 12 "Colombes" mutual funds, which have been consolidated.

### A new brand image

As part of the transformation processes under way within the Group and with a view to revitalizing and modernizing its image, in mid-2013 Coface unveiled a new visual identity, a new logo and a new slogan – *"Coface for Safer Trade"*. In parallel, in June 2013 the Group's head office was relocated to Bois Colombes, combining on one site all of our French operations and our headquarters' functions.

### Sale of Kyriba shares

During the year Coface sold its minority shareholding in the new-generation treasury management company, Kyriba.

### Issue of commercial paper

The €250 million cap set in November 2012 on the commercial paper program put in place to finance factoring operations was increased to €500 million in October 2013. This has given Coface greater autonomy in relation to Natixis as it has reduced Natixis' portion of the financing (20% at December 31, 2013 versus 22% at the 2012 year-end).

**Changes in the scope of consolidation**

Coface consolidated Coface RUS Insurance Company for the first time in 2013, including it within the Group's Northern Europe region.

**Geographic expansion**

In early 2014, Coface was granted an insurance license in Colombia, which means that it can now sell credit insurance policies directly through its own sales force.

**Note 3. Scope of consolidation**

**Changes in the scope of consolidation**

**Changes in the scope of consolidation in 2013 were as follows:**

**First-time consolidations**

12 newly-created Colombes mutual funds:

- Colombes 1 fund: Money market investments
- Colombes 2 fund: 3-5 year government bonds
- Colombes 2bis fund: 3-5 year government bonds
- Colombes 3 fund: Euro-denominated private sector bonds
- Colombes 3bis fund: Euro-denominated private sector bonds
- Colombes 3ter fund: Euro-denominated private sector bonds
- Colombes 4 fund: High-yield very short-term international bonds
- Colombes 4bis fund: High-yield very short-term international bonds
- Colombes 5 fund: Emerging market bonds
- Colombes 5bis fund: Emerging market bonds
- Colombes 6 fund: Eurozone equities
- Colombes 6bis fund: Eurozone equities

Coface also consolidated the following companies for the first time as from January 1, 2013: Coface Vertriebs and Coface RUS Insurance Company, which is included in the Group's Northern Europe region.

Coface Vertriebs was consolidated with effect from January 1, 2013.

**Changes in the scope of consolidation in 2012 were as follows:**

**First-time consolidations**

The newly-created FCT Vega securitization fund was consolidated for the first time in 2012.

**Deconsolidated companies**

The following factoring companies undergoing liquidation were deconsolidated (now accounted for in accordance with IFRS 5 – see Notes 1 and 35):

- Coface Austria Bank
- Coface Factoring Italia
- Coface Factoring Portugal (branch of Coface Austria Bank)
- Coface Factoring Nederland (branch of Coface Finanz)

- Coface Receivables Finance
- Coface Factoring España
- Coface Credit Management North America

**Internal restructuring**

- Coface Austria Insurance was merged into Coface Holding Austria, which in turn became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA). The branches of Coface Austria Insurance present in Central Europe became branches of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA).

- Coface Deutschland was merged into Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and ceased to exist. Coface Kreditversicherung AG became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and is now called Coface Deutschland. The branches of Coface Deutschland (formerly Coface Kreditversicherung) present in Northern Europe became branches of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA).

- Coface Assicurazioni became a branch of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and is now called Coface Italy.

- Unistrat was merged into Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) in the first quarter of 2012 (with retroactive effect for tax purposes from January 1, 2012).

## NOTE 3

## Scope of consolidation

| Region | Country | Entity | Consolidation method | Percentage Control Dec. 31, 2013 | Percentage Interest Dec. 31, 2013 | Percentage Control Dec. 31, 2012 | Percentage Interest Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| Northern Europe | Germany | **Coface Deutschland (formerly Coface Kreditversicherung)**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Northern Europe | Germany | **F - 54 (formerly AKCO)**<br>**Coface Kreditversicherung**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Not consolidated | **Not consolidated** | **Not consolidated** | 100.00% | 99.74% |
| Northern Europe | Germany | **MLS 1 Fund**<br>**Coface Kreditversicherung**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Not consolidated | **Not consolidated** | **Not consolidated** | 100.00% | 99.74% |
| Northern Europe | Germany | **Coface Finanz GmbH**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Germany | **Coface Debitorenmanagement GmbH**<br>Isaac – Fulda – Allee 5<br>55124 Mainz | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Germany | **Coface Rating Holding**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Germany | **Coface Deutschland Vertiebs**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Full | **100.00%** | **99.74%** | Not consolidated | Not consolidated |
| Northern Europe | Germany | **Coface Rating Gmbh**<br>Isaac – Fulda – Allee 1<br>55124 Mainz | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Germany | **Kisselberg**<br>Hauptstr. 131-137<br>65260 Eschborn | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Netherlands | **Coface Nederland Services**<br>Claudius Prinsenlaan 126<br>Postbus 3377<br>4800 DJ Breda | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Northern Europe | Netherlands | **Coface Nederland**<br>Claudius Prinsenlaan 126<br>P.O. Box 3377<br>4800 DJ Breda | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Northern Europe | Denmark | **Coface Danmark**<br>Nygade 111<br>7430 Ikast | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Northern Europe | Sweden | **Coface Sverige**<br>Kungsgatan 33<br>111 56 Stockholm | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Northern Europe | Russia | **Coface Russia Insurance Company**<br>Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str.<br>125047 Moscow | Full | **100.00%** | **99.74%** | Not consolidated | Not consolidated |

| Region | Country | Entity | Consolidation method | Percentage | | Percentage | |
|---|---|---|---|---|---|---|---|
| | | | | Control Dec. 31, 2013 | Interest Dec. 31, 2013 | Control Dec. 31, 2012 | Interest Dec. 31, 2012 |
| Western Europe | France | Coface SA (formerly Coface Holding)<br>1 Place Costes et Bellonte<br>92 270 Bois-Colombes | Parent company | **100.00%** | **100.00%** | 100.00% | 100.00% |
| Western Europe | France | Compagnie Française d'Assurance Pour Le Commerce Extérieur (formerly Coface SA)<br>1 Place Costes et Bellonte<br>92 270 Bois-Colombes | Full | **99.74%** | **99.74%** | 99.74% | 99.74% |
| Western Europe | France | Cofacredit<br>Tour facto<br>18, rue Hoche<br>92988 Puteaux | Equity method | **36.00%** | **35.91%** | 36.00% | 35.91% |
| Western Europe | France | Cofinpar<br>1 Place Costes et Bellonte<br>92 270 Bois-Colombes | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | France | Cogeri<br>1 Place Costes et Bellonte<br>92 270 Bois-Colombes | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | France | Fimipar<br>1 Place Costes et Bellonte<br>92 270 Bois-Colombes | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | France | Colombes 1 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 2 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 2bis fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 3 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 3bis fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 3ter fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 4 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 4bis fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 5 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 5bis fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 6 fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | Colombes 6bis fund<br>90, Boulevard Pasteur<br>75015 Paris | Full | **100.00%** | **99.74%** | N/A | N/A |
| Western Europe | France | FCT Vega (securitization fund)<br>41 rue Délizy<br>93500 Pantin | Full | **100.00%** | **99.74%** | 100% | 99.74% |

| Region | Country | Entity | Consolidation method | Percentage Control Dec. 31, 2013 | Percentage Interest Dec. 31, 2013 | Percentage Control Dec. 31, 2012 | Percentage Interest Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| Western Europe | Belgium | **Coface Belgium Services Holding**<br>100 Boulevard du Souverain<br>1170 Brussels | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | Belgium | **Coface Belgique**<br>100, Boulevard du Souverain<br>B-1170 Brussels (Watermael-Boitsfort) | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | Luxembourg | **Coface Luxembourg**<br>2, Route d'Arlon<br>L-8399 Windhof (Koerich)<br>Luxembourg | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | Switzerland | **Coface Suisse**<br>Rue Belle-Fontaine 18 ; CP 431<br>1001 Lausanne | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | Spain | **Coface Servicios España, SL**<br>Calle Aravaca, 22<br>28040 Madrid | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | Spain | **Coface Iberica**<br>C/Aravaca 22<br>28040 Madrid | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | Portugal | **Coface Portugal**<br>Av. José Malhoa, 16B - 7º Piso, Fracção B.1<br>Edifício Europa<br>Portugal | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | United Kingdom | **Coface UK Holding**<br>180 St Albans Rd, Watford<br>Hertfordshire WD17 1RP | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | United Kingdom | **Coface UK Services**<br>180 St Albans Rd, Watford<br>Hertfordshire WD17 1RP | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Western Europe | United Kingdom | **Coface UK**<br>Egale 1, 80 St Albans Road<br>Watford, Hertfordshire<br>WD17 1RP | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Western Europe | Ireland | **Coface Ireland**<br>67 B Upper George's Street<br>Dun Laoghaire<br>Co Dublin | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Austria | **Coface Austria Services**<br>Stubenring 24<br>1011 Vienna | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Central Europe | Austria | **Coface Central Europe Holding**<br>Stubenring 24-2<br>A – 1010 Vienna | Full | **74.99%** | **74.80%** | 74.99% | 74.80% |
| Central Europe | Austria | **Coface Austria (formerly Coface Austria Holding AG)**<br>Stubenring 24<br>1011 Vienna | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Hungary | **Coface Hungary Insurance**<br>Tűzoltó u. 57,<br>H-1094 Budapest | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |

| Region | Country | Entity | Consolidation method | Percentage<br>Control<br>Dec. 31, 2013 | Percentage<br>Interest<br>Dec. 31, 2013 | Percentage<br>Control<br>Dec. 31, 2012 | Percentage<br>Interest<br>Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| Central Europe | Poland | **Coface Poland CMS**<br>Al.Jerozolimskie 136<br>PL-02-305 / Warszaw | Full | **100.00%** | **74.80%** | 100.00% | 74.80% |
| Central Europe | Poland | **Coface Poland Factoring**<br>Al.Jerozolimskie 136<br>PL-02-305 / Warszaw | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Central Europe | Poland | **Coface Poland Insurance**<br>Al. Jerozolimskie 136,<br>02-305 Warszawa | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Czech Republic | **Coface Czech Insurance**<br>I.P. Pavlova 5<br>120 00 Praha 2 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Romania | **Coface Romania CMS**<br>Calea Floreasca 39, Et. 3 Sect.1 3 Sect.1<br>Bucharest | Full | **100.00%** | **74.80%** | 100.00% | 74.80% |
| Central Europe | Romania | **Coface Romania Insurance**<br>Calea Floreasca 39, Et. 3 Sect.1 3 Sect.1,<br>014453, Bucharest | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Slovakia | **Coface Slovakia Insurance**<br>Šoltésovej 14<br>811 08 Bratislava | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Lithuania | **LEID (Lithuania)**<br>Vilniaus str. 23,<br>01402 Vilnius | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Latvia | **Coface Latvia Insurance**<br>Berzaunes iela 11a<br>LV-1039 Riga | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Central Europe | Bulgaria | **Coface Bulgaria Insurance**<br>85/87, T. Alexandrov blvd<br>1303 Sofia | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Mediterranean & Africa | Italy | **Coface Italy (branch)**<br>Via Giovanni Spadolini 4<br>20141 Milan | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Now a branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Mediterranean & Africa | Italy | **Coface Italia**<br>Via Giovanni Spadolini 4<br>20141 Milan | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Mediterranean & Africa | Israel | **Coface Israel**<br>11 Ben Gurion st, Bnei Brak<br>51260 Bnei Brak | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Mediterranean & Africa | Israel | **Business Data Information Coface (BDI Coface)**<br>11 Ben Gurion st, Bnei Brak<br>51260 Bnei Brak | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Mediterranean & Africa | South Africa | **Coface South Africa**<br>Nyanga Office Park Inyanga Close, Suninghill | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Mediterranean & Africa | South Africa | **Coface South Africa Services**<br>Nyanga Office Park Inyanga Close, Suninghill | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Mediterranean & Africa | Turkey | **Coface Sigorta**<br>Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |

| Region | Country | Entity | Consolidation method | Percentage | | Percentage | |
|---|---|---|---|---|---|---|---|
| | | | | Control Dec. 31, 2013 | Interest Dec. 31, 2013 | Control Dec. 31, 2012 | Interest Dec. 31, 2012 |
| North America | United States | **Coface North America Holding Company**<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>New Jersey 08520 | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| North America | United States | **Coface North America**<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>New Jersey 08520 | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| North America | United States | **Coface Services North America**<br>900 Chapel Street<br>New Haven, CT 06510 | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| North America | United States | **Coface North America Insurance Company**<br>Windsor Corporate Park<br>50, Millstone Road, Building 100<br>Suite 360, East Windsor<br>New Jersey 08520 | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| North America | United States | **Coface Canada**<br>251 Consumer Roadn Suite 910<br>Toronto – On M2J 1R3 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Latin America | Mexico | **Coface Seguro de Credito Mexico**<br>Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon<br>01020 México City, D.F | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Latin America | Mexico | **Coface Holding America Latina**<br>Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon<br>01020 México City, D.F | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Latin America | Brazil | **Coface Do Brasil Seguros de Credito Interno SA**<br>34, João Duran Alonso Square Brooklin Novo District<br>Saõ Paulo 12 floor | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Latin America | Brazil | **Seguradora Brasileira de Credito Interno SA (SBCE)**<br>Pça. João Duran Alonso, 34 - 12º Andar<br>Brooklin Novo - Sao Paulo, CEP: 04571-070 | Full | **75.82%** | **75.63%** | 75.82% | 75.63% |
| Latin America | Chile | **Coface Chile**<br>Nueva Tajamar 555. P17. Las Condes.<br>Santiago | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Latin America | Chile | **Coface Chile SA**<br>Nueva Tajamar 555. Torre<br>Costanera | Full | **100.00%** | **99.74%** | 100.00% | 99.74% |
| Latin America | Argentina | **Coface Argentina**<br>Ricardo Rojas 401 – 7 Floor<br>CP 1001 Buenos Aires – Argentina | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Latin America | Ecuador | **Coface Ecuador**<br>Irlanda E10-16 y República del Salvador<br>Edificio Siglo XXI, PH | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Asia-Pacific | Australia | **Coface Australia**<br>Level 10, 68 York Street Sydney NSW 2000<br>GPO Box 129 Sydney NSW 2001 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Asia-Pacific | Hong Kong | **Coface Hong Kong**<br>29th Floor, No.169 Electric Road<br>North Point, Hong Kong | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Asia-Pacific | Japan | **Coface Japan**<br>Atago Green Hills Mori Tower 38F,<br>2-5-1 Atago, Minato-ku<br>Tokyo 105-6238 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Asia-Pacific | Singapore | **Coface Singapore**<br>16 Collyer Quay #15-00<br>Singapore 049318 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |
| Asia-Pacific | Taiwan | **Coface Taiwan**<br>Room A5, 6F, N°16, Section 4, Nanjing East Road,<br>Taipei 10553 | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | | Branch of Compagnie Française d'Assurance pour le Commerce Extérieur | |

## Note 4. Accounting principles

### 4.1 - Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.[18] The same accounting principles and policies have been used for the 2013 and 2012 financial statements – as described in Note 3 – Accounting principles, to the 2012 consolidated financial statements – apart from the following new standards, amendments to existing standards and interpretations, whose application was mandatory for the Group for the first time as from January 1, 2013:

- Amendments to IAS 1 – Presentation of Financial Statements, regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "Other comprehensive income" (OCI) on the basis of whether or not they may subsequently be reclassified to net income. The amendments therefore introduce additional disclosure requirements concerning OCI.

- The revised version of IAS 19 – Employee Benefits (IAS 19R), applicable retrospectively. IAS 19R amends the accounting treatment and presentation of pension and other post-employment benefit obligations, particularly concerning actuarial gains and losses, which are now recognized immediately and in full in other comprehensive income (under items that are not subsequently reclassifiable to income) and past service cost, which has been recognized immediately in income at January 1, 2012. See Note 1 for details of the impacts of applying IAS 19R.

- Amendment to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, applicable retrospectively. This amendment requires new disclosures concerning financial instruments that have been offset in the balance sheet and those that are subject to enforceable master netting arrangements or similar agreements. The application of this amendment did not have a significant impact on Coface's consolidated financial statements.

- IFRS 13 – Fair Value Measurement, applicable on a prospective basis. This new standard applies to IFRSs that require or permit fair value measurements or disclosures. It provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement of both financial and non-financial assets and liabilities. Application of IFRS 13 did not have a significant impact on Coface's consolidated financial statements in terms of fair value measurements.

- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets. The purpose of this amendment is to introduce a rebuttable presumption that the carrying amount of an investment property will be recovered through its sale and the entity will be taxed at the rate applicable to the sale of the underlying asset. The application of this amendment did not have a significant impact on Coface's consolidated financial statements at December 31, 2013.

- Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2 as part of the "Annual Improvements – 2009-2011 Cycle" published by the IASB on May 17, 2012. The application of these amendments did not have a significant impact on Coface's consolidated financial statements at December 31, 2013.

At December 31, 2013 Coface did not elect to early adopt any of the following standards, amendments or interpretations that have been endorsed by the European Union:

- Amendments to IAS 32, effective for annual periods beginning on or after January 1, 2014 and applicable retrospectively. These amendments clarify some of the requirements for offsetting financial assets and

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

financial liabilities in the balance sheet.

- The new standards on consolidation: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities, published by the IASB on May 12, 2011 and adopted by the European Commission on December 11, 2012. Application of these standards is mandatory for annual periods beginning on or after January 1, 2014.
  IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements in relation to consolidated financial statements as well as SIC-12 on special purpose entities. It establishes a single control model that applies to all entities, including structured entities. IFRS 11 supersedes IAS 31 – Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers.
  IFRS 12 combines and enhances the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.
  Application of IFRS 12 will result in additional disclosures concerning Coface's interests in unconsolidated structured entities.
  As a result of these new standards, the IASB also published revised versions of IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which were adopted by the European Commission on December 11, 2012 and are effective for annual periods beginning on or after January 1, 2014.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 published by the IASB on June 28, 2012 and adopted by the European Commission on April 4, 2013. Application of these amended standards is mandatory for annual periods beginning on or after January 1, 2014. The amendments to IFRS 10 clarify the standard's transition guidance and limit the requirement to provide adjusted comparative information to only the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

At the current stage of the Group's analyses, Coface has not identified any significant impacts on its consolidated financial statements that may arise from the application of IFRS 10, 11 and 12.

### 4.2 Basis of consolidation

In accordance with IAS 1 – Presentation of Financial Statements, IAS 27 – Separate Financial Statements, and IFRS 3 – Business Combinations, subsidiaries that are not material in relation to the Coface Group as a whole are not consolidated.

The consolidation methods applied are as follows:

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

Companies in which the Coface Group holds over 50% of the voting rights are considered as being exclusively controlled. Significant influence is generally considered as being exercised in cases where at least 20% of the voting rights are held, although companies in which Coface holds a smaller percentage of the voting rights may also be consolidated when it can be established that Coface exercises control or significant influence.

Cofacrédit is the only company that is accounted for by the equity method.

The parent company of the Coface Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d’Epargne, established in July 2009.

**Intercompany transactions**

Material intercompany transactions and balances are eliminated on consolidation.

### 4.3 Special purpose entities

**Consolidation of special purpose entities**

Separate legal entities specifically created to manage a transaction or group of similar transactions (special purpose entities, or SPEs) are consolidated if they are controlled in substance by Coface, even when there is no equity relationship. The main criteria for assessing the existence of such control as defined by SIC-12 are described below.

Activities: In substance, the SPE's activities are being conducted on behalf of Coface, which directly or indirectly created the SPE to meet its specific business needs.

Decision-making powers: Coface has the decision-making powers to control or obtain control of the SPE or its assets, including certain decision-making powers arising after the formation of the SPE. Such decision-making powers may have been delegated by establishing an auto-pilot mechanism.

Benefits: Coface has rights to obtain a majority of the benefits of the SPE's activities. Examples of such rights are rights to a majority of any economic benefits distributed in the form of future net cash flows, earnings, net assets or other economic benefits, or rights to majority residual interests.

Risks: In substance, Coface retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

SIC-12 does not apply to SPEs designed to manage post-employment and long-term employee benefits, which are covered by IAS 19 – Employee Benefits. Accordingly, employee pension funds and mutual insurance entities are not consolidated.

**Nature of special purpose entities with which Coface has a relationship**

*SPEs used for credit insurance operations*

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

For risk analysis purposes, a distinction must be made between the policies offered by Coface in Germany and those it offers in France:

- Under the German policies, the credit insurer is only liable for losses in excess of a deductible termed the Aggregate First Loss. This first loss contractually defines the amount of first losses that are not covered by the credit insurer. The coverage provided by Coface's German entity via these policies is similar to "Natural disaster" type coverage. An analysis of these structures shows that the amount of the first loss is systematically higher than the expected loss, namely the average losses expected over the year. Accordingly, the "majority of risks" criterion is not deemed to be satisfied and the SPEs involved in these structures are therefore not consolidated.

- The French policies offered by Coface rarely include non-covered “first losses”. However, the policies only cover a small portion of the receivables held by the SPE. Furthermore, the quality of the portfolio risk covered by Coface, compared to that borne by the other stakeholders (other insurers, sponsors and ceding insurers) is not such as to transfer the majority of the structure’s risks to Coface. These SPEs are therefore not consolidated.

No credit insurance SPEs were consolidated at December 31, 2013.

*SPEs used for financing operations*

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

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French SPE (the FCT Vega securitization fund). The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).
The securitization fund acquires the receivables at their nominal value less a discount determined on the basis of the portfolio’s past losses and refinancing costs. To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (Asset-Backed Commercial Paper) on the market, and (ii) subordinated units to Coface Factoring Poland.

The FCT Vega securitization fund is consolidated by the Group.

*SPEs used for investing operations*

The "Colombes" mutual funds were set up in 2013 to centralize the management of the Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caecis has been selected as custodian and asset servicing provider.
Coface Group entities (and only Coface Group entities) now subscribe to units in these funds, via Compagnie Française d'Assurance pour le Commerce Extérieur, instead of having their own respective investment portfolios, which have been liquidated. Once a year the entities concerned receive a share of the overall net income generated by the funds in proportion to their net contribution to the management platform.

Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated as they are wholly controlled by the Group.

### 4.4 - Non-current assets held for sale and discontinued operations

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

A sale is deemed to be highly probable if:

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

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

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

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

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The net income or loss from these operations is presented on a separate line of the income statement for the period during which the criteria in IFRS 5 are met and for all comparative periods presented. The amount recorded in this income statement line includes (i) the net income or loss of discontinued operations until they are sold, and (ii) the post-tax net income recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

### 4.5 Year-end and accounting period

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

### 4.6 - Foreign currency translation

**Translation of foreign currency transactions**

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

**Translation of the financial statements of subsidiaries and foreign branches**

Coface’s consolidated financial statements are presented in euros.

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

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

### 4.7 General principles

***The insurance business***

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

However, IFRS 4 prohibits the use of equalization and catastrophe provisions, and requires insurers to carry out liability adequacy tests.

***The services business***

Companies engaged in the sale of business information and debt collection services fall within the scope of IAS 18 – Revenue.
In accordance with IAS 18, revenue is recognized when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

***The factoring business***

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

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

**Classification of income and expenses**

**Insurance companies**

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

**Public procedures management**

Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) and Seguradora Brasileira de Credito Exportacao (SBCE) manage public credit insurance procedures for the French and Brazilian governments respectively. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the remuneration received from the French and Brazilian governments is reported under "Revenue or income from other activities". The corresponding costs are analyzed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) in connection with its private market insurance activities.

**Factoring companies**

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

**Other companies**

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

**Revenue**

Consolidated revenue includes:

- For the insurance business, earned premiums and inward reinsurance premiums, as well as fees for insurance-related services. This latter category covers policy fees and fees for other services offered by insurance companies.

- The remuneration received by Compagnie Française d’Assurance pour le Commerce Extérieur (formerly Coface SA) and Seguradora Brasileira de Credito Exportacao SA (SBCE) from the French and Brazilian governments, respectively, for these companies’ management of public credit insurance procedures.

  The terms and procedures applicable to the remuneration paid by the French government are set out in the “Financial Agreement” signed between the French government and Coface. The most recent version of this agreement was signed on February 24, 2012 and covers the four-year period from 2012 to 2015.

- Sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing client access to credit and marketing information and debt collection services.

- Factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and debt collection fees.

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

**Insurance operations**

- **Premiums**

Gross premiums correspond to written premiums, excluding tax. They are stated net of premium cancelations and policyholders' bonuses and rebates and include an estimate of pipeline premiums and premiums to be cancelled after the year-end.
The estimate of premiums not yet written includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

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

The Group also receives policy fees, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to clients and partners.

- **Provisions for unearned premiums**

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

- **Deferred acquisition costs**

Policy acquisition costs, including commissions and internal expenses related to contract preparation, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.
The amount deferred corresponds to policy acquisition costs related to the period between the year-end and the next premium payment date. Deferred acquisition costs are included in the balance sheet under "Other assets".
Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

- **Paid claims**

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

- **Claims provisions**

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. In accordance with the applicable French regulations, separate provisions are set aside for claims and recoveries. Claims provisions also include (i) provisions for claims incurred but not yet reported, determined by reference to the Group's claims experience in prior underwriting periods that reflect the final amount of paid claims, and (ii) a provision for collection costs and claims handling expenses.

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

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

- **Subrogation and salvage**

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

**Reinsurance operations**

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

- **Inward reinsurance**

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

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.
Commissions paid to ceding insurers are deferred and recognized in the income statement on the same basis as unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

- **Ceded reinsurance**

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.
Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.
Cash deposits received from reinsurers are reported under liabilities.
Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognized in the income statement on the same basis as ceded unearned premiums.

**Goodwill**

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as the excess of (a) over (b) below:

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

In the case of a bargain purchase, i.e., a business combination in which the amount in (b) above exceeds the aggregate of the amounts specified in (a), the resulting gain is recognized in net income on the acquisition date.

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

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

**Impairment tests on goodwill and intangible assets**

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

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

Coface has identified the following seven groups of CGUs, based on its internal organization as used by Management for making operating decisions:

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

**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 recognized and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

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

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

The impairment tests carried out at December 31, 2013 did not give rise to the recognition of any goodwill impairment losses (see Note 5 – Goodwill).

**Method used for measuring the value of Coface entities**

- **Value in use: discounted cash flow method**

At December 31, 2013, cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Group Management.
These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.
The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

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

- **Fair value**

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

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

**Intangible assets: IT development costs**

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

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

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

**Property, plant and equipment: property assets**

- **Buildings used in the business (IAS 16)**

Property, plant and equipment, including buildings used in the business, are measured using the cost model. Under IFRS, each component of a single building is depreciated over an estimated useful life that reflects the pattern in which its future economic benefits will be consumed, if such pattern differs from that for the building as a whole.
Coface has identified the following components of property assets:

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

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities. At December 31, 2013, the main property acquired under a finance lease was the head office of Coface Deutschland (formerly Coface Kreditversicherung).

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

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

**Financial assets**

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

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

- **Available-for-sale financial assets (AFS)**

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

- **Financial assets held for trading**

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

- **Held-to-maturity investments (HTM)**

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

- **Financial assets at fair value through income**

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

- **Loans and receivables**

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

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

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

- **Fair value**

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

**Impairment testing**

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

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

Impairment indicators include the following:

- For debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method).

- For equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealized losses of over 30% or which have represented unrealized losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument's market price over a given period, or information relating to the issuer's financial position. Where appropriate, an impairment loss is recognized based on the instrument's market price at the period-end. Independently of this analysis, an impairment loss is systematically recognized when an instrument represents an unrealized loss of over 50% at the period-end, or has represented an unrealized loss for more than 24 months.

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

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

- equity, for equity instruments;

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

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

**Derivatives and hedging transactions**

As defined in IAS 39, a derivative is a financial instrument:

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

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

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognized depending on the underlying hedging relationship.
Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

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

At December 31, 2013, Coface's derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the "Colombes" funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognized at fair value through income.

**Borrowings**

**Financing liabilities**

This item mainly includes liabilities relating to financing agreements (finance leases).

**Payables arising from banking sector activities**

This item includes:

- Amounts due to banking sector companies, corresponding to bank credit lines and representing the refinancing of the credit extended to factoring clients.

- Amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations, including:

  - ⇨ amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor; and
  - ⇨ factoring contract guarantee deposits.

- Debt securities, corresponding to subordinated borrowings and non-subordinated bonds. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business.

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

Payables arising from factoring operations are analyzed in Note 21.

**Receivables arising from factoring operations**

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

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

**Cash and cash equivalents**

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

**Provisions for liabilities and charges**

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded at the reporting date if an obligation towards a third party exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that the obligation will result in an outflow of resources embodying economic benefits to that third party.
Provisions for liabilities and charges mainly consist of provisions for pensions and other post-employment benefit obligations (see Note 17 – Employee benefits).

**Employee benefits**

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

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

Other benefits, including long-term and post-employment benefits, are classified as follows:

- Defined contribution plans, under which a company makes payments to a fund that is subsequently responsible for paying the sums owed to the employees. Consequently, the company’s legal or constructive obligation is limited to the amount that it agrees to pay to the fund. These plans are generally state pension plans, which is the case in France.
- Defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to current and former employees.

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

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

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

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

  - demographic assumptions;
  - future benefit levels (statutory retirement benefits, long service awards, etc.);
  - the probability that the specified event will occur;
  - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases;
  - the interest rate used to discount future benefits at the measurement date.

- The actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

**Stock options**

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

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

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

The stock options granted under the plan set up in December 2002 (which has been closed since December 2012) were recognized in accordance with IFRS 2 and the related share-based payment has been fully amortized since December 2006.

**Income tax**

Income tax expense includes both current taxes and, where justified by the tax position of the companies concerned, deferred taxes resulting from temporary differences and consolidation adjustments.

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

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

Coface only recognizes a net deferred tax asset when it is probable that sufficient taxable income against which the asset can be utilized will be available within a reasonable timeframe, even though tax losses can be carried forward indefinitely in France and the United Kingdom and for very long periods in certain other countries (e.g., 20 years in the United States).

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.
Where appropriate, adjustments are made to these tax plans in order to reflect specific tax regimes.

**Receivables and payables denominated in foreign currencies**

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

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

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

**Segment reporting**

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

The segment reporting used by Management corresponds to the following geographic regions:

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

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

**Related parties**

Coface applies IAS 24 with respect to related-party disclosures.
A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "the reporting entity").
The Coface Group's main transactions with related parties are presented in Note 40.

### 4.8 – Estimates

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

| Estimates | Notes | Type of information required |
|---|---|---|
| Goodwill impairment | 5 | Impairment is recognized when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount.<br><br>The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss ratio assumptions. |
| Provision for earned premiums not yet written | 10 | This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognized. |
| Provision for policyholders' bonuses and rebates | 15 24 | This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written. |
| Provision for subrogation and salvage | 15 25 43 | This provision is calculated based on the estimated amount potentially recoverable on paid claims. |
| Claims provision | 15 25 43 | The claims provision covers the estimated cost of all reported claims not settled at the year-end. |
| IBNR provision | 15 25 43 | The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and any action has been taken to recover amounts paid out. |
| Pension benefit obligations | 17 | Pension benefit obligations are calculated in accordance with IAS 19 and are reviewed by actuaries each year in light of the actuarial assumptions adopted by the Group. |

The policies managed by the Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities. Phase 2 of IFRS 4 is expected to be published during the first half of 2015, with an application date envisaged three years after the publication date. In accordance with IFRS 4, insurance provisions ("technical provisions") are calculated using the methods prescribed in local GAAP (French GAAP in Coface's case).

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

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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

### Note 5. Goodwill

In accordance with IFRS 3, goodwill is not amortized but is systematically tested for impairment at the year-end or whenever there is an indication that it may be impaired.

Movements in goodwill in 2013 were primarily due to currency translation differences.

Breakdown of goodwill by region:

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Northern Europe | 112,603 | 112,603 |
| Western Europe | 5,068 | 5,068 |
| Central Europe | 8,430 | 8,395 |
| Mediterranean & Africa | 21,334 | 21,261 |
| North America | 5,050 | 5,280 |
| South America | 1,241 | 1,497 |
| **Net** | **153,727** | **154,104** |

### Impairment testing methods

In compliance with IAS 36 – Impairment of Assets, goodwill and other non-financial assets were tested for impairment at December 31, 2013. The tests were performed by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

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

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

The assumptions used for goodwill impairment testing were as follows by group of CGUs:

| | Northern Europe | Western Europe | Central Europe | Mediterranean & Africa | North America | Latin America |
|---|---|---|---|---|---|---|
| Cost of capital | 10.6% | 10.9% | 10.7% | 11.0% | 11.1% | 11.2% |
| Perpetual growth rate | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Contribution to consolidated net assets | 491.1 | 662.5 | 141.5 | 62.2 | 40.9 | 61.1 |

**Sensitivity of impairment tests**

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

- Long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

- Cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

- Loss ratio and the cost ratio sensitivity for the last two years of the business plan (2017 and 2018): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have a significant impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2013.

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

**Outcome of impairment tests**

| (in millions of euros) | Northern Europe | Western Europe | Central Europe | Mediterranean & Africa | North America | Latin America |
|---|---|---|---|---|---|---|
| Contribution to consolidated net assets | 491.1 | 662.5 | 141.5 | 62.2 | 40.9 | 61.1 |
| Sensitivity: Long-term growth rate -0.5 points | 741.3 | 738.2 | 224.5 | 95.6 | 166.1 | 102.5 |
| Sensitivity: WACC +0.5 points | 726.8 | 721.3 | 220.3 | 92.4 | 161.8 | 100.4 |
| Sensitivity: Loss ratio 2017 +2 points | 759.2 | 765.9 | 229.5 | 99.4 | 172.3 | 105.8 |
| Sensitivity: Loss ratio 2018 +2 points | 727.9 | 722.0 | 218.1 | 77.4 | 157.8 | 97.3 |
| Sensitivity: Cost ratio 2017 +1 point | 760.6 | 768.3 | 230.7 | 100.4 | 173.1 | 106.2 |
| Sensitivity: Cost ratio 2018 +1 point | 744.9 | 745.8 | 224.7 | 88.1 | 165.8 | 101.8 |

## Note 6. Other intangible assets

| (in thousands of euros) | Dec. 31, 2013<br>Net | Dec. 31, 2012<br>Net |
|---|---|---|
| Development costs and software | 83,086 | 91,106 |
| Purchased goodwill | 3,072 | 4,956 |
| Other | 557 | 644 |
| **Total** | **86,715** | **96,706** |

| | Dec. 31, 2013 | | |
|---|---|---|---|
| (in thousands of euros) | Cost | Amortization and impairment | Net |
| Development costs and software | 195,704 | (112,618) | 83,086 |
| Purchased goodwill | 7,057 | (3,985) | 3,072 |
| Other | 2,796 | (2,239) | 557 |
| **Total** | **205,556** | **(118,842)** | **86,715** |

## Change in the gross amount of intangible assets

| (in thousands of euros) | Dec. 31, 2012 | Increases | Decreases | Mergers and other changes in scope of consolidation | Exchange rate effects and other | Dec. 31, 2013 |
|---|---|---|---|---|---|---|
| Development costs and software | 193,137 | 5,748 | (2,835) | 2 | (349) | 195,704 |
| Other intangible assets | 2,849 | (9) | 73 | 0 | (117) | 2,796 |
| Purchased goodwill | 12,274 | 0 | (4,773) | 0 | (444) | 7,057 |
| **Total** | **208,259** | **5,739** | **(7,535)** | **2** | **(910)** | **205,556** |

## Change in accumulated amortization and impairment of intangible assets

| (in thousands of euros) | Dec. 31, 2012 | Additions | Reversals | Mergers and other changes in scope of consolidation | Exchange rate effects and other | Dec. 31, 2013 |
|---|---|---|---|---|---|---|
| Accumulated amortization – development costs and software | (101,763) | (13,620) | 2,780 | (1) | 233 | (112,372) |
| Accumulated impairment – development costs and software | (268) | (40) | 0 | 0 | 62 | (246) |
| **Total accumulated amortization and impairment – development costs and software** | **(102,030)** | **(13,660)** | **2,780** | **(1)** | **295** | **(112,618)** |
| Accumulated amortization –other intangible assets | (2,199) | (72) | 0 | 0 | 49 | (2,222) |
| Accumulated impairment – other intangible assets | (5) | (12) | 0 | 0 | 0 | (17) |
| **Total accumulated amortization and impairment – other intangible assets** | **(2,205)** | **(84)** | **0** | **0** | **50** | **(2,239)** |
| Accumulated amortization – purchased goodwill | (7,318) | (1,719) | 4,773 | 0 | 279 | (3,985) |
| **Total accumulated amortization and impairment – purchased goodwill** | **(7,318)** | **(1,719)** | **4,773** | **0** | **279** | **(3,985)** |
| **Total** | **(111,553)** | **(15,464)** | **7,553** | **(1)** | **624** | **(118,842)** |

## Note 7. Property, plant and equipment

| (in thousands of euros) | Dec. 31, 2013 Net | Dec. 31, 2012 Net |
|---|---|---|
| Buildings used in the business | 45,919 | 47,199 |
| Other property, plant and equipment | 29,811 | 18,605 |
| **Total** | **75,730** | **65,804** |

| (in thousands of euros) | Dec. 31, 2013 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation and impairment | Net |
| Buildings used in the business | 91,215 | (45,297) | 45,919 |
| Other property, plant and equipment | 67,485 | (37,674) | 29,811 |
| **Total** | **158,700** | **(82,970)** | **75,730** |

| (in thousands of euros) | Dec. 31, 2012 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation and impairment | Net |
| Buildings used in the business | 89,849 | (42,650) | 47,199 |
| Other property, plant and equipment | 64,432 | (45,826) | 18,605 |
| **Total** | **154,280** | **(88,476)** | **65,804** |

## Change in the gross amount of property, plant and equipment

| (in thousands of euros) | Dec. 31, 2012 | Increases | Decreases | Exchange rate effects and other | Dec. 31, 2013 |
|---|---|---|---|---|---|
| Land used in the business | 14,010 | 0 | 0 | 0 | 14,010 |
| Buildings used in the business | 75,839 | 1,362 | 0 | 5 | 77,205 |
| **Total property used in the business** | **89,849** | **1,362** | **0** | **5** | **91,215** |
| Operating guarantees and deposits | 6,729 | 3,758 | (1,564) | (191) | 8,732 |
| Other property, plant and equipment | 57,703 | 14,740 | (12,582) | (1,108) | 58,753 |
| **Total other property, plant and equipment** | **64,432** | **18,498** | **(14,146)** | **(1,299)** | **67,485** |
| **Total** | **154,280** | **19,860** | **(14,146)** | **(1,294)** | **158,700** |

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

| (in thousands of euros) | Dec. 31, 2012 | Additions | Reversals | Exchange rate effects and other | Dec. 31, 2013 |
|---|---|---|---|---|---|
| Accumulated depreciation – Buildings used in the business | (42,650) | (2,643) | 0 | (4) | (45,297) |
| Accumulated impairment – Buildings used in the business | 0 | 0 | 0 | 0 | 0 |
| **Buildings used in the business** | **(42,650)** | **(2,643)** | **0** | **(4)** | **(45,297)** |
| Accumulated depreciation – other property, plant and equipment | (43,025) | (4,676) | 12,073 | 636 | (34,992) |
| Accumulated impairment – other property, plant and equipment | (2,802) | (34) | 1 | 153 | (2,682) |
| **Other property, plant and equipment** | **(45,826)** | **(4,710)** | **12,074** | **789** | **(37,674)** |
| **Total** | **(88,476)** | **(7,353)** | **12,074** | **785** | **(82,970)** |

The amount recorded in 2013 in the "Decreases" column for the gross value of other property, plant and equipment, as well as the positive figure recorded under "Reversals" relating to depreciation of these items, were primarily attributable to the scrapping of furniture (which had been fully depreciated) when the Group relocated its head office in June 2013.

| | Buildings used in the business | |
|---|---|---|
| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
| Carrying amount | 45,919 | 47,199 |
| Market value | 72,973 | 81,503 |
| **Unrealized gain** | **27,054** | **34,304** |

## Note 8. Investments

### 8.1 – Analysis by category

At December 31, 2013, the carrying amount of held-to-maturity (HTM) securities was €9,403 thousand, available-for-sale (AFS) securities totaled €1,891,204 thousand, and securities held for trading ("trading securities") came to €52,271 thousand.

At December 31, 2012, the carrying amount of held-to-maturity (HTM) securities was €9,495 thousand, available-for-sale (AFS) securities totaled €1,478,896 thousand, and trading securities came to €103,954 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income products which provide it with recurring and stable revenues.

At December 31, 2013, 8% of the Group's total bond portfolio was rated "AAA", 54% "AA" and "A", 25% "BBB" and 13% below "BB".

| | Dec. 31, 2013 | | | | | Dec. 31, 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of euros) | Amortized cost | Revaluation reserve | Net value | Fair value | Unrealized gains and losses | Amortized cost | Revaluation reserve | Net value | Fair value | Unrealized gains and losses |
| **AFS securities** | **1,810,511** | **80,693** | **1,891,204** | **1,891,204** | **0** | **1,375,084** | **103,812** | **1,478,896** | **1,478,896** | **0** |
| Equities and other variable-income securities | 109,981 | 92,486 | **202,467** | 202,467 | 0 | 62,922 | 73,362 | **136,284** | 136,284 | 0 |
| Bonds and government securities | 1,700,529 | (11,793) | **1,688,736** | 1,688,736 | 0 | 1,312,154 | 30,451 | **1,342,605** | 1,342,605 | 0 |
| *o/w direct investments in securities* | *1,338,281* | *(4,448)* | ***1,333,833*** | 1,333,833 | *0* | *1,312,154* | *30,451* | ***1,342,605*** | 1,342,605 | *0* |
| *o/w investments in UCITS* | *362,248* | *(7,345)* | ***354,903*** | 354,903 | *0* | *0* | *0* | ***0*** | 0 | *0* |
| **Shares in non-trading property companies** | 1 | 0 | **1** | 1 | 0 | 7 | 0 | **7** | 7 | 0 |
| **HTM securities** | | | | | | | | | | |
| Bonds | 9,403 | 0 | **9,403** | 10,170 | 767 | 9,495 | 0 | **9,495** | 10,502 | 1,007 |
| **Fair value through income – trading securities** | | | | | | | | | | |
| Money market funds (UCITS) | 52,271 | 0 | **52,271** | 52,271 | 0 | 103,864 | 90 | **103,954** | 103,954 | 0 |
| **Derivatives (positive fair value)** | 0 | 1,386 | **1,386** | 1,386 | 0 | 0 | 0 | **0** | 0 | 0 |
| **Loans and receivables** | 253,098 | 0 | **253,098** | 253,098 | 0 | 627,322 | 0 | **627,322** | 627,322 | 0 |
| **Investment property** | 1,055 | 216 | **1,271** | 1,271 | 0 | 1,240 | 216 | **1,456** | 1,456 | 0 |
| **Total** | **2,126,338** | **82,294** | **2,208,633** | **2,209,400** | **767** | **2,117,005** | **104,118** | **2,221,123** | **2,222,130** | **1,007** |

| (in thousands of euros) | Gross Dec. 31, 2013 | Impairment | IFRS Dec. 31, 2013 | IFRS Dec. 31, 2012 |
|---|---|---|---|---|
| **AFS securities** | **1,921,856** | **(30,652)** | **1,891,204** | **1,478,896** |
| Equities and other variable-income securities | 233,120 | (30,653) | 202,467 | 136,284 |
| Bonds and government securities | 1,688,736 | 0 | 1,688,736 | 1,342,605 |
| *o/w direct investments in securities* | *1,333,833* | *0* | *1,333,833* | *1,342,605* |
| *o/w investments in UCITS* | *354,903* | *0* | *354,903* | *0* |
| **Shares in non-trading property companies** | 9 | (8) | 1 | 7 |
| **HTM securities** | | | | |
| Bonds | 9,403 | 0 | 9,403 | 9,495 |
| **Fair value through income – trading securities** | 52,271 | 0 | 52,271 | 103,954 |
| **Derivatives (positive fair value)** | 1,386 | 0 | 1,386 | 0 |
| *(for information, derivatives with a negative fair value)* | *(2,527)* | *0* | *(2,527)* | *0* |
| **Investment property** | 1,271 | 0 | 1,271 | 1,456 |
| **Loans and receivables** | 253,098 | 0 | 253,098 | 627,322 |
| **Total investments** | **2,239,294** | **(30,661)** | **2,208,633** | **2,221,123** |

| (in thousands of euros) | Dec. 31, 2012 | Additions | Reversals | Exchange rate effects and other | Dec. 31, 2013 |
|---|---|---|---|---|---|
| **AFS securities** | **38,593** | **1,576** | **(11,985)** | **2,478** | **30,661** |
| Equities and other variable-income securities | 38,585 | 1,576 | (11,985) | 2,478 | 30,653 |
| Shares in non-trading property companies | 8 | 0 | 0 | 0 | 8 |
| **Loans and receivables** | 2,282 | 0 | (2,282) | 0 | 0 |
| **Total impairment** | **40,875** | **1,576** | **(14,267)** | **2,478** | **30,661** |

| (in thousands of euros) | Dec. 31, 2011 | Additions | Reversals | Exchange rate effects | Changes in scope of consolidation | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| **AFS securities** | **38,707** | **459** | **(1,676)** | **102** | **1,000** | **38,593** |
| Equities and other variable-income securities | 38,457 | 450 | (1,425) | 102 | 1,000 | 38,585 |
| Bonds and government securities | 242 | 9 | (251) | 0 | 0 | 0 |
| Shares in non-trading property companies | 8 | 0 | 0 | 0 | 0 | 8 |
| **HTM securities** | | | | | | |
| Bonds | 7,642 | 1,112 | (8,754) | 0 | 0 | 0 |
| **Loans and receivables** | 5,456 | 0 | (3,174) | 0 | 0 | 2,282 |
| **Total impairment** | **51,805** | **1,571** | **(13,604)** | **102** | **1,000** | **40,875** |

**Derivatives (within the Colombes funds)**

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

During 2013, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

Investments in equities were partially hedged during 2013 through purchases of index options (which were out of the money) in the second half of the year. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

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

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

**8.2 – Financial instruments recognized at fair value**

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

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

Securities classified as level 1 represent 77% of the Group's portfolio. They correspond to:

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

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

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

**Level 3:** Valuation techniques based on unobservable inputs such as projections or internal data. This level corresponds to unlisted equities, investment securities and mutual fund units, as well as investment property.

| (in thousands of euros) | Carrying amount | Fair value | **Level 1** Fair value determined based on quoted prices in active markets | **Level 2** Fair value determined based on valuation techniques that use observable inputs | **Level 3** Fair value determined based on valuation techniques that use unobservable inputs |
|---|---|---|---|---|---|
| **AFS securities** | **1,891,204** | **1,891,204** | **1,637,022** | **146,357** | **107,825** |
| Equities and other variable-income securities | 202,467 | 202,467 | 79,972 | 14,671 | 107,824 |
| Bonds and government securities | 1,688,736 | 1,688,736 | 1,557,050 | 131,686 | 0 |
| Shares in non-trading property companies | 1 | 1 | 0 | 0 | 1 |
| **HTM securities** | | | | | |
| Bonds | 9,403 | 10,170 | 10,170 | 0 | 0 |
| **Fair value through income – trading securities** | 52,271 | 52,271 | 52,271 | 0 | 0 |
| **Derivatives** | 1,386 | 1,386 | 0 | 1,386 | 0 |
| **Investment property** | 1,271 | 1,271 | 0 | 0 | 1,271 |
| **Loans and receivables** | 253,098 | 253,098 | 0 | 253,098 | 0 |
| **TOTAL** | **2,208,633** | **2,209,400** | **1,699,462** | **400,842** | **109,096** |

## Movements in Level 3 securities

| (in thousands of euros) | **Level 3** | **Gains and losses recognized in the period** | | **Transactions for the period** | | **Reclassifications for the period** | Changes in scope of consolidation | Exchange rate effects | **Level 3** |
|---|---|---|---|---|---|---|---|---|---|
| | January 1 | In income | Directly in equity | Purchases/ Issues | Sales/ Redemptions | To level 3 | | | December 31 |
| **AFS securities** | **117,991** | **5,341** | **13,679** | **5,299** | **(30,734)** | **371** | **(3,872)** | **(250)** | **107,825** |
| Equities and other variable-income securities | 117,984 | 5,341 | 13,679 | 5,299 | (30,728) | 371 | (3,872) | (250) | 107,824 |
| Shares in non-trading property companies | 7 | 0 | 0 | 0 | (6) | 0 | 0 | 0 | 1 |
| **Investment property** | **1,456** | **0** | **0** | **0** | **(185)** | **0** | **0** | **0** | **1,271** |
| **TOTAL** | **119,447** | **5,341** | **13,679** | **5,299** | **(30,919)** | **371** | **(3,872)** | **(250)** | **109,096** |

## Note 9. Investments in associates

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| Investments in associates at January 1 | 16,812 | 16,269 |
| Changes in scope of consolidation | 0 | 0 |
| Dividends paid | (684) | (828) |
| Share in net income of associates | 1,493 | 1,371 |
| **Total investments in associates** | **17,621** | **16,812** |

Investments in associates relate solely to Cofacrédit.

## Note 10. Receivables arising from insurance and reinsurance operations

(in thousands of euros)

| | Dec. 31, 2013 | | | Dec. 31, 2012 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Provision** | **Net** | **Gross** | **Provision** | **Net** |
| Receivables from policyholders and agents | 290,110 | (27,684) | 262,426 | 272,020 | (29,886) | 242,133 |
| Pipeline premiums | 117,445 | 0 | 117,445 | 126,151 | 0 | 126,151 |
| Receivables arising from reinsurance operations, net | 40,968 | (282) | 40,686 | 73,902 | (329) | 73,573 |
| **Total** | **448,523** | **(27,966)** | **420,557** | **472,072** | **(30,215)** | **441,857** |

## Note 11. Other assets

(in thousands of euros)

| | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Trade receivables arising from other activities | 20,292 | 21,749 |
| Other receivables | 95,346 | 166,375 |
| Current tax receivables | 52,073 | 40,158 |
| Deferred acquisition costs | 39,547 | 40,112 |
| **Total** | **207,258** | **268,393** |

## Note 12. Cash and cash equivalents

| *(in thousands of euros)* | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Cash at bank and in hand | 260,866 | 245,606 |
| Cash equivalents | 13,054 | 11,404 |
| **Total** | **273,920** | **257,010** |

## Note 13. Share capital

| Ordinary shares | Number of shares | Par value | Share capital (in €) |
|---|---|---|---|
| At January 1, 2013 | 156,841,307 | 5 | 784,206,535 |
| **At December 31, 2013** | **156,841,307** | **5** | **784,206,535** |

## Note 14. Revaluation reserves

| | 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** | **101,116** | **(23,965)** | **(6,114)** | **71,037** | **4,448** | **75,485** |
| Fair value adjustments on available-for-sale financial assets reclassified to income | (27,722) | 0 | 7,929 | (19,793) | (60) | (19,852) |
| Fair value adjustments on available-for-sale financial assets recognized in equity | 5,754 | 0 | 2,644 | 8,398 | 460 | 8,858 |
| Change in reserves – gains and losses not reclassifiable to income (IAS 19R) | 0 | 1,544 | (468) | 1,076 | 4 | 1,080 |
| **At December 31** | **79,148** | **(22,421)** | **3,991** | **60,719** | **4,852** | **65,571** |

**Note 15. Liabilities relating to insurance contracts**

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Provisions for unearned premiums | 267,023 | 274,674 |
| Claims provisions | 1,120,922 | 1,153,170 |
| Provisions for policyholders' bonuses and rebates | 62,554 | 55,730 |
| **Liabilities relating to insurance contracts** | **1,450,499** | **1,483,575** |
| Provisions for unearned premiums | (41,674) | (42,706) |
| Claims provisions | (289,294) | (294,638) |
| Provisions for policyholders' bonuses and rebates | (16,254) | (15,218) |
| **Reinsurers' share of technical insurance liabilities** | **(347,221)** | **(352,562)** |
| **Net technical provisions** | **1,103,278** | **1,131,013** |

Through its activities, Coface is exposed to a "technical" (underwriting) risk, which is the risk of losses arising from its portfolio of insurance policies. Tools aimed at managing this risk have been put in place to ensure that it remains within reasonable limits.

**Note 16. Provisions for liabilities and charges**

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012* |
|---|---|---|
| Provisions for disputes | 7,056 | 4,934 |
| Provisions for pension and other post-employment benefit obligations | 86,130 | 85,342 |
| Other provisions for liabilities and charges | 18,870 | 26,960 |
| **TOTAL** | **112,056** | **117,236** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

| (in thousands of euros) | Dec. 31, 2012* | Additions | Reversals (utilized) | Reversals (surplus) | Reclassifications | Changes in OCI | Mergers and partial asset transfers | Exchange rate effects | Dec. 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Provisions for disputes** | **4,934** | **4,444** | **(910)** | **(52)** | **(1,111)** | **0** | **0** | **(248)** | **7,056** |
| Provisions for technical disputes | 841 | 0 | 0 | 0 | (841) | 0 | 0 | 0 | 0 |
| Provisions for tax disputes | 288 | 103 | 0 | 0 | 0 | 0 | 0 | (42) | 349 |
| Provisions for employee disputes | 3,085 | 1,969 | (770) | 0 | 0 | 0 | 0 | (37) | 4,246 |
| Provisions for other disputes | 720 | 2,372 | (140) | (52) | (270) | 0 | 0 | (169) | 2,461 |
| **Provisions for pension and other post-employment benefit obligations** | **85,342** | **7,798** | **(4,931)** | **(127)** | **17** | **(1,568)** | **0** | **(402)** | **86,130** |
| Provisions for statutory retirement bonuses | 40,060 | 3,249 | (2,940) | (41) | 17 | (744) | 0 | (391) | 39,211 |
| Provisions for post-employment benefits | 13,544 | 1,483 | (1,505) | 0 | 0 | (97) | 0 | (11) | 13,414 |
| Provisions for long-service awards | 6,562 | 1,408 | (369) | (86) | 0 | 0 | 0 | 0 | 7,515 |
| Provisions for working time savings accounts | 65 | 28 | 0 | 0 | 0 | 0 | 0 | 0 | 93 |
| Provisions for mutual health insurance and other medical coverage | 25,111 | 1,630 | (117) | 0 | 0 | (727) | 0 | 0 | 25,897 |
| **Other provisions for liabilities and charges** | **26,960** | **4,194** | **(3,050)** | **(7,069)** | **(2,462)** | **0** | **340** | **(43)** | **18,870** |
| Provisions for liabilities relating to subsidiaries | 21,528 | 3,152 | 0 | (6,792) | (3,839) | 0 | 340 | (42) | 14,347 |
| Provisions for restructuring costs | 3,096 | 1,002 | (1,101) | (186) | (50) | 0 | 0 | (1) | 2,760 |
| Other provisions for liabilities | 2,375 | 40 | (1,949) | (91) | 1,427 | 0 | 0 | 0 | 1,802 |
| **TOTAL** | **117,236** | **16,436** | **(8,891)** | **(7,248)** | **(3,556)** | **(1,568)** | **340** | **(693)** | **112,056** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Provisions for liabilities and charges (excluding provisions for pension and other post-employment benefit obligations) are measured in accordance with IAS 37, which states that a provision should only be recognized if (i) an entity has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) 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 €16,436 thousand in additions to provisions during the year mainly broke down as follows:

- €3,152 thousand in provisions for risks relating to subsidiaries (Coface Services Japan);
- €3,249 thousand in provisions for statutory retirement benefits;
- €4,444 thousand in provisions for disputes.

Of the total €16,139 thousand in provision reversals during the year, €6,792 thousand concerned provisions for subsidiaries.

Actuarial gains and losses arising on pension and other post-employment benefit obligations in the period, recognized in accordance with IAS 19R, represented a net amount of €1,568 thousand.

## Note 17. Employee benefits

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| ***Present value of benefit obligation at January 1*** | **86,892** | **68,839** |
| Acquisitions/mergers/deconsolidations | 0 | (668) |
| Current service cost | 4,087 | 2,510 |
| Interest cost | 2,450 | 2,704 |
| Actuarial (gains)/losses | 110 | 16,798 |
| Benefits paid | (5,417) | (3,059) |
| Other | (356) | (232) |
| ***Present value of benefit obligation at December 31*** | **87,765** | **86,892** |
| **Changes in plan assets** | | |
| ***Fair value of plan assets at January 1*** | **1,551** | **1,537** |
| Revaluation adjustments – Return on plan assets | 93 | 15 |
| Acquisitions/mergers/deconsolidations | 0 | (11) |
| Employee contributions | 0 | 0 |
| Employer contributions | 405 | (258) |
| Benefits paid | (412) | 329 |
| Other | 0 | (62) |
| ***Fair value of plan assets at December 31*** | ***1,635*** | ***1,550*** |
| ***Reconciliation*** | | |
| ***Present value of benefit obligation at December 31*** | ***87,765*** | ***86,892*** |
| Fair value of plan assets | 1,635 | 1,550 |
| ***Liability recognized in the balance sheet at December 31*** | ***(86,130)*** | ***(85,342)*** |
| **Income statement** | | |
| Current service cost | 4,019 | 2,511 |
| Past service cost | 68 | 0 |
| Benefits paid including amounts paid in respect of settlements | (341) | 0 |
| Interest cost | 2,450 | 2,705 |
| Interest income | (52) | (46) |
| Revaluation adjustments on other long-term benefits | 1,654 | 1,400 |
| Other | 6 | 0 |
| ***Expense recorded in the income statement*** | ***7,803*** | ***6,570*** |
| **Changes recognized directly in equity not reclassifiable to income** | | |
| Revaluation adjustments arising in the period | (1,548) | 15,999 |
| ***Revaluation adjustments recognized in equity not reclassifiable to income*** | ***(1,548)*** | ***15,999*** |

<u>**Actuarial assumptions**</u>

| **Actuarial assumptions** | **Dec. 31, 2013** | France | Germany | Austria | Italy |
|---|---|---|---|---|---|
| Inflation rate | | 1.90% | 1.90% | 1.90% | 1.90% |
| Discount rate | | | | | |
| | *Supplementary retirement and other plans* | 1.40% | 3.15% | 3.15% | 3.15% |
| | *Statutory retirement benefits* | 2.60% | N/A | 3.15% | 3.15% |
| | *Long-service awards* | 2.10% | 3.15% | 3.15% | - |
| | *Other benefits* | 3.00% | 3.15% | N/A | 3.15% |
| Rate of salary increase (including inflation) | | 2.30% | 2.50% | 3.00% | 3.00% |
| Rate of increase in medical costs (including inflation) | | 4.40% | N/A | N/A | 4.50% |
| Average remaining working life until retirement | | | | | |
| | *Supplementary retirement and other plans* | 1.00 | 7.79 | 10.15 | 13.68 |
| | *Statutory retirement benefits* | 17.78 | N/A | 11.53 | 13.68 |
| | *Long-service awards* | 17.78 | 23.25 | 14.93 | N/A |
| | *Other benefits* | 17.78 | 3.85 | N/A | 20.15 |
| Term (years) | | | | | |
| | *Supplementary retirement and other plans* | 26.08 | 12.66 | 12.15 | 24.98 |
| | *Statutory retirement benefits* | 11.61 | N/A | 10.15 | 10.72 |
| | *Long-service awards* | 7.85 | 12.13 | 6.79 | N/A |
| | *Other benefits* | 0.00 | 1.19 | N/A | 20.72 |

| **Actuarial assumptions** | **Dec. 31, 2012** | France | Germany | Austria | Italy |
|---|---|---|---|---|---|
| Inflation rate | | 2.00% | 2.00% | 2.00% | 2.00% |
| Discount rate | | | | | |
| | *Supplementary retirement and other plans* | 1.40% | 3.10% | 3.10% | 3.10% |
| | *Statutory retirement benefits* | 2.60% | N/A | 3.10% | 3.10% |
| | *Long-service awards* | 2.20% | 3.10% | 3.10% | N/A |
| | *Other benefits* | 3.00% | 3.10% | N/A | 3.10% |
| Rate of salary increase (including inflation) | | 2.30% | 2.50% | 3.00% | 3.00% |
| Rate of increase in medical costs (including inflation) | | 4.50% | N/A | N/A | 4.50% |
| Average remaining working life until retirement | | | | | |
| | *Supplementary retirement and other plans* | 1.00 | 8.88 | 10.76 | 14.22 |
| | *Statutory retirement benefits* | 18.78 | N/A | 12.07 | 13.73 |
| | *Long-service awards* | 18.78 | 11.33 | 15.18 | N/A |
| | *Other benefits* | 24.80 | 0.70 | N/A | 20.49 |
| Term (years) | | | | | |
| | *Supplementary retirement and other plans* | 28.55 | 12.70 | 12.04 | 20.71 |
| | *Statutory retirement benefits* | 11.69 | N/A | 10.30 | 11.03 |
| | *Long-service awards* | 8.33 | 10.96 | 6.12 | N/A |
| | *Other benefits* | 0.00 | 1.59 | N/A | 20.08 |

| **2013** | France | Germany | Austria | Italy | Other | Total |
|---|---|---|---|---|---|---|
| ***Present value of benefit obligation at January 1*** | **43,243** | **18,839** | **18,272** | **4,446** | **2,093** | **86,892** |
| Acquisitions/mergers/deconsolidations | *0* | *0* | *0* | *0* | *0* | *0* |
| Current service cost | *1,700* | *1,215* | *455* | *284* | *432* | *4,087* |
| Interest cost | *1,195* | *565* | *554* | *136* | *0* | *2,450* |
| Actuarial (gains)/losses | *(902)* | *918* | *(419)* | *512* | *0* | *110* |
| Benefits paid | *(1,556)* | *(1,950)* | *(1,663)* | *0* | *(250)* | *(5,417)* |
| Other | *0* | *0* | *6* | *0* | *(362)* | *(356)* |
| ***Present value of benefit obligation at December 31*** | **43,680** | **19,588** | **17,205** | **5,379** | **1,914** | **87,765** |
| | | | | | | |
| **Changes in plan assets** | | | | | | |
| ***Fair value of plan assets at January 1*** | **0** | **811** | **918** | **0** | **(179)** | **1,551** |
| Revaluation adjustments - Return on plan assets | *0* | *29* | *64* | *0* | *0* | *93* |
| Acquisitions/mergers/deconsolidations | *0* | *0* | *0* | *0* | *0* | *0* |
| Employee contributions | *0* | *0* | *0* | *0* | *0* | *0* |
| Employer contributions | *(139)* | *372* | *242* | *(70)* | *0* | *405* |
| Benefits paid | *139* | *(374)* | *(247)* | *70* | *0* | *(412)* |
| Other | *0* | *0* | *0* | *0* | *0* | *0* |
| ***Fair value of plan assets at December 31*** | ***0*** | ***837*** | ***977*** | ***0*** | ***(179)*** | ***1,635*** |
| | | | | | | |
| ***Reconciliation*** | | | | | | |
| ***Present value of benefit obligation at December 31*** | ***43,680*** | ***19,588*** | ***17,205*** | ***5,379*** | ***1,914*** | ***87,765*** |
| Fair value of plan assets | *0* | *837* | *977* | *0* | *(179)* | *1,635* |
| ***Liability recognized in the balance sheet at December 31*** | ***(43,680)*** | ***(18,750)*** | ***(16,228)*** | ***(5,379)*** | ***(2,093)*** | ***(86,130)*** |
| | | | | | | |
| **Income statement** | | | | | | |
| Current service cost | *1,700* | *1,070* | *533* | *284* | *432* | *4,019* |
| Past service cost | *0* | *145* | *(78)* | *0* | *0* | *68* |
| Benefits paid including amounts paid in respect of settlements | *0* | *(284)* | *(57)* | *0* | *0* | *(341)* |
| Interest cost | *1,195* | *565* | *554* | *136* | *0* | *2,450* |
| Interest income | *0* | *(25)* | *(27)* | *0* | *0* | *(52)* |
| Revaluation adjustments on other long-term benefits | *12* | *1,117* | *(6)* | *531* | *0* | *1,654* |
| Other | *0* | *0* | *6* | *0* | *0* | *6* |
| **Expense recorded in the income statement** | **2,907** | **2,588** | **925** | **951** | **432** | **7,803** |
| **Changes recognized directly in equity not reclassifiable to income** | | | | | | |
| Revaluation adjustments arising in the period | (916) | (202) | (450) | 20 | 0 | (1,548) |
| ***Revaluation adjustments recognized in equity not reclassifiable to income*** | **(916)** | **(202)** | **(450)** | **20** | **0** | **(1,548)** |

| **2012*** | France | Germany | Austria | Italy | Other | TOTAL |
|---|---|---|---|---|---|---|
| ***Present value of benefit obligation at January 1*** | **33,598** | **15,276** | **14,511** | **3,284** | **2,169** | **68,839** |
| Acquisitions/mergers/deconsolidations | *(668)* | *0* | *0* | *0* | *0* | *(668)* |
| Current service cost | *1,491* | *733* | *(337)* | *137* | *485* | *2,510* |
| Interest cost | *1,134* | *718* | *695* | *157* | *0* | *2,704* |
| Actuarial (gains)/losses | *8,656* | *3,504* | *3,622* | *1,016* | *0* | *16,798* |
| Benefits paid | *(968)* | *(1,391)* | *(219)* | *(148)* | *(332)* | *(3,059)* |
| Other | *0* | *0* | *0* | *0* | *(231)* | *(232)* |
| ***Present value of benefit obligation at December 31*** | **43,243** | **18,840** | **18,272** | **4,446** | **2,091** | **86,892** |
| | | | | | | |
| **Changes in plan assets** | | | | | | |
| ***Fair value of plan assets at January 1*** | **0** | **810** | **727** | **0** | **0** | **1,537** |
| Revaluation adjustments - Return on plan assets | *0* | *22* | *4* | *0* | *(11)* | *15* |
| Acquisitions/mergers/deconsolidations | *0* | *(11)* | *0* | *0* | *0* | *(11)* |
| Employee contributions | *0* | *0* | *0* | *0* | *0* | *0* |
| Employer contributions | *0* | *25* | *(474)* | *(79)* | *270* | *(258)* |
| Benefits paid | *0* | *(35)* | *556* | *79* | *(270)* | *329* |
| Other | *0* | *0* | *106* | *0* | *(168)* | *(62)* |
| ***Fair value of plan assets at December 31*** | ***0*** | ***811*** | ***919*** | ***0*** | ***(179)*** | ***1,550*** |
| | | | | | | |
| ***Reconciliation*** | | | | | | |
| ***Present value of benefit obligation at December 31*** | ***43,243*** | ***18,840*** | ***18,272*** | ***4,446*** | ***2,091*** | ***86,892*** |
| Fair value of plan assets | *0* | *811* | *919* | *0* | *(179)* | *1,550* |
| ***Liability recognized in the balance sheet at December 31*** | ***(43,243)*** | ***(18,029)*** | ***(17,353)*** | ***(4,446)*** | ***(2,270)*** | ***(85,342)*** |
| | | | | | | |
| **Income statement** | | | | | | |
| Current service cost | *1,491* | *732* | *(337)* | *137* | *485* | *2,510* |
| Past service cost | *0* | *0* | *0* | *0* | *0* | *0* |
| Benefits paid including amounts paid in respect of settlements | *0* | *0* | *0* | *0* | *0* | *0* |
| Interest cost | *1,134* | *718* | *695* | *157* | *0* | *2,704* |
| Interest income | *0* | *(9)* | *(37)* | *0* | *0* | *(46)* |
| Revaluation adjustments on other long-term benefits | *(49)* | *654* | *(2)* | *797* | *0* | *1,400* |
| Other | *0* | *0* | *0* | *0* | *0* | *0* |
| **Expense recorded in the income statement** | **2,576** | **2,095** | **319** | **1,091** | **485** | **6,568** |
| | | | | | | |
| **Changes recognized directly in equity not reclassifiable to income** | | | | | | |
| Revaluation adjustments arising in the period | 8,706 | 2,622 | 3,655 | 1,016 | 0 | 15,999 |
| ***Revaluation adjustments recognized in equity not reclassifiable to income*** | **8,706** | **2,622** | **3,655** | **1,016** | **0** | **15,999** |

** see Note 1 – Presentation reclassifications and restatements due to IAS 19R*

## Note 18. Deferred taxes

(in thousands of euros)

| | Dec. 31, 2013 | Dec. 31, 2012* |
|---|---|---|
| Deferred tax assets | 81,122 | 98,506 |
| Deferred tax liabilities | 138,091 | 151,190 |
| **Net deferred tax liability (1)** | **56,968** | **52,684** |
| | | |
| **Deferred tax assets:** | | |
| Temporary differences | 9,166 | 22,853 |
| Provisions for pension and other employee benefit obligations | 20,261 | 19,629 |
| Tax loss carryforwards (2) | 51,695 | 56,024 |
| **Total deferred tax assets** | **81,122** | **98,506** |
| | | |
| **Deferred tax liabilities:** | | |
| Temporary differences (3) | (26,459) | 4,913 |
| Cancellation of the claims equalization provision | 164,550 | 146,277 |
| **Total deferred tax liabilities** | **138,091** | **151,190** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(1) Deferred tax assets for the French entities have been calculated at the rate of 34.43% for expected recovery dates after 2013. The rate used for branches is the local tax rate.

(2) Deferred tax assets arising from the carryforward of unused tax losses relate to Compagnie Française d'Assurance pour le Commerce Extérieur. They correspond to a receivable owed to Natixis as Compagnie Française d'Assurance pour le Commerce Extérieur is a member of the Natixis tax group.
The year-on-year decrease in this item reflects the net income reported by Compagnie Française d'Assurance pour le Commerce Extérieur in 2013.

(3) In accordance with IAS 12, an entity must offset its deferred tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets against current tax liabilities.
This requirement was met by the Group, which explains why it is possible for negative amounts to be recorded under temporary differences for deferred tax assets or liabilities.

## Changes in deferred taxes by region

| (in thousands of euros) | Dec. 31, 2012* | Change recognized through income | Revaluation adjustments on AFS investments | Foreign exchange differences | Other movements | Dec. 31, 2013 |
|---|---|---|---|---|---|---|
| Northern Europe | 112,236 | 11,257 | (336) | (75) | 914 | **123,996** |
| Western Europe | (50,785) | 3,218 | (7,584) | (78) | 314 | **(54,916)** |
| Central Europe | 3,090 | (935) | (1,429) | 5 | 104 | **835** |
| Mediterranean & Africa | (4,375) | 702 | (1,183) | (30) | (658) | **(5,544)** |
| North America | 116 | (94) | 191 | 6 | 0 | **218** |
| Latin America | (5,112) | (616) | (288) | 876 | 23 | **(5,116)** |
| Asia-Pacific | (2,486) | (741) | 28 | 693 | 0 | **(2,505)** |
| **Total deferred tax by region** | **52,684** | **12,791** | **(10,601)** | **1,397** | **697** | **56,968** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 19. Financing liabilities

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Bank borrowings | - | - |
| Obligations under finance leases | 10,565 | 13,159 |
| Bank overdrafts and other borrowings | 4,568 | - |
| **TOTAL** | **15,133** | **13,159** |

## Note 20. Maturities of financing liabilities

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| **Due within one year:** | | |
| - Obligations under finance leases | 2,609 | 2,568 |
| - Bank overdrafts and other borrowings | 4,568 | 0 |
| **Sub-total** | **7,177** | **2,568** |
| **Due between one and five years:** | | |
| - Obligations under finance leases | 7,956 | 10,567 |
| **Total** | **7,956** | **10,567** |
| **Due beyond five years:** | | |
| - Obligations under finance leases | 0 | 24 |
| **Total** | **0** | **24** |
| **Total** | **15,133** | **13,159** |

At December 31, 2013, the Group’s financing liabilities corresponded mainly to the finance lease on its headquarters building in Germany.

## Note 21. Payables arising from banking sector activities

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| **Amounts due to banking sector companies** | 406,759 | 523,377 |
| **Amounts due to customers of banking sector companies** | 353,751 | 445,111 |
| **Debt securities** | 1,348,787 | 1,112,753 |
| **TOTAL** | **2,109,297** | **2,081,241** |

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

At December 31, 2013, debt securities comprised:

- €1,038 thousand in senior units issued by the FCT Vega fund as part of the securitization program set up for Coface Finanz's factoring receivables; and
- €311 million in commercial paper issued by Coface SA to finance Coface Finanz's operations, with an average maturity of around 2.5 months at December 31, 2013.

Amounts due to banking sector companies corresponded to drawdowns on the bilateral credit lines set up with various banking partners of Coface Finanz and Coface Factoring Poland (including Natixis).

## Note 22. Payables arising from insurance and reinsurance operations

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| Guarantee deposits received from policyholders and other | 2,257 | 3,575 |
| Amounts due to policyholders and agents | 67,226 | 80,597 |
| **Payables arising from insurance and inward reinsurance operations** | **69,482** | **84,172** |
| Amounts due to reinsurers and ceding insurers | 49,590 | 40,394 |
| Deposits received from reinsurers | 6,475 | 6,444 |
| **Payables arising from ceded reinsurance operations** | **56,065** | **46,838** |
| **Total payables arising from insurance and reinsurance operations** | **125,547** | **131,010** |

## Note 23. Other liabilities

(in thousands of euros)

| | Dec. 31, 2013 | Dec. 31, 2012* |
|---|---|---|
| **Current tax payables** | **51,470** | **81,553** |
| **Derivatives and related liabilities** | **2,527** | **26** |
| Accrued personnel costs | 28,129 | 53,984 |
| Sundry payables | 150,510 | 174,528 |
| Deferred income | 7,194 | 7,240 |
| Other accruals | 9,240 | 11,302 |
| **Other payables** | **195,073** | **247,053** |
| **TOTAL OTHER LIABILITIES** | **249,070** | **328,632** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

NOTES TO THE INCOME STATEMENT

## Note 24. Consolidated revenue

(in thousands of euros)

| a) By business line | 2013 | 2012* |
|---|---|---|
| Premiums - direct business | 1,145,144 | 1,182,987 |
| Premiums - inward reinsurance | 61,546 | 74,538 |
| Policyholders’ rebates | (75,564) | (91,472) |
| Provisions for unearned premiums | (2,583) | (6,134) |
| **Earned premiums net of cancellations** | **1,128,543** | **1,159,919** |
| **Fees and commission income** | **123,410** | **127,212** |
| **Net income from banking activities** | **69,210** | **77,030** |
| Other insurance-related services | 9,710 | 9,217 |
| Remuneration of public procedures management services | 65,577 | 68,559 |
| Business information and other services | 25,194 | 24,843 |
| Receivables management | 18,685 | 20,261 |
| **Revenue or income from other activities** | **119,167** | **122,880** |
| **Consolidated revenue** | **1,440,330** | **1,487,040** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

| b) By country of invoicing | 2013 | 2012* |
|---|---|---|
| Northern Europe | 366,782 | 347,182 |
| Western Europe | 469,245 | 505,270 |
| Central Europe | 109,977 | 110,638 |
| Mediterranean & Africa | 216,651 | 213,187 |
| North America | 101,687 | 112,523 |
| Latin America | 81,209 | 84,796 |
| Asia-Pacific | 94,780 | 113,444 |
| **Consolidated revenue** | **1,440,330** | **1,487,040** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

| c) Insurance revenue by type of insurance | 2013 | 2012* |
|---|---|---|
| **Credit insurance** | | |
| Export | 458,141 | 494,274 |
| Domestic | 574,982 | 566,910 |
| Other | 5,365 | 4,642 |
| **Total credit** | **1,038,488** | **1,065,827** |
| Guarantees | 57,883 | 59,815 |
| Single risk | 32,172 | 34,277 |
| **Total guarantees and other** | **90,055** | **94,092** |
| **Total insurance revenue** | **1,128,543** | **1,159,919** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

(in thousands of euros)

| d) Net income from banking activities | 2013 | 2012* |
|---|---|---|
| Financing fees | 34,249 | 40,303 |
| Factoring fees | 39,508 | 42,401 |
| Other | (4,547) | (5,674) |
| **Total net income from banking activities** | **69,210** | **77,030** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

**Note 25. Claims expenses**

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| Paid claims, net of recoveries | (544,701) | (636,838) |
| Claims handling expenses | (29,787) | (26,993) |
| Change in claims provisions | (1,774) | 66,325 |
| **Total** | **(576,263)** | **(597,506)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

### Claims expenses by year of occurrence

| (in thousands of euros) | 2013 | | | 2012* | | |
|---|---|---|---|---|---|---|
| | Gross | Outward reinsurance and retrocessions | Net | Gross | Outward reinsurance and retrocessions | Net |
| Claims expenses – current year | (812,490) | 148,415 | (664,076) | (853,896) | 157,967 | (695,929) |
| Claims expenses – prior years | 236,227 | (6,763) | 229,464 | 256,390 | (2,203) | 254,186 |
| **Claims expenses** | **(576,263)** | **141,651** | **(434,612)** | **(597,506)** | **155,763** | **(441,743)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

### Note 26. Expenses from banking activities

(in thousands of euros)

| | 2013 | 2012* |
|---|---|---|
| Additions to provisions for receivables | (1,895) | (221) |
| Reversals of provisions for receivables | 1,980 | 4,551 |
| Losses on receivables not covered by provisions | (877) | (798) |
| Losses on receivables covered by provisions | (1,741) | (4,551) |
| **Cost of risk** | **(2,533)** | **(1,019)** |
| **Operating expenses** | **(11,884)** | **(14,672)** |
| **Total expenses from banking activities** | **(14,417)** | **(15,690)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

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

**Note 27. General expenses by function**

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| Commissions | (134,939) | (140,444) |
| Other acquisition costs | (121,928) | (91,883) |
| **Total acquisition costs** | **(256,867)** | **(232,327)** |
| **Administrative costs** | **(263,891)** | **(218,099)** |
| **Other current operating expenses** | **(83,112)** | **(135,476)** |
| **Investment management expenses** | **(5,025)** | **(6,436)** |
| **Claims handling expenses** | **(29,787)** | **(26,993)** |
| **Total** | **(638,683)** | **(619,332)** |

At December 31, 2013, administrative costs included €8,345 thousand related to the relocation of Coface's headquarters.

**Note 28. Reinsurance result**

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| Ceded claims | 143,067 | 176,585 |
| Change in claims provisions, net of recoveries | (1,415) | (20,822) |
| Commissions paid by reinsurers | 108,001 | 117,048 |
| **Income from ceded reinsurance** | **249,652** | **272,811** |
| Ceded premiums | (314,762) | (322,988) |
| Change in unearned premium provisions | (1,093) | (6,270) |
| **Expenses from ceded reinsurance** | **(315,855)** | **(329,258)** |
| **Reinsurance result** | **(66,202)** | **(56,447)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 29. Investment income by category

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| Investment income (excluding net gains/[losses] on assets and liabilities held for trading) | 36,756 | 49,079 |
| Net gains/(losses) on assets held for trading | 0 | (73) |
| Net gains/(losses) on disposals | 35,400 | (6,914) |
| Change in provisions: | 4,970 | 5,035 |
| AFS equities | (302) | 10 |
| AFS bonds and government securities | 0 | 242 |
| HTM bonds and government securities | 0 | 7,637 |
| Other loans and receivables | 2,906 | 0 |
| AFS investments in non-consolidated companies | (1,274) | (627) |
| Liabilities and charges on AFS investments in non-consolidated companies | 3,640 | (2,227) |
| Net foreign exchange gains/(losses) | (2,583) | (2,413) |
| Investment management expenses | (7,027) | (7,747) |
| **Total investment income, net of management expenses (excluding finance costs)** | **67,516** | **36,968** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 30. Investment income by class of investment

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| Property | 257 | 354 |
| Equities | (778) | 860 |
| Fixed-income instruments | 68,802 | 46,494 |
| Derivatives | 317 | (142) |
| **Sub-total** | **68,598** | **47,566** |
| Management expenses | (7,027) | (7,747) |
| Net foreign exchange gains/(losses) | (2,583) | (2,413) |
| Dividends | 1,389 | 2,416 |
| Additions to provisions for investments in non-consolidated companies | 2,366 | (2,854) |
| Net gains/(losses) on investments in non-consolidated companies | 4,772 | 0 |
| **Total** | **67,516** | **36,968** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 31. Other operating income and expenses

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| Other operating expenses | (2,590) | (720) |
| Other operating income | 4,311 | 522 |
| **Net** | **1,721** | **(198)** |

Other operating income generated in 2013 included €2,645 thousand related to the first-time consolidation of Coface RUS.

## Note 32. Income tax expense

| (in thousands of euros) | 2013 | 2012* |
|---|---|---|
| Current taxes | (54,589) | (46,337) |
| Deferred taxes | (12,792) | (18,352) |
| **Total** | **(67,380)** | **(64,689)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Tax proof

| (in thousands of euros) | 2013 | | 2012* | |
|---|---|---|---|---|
| **Net income for the year** | **127,439** | | **124,087** | |
| Non-controlling interests | 569 | | 1,226 | |
| Income tax expense | (67,380) | | (64,689) | |
| Net income/(loss) from discontinued operations | 0 | | (5,142) | |
| Share in net income of associates | 1,493 | | 1,371 | |
| **Pre-tax income for the year and share in net income of associates** | **193,895** | | **193,773** | |
| Tax rate | | 34.43% | | 34.43% |
| Theoretical tax | (66,758) | | (66,716) | |
| Tax expense presented in the consolidated income statement | (67,380) | 34.75% | (64,689) | 33.38% |
| **Difference** | **622** | **-0.32%** | **(2,027)** | **1.05%** |
| Impact of differences between Group tax rates and local tax rates | 13,623 | -7.03% | 6,191 | -3.19% |
| *o/w United Kingdom – 23%* | *3,547* | *-1.83%* | *541* | *-0.28%* |
| *o/w Poland – 19%* | *1,637* | *-0.84%* | *1,519* | *-0.78%* |
| *o/w Singapore – 11.22%* | *1,710* | *-0.88%* | *1,139* | *-0.59%* |
| *o/w Germany – 31.23%* | *1,939* | *-1.00%* | *2,064* | *-1.06%* |
| *o/w Austria – 25%* | *972* | *-0.50%* | *692* | *-0.36%* |
| *o/w Netherlands – 25%* | *1,105* | *-0.57%* | *(1,668)* | *0.86%* |
| *o/w other Group subsidiaries* | *2,713* | *-1.40%* | *1,904* | *-0.98%* |
| Specific local taxes | | | | |
| o/w French corporate value added tax (CVAE) | (4,095) | 2.11% | (3,705) | -1.91% |
| Tax reassessments | (11,306) | 5.83% | | |
| Deferred taxes not recognized for reasons of prudence | (6,164) | 3.18% | (1,826) | -0.94% |
| Utilization of previously unrecognized tax loss carryforwards – United Kingdom branch | 7,155 | -3.69% | 1,270 | 0.66% |
| Utilization of previously unrecognized tax loss carryforwards – Australia branch | 2,086 | -1.08% | | |
| Utilization of previously unrecognized tax loss carryforwards – Other subsidiaries and branche | 1,364 | -0.70% | | |
| Dividends paid in France non-deductible for tax purposes (5%) | (1,502) | 0.77% | (783) | -0.40% |
| Impact of derecognition of German funds | (2,674) | 1.38% | | |
| Impact of consolidation of Russia | 552 | -0.28% | | |
| Other differences | 339 | -0.17% | 880 | 0.45% |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 33. Share in net income of associates

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| Cofacrédit | 1,493 | 1,371 |
| **Total** | **1,493** | **1,371** |

## Note 34. Analysis of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

Reinsurance result – which is calculated and recognized for the whole Group at the level of Compagnie Française d'Assurance pour le Commerce Extérieur – has been reallocated at the level of each region.

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

### Analysis of 2013 net income by segment

| | | Northern Europe | Western Europe | Central Europe | Mediterranean & Africa | North America | South America | Asia-Pacific | Group reinsurance | Cogeri | Holding company costs | Inter-zone | Group total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | **360,899** | **472,624** | **115,854** | **219,784** | **101,667** | **81,132** | **94,780** | **129,675** | **28,315** | **0** | **(164,399)** | **1,440,330** |
| | **o/w Insurance* | *251,028* | *358,679* | *82,348* | *181,139* | *89,594* | *72,401* | *93,277* | *129,675* | *0* | *0* | *(129,597)* | ***1,128,543*** |
| | **o/w Factoring* | *61,522* | *(1,690)* | *9,378* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | ***69,210*** |
| | **o/w Other insurance-related servi* | *48,350* | *115,635* | *24,127* | *38,645* | *12,073* | *8,731* | *1,503* | *0* | *28,315* | *0* | *(34,802)* | ***242,577*** |
| *Policyholder bonuses* | *(for information)* | *(25,579)* | *(30,173)* | *(7,359)* | *(943)* | *(3,398)* | *(3,225)* | *(6,171)* | *(2,823)* | *0* | *0* | *4,107* | *(75,564)* |
| Claims expenses | (incl. management expenses) | (124,303) | (150,792) | (54,791) | (127,169) | (17,336) | (76,164) | (24,208) | (65,007) | 0 | 0 | 63,508 | (576,263) |
| Cost of risk | | (2,728) | 0 | 194 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,534) |
| Commissions | | (21,102) | (45,097) | (3,987) | (18,577) | (23,500) | (8,569) | (19,073) | (26,756) | 0 | 0 | 31,720 | (134,939) |
| Internal general expenses | | (140,557) | (171,451) | (38,227) | (71,250) | (25,014) | (27,416) | (26,168) | 0 | (27,821) | (39,213) | 34,416 | (532,700) |
| **UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE** | | **72,209** | **105,285** | **19,044** | **2,789** | **35,818** | **(31,017)** | **25,331** | **37,912** | **494** | **(39,213)** | **(34,756)** | **193,895** |
| Income/(loss) on ceded reinsurance | | (16,756) | (31,314) | 1,816 | 2,539 | (13,281) | 1,615 | (13,828) | (34,905) | 0 | 0 | 37,913 | (66,202) |
| Other operating income and expenses | | 2,810 | (628) | (166) | (42) | 0 | (1) | 0 | 0 | 0 | 0 | (253) | 1,721 |
| Net financial income/(loss) excluding finance costs | | 13,454 | 25,161 | 11,909 | 12,262 | 1,640 | 7,241 | 2,321 | 0 | (67) | 0 | (6,404) | 67,516 |
| Finance costs | | (668) | (3,551) | (148) | (1,033) | (814) | (76) | (14) | 0 | (231) | 0 | 3,501 | (3,035) |
| **OPERATING INCOME/(LOSS)** | | **71,049** | **94,953** | **32,455** | **16,514** | **23,363** | **(22,238)** | **13,810** | **3,007** | **196** | **(39,213)** | **0** | **193,895** |
| Share in net income of associates | | 0 | 1,493 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,493 |
| **NET INCOME BEFORE TAX** | | **71,049** | **96,446** | **32,455** | **16,514** | **23,363** | **(22,238)** | **13,810** | **3,007** | **196** | **(39,213)** | **0** | **195,388** |
| Income tax expense | | (36,216) | (24,560) | (6,708) | (10,805) | (8,346) | (94) | (966) | (1,035) | (26) | 13,501 | 7,876 | (67,380) |
| **CONSOLIDATED NET INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS** | | **34,833** | **71,886** | **25,747** | **5,709** | **15,016** | **(22,331)** | **12,843** | **1,971** | **170** | **(25,712)** | **7,876** | **128,008** |
| Non-controlling interests | | (83) | (141) | (469) | 19 | (29) | 187 | (53) | 0 | (1) | 0 | 0 | (569) |
| **NET INCOME/(LOSS) FOR THE YEAR (in €k)** | | **34,750** | **71,745** | **25,278** | **5,729** | **14,987** | **(22,145)** | **12,791** | **1,971** | **169** | **(25,712)** | **7,876** | **127,439** |

The increase in internal general expenses recorded by the holding company between December 31, 2012 and December 31, 2013 was essentially attributable to the relocation of Coface's headquarters.

## Analysis of 2012 net income by segment

| | | Northern Europe | Western Europe | Central Europe | Mediterranean & Africa | North America | South America | Asia-Pacific | Group reinsurance | Cogeri | Holding company costs | Inter-zone | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | **344,513** | **511,400** | **117,448** | **216,000** | **113,603** | **84,796** | **113,439** | **145,526** | **31,194** | **0** | **(190,879)** | **1,487,040** |
| | **o/w Insurance* | *223,052* | *387,663* | *82,888* | *178,470* | *100,799* | *75,566* | *111,977* | *145,526* | *0* | *0* | *(145,900)* | ***1,160,042*** |
| | **o/w Factoring* | *69,768* | *(1,958)* | *9,220* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | ***77,030*** |
| | **o/w Other insurance-related servi* | *51,693* | *125,696* | *25,339* | *37,530* | *12,804* | *9,230* | *1,462* | *0* | *31,194* | *0* | *(44,979)* | ***249,969*** |
| *Policyholder bonuses* | *(for information)* | *(39,695)* | *(29,443)* | *(6,563)* | *(3,615)* | *(2,541)* | *(4,127)* | *(6,701)* | *(3,892)* | *0* | *0* | *5,105* | *(91,472)* |
| Claims expenses | (incl. management expenses) | (122,875) | (200,209) | (55,202) | (122,702) | (18,807) | (32,246) | (47,126) | (37,828) | 0 | 0 | 39,490 | (597,506) |
| Cost of risk | | (1,019) | 0 | 0 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | (1,019) |
| Commissions | | (19,571) | (45,987) | (3,885) | (18,203) | (25,216) | (6,979) | (23,616) | (30,195) | 0 | 0 | 33,209 | (140,444) |
| Internal general expenses | | (140,802) | (186,721) | (37,864) | (67,037) | (26,011) | (27,288) | (28,961) | 0 | (30,886) | (29,789) | 43,710 | (531,649) |
| **UNDERWRITING INCOME/(LOSS) BEFORE REINSURANCE** | | **60,245** | **78,483** | **20,496** | **8,057** | **43,569** | **18,284** | **13,736** | **77,503** | **308** | **(29,789)** | **(74,470)** | **216,423** |
| Income/(loss) on ceded reinsurance | | (14,412) | (22,290) | (571) | 3,108 | (11,336) | (7,544) | (4,278) | (76,626) | 0 | 0 | 77,503 | (56,447) |
| Other operating income and expenses | | 77 | (515) | 10 | 198 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | (215) |
| Net financial income/(loss) excluding finance costs | | 6,195 | 12,758 | 6,642 | 7,835 | 2,044 | 6,258 | 188 | 0 | (211) | 0 | (4,722) | 36,988 |
| Finance costs | | (1,281) | (807) | (651) | (750) | (920) | (50) | (7) | 0 | (182) | 0 | 1,674 | (2,974) |
| **OPERATING INCOME/(LOSS)** | | **50,825** | **67,630** | **25,926** | **18,448** | **33,356** | **16,947** | **9,640** | **877** | **(85)** | **(29,789)** | **0** | **193,774** |
| Share in net income of associates | | 0 | 1,371 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,371 |
| **NET INCOME/(LOSS) BEFORE TAX** | | **50,825** | **69,001** | **25,926** | **18,448** | **33,356** | **16,947** | **9,640** | **877** | **(85)** | **(29,789)** | **0** | **195,145** |
| Income tax expense | | (14,554) | (24,195) | (5,215) | (7,629) | (10,581) | (6,883) | (3,533) | (302) | (23) | 10,259 | (2,033) | (64,689) |
| Net income/(loss) from continuing operations | | 36,271 | 44,806 | 20,711 | 10,819 | 22,775 | 10,064 | 6,107 | 575 | (108) | (19,530) | (2,033) | 130,456 |
| Net income/(loss) from discontinued operations | | 1,726 | 1,983 | (1,047) | (7,350) | (454) | 0 | 0 | 0 | 0 | 0 | 0 | (5,142) |
| **CONSOLIDATED NET INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS** | | **37,997** | **46,789** | **19,664** | **3,469** | **22,321** | **10,064** | **6,107** | **575** | **(108)** | **(19,530)** | **(2,033)** | **125,314** |
| Non-controlling interests | | (96) | (146) | (844) | 18 | (41) | (104) | (14) | 0 | 0 | 0 | 0 | (1,226) |
| **NET INCOME/(LOSS) FOR THE YEAR (in €k)*** | | **37,901** | **46,643** | **18,820** | **3,487** | **22,280** | **9,960** | **6,093** | **575** | **(108)** | **(19,530)** | **(2,033)** | **124,087** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 35. Net income/(loss) from discontinued operations

| (in thousands of euros) | **2012*** |
|---|---|
| Net income/(loss) from discontinued operations | 476 |
| Dividends received | 1,100 |
| Provisions for securities | (6,055) |
| Provisions for current account | (630) |
| Gain or loss on liquidation | 214 |
| Income tax | (246) |
| **NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS** | **(5,142)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

Following the strategic plan launched in late December 2010, Coface put in place a policy aimed at refocusing its operations on the credit insurance business. Due to the low levels of commercial and operational synergies that existed between its credit insurance companies, management services companies (dedicated to business information and managing receivables on behalf of third parties), and factoring operations, the Group decided to review its overall policy on how its different businesses are inter-linked. Following this review, only a few profitable entities (in South America and Central Europe) that produce business information and manage receivables on behalf of third parties were kept, as these entities work mainly in conjunction with the credit insurance business. The Group also kept its factoring companies in Poland and Germany due to their strong synergies with the credit insurance business (customers in common, risk pooling etc.) and their profitability levels, which brings added value to Coface's credit insurance operations.

At end-December 2011, the Group's management services companies – Coface Services, Kompass International, Coface Services Belgium, Kompass Belgium, Coface Services Portugal, Coface Services in the Netherlands, Coface Collection North America and Graydon (a Dutch company in which Coface has a

27.5% stake) – as well as the Group's factoring companies in France (Natixis Factor) and Denmark (Coface Finans AS Danmark) were sold to Natixis.

Also in 2011, a liquidation process was started for the Group's factoring companies that were deemed to be unprofitable (Coface Austria Bank, Coface Factoring Italia, Coface Receivables Finance, Coface Factoring España, Coface Factoring Portugal (branch of Coface Austria Bank), Coface Finances Netherlands (branch of Coface Finanz Germany), and Coface Credit Management NA).
During 2012, these entities were deconsolidated but their residual results were still included in the 2012 financial statements.

However, since 2011 these entities which have been sold or are in the process of being liquidated have been classified for accounting purposes as discontinued operations and their results have therefore been reclassified to a separate line in the income statement called “Net income/(loss) of discontinued operations”. This income statement line includes:

- income generated by discontinued operations, as well as expenses directly attributable to those operations, net of tax;
- any impairment losses recognized on measurement of discontinued operations (presented in "Provisions for securities");
- the disposal/liquidation gain or loss arising when the assets and liabilities of discontinued operations are derecognized.

The loss from discontinued operations recorded for 2012 breaks down as follows by region:

| (in thousands of euros) | Northern Europe | Western Europe | Central Europe | Mediterranean & Africa | North America | Total |
|---|---|---|---|---|---|---|
| Net income from banking activities | 1,700 | 2,140 | 195 | 1,235 | 104 | 5,374 |
| Cost of risk | 221 | (391) | (958) | (2,491) | 193 | (3,426) |
| Foreign exchange gains/(losses) | 0 | (61) | 0 | 0 | 2 | (59) |
| Expenses from banking activities | (175) | (543) | 81 | (525) | (29) | (1,191) |
| Income tax expense | (20) | (109) | 0 | 0 | (94) | (223) |
| **Net income/(loss) from discontinued operations** | **1,726** | **1,036** | **(682)** | **(1,781)** | **176** | **476** |
| **Dividends received** | **0** | **1,100** | **0** | **0** | **0** | **1,100** |
| **Provisions on securities** | **0** | **0** | **(486)** | **(5,569)** | **0** | **(6,055)** |
| **Provisions on current account** | **0** | **0** | **0** | **0** | **(630)** | **(630)** |
| **Gain or loss on liquidation** | **0** | **214** | **0** | **0** | **0** | **214** |
| **Income tax** | **0** | **(368)** | **122** | **0** | **0** | **(246)** |
| **NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS*** | **1,726** | **1,983** | **(1,047)** | **(7,350)** | **(454)** | **(5,142)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 36. Earnings per share

| Year ended December 31, 2013 | | Average number of shares | Net income for the year (in €k) | Earnings per share (€) |
|---|---|---|---|---|
| Consolidated scope | Basic earnings per share | 156,841,307 | 127,439 | 0.81 |
| | Dilutive instruments | 0 | | |
| | **Diluted earnings per share** | **156,841,307** | **127,439** | **0.81** |

| Year ended December 31, 2012* | | Average number of shares | Net income for the year (in €k) | Earnings per share (€) |
|---|---|---|---|---|
| Consolidated scope | Basic earnings per share | 156,841,307 | 124,087 | 0.79 |
| | Dilutive instruments: | 0 | | |
| | **Diluted earnings per share** | **156,841,307** | **124,087** | **0.79** |
| Continuing operations | Basic earnings per share | 156,841,307 | 129,229 | 0.82 |
| | Dilutive instruments: | 0 | | |
| | **Diluted earnings per share** | **156,841,307** | **129,229** | **0.82** |
| Discontinued operations | Basic earnings per share | 156,841,307 | (5,142) | (0.03) |
| | Dilutive instruments: | 0 | | |
| | **Diluted earnings per share** | **156,841,307** | **(5,142)** | **(0.03)** |

* see Note 1 – Presentation reclassifications and restatements due to IAS 19R

## Note 37. Number of employees

| | 2013 | 2012 |
|---|---|---|
| Northern Europe | 790 | 845 |
| Western Europe | 1,375 | 1,484 |
| Central Europe | 448 | 438 |
| Mediterranean & Africa | 395 | 385 |
| North America | 119 | 123 |
| Latin America | 256 | 236 |
| Asia-Pacific | 106 | 103 |
| **Total** | **3,489** | **3,614** |

At December 31, 2013, the number of employees of fully consolidated companies was 3,489 full-time equivalents versus 3,614 at December 31, 2012, down 3.5% (125 FTEs) year-on-year, mainly in Northern Europe (down 55 FTEs) and Western Europe (down 109 ETPs).

## Note 38. Off-balance sheet commitments

(in thousands of euros)

| Off-balance sheet commitments | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| **Commitments given** | **38,600** | **39,934** |
| Endorsements and letters of credit | 29,000 | 29,300 |
| Property guarantees | 7,500 | 7,500 |
| Financial commitments in respect of equity interests | 210 | 2,152 |
| Obligations under finance leases | 1,890 | 982 |
| **Commitments received** | **626,780** | **399,302** |
| Endorsements and letters of credit | 116,828 | 139,580 |
| Credit lines | 500,000 | 250,000 |
| Financial commitments in respect of equity interests | 9,952 | 9,722 |
| **Guarantees received** | **349,488** | **379,721** |
| Securities lodged as collateral by reinsurers | 349,488 | 379,721 |
| **Financial market transactions** | **237,133** | **3,100** |

Credit lines correspond to liquidity lines related to commercial paper issues.

Financial market transactions in the amount of €237,133 thousand relate to the issuance of derivatives in the "Colombes" funds for €219,398 thousand, comprising:

- Currency futures for €146,051 thousand
- Equity options: €1,353 thousand
- Interest rate futures: €217 thousand
- Interest rate swaps: €71,777 thousand

The amount also includes options on Coface Europe shares for €17,735 thousand.

## Note 39. Operations carried out on behalf of the French government

Some of Coface’s operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code (*Code des assurances*).
This essentially concerns the following activities, which are aimed at supporting and developing French export trade:

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

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

- These operations do not have to be recognized in Coface's balance sheet or income statement. Only the related management fees received are recognized in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government.

- Coface keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Coface and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more statutory auditors.

- Without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Coface other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of 25 January 1985 relating to the court-ordered receivership and liquidation of companies, (ii) Act 84-148 of 1 March 1984 relating to the prevention and out-of-court settlement of companies’ financial difficulties, or (iii) Articles L.310-25 and L. 326-2 to L.327-6 of the French Insurance Code.

## Note 40. Related parties

Natixis is the sole shareholder of the Coface Group.

| | Number of shares | % |
|---|---|---|
| Natixis | 156,841,307 | 100 |
| **Total** | **156,841,307** | **100** |

### Current operating income

| (in thousands of euros) | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Natixis | Ellisphere (formerly Coface Services) | Coface Finans Danemark | Kompass International | Coface Services Belgium | Ignios | Coface Collection North America |
| **Total income/(loss) from ordinary activities** | **(6,649)** | **67** | **0** | **27** | **126** | **7** | **10** |
| Revenue (net banking income, after cost of risk) | (7,077) | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue or income from other activities | 0 | 107 | 0 | 0 | 126 | 5 | 10 |
| Earned premiums | 0 | 26 | 0 | 0 | 0 | 0 | 0 |
| Fees and commission income | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Investment income/(loss), net of management expenses | 428 | (71) | 0 | 27 | 0 | 2 | 0 |
| **Total current income and expenses** | **(1,307)** | **(6,077)** | **7** | **1,387** | **(51)** | **(264)** | **(41)** |
| Claims expenses | (96) | (1,339) | 0 | 102 | 1 | 7 | (108) |
| Expenses from other activities | 0 | (243) | 0 | 0 | 0 | (94) | (33) |
| Policy acquisition costs | (650) | (1,799) | 0 | 691 | 6 | 49 | (6) |
| Administrative costs | (347) | (2,102) | 7 | 366 | (61) | 20 | 108 |
| Other current operating income and expenses | (214) | (594) | 0 | 228 | 3 | (246) | (2) |
| **Current operating income/(loss)** | **(7,956)** | **(6,010)** | **7** | **1,414** | **75** | **(257)** | **(31)** |

### Related-party receivables and payables

| (in thousands of euros) | Dec. 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Natixis | Ellisphere (formerly Coface Services) | Coface Finans Danemark | Kompass International | Coface Services Belgium | Ignios | Coface Collection North America |
| **Other assets** | **55,643** | **1,236** | **0** | **1,657** | **101** | **52** | **24** |
| Receivables arising from insurance and reinsurance operations | 0 | 16 | 0 | 0 | 0 | 0 | 0 |
| Current tax receivables | 4,710 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets | 50,933 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other receivables | 0 | 1,220 | 0 | 1,657 | 101 | 52 | 24 |
| **Cash and cash equivalents** | **(11,859)** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Financing liabilities due to banking sector companies** | **27,555** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Liabilities relating to insurance contracts** | **0** | **0** | **0** | **0** | **0** | **0** | **67** |
| **Payables arising from banking sector activities** | **261,304** | **0** | **0** | **0** | **0** | **0** | **0** |
| Amounts due to banking sector companies | 261,304 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts due to customers of banking sector companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other liabilities** | **2,314** | **2,282** | **0** | **0** | **14** | **0** | **0** |
| Current taxes | 2,211 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 103 | 2,282 | 0 | 0 | 14 | 0 | 0 |

The €50,933 thousand in deferred tax assets corresponds to a receivable owed to Natixis as Compagnie Française d’Assurance pour le Commerce Extérieur is a member of the Natixis tax group.

The €261,304 thousand in amounts due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business (see Note 21).

**Key management personnel compensation**

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| **Short-term benefits** | 1,646 | 1,359 |
| *(gross salaries and wages, incentives, benefits in kind and annual bonuses)* | | |
| **Post-employment benefits** | - | - |
| **Other long-term benefits** | - | - |
| **Statutory termination benefits** | - | - |
| **Share-based payments** | - | - |
| **Total** | **1,646** | **1,359** |

Coface's senior executives sit on the seven-member Management Board.

## Note 41. Events after the reporting period

No significant events that are likely to affect the financial statements occurred between the year-end and the date on which they were prepared.

## Note 42. Fees paid by Coface to the Statutory Auditors and members of their networks

| (in thousands of euros) | KPMG | % | Deloitte | % | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Audit** | 0 | | 0 | | 0 | 0 |
| Review of interim financial statements | 167 | | 62 | | 229 | 252 |
| Audit of annual financial statements | 1,047 | | 1,352 | | 2,399 | 2,042 |
| Other assignments and procedures | 3 | | 38 | | 41 | 16 |
| **Sub-total** | **1,217** | **46%** | **1,452** | **54%** | **2,669** | **2,310** |
| **Other services** | 0 | | 0 | | 0 | **0** |
| Internal audit | 0 | | 0 | | 0 | 0 |
| Legal, tax and corporate advisory services | 132 | | 21 | | 153 | 0 |
| IT services | 0 | | 0 | | 0 | 0 |
| Other | 30 | | 0 | | 30 | 63 |
| **Sub-total** | **162** | **89%** | **21** | **11%** | **183** | **115** |
| **Total** | **1,379** | **48%** | **1,473** | **52%** | **2,852** | **2,425** |

## Note 43. Risk management

### Classification of risks

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

- Credit risk

Credit risk includes all risks related to the underwriting of insurance contracts as well as the risks inherent in the factoring business.

Consequently, credit risk includes:

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

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

- Financial risk

Financial risk includes risks related to balance sheet management (notably interest rates, foreign exchange rates and technical provisions), investment portfolio management (notably spread risk, interest rate risk, equity risk, etc.), liquidity and concentration risks, and also reinsurance (default risk, reinsurance treaties) and other techniques used to reduce risk.

- Operational risk

Operational risk is a risk of loss due to an inadequacy or failure attributable to procedures or persons in any area of activity, to internal systems or to external events including risks of internal or external fraud. Operational risk includes legal risks, (but excludes risks resulting either from strategic decisions or from reputation risk), that is the risk of any disputes with a counterparty resulting from any inaccuracy, flaw or deficiency likely to be attributable to a company in connection with its operations.

- Other risks

Other risks include the risk of non-compliance, as well as reputation risk and strategic risks.

**Credit risk management**

Credit risk corresponds to the risk of losses on the Group's portfolio of insurance policies.

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

- Frequency risk is the risk of a sudden and significant increase in default by a large number of debtors.

  - This risk is covered by technical provisions calculated using a statistical claims model that simulates loss ratios based on past and current claims patterns.
  - Frequency risk is measured for each region and country in which the Group has a direct presence by monitoring the instant loss ratio and the monthly indicator that measures domestic and export credit trends by debtor risk assessment (DRA) and business sector, by acceptance rate in the DRA scale and by product line (surety bonding, “Single Risks”). The loss ratios of the various underwriting regions are monitored at the consolidated Coface Group level. As a result, defaults are analyzed on a weekly basis by the Group Management Board and on a monthly basis by the Group Underwriting Committee.

- Catastrophe risk is the risk of unusually high losses in respect of a single debtor or group of debtors, or an accumulation of losses in a single country. It is primarily for the purpose of covering this specific risk that Compagnie Française d'Assurance pour le Commerce Extérieur uses reinsurance.

As well as the weekly and monthly controls carried out at the level of each country and region, the Group has put in place a central system based on:

- centralizing potential claims in excess of a certain ceiling (currently €0.5 million for all Group underwriting centers);

- at the risk underwriting level, a monitoring system for MSE (Maximum Standard Exposure) which – in excess of a certain level of outstandings and taking into account the DRA – requires the Group Underwriting Department to issue an authorization and establish an overall budget;
- a DRA system covering all debtors.

Diversification of credit risk

The Group maintains a diversified insurance portfolio so as to minimize the risk that default by a given debtor, a downturn in any particular industry or an adverse event in any particular country might have a disproportionate impact on its overall loss ratio. The Group's insurance policies include clauses that provide for the amendment of credit limits during the life of the policy.
Coface SA's credit insurance portfolio covers a wide range of business sectors.

**Exposure to debtor risk**

The Group's insurance policies cover the risk of non-payment by almost 2.5 million debtors worldwide.
The vast majority of debtors taken individually do not represent a material risk since no individual debtor represents more than 1% of the Group portfolio.

The following table analyzes debtors at December 31, 2012 and 2013, based on the Group’s total credit risk exposure in each case:

| Debtor exposure band | 2013 | | | | 2012 | | | | Change in exposure |
|---|---|---|---|---|---|---|---|---|---|
| | Exposure (in €m) | Number of limits | Number of debtors | % of total exposure | Exposure (in €m) | Number of limits | Number of debtors | % of total exposure | 2013/2012 |
| Refused | 0 | 876,862 | 614,149 | **0.0%** | 0 | 781,262 | 548,556 | **0.0%** | 0% |
| €1-10k | 3,709 | 524,909 | 481,172 | **0.8%** | 3,956 | 552,087 | 511,020 | **0.9%** | -6% |
| €11-20k | 6,052 | 476,234 | 376,206 | **1.3%** | 6,490 | 498,923 | 393,623 | **1.5%** | -7% |
| €21-30k | 4,671 | 286,931 | 178,201 | **1.0%** | 4,904 | 298,474 | 184,119 | **1.1%** | -5% |
| €31-40k | 3,546 | 192,870 | 97,736 | **0.8%** | 3,678 | 202,482 | 100,028 | **0.8%** | -4% |
| €41-50k | 4,591 | 176,365 | 96,474 | **1.0%** | 4,983 | 188,753 | 104,026 | **1.1%** | -8% |
| €51-60k | 3,102 | 124,769 | 54,738 | **0.7%** | 2,949 | 126,864 | 51,860 | **0.7%** | 5% |
| €61-70k | 2,611 | 101,178 | 39,250 | **0.6%** | 2,812 | 109,879 | 42,418 | **0.6%** | -7% |
| €71-80k | 3,519 | 102,646 | 46,864 | **0.8%** | 3,550 | 105,959 | 46,523 | **0.8%** | -1% |
| €81-90k | 2,017 | 71,293 | 23,431 | **0.4%** | 1,943 | 73,955 | 22,477 | **0.4%** | 4% |
| €91-100k | 5,059 | 98,524 | 51,437 | **1.1%** | 5,522 | 107,085 | 56,156 | **1.3%** | -8% |
| €101-150k | 12,781 | 296,686 | 101,842 | **2.8%** | 12,299 | 306,035 | 98,141 | **2.8%** | 4% |
| €151-200k | 10,075 | 199,009 | 56,712 | **2.2%** | 10,598 | 208,734 | 59,791 | **2.4%** | -5% |
| €201-300k | 17,077 | 276,986 | 69,033 | **3.8%** | 16,647 | 286,982 | 67,152 | **3.8%** | 3% |
| €301-400k | 14,078 | 195,205 | 40,293 | **3.1%** | 13,944 | 199,478 | 39,867 | **3.2%** | 1% |
| €401-500k | 11,916 | 145,010 | 26,403 | **2.6%** | 11,597 | 147,997 | 25,670 | **2.6%** | 3% |
| €501-800k | 27,537 | 283,401 | 43,502 | **6.1%** | 26,767 | 290,364 | 42,195 | **6.1%** | 3% |
| €801-1,500k | 41,388 | 322,587 | 38,020 | **9.1%** | 40,113 | 328,500 | 36,864 | **9.1%** | 3% |
| €1.5-3m | 50,895 | 272,411 | 24,241 | **11.2%** | 49,149 | 275,176 | 23,552 | **11.2%** | 4% |
| €3-5m | 39,288 | 149,993 | 10,219 | **8.7%** | 37,570 | 148,828 | 9,812 | **8.5%** | 5% |
| €5-10m | 50,359 | 141,414 | 7,257 | **11.1%** | 48,638 | 141,295 | 7,042 | **11.1%** | 4% |
| €10-50m | 89,611 | 142,863 | 4,732 | **19.8%** | 86,837 | 144,355 | 4,604 | **19.7%** | 3% |
| €50-100m | 21,360 | 17,798 | 321 | **4.7%** | 22,707 | 17,777 | 332 | **5.2%** | -6% |
| €100-200m | 14,191 | 10,221 | 110 | **3.1%** | 11,587 | 8,609 | 91 | **2.6%** | 22% |
| €200m and above | 13,094 | 5,693 | 32 | **2.9%** | 10,716 | 4,917 | 28 | **2.4%** | 22% |
| Total | 452,530 | 5,491,858 | 2,482,375 | **100.0%** | 439,958 | 5,554,770 | 2,475,947 | **100.0%** | **2.9%** |

## Geographical breakdown of risks

The debtors covered by the Group's credit insurance policies are located mainly in Western Europe. At December 31, 2012 and 2013, the ten largest countries accounted for respectively 65% and 64% of the Group's overall exposure resulting from its insurance activities:

| Debtor country | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposure (in €m) | % | Exposure (in €m) | % | 2013/2012 |
| Germany | 74,576 | 16.5% | 72,269 | 16.4% | 3.2% |
| France | 50,831 | 11.2% | 52,266 | 11.9% | -2.7% |
| Italy | 38,837 | 8.6% | 42,857 | 9.7% | -9.4% |
| United States | 29,684 | 6.6% | 25,969 | 5.9% | 14.3% |
| United Kingdom | 26,079 | 5.8% | 24,425 | 5.6% | 6.8% |
| Spain | 19,093 | 4.2% | 19,530 | 4.4% | -2.2% |
| China | 15,636 | 3.5% | 14,557 | 3.3% | 7.4% |
| Netherlands | 13,900 | 3.1% | 13,499 | 3.1% | 3.0% |
| Brazil | 11,413 | 2.5% | 11,728 | 2.7% | -2.7% |
| Poland | 10,201 | 2.3% | 9,891 | 2.2% | 3.1% |
| **Total** | **290,250** | **64.1%** | **286,990** | **65.2%** | **1.1%** |

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

| Region | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposure (in €m) | % | Exposure (in €m) | % | 2013/2012 |
| Africa, Middle East, Italy, Turkey, Greece | 63,283 | 14.0% | 66,647 | 15.1% | -5% |
| Asia-Pacific | 61,214 | 13.5% | 56,940 | 12.9% | 8% |
| Central Europe | 34,317 | 7.6% | 33,188 | 7.5% | 3% |
| Germany, Eastern Europe, Northern Europe | 91,275 | 20.2% | 87,833 | 20.0% | 4% |
| Latin America | 31,820 | 7.0% | 30,301 | 6.9% | 5% |
| North America | 34,824 | 7.7% | 31,141 | 7.1% | 12% |
| Western Europe | 135,797 | 30.0% | 133,908 | 30.4% | 1% |
| **Total** | **452,530** | **100%** | **439,958** | **100.0%** | **3%** |

The following table presents debtors by business sector at December 31, 2012 and 2013:

| Business segment | 2013 | | 2012 | | Change in exposure |
|---|---|---|---|---|---|
| | Exposure (in €m) | % of total exposure | Exposure (in €m) | % of total exposure | 2013/2012 |
| Agriculture, livestock, agro-business and wine | 62,792 | 13.9% | 61,230 | 14% | 3% |
| Wood and furniture | 4,166 | 0.9% | 4,125 | 1% | 1% |
| Minerals, chemicals, oil, plastics, pharmaceuticals and glass | 65,029 | 14.4% | 60,059 | 14% | 8% |
| Metals | 35,097 | 7.8% | 35,820 | 8% | -2% |
| Paper, packaging and printing | 13,100 | 2.9% | 12,658 | 3% | 3% |
| Construction | 50,291 | 11.1% | 50,960 | 12% | -1% |
| Textile, leather and apparel | 16,959 | 3.7% | 16,212 | 4% | 5% |
| Mechanics and measurements | 26,221 | 5.8% | 25,542 | 6% | 3% |
| Electrical equipment, electronics, IT and telecommunications | 43,326 | 9.6% | 40,322 | 9% | 7% |
| Cars and cycles, other vehicles and transportation | 33,773 | 7.5% | 34,014 | 8% | -1% |
| Non-specialist commerce | 42,706 | 9.4% | 41,976 | 10% | 2% |
| Collective services | 11,539 | 2.5% | 11,304 | 3% | 2% |
| Financial services | 7,208 | 1.6% | 6,512 | 1% | 11% |
| Business and private services | 14,874 | 3.3% | 13,819 | 3% | 8% |
| Miscellaneous | 25,449 | 5.6% | 25,404 | 6% | 0% |
| **Total** | **452,530** | **100.0%** | **439,958** | **100.0%** | **2.9%** |

## Duration of risks

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

## Valuation of provisions

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

Claims provisions recorded at a given moment include the following:

- provisions for reported claims;
- Incurred But Not Reported (“IBNR”) provisions, covering claims incurred in the current financial year but not reported; and
- an estimate of future recoveries on settled claims.

The amount of the provisions for reported claims is subject to a case-by-case analysis, as described above.
The “IBNR” provisions and the estimated future recoveries on settled claims are calculated based on periodic actuarial analyses performed by the Group's actuarial departments.
These departments are also responsible for ensuring that the Group's overall provisions level is sufficient to cover future settlements, and for establishing and ensuring the effective implementation of the actuarial principles which must be complied with when calculating the estimated provisions.

## Loss ratio

The Group measures its loss experience mainly by reference to its loss ratio (corresponding to the ratio of paid claims, claims handling expenses and changes in claims provisions, to gross written premiums). The

Group's loss ratio, calculated on the basis of consolidated accounting data, was 51.1% in 2013 and 51.5% in 2012.

See Note 25 for an analysis of claims expenses paid during the year in relation to losses incurred over several underwriting years. Note 25 also shows the change in consolidated claims provisions during the year.

**Development of claims provisions**

The claims development shows the change in claims provisions from 2004 to 2013, based on local GAAP in accordance with IFRS 4.

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

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

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

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

**The 2013 reinsurance program**

Coface's risk management system operates through a system of each Coface Group entity sharing the risk of any abnormally high level of losses, and a centralized reinsurance system operated by Compagnie Française d'Assurance pour le Commerce Extérieur to protect against both frequency risk and catastrophe risk. The system works as follows:

**Risk coverage for Coface network entities**
The Group's subsidiaries and branches are covered by Compagnie Française d'Assurance pour le Commerce Extérieur against abnormally high losses through an inter-company stop-loss treaty.

**Centralized coverage of the Group's frequency risks and catastrophe risks**
The cumulative risks associated with insurance policies underwritten directly by Coface entities and the policies accepted by Compagnie Française d'Assurance pour le Commerce Extérieur for reinsurance of the Group's Credit Alliance partners are covered by a centralized reinsurance program which comprises:

- a quota-share treaty, under which the ceded premium and loss rate is 25%; and
- two excess loss treaties, one by debtor and one by country, which cover the risks retained by the Group after ceded quota-share reinsurance.

**Counterparty risk**

Each year, all reinsurers must deposit an amount corresponding to the sum of their reserves (including IBNR) in the form of a pledge, cash deposit or letter of credit.
At December 31, 2013, all reinsurance reserves were covered in this manner.
All reinsurers must be rated at least A- by Standard & Poor's or equivalent.
They must have a reinsurance team that is specialized in credit insurance.
Coface ensures that the bearer of its treaty risk is as close as possible to the parent company of the reinsurer in equity terms.
The Coface Group diversifies its counterparties with a panel of 21 reinsurers in 2013. In addition, Coface monitors the results and ratings of the reinsurers.

**Financial risk management**

Coface has instituted an investment policy that takes into account the management of financial risks through its strategic allocation of investments, the regulations applicable to insurance companies and the investment constraints resulting from the management of its liabilities. The investment strategy put in place is aimed at meeting the Group's commitments to its customers while at the same time achieving an optimal balance between risks and return, based on a strictly-defined risk framework.

The overall policy is reviewed twice a year and covers strategic asset allocation, the classes of assets and products eligible for investment, the target maturities of the portfolio, the management of any hedges, and the policy for monitoring returns. The investment allocation – which is defined each year – is based on a liability analysis, stress tests on the risk/return behavior of the various assets in the portfolio, and compliance with pre-defined parameters related to the Group's operations and commitments, including target sensitivity, use of own funds, maximum loss based on financial market behavior, and the quality and liquidity of the investment portfolio.

- Interest rate risk, credit risk

As an insurance company, the Group's investment allocation is strongly weighted towards fixed-income products, which offer more stable and current income.
A breakdown of the investment portfolio by type of investment is provided in Note 8.

Following a review of its investment allocation carried out in 2013 – based on both strategic and tactical factors – the Group’s exposure to sovereign debt was as follows:

| Proportion of PIIGS in bond portfolio | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---|---|---|---|---|
| | (in €m) | % of bond portfolio | (in €m) | % of bond portfolio |
| Portugal | 0 | 0.0% | 1 | 0.1% |
| Italy | 82 | 6.1% | 89 | 6.6% |
| Ireland | 0 | 0.0% | 0 | 0.0% |
| Greece | 0 | 0.0% | 0 | 0.0% |
| Spain | 0 | 0.0% | 4 | 0.3% |
| **Total** | **82** | **6.1%** | **94** | **7%** |

The bond portfolio is still very heavily weighted towards investment grade companies and countries (86.4% at end-2013).

| Breakdown by rating* of bond portfolio | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---|---|---|---|---|
| | (in €m) | % | (in €m) | % |
| AAA | 109 | 8.1% | 398 | 29.4% |
| AA - A | 722 | 53.7% | 755 | 55.8% |
| BBB | 330 | 24.6% | 197 | 14.6% |
| BB - B | 181 | 13.5% | 2 | 0.2% |
| CCC and below | 0 | 0.0% | 0 | 0.0% |
| **Total** | **1,343** | **100%** | **1,352** | **100%** |

* median rating between Fitch, Moody's and Standard & Poor's

- Foreign exchange risk

The Group has only limited exposure to foreign exchange risk on its investment portfolio, as 75% of the fair value of the investments are denominated in euros.

| Breakdown by currency of investment portfolio | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---|---|---|---|---|
| | (in €m) | % | (in €m) | % |
| EUR | 1,580 | 75.0% | 1,629 | 77.2% |
| USD | 294 | 14.0% | 178 | 8.5% |
| Other (less than 3%) | 232 | 11.0% | 302 | 14.3% |
| **Total** | **2,106** | 100.0% | **2,109** | 100.0% |

Moreover, for the majority of the portfolio – which encompasses all of the Group's European entities – foreign exchange risk is systematically hedged. Consequently, at December 31, 2013, GBP and USD denominated bonds were systematically hedged against the euro by the investment managers in charge of the portfolios concerned. At December 31, 2013, these operations represented €143 million.

- Equities risk

At December 31, 2013, equities accounted for 4.7% of the investment portfolio, of which 4% corresponded to shares listed in a eurozone market. Fifty percent of these investments are hedged via Eurostoxx put options which expire in December 2014 and June 2015 and have a strike price that is around 20% out of the money. These hedges may be adjusted in line both with the investments concerned and the amount of unrealized gains or losses on the equities held.

- Sensitivity tests

Equity and bond portfolio risk at December 31, 2012 and 2013

| (in €m) | **Market value at Dec. 31, 2013** | **Impact of a 100-basis point increase*** | **Impact of a 10% fall in equities***** | **Impact of a 20% fall in equities** | **Market value at Dec. 31, 2012** | **Impact of a 100-basis point increase**** | **Impact of a 10% fall in equities** | **Impact of a 20% fall in equities** |
|---|---|---|---|---|---|---|---|---|
| **Bonds** | 1,343 | (28.2) | - | - | 1,352 | (38.7) | - | - |
| **Equities** | 100 | - | (10.0) | (20.0) | 24 | - | (2.4) | (4.8) |
| **TOTAL** | **1,443** | **0** | **0** | **0** | **1,376** | **0** | **0** | **0** |

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

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

*** Before hedging, where applicable

# Coface S.A.

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## Statutory auditors' report on the consolidated financial statements prepared for the purpose of the prospectus

Years ended 31 December 2012 and 2013
Coface S.A.
1 Place Costes et Bellonte – CS 20003
92276 Bois-Colombes Cedex
*This report contains 3 pages*
Référence: FM 141-01

**Coface S.A.**

Head office: 1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex
Share capital: €784,206,335

**Statutory auditors' report on the consolidated financial statements prepared for the purpose of the prospectus**
Years ended 31 December 2012 and 2013

*This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Board of Directors,

As statutory auditors of Coface S.A. and pursuant to Regulation (EC) no. 809/2004 in the context of the proposed issue of subordinated notes, we have audited the accompanying consolidated financial statements of Coface S.A. for the years ended 31 December 2012 and 2013 prepared for the purpose of the prospectus.

These consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements prepared for the purpose of the subordinated notes issue and listing prospectus present fairly, in all material respects, the assets and liabilities and the financial position of the consolidated group as of 31 December 2012 and 2013 and the results of its operations for the years then ended, in accordance with IFRS as adopted by the European Union**.**

Without qualifying our above opinion, we draw your attention to Note 1 to the consolidated financial statements setting out, in particular, the impact as of 1 January 2012 of the change in accounting method following application of IAS 19, revised.

Paris La Défense and Neuilly sur Seine, 11 March 2014

KPMG S.A.

Francine Morelli
*Partner*

Deloitte & Associés

Damien Leurent
*Partner*

**ANNUAL FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED DECEMBER 31, 2013 (THE GUARANTOR'S 2013 FINANCIAL STATEMENTS)**

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## Balance sheet

| ASSETS (in thousands of euros) | Notes | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|---|
| **Uncalled subscribed capital/liaison account with head office** | | | |
| **Intangible assets** | 4.3 | **187,444** | **197,799** |
| **Investments** | | | |
| Property | 5.3 | 25,191 | 26,478 |
| Investments in subsidiaries and affiliates | 6 | 240,901 | 265,849 |
| Other investments | 7 | 1,740,775 | 1,571,395 |
| Deposits with ceding insurers | | 1,588 | 2,264 |
| | 7.4 | **2,008,456** | **1,865,987** |
| **Reinsurers' share of provisions** | | | |
| Provisions for unearned premiums and unexpired risks | | 62,358 | 65,794 |
| Claims provisions | | 279,187 | 307,339 |
| Provisions for policyholders' bonuses and rebates | | 15,962 | 14,922 |
| | | **357,507** | **388,056** |
| **Receivables** | | | |
| Receivables arising from direct insurance operations | | 323,279 | 275,949 |
| Accrued premiums | | 125,588 | 103,687 |
| Other | | 197,690 | 172,262 |
| Receivables arising from reinsurance operations | | 32,220 | 167,075 |
| Other receivables | | 238,674 | 260,711 |
| Recoverable personnel costs | | 4,326 | 602 |
| Recoverable taxes | | 36,616 | 17,549 |
| Miscellaneous receivables | | 197,732 | 242,560 |
| | 8.1 | **594,172** | **703,735** |
| **Other assets** | | | |
| Property and equipment used in the business | | 27,021 | 15,419 |
| Cash at bank and in hand | | 139,318 | 244,880 |
| | | **166,339** | **260,299** |
| **Prepayments and accrued income** | | | |
| Prepaid interest and rentals | | 2,282 | 13,277 |
| Deferred acquisition costs | | 39,127 | 36,472 |
| Other | | 46,946 | 44,756 |
| | 9.1 | **88,354** | **94,504** |
| **TOTAL ASSETS** | | **3,402,272** | **3,510,381** |

| EQUITY AND LIABILITIES (in thousands of euros) | Notes | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | 137,052 | 137,052 |
| Share premium | | 627,437 | 627,437 |
| Other reserves | | 209,494 | 192,461 |
| Retained earnings | | (1,402) | (35,874) |
| Net income for the year | | 110,277 | 106,110 |
| | 10 | **1,082,859** | **1,027,186** |
| **Technical provisions before reinsurance** | | | |
| Provisions for unearned premiums and unexpired risks | | 235,528 | 239,946 |
| Claims provisions | | 1,067,464 | 1,111,477 |
| Provisions for policyholders' bonuses and rebates | | 62,241 | 54,052 |
| Claims equalization provision | | 465,179 | 451,510 |
| | 11 | **1,830,411** | **1,856,986** |
| **Provisions for liabilities and charges** | 12 | **113,806** | **109,739** |
| **Deposits received from reinsurers** | | **6,474** | **10,430** |
| **Other payables** | | | |
| Payables arising from direct insurance operations | | 66,297 | 70,762 |
| Payables arising from reinsurance operations | | 52,550 | 146,661 |
| Bank loans | | | |
| Other | | | |
| Other loans, deposits and sureties | | 8,200 | 9,898 |
| Accrued personnel costs | 14 | 40,401 | 43,201 |
| Accrued taxes | 14 | 42,243 | 43,097 |
| Miscellaneous payables | 14 | 116,598 | 156,594 |
| | 8,2 | **326,290** | **470,214** |
| **Accrued charges and deferred income** | 9.2 | **42,431** | **35,826** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,402,272** | **3,510,381** |

## Off-balance sheet commitments

| (in thousands of euros) | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|
| Commitments in respect of guarantees and endorsements | | |
| Commitments in respect of affiliates | 9,952 | 9,952 |
| Commitments in respect of finance leases | | |
| Commitments in respect of forw ard purchases of foreign currencies | | |
| **COMMITMENTS RECEIVED** | **9,952** | **9,952** |
| Commitments in respect of guarantees and endorsements | 300 | |
| Commitments in respect of affiliates and other investments | 210 | 2,152 |
| Commitments in respect of forw ard sales of foreign currencies | | |
| Commitments in respect of interest rate sw ap: non-hedging derivatives | | 3,100 |
| Hedging dérivatives on securities - index | 17,735 | |
| Commitments in respect of finance leases | | 42 |
| **COMMITMENTS GIVEN** | **18,245** | **5,294** |
| Securities lodged as collateral | 349,488 | 373,541 |
| **PENSION OBLIGATIONS** | **349,488** | **373,541** |
| | | |

# Income statement

## Technical account

| (in thousands of euros) | 31-Dec-13 | | | 31-Dec-2012 * | 31-Dec-12 |
|---|---|---|---|---|---|
| | Gross | Ceded business | Net | Net | Net |
| **Earned premiums** | **1,072,054** | **(317,855)** | **754,199** | **788,893** | **849,445** |
| Gross written premiums | 1,147,860 | (340,193) | 807,667 | 856,058 | 856,058 |
| Change in provisions for policyholders' bonuses and rebates | (80,144) | 24,277 | (55,867) | (60,552) | |
| Change in provisions for unearned premiums and unexpired risks | 4,338 | (1,939) | 2,399 | (6,613) | (6,613) |
| **Allocated investment income transferred from the non-technical account** | **59,462** | | **59,462** | **61,997** | **5,522** |
| **Other underwriting income** | **64,247** | | **64,247** | **67,344** | **67,344** |
| **Claims expenses** | **(521,674)** | **136,730** | **(384,945)** | **(435,022)** | **(488,391)** |
| Paid claims | (521,272) | 147,608 | (373,665) | (444,881) | (498,250) |
| Change in claims provisions | 21,984 | (10,878) | 11,106 | 32,341 | 32,341 |
| Claims handling expenses | (22,386) | | (22,386) | (22,482) | (22,482) |
| **Policyholders' bonuses and rebates** | | | | | **(7,182)** |
| Change in provisions for policyholders' bonuses and rebates | | | | | **(7,182)** |
| **Policy acquisition costs and administrative expenses** | **(416,663)** | **109,033** | **(307,631)** | **(298,810)** | **(298,810)** |
| Policy acquisition costs | (245,457) | | (245,457) | (252,136) | (252,136) |
| Administrative costs | (171,206) | | (171,206) | (164,164) | (164,164) |
| Reinsurance commissions | | 109,033 | 109,033 | 117,491 | 117,491 |
| **Other underwriting expenses** | **(50,112)** | | **(50,112)** | **(56,978)** | **(56,978)** |
| **Change in other underwriting expenses** | | | | | |
| **Change in claims equalization provision** | **(13,888)** | | **(13,888)** | **(17,490)** | **(17,490)** |
| **UNDERWRITING INCOME** | **193,426** | **(72,093)** | **121,333** | **109,935** | **53,460** |

*See Note 1.

## Income statement

## Non-technical account

| (in thousands of euros) | 31-Dec-13 | 31-Dec-2012* | 31-Dec-12 |
|---|---|---|---|
| **Underwriting income** | **121,333** | **109,935** | **53,460** |
| **Investment income** | **142,054** | **131,466** | **131,466** |
| Interest and dividend income | 92,766 | 87,832 | 87,832 |
| Other investment income | 19,691 | 12,498 | 12,498 |
| Gains on disposal of investments | 29,597 | 31,136 | 31,136 |
| **Investment expenses** | **(53,383)** | **(42,004)** | **(42,004)** |
| Internal and external portfolio management expenses and interest expense | (1,628) | (2,178) | (2,178) |
| Portfolio management expenses | (4,653) | (5,203) | (5,203) |
| Other investment expenses | (27,441) | (15,515) | (15,515) |
| Losses on disposal of investments | (19,661) | (19,108) | (19,108) |
| **Investment income transferred to the technical account** | **(59,462)** | **(61,997)** | **(5,522)** |
| **Other non-underwriting income** | **3,577** | **1,081** | **1,081** |
| **Other non-underwriting expenses** | | | |
| **Non-recurring income and expenses, net** | **(6,981)** | **(5,481)** | **(5,481)** |
| Non-recurring income | 3,922 | 6,153 | 6,153 |
| Non-recurring expenses | (10,903) | (11,634) | (11,634) |
| **Employee profit-sharing** | **(3,220)** | **(5,047)** | **(5,047)** |
| **Corporate income tax** | **(33,640)** | **(21,843)** | **(21,843)** |
| **NET INCOME FOR THE YEAR** | **110,277** | **106,110** | **106,110** |

*See Note 1

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## NOTE 1 – RECONCILIATION OF THE PUBLISHED AND RESTATED FINANCIAL STATEMENTS FOR 2012

Works that have been undertaken since the cross merger lead to reclassification in the 2012 financial statements. Reclassifications in the balance sheet are detailed in the related appendixes.

In the income statement, no-claims bonus are classified into the earned premiums to be consistent with practices observed in the market and insure a basis for comparison with the competitors.

None of the reclassifications have an impact on the P&L and the Equity.

### Technical account

| (in thousands of euros) | 2012 | | | 2012* |
|---|---|---|---|---|
| | Net | Reclass. policyholders' bonuses and rebates | Recalculation of allocated investment income | Net |
| **Earned premiums** | **849,445** | **(60,552)** | | **788,893** |
| Gross written premiums | 856,058 | | | 856,058 |
| Change in provisions for policyholders' bonuses and rebates | | (60,552) | | (60,552) |
| Change in provisions for unearned premiums and unexpired risks | (6,613) | | | (6,613) |
| **Allocated investment income transferred from the non-technical account** | **5,522** | | **56,475** | **61,997** |
| **Other underwriting income** | **67,344** | | | **67,344** |
| **Claims expenses** | **(488,391)** | **53,370** | | **(435,022)** |
| Paid claims | (498,250) | 53,370 | | (444,881) |
| Change in claims provisions | 32,341 | | | 32,341 |
| Claims handling expenses | (22,482) | | | (22,482) |
| **Policyholders' bonuses and rebates** | **(7,182)** | **7,182** | | **0** |
| Change in provisions for policyholders' bonuses and rebates | (7,182) | 7,182 | | 0 |
| **Policy acquisition costs and administrative expenses** | **(298,810)** | | | **(298,810)** |
| Policy acquisition costs | (252,136) | | | (252,136) |
| Administrative costs | (164,164) | | | (164,164) |
| Reinsurance commissions | 117,491 | | | 117,491 |
| **Other underwriting expenses** | **(56,978)** | | | **(56,978)** |
| **Change in other underwriting expenses** | **0** | | | **0** |
| **Change in claims equalization provision** | **(17,490)** | | | **(17,490)** |
| **UNDERWRITING INCOME** | **53,460** | **0** | **56,475** | **109,935** |

*See note 1.

## Non-technical account

| (in thousands of euros) | 2012 | Recalculation of allocated investment income | 2012* |
|---|---|---|---|
| **Underwriting income** | **53,460** | **56,475** | **109,935** |
| **Investment income** | **131,466** | | **131,466** |
| Interest and dividend income | 87,832 | | 87,832 |
| Other investment income | 12,498 | | 12,498 |
| Gains on disposal of investments | 31,136 | | 31,136 |
| **Investment expenses** | **(42,004)** | | **(42,004)** |
| Internal and external portfolio management expenses and interest expense | (2,178) | | (2,178) |
| Portfolio management expenses | (5,203) | | (5,203) |
| Other investment expenses | (15,515) | | (15,515) |
| Losses on disposal of investments | (19,108) | | (19,108) |
| **Investment income transferred to the technical account** | **(5,522)** | **(56,475)** | **(61,997)** |
| **Other non-underwriting income** | **1,081** | | **1,081** |
| **Other non-underwriting expenses** | **0** | | **0** |
| **Non-recurring income and expenses, net** | **(5,481)** | | **(5,481)** |
| Non-recurring income | 6,153 | | 6,153 |
| Non-recurring expenses | (11,634) | | (11,634) |
| **Employee profit-sharing** | **(5,047)** | | **(5,047)** |
| **Corporate income tax** | **(21,843)** | | **(21,843)** |
| **NET INCOME FOR THE YEAR** | **106,110** | **0** | **106,110** |

*See note 1.

## NOTE 2 – SIGNIFICANT EVENTS

### Relocation

On June 17, 2013, Compagnie Française d'Assurance pour le Commerce Extérieur relocated its head office from La Défense 92700 to Bois Colombes 92270.

### Introduction of the Platform Integrated for Centralized Investment Management (PICIM)

Further to the decisions taken in 2012, Coface centralized the management of its investments in 2013 and delegated certain management roles under discretionary mandates to a single investment services provider, Amundi.

The aim of the new system is to optimize how investments are managed by centralizing the management of all Group assets and subcontracting all administrative tasks to a single administrative management platform.

The main roles of this platform are to:

- advise on the strategic and tactical asset allocation;
- produce economic, risk, Solvency II and accounting reports;
- manage back office and middle office functions;
- provide tools and/or software where applicable.

This platform enables the Group's overall portfolio to be managed according to a target allocation of different asset classes. The target allocation is defined taking into account (i) risk exposure and liquidity issues, (ii) regulatory and insurance-specific requirements, (iii) capital charges and the alignment of investments with the risks and maturities of the Group's liabilities, and (iv) the asset managers selected and the discretionary mandates given.

To optimize this system, the custodian and asset servicing functions across the Group must be streamlined and centralized as far as possible. Caceis has been chosen by the Group to act as custodian (Caceis Bank) and asset servicing provider (Caceis Fund administration).

From an organizational standpoint, the assets of each Group entity not subject to specific regulatory requirements (in particular European branches) are transferred to Coface funds managed by Amundi and, for each asset class, by specialized managers.

Each entity that can participate in this pooling arrangement is remunerated each year in an amount corresponding to its share in the investments on the overall investment portfolio comprising various Coface funds.

Due to local regulations relating to insurance businesses, some Group entities continue to manage investments internally or delegate that management by means of discretionary mandates.

In this case, the entities concerned must strictly adhere to internal investment rules. Their investment policies are defined by the head office as part of the Group's centralized investment and asset management strategy. The servicing of these portfolios by a single asset servicing provider means that risks can be monitored and a single reporting package produced by Amundi on Coface's behalf.

**Cameems merger**

Cameems (formerly Soari) is a holding company that was created in 1994 and has investments in:

Coface SICR
Sorenco
Recours
Coface Egypte Services
Coface Algerie Services
Coface Emirates Services
Coface Services Maghreb
Coface Services West Africa

At December 31, 2013, Cameems had negative equity of € 4,281 thousand, lower than one-half of its share capital since 2010. It was therefore decided to merge the company into Compagnie Française d'Assurance pour le Commerce Extérieur by transferring all of its assets and liabilities (*transmission universelle de patrimoine* – TUP).

The merger deficit booked by Compagnie Française d'Assurance pour le Commerce Extérieur was recognized in financial income and expenses for € 4,936 thousand.

**Sale of Kyriba**

The Group sold its shareholding in Kyriba in June 2013.

The carrying amount of Kyriba in the financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur amounted to € 2,605 thousand at end-2012.

Since the Group had held a shareholding in Kyriba for over two years, the capital gain resulting from the sale was tax-exempt, except for the tax due on 12% of costs and expenses, calculated on the basis of the gross value of the capital gain (€ 2,278 thousand before taxes).

## NOTE 3 – ACCOUNTING PRINCIPLES AND POLICIES

### General principles

The financial statements have been prepared in accordance with French insurance accounting standards (Decree no. 94-481 dated June 8, 1994 and the Government Order dated June 20, 1994, transposing into French law the EU Directive of December 19, 1991 concerning the financial statements of insurance companies).

These financial statements incorporate the financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur's 31 international branches.

### Analysis of expenses by function

General and administrative expenses are initially recognized by type and then analyzed by function using 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 underwriting expenses are shown separately in the income statement.

### Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in the currency in which the transaction took place. For the preparation of the financial statements, balance sheet items are translated into euros at the period-end exchange rate or, if that rate is not available, at the rate prevailing at the end of the month preceding the period-end.

In accordance with CRC Regulation 2007-07 applicable from January 1, 2008, currency translation differences are broken down into operating elements and structural elements:

- Translation differences on operating items are recognized in income.

- Translation differences arising on additions to provisions recognized for structural changes relating to certain branches for tax or regulatory reasons are recognized in an accruals account in the balance sheet.

### Fixed assets

#### a - Intangible assets

#### IT research and development costs

In accordance with CNC Recommendation 2004-15 of June 23, 2004, IT development costs are capitalized and amortized as from the date the assets concerned are put into service. In order to recognize these development costs as intangible assets, an entity must be able to demonstrate the following:

- 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;

- how the intangible asset will generate probable future economic benefits;

- the current and future availability of adequate resources to complete the development; and

- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Intangible assets are amortized using the following methods and over the following periods:

| | Amortization method | Amortization period |
|---|---|---|
| Internally-developed software | Straight line | 15 years* |
| Purchased software | Straight line | 5 years |

* This period corresponds to the asset's maximum useful life.

**b – Property and equipment:**

Property, plant and equipment are depreciated using the following methods and over the following periods:

| | Depreciation method | Depreciation period |
|---|---|---|
| IT equipment (excluding PCs) | Straight line | 5 years |
| PCs | Straight line | 3 years |
| Furniture, office equipment, fixtures and fittings | Straight line | 8 years |
| Vehicles | Straight line | 4 years |
| Other equipment | Declining balance | 5 years |

**Investments**

Investments are recorded at historical cost.

A "liquidity risk provision" is recognized in cases where the total realizable value of investments covered by Article R.332-20 of the French Insurance Code (*Code des assurances*) represents less than their acquisition cost.

This provision is in addition to any provisions for prolonged impairment in value recognized on a case-by-case basis. Compagnie Française d'Assurance pour le Commerce Extérieur applies the criteria provided in Recommendation 2002 F issued by the CNC on December 18, 2002 to assess whether impairment in value should be considered prolonged. Where market volatility is low, the impairment is qualified as prolonged if the market value remains more than 20% lower (excluding currency effects) than the investment's carrying amount for a period of over six months. The calculation of the provision takes into account the intended holding period of the asset concerned and the probability of the impairment loss being reversed over that period.

In application of Article R.332-19 of the French Insurance Code, a provision for impairment is recognized on redeemable securities if the issuers present a risk of being unable to fulfil their commitments (payment of interest and repayment of principal).

Gains and losses on disposals of investments are determined using the first-in first-out (FIFO) method.

In accordance with Article R.333-2 of the French Insurance Code, gains and losses on sales of bonds and marketable debt securities are recognized in the capitalization reserve. This reserve is a technical provision aimed at reducing fluctuations in the performance of fixed rate bonds in the event of changes in interest rates.

**a - Property**

Buildings are recorded at historical cost and depreciated over a period of 50 years.

The Company has separated its buildings into the following components:

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

The realizable value of buildings and shares in non-trading property companies (SCI) is determined based on five-yearly independent valuations, updated annually.

**b - Investments in subsidiaries and affiliates**

The realizable value of these investments is determined based on the companies' revalued net assets, earnings, outlook and their value in use for the Company.

Investments that are intended to be held on a long-term basis are carried at cost and written down only in cases where they have suffered a prolonged impairment in value.

**c - Forward financial instruments**

Transactions in forward financial instruments include:

- Forward currency transactions, designed to hedge the risk of adverse fluctuations in exchange rates.
- Swaps, to hedge the risk of a rise in interest rates.
- Purchase (call) and sale (put) options, to hedge the risk of a rise or fall in the prices of the underlying assets.

The nominal amount of these hedges is strictly limited to the amount of the underlying assets held in the portfolio in order to ensure that only held assets are hedged.

Options are recognized in an accruals account in accordance with Recommendation 2002-09 issued by the CRC as they qualify as transactions used as part of a yield-raising strategy. At each reporting date, any unrealized gains or losses on options are analyzed and the gain or loss arising on the effective portion of the hedge is recognized in income.

Any contingent commitments related to these transactions are included in off balance-sheet commitments.

**d - Other investments**

The Company's investment portfolio essentially comprises listed securities and mutual fund units. The realizable value of these investments is determined based on the closing price on the last trading day preceding the period-end.

The value of unlisted securities is determined in the same way as for investments in subsidiaries and affiliates.

The valuation method used is based on the value in use resulting from discounting future cash flows.

At December 31, 2013, cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Group Management.

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

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

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

Redeemable securities are recognized in the balance sheet at their acquisition cost excluding accrued interest and transaction expenses. When the redeemable value is different from the purchase cost, the difference is recognized, for each line of securities, in income over the residual life of the security using a discounting method.

**Receivables and payables**

Receivables and payables are stated at their nominal value. Provisions for impairment in value are recognized based on the estimated risk of non-recovery.

**Stock options**

Where applicable, provisions are recognized at the period-end to reflect the potential cost of stock options in the income statement. The provisions are determined based on the probability of the options being exercised, the exercise price, the exercise period and staff turnover assumptions. Where the shares to be allocated on exercise of stock options have not yet been purchased, the provision also takes into account assumptions concerning the price payable to acquire the required number of shares.

These provisions are recorded under provisions for liabilities and charges.

No provisions for stock options have been recognized since December 31, 2008 and the last plan expired on December 2, 2012.

**Employee benefits**

The Company contributes to retirement plans in accordance with the law and the applicable practices under the collective bargaining agreement for insurance companies. The present value of the Company's retirement benefit obligations is included in provisions for liabilities and charges and relates primarily to statutory retirement bonuses, pensions, seniority bonuses, long-service awards and employer contributions to healthcare plans for retired employees.

Based on plan regulations, 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 main assumptions used at end-2013 were as follows:

- In France:

An inflation rate of 1.90% and a rate of increase of salaries (including inflation) of 2.30%.

The discount rates used – corresponding to 2.60% (3.60/2.60% sensitivity) for statutory retirement benefits, 2.10% (1.10%/3.10% sensitivity) for long-service awards, 1.40% (0.40%/2.40% sensitivity) for pensions and 3.00% (2%/4% sensitivity) for medical expenses – are based on the Coporate Bond AA yield curve specific to each plan.

- In Austria:

An inflation rate of 1.90% and a rate of increase of salaries (including inflation) of 3.00%.

The discount rate used for retirement benefits was 3.15% (4.15%/2.15% sensitivity).

- In Germany:

An inflation rate of 1.90% and a rate of increase of salaries (including inflation) of 2.40%.

The discount rate used for retirement benefits was 3.15% (4.15%/2.15% sensitivity).

- In Italy:

An inflation rate of 1.90% and a rate of increase of salaries (including inflation) of 3.00%.

The discount rate used for retirement benefits was 3.15% (4.15%/2.15% sensitivity).

- 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.

Compagnie Française d’Assurance pour le Commerce Extérieur has implemented CNC Recommendation 2003-R-01 dated April 1, 2004 relating to retirement benefit obligations.

## Underwriting operations

### a – Premiums

Gross premiums correspond to written premiums, excluding tax. They are stated net of premium cancelations and policyholders' bonuses and rebates and include an estimate of pipeline premiums and premiums to be cancelled after the year-end.

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

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

Compagnie Française d'Assurance pour le Commerce Extérieur also receives policy fees, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to clients and partners.

### b - Provision for unearned premiums

Unearned premium provisions are calculated separately for each policy, on an accrual 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.

### c - Deferred acquisition costs

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

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

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

### d - Paid claims

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

### e - Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. In accordance with the applicable French regulations, separate provisions are set aside for claims and recoveries. Claims provisions also include (i) provisions for claims incurred but not yet reported, determined by reference to the Group's claims historical data in prior underwriting periods that reflect the final amount of paid claims, and (ii) a provision for collection costs and claims handling expenses.

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

In the surety bonding business, the provisions are only recorded for claims of which the company concerned has been notified by the year-end. An additional provision is recorded when the risk that the surety bond will be called on is higher due to the principal becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

**f - Subrogation and salvage**

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

**g - Provisions for policyholders' bonuses and rebates**

This provision is calculated policy by policy based on the whole portfolio for which policyholders are contractually entitled to bonuses.

Part of the provision corresponds to policyholder bonuses due at the period-end but not yet paid, and part represents an estimate of the fraction of rebates of premiums already written. The latter calculation is based on the average loss ratio of each policy by underwriting year.

**h - Claims equalization provision**

The claims equalization provision for credit insurance business is intended to cover future possible underwriting losses and is funded by transfers from underwriting income each year.

In accordance with Article R.331-33 of Decree no. 91398 of April 25, 1991, 75% of credit insurance underwriting income, net of reinsurance, is allocated to the claims equalization provision each year.

The calculation of underwriting income does not include the fraction of credit insurance revenue corresponding to business that is not qualified as insurance cover or the related direct and indirect costs.

Transfers are no longer compulsory once the claims equalization provision represents 134% of average annual premium collections for the previous five years, net of ceded premiums but including inward reinsurance premiums. Annual transfers to the provision are used on a first-in first-out basis to offset underwriting losses for the year.

Annual allocations that have not been utilized for this purpose within ten years are written back to taxable income in the eleventh year.

If credit insurance operations generate an underwriting loss, an equivalent amount is reversed from the claims equalization provision to offset the amount.

**i - Allocated investment income**

In accordance with Article A 344-3 of the French Insurance Code, this income represents the fraction of total net investment income relating to assets representing technical provisions that is transferred from the non-technical account to enable underwriting income to be more representative.

**REINSURANCE OPERATIONS**

**a – Inward reinsurance**

Inward reinsurance is accounted for contract by contract based on actual or estimated results for the period.

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

**b – Ceded reinsurance**

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

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

**Tax consolidation**

Compagnie Française d'Assurance pour le Commerce Extérieur has been a member of the Natixis tax consolidation group since January 1, 2003. The registered office of Natixis is at 30, Avenue Pierre Mendes France, 75 013 Paris, France.

**Consolidating entities**

The Company's financial statements are fully consolidated by Coface SA (formerly Coface Holding SAS), which is fully consolidated by Natixis, whose registered office is at 30, avenue Pierre Mendes France, 75013 Paris, France.

**OPERATIONS CARRIED OUT ON BEHALF OF THE FRENCH GOVERNMENT**

**a - Government guarantee**

Some of the Company's operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code. This essentially concerns the following activities, which are aimed at supporting and developing French export trade:

- credit insurance, providing coverage for an exporter or its bank against the risk of non-repayment of an export loan;

- foreign investment insurance, protecting against political risk, ownership risk and inability to collect the income generated by investments;

- foreign exchange insurance, against the risk of depreciation in export billing currencies;

- prospection insurance, which protects SMEs against the risk of their prospecting activities in foreign markets failing to produce results;

- exporter risk insurance, which protects banks against the insolvency of an exporter for which they have issued guarantees (such as for the reimbursement of advance payments) or to which they have granted a prefinancing loan.

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

- These operations do not have to be recognized in Coface's balance sheet or income statement. Only the related management fees received are recognized in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government.

- Compagnie Française d'Assurance pour le Commerce Extérieur keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Compagnie Française d'Assurance pour le Commerce Extérieur and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more statutory auditors.

- Without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Compagnie Française d'Assurance pour le Commerce Extérieur other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of January 25, 1985 relating to the court-ordered receivership and liquidation of companies, (ii) Act 84-148 of March 1, 1984 relating to the prevention and out-of-court settlement of companies' financial difficulties, or (iii) Articles L.310-25 and L. 326-2 to L.327-6 of the French Insurance Code.

**b - Public procedures management**

The services provided by the Company in terms of managing French public credit insurance procedures qualify as insurance business despite the fact that they solely correspond to management on behalf of a third party. Consequently, the remuneration received from the French government for these services is reported under "Other underwriting income". The corresponding costs are analyzed based on their respective functions and are included under the same income statement headings as the expenses incurred by the Company in connection with its private market insurance activities.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

## NOTE 4 - INTANGIBLE ASSETS

### Note 4.1 Movements in intangible assets

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Acquisitions | Disposals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|---|
| **Start-up costs** | **1,250** | **742** | | | | **1,992** |
| **IT development costs** | **129,998** | **9,636** | **1,670** | | | **141,304** |
| Development costs – France | 103,547 | 9,636 | 1,618 | | | 114,801 |
| Development costs – branches | 26,451 | | 52 | | | 26,503 |
| **Software** | **47,539** | **(9,360)** | **2,701** | **(4,699)** | **(146)** | **36,034** |
| Software – France | 28,874 | (9,639) | 2,233 | (2,477) | | 18,992 |
| Software – branches | 18,665 | 281 | 468 | (2,222) | (146) | 17,043 |
| **Merger deficit** | **106,378** | | | | | **106,378** |
| **Purchased goodwill** | **1,871** | **(27)** | **1** | | **(279)** | **1,565** |
| **Other intangible assets** | | **1,634** | | | | **1,634** |
| **Intangible assets in progress** | | **95** | | | | **95** |
| **TOTAL** | **287,036** | **2,719** | **4,372** | **(4,699)** | **(427)** | **289,001** |

The amount of €95 thousand corresponds to the reclassification of property, plant and equipment and intangible assets.
The amount of to other intangible assets was net of the amortization of the other intangible assets for €1,607 thousand,
for Software branches € 278 thousand, for Strat-up costs € 742 thousand.
The €27 thousand left corresponds to a reclassification from purchased goodwill to Other intangible assets.

### Note 4.2 Movements in amortization and provisions

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Additions | Disposals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|---|
| **Start-up costs** | **1,250** | **742** | | | | **1,992** |
| **IT development costs** | **59,158** | | **9,373** | | | **68,531** |
| Development costs – France | 47,041 | | 6,987 | | | 54,028 |
| Development costs – branches | 12,117 | | 2,385 | | | 14,503 |
| **Software** | **28,829** | **875** | **2,907** | **(4,651)** | **(125)** | **27,835** |
| Software – France | 14,059 | 596 | 1,632 | (2,423) | | 13,268 |
| Software – branches | 14,771 | 278 | 1,275 | (2,228) | (125) | 14,567 |
| **Merger deficit** | | | | | | |
| **Purchased goodwill** | | **269** | **1,297** | | | **1,566** |
| **Other intangible assets** | | **1,607** | **27** | | | **1,633** |
| **TOTAL** | **89,237** | **3,493** | **13,604** | **(4,651)** | **(125)** | **101,557** |

## Note 4.3 Net intangible assets

| (in thousands of euros) | Gross at Dec. 31, 2013 | Amortization and provisions | Net at Dec. 31, 2013 |
|---|---|---|---|
| **Start-up costs** | **1,992** | **1,992** | |
| **IT development costs** | **141,304** | **68,531** | **72,773** |
| Development costs – France | 114,801 | 54,028 | 60,773 |
| Development costs – branches | 26,503 | 14,503 | 12,000 |
| **Software** | **36,034** | **27,835** | **8,199** |
| Software – France | 18,992 | 13,268 | 5,723 |
| Software – branches | 17,043 | 14,567 | 2,476 |
| **Merger deficit** | **106,378** | | **106,378** |
| **Purchased goodwill** | **1,567** | **1,566** | |
| **Other intangible assets** | **1,729** | **1,633** | **95** |
| **TOTAL** | **289,003** | **101,557** | **187,444** |

Merger deficit is detailed in note 20

## NOTE 5 – PROPERTY INVESTMENTS

### Note 5.1 Movements in property investments

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Acquisitions and current account advances | Disposals and current account repayments | Dec. 31,2013 |
|---|---|---|---|---|---|
| **Buildings not used in the business** | **36,101** | **(34,853)** | | **(185)** | **1,064** |
| **Shares in non-trading property companies (SCI) (not used in the business)** | **15** | | | **(6)** | **9** |
| **Buildings used in the business** | **700** | **20,844** | | | **21,544** |
| **Land used in the business** | | **14,009** | | | **14,009** |
| **TOTAL** | **36,816** | **0** | | **(191)** | **36,625** |

Buildings not used in the business have been reclassified within buildings and land used in the business.

### Note 5.2 Movements in amortization and provisions – property investments

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Additions | Reversals (utilizations) | Dec. 31,2013 |
|---|---|---|---|---|---|
| **Buildings not used in the business** | **10,234** | **(10,325)** | **99** | | **8** |
| Depreciation | 10,234 | (10,325) | 99 | | 8 |
| **Shares in non-trading property companies (SCI) (not used in the business)** | **8** | | | | **8** |
| **Buildings used in the business** | **96** | **10,325** | **997** | | **11,417** |
| Depreciation | 96 | 10,325 | 997 | | 11,417 |
| Provision for impairment | | | | | |
| **TOTAL** | **10,338** | **0** | **1,096** | | **11,434** |

Depreciation of buildings not used in the business has been reclassified within depreciation of buildings and land used in the business.

### Note 5.3 Net property investments

| (in thousands of euros) | Gross at Dec. 31, 2013 | Amortisation and provisions | Net at Dec. 31, 2013 | Market value | Net at Dec. 31, 2012 |
|---|---|---|---|---|---|
| **Buildings not used in the business** | **1,064** | **8** | **1,055** | **1,325** | **25,868** |
| **Shares in non-trading property companies (SCI) (not used in the busin** | **9** | **8** | | **0** | **6** |
| **Buildings used in the business** | **21,544** | **11,417** | **10,126** | **31,822** | **604** |
| **Land used in the business** | **14,009** | | **14,009** | **49,491** | |
| **TOTAL** | **36,625** | **11,434** | **25,191** | **82,638** | **26,478** |

## NOTE 6 – INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

| (in thousands of euros) | | Gross at Dec. 31, 2013 | Depreciation and provisions | Net at Dec. 31, 2013 | Market value |
|---|---|---|---|---|---|
| **Subsidiaries** | **Note 6.1** | 168,995 | 27,118 | 141,877 | 450,296 |
| **Investments in affiliates** | **Note 6.2** | 46,567 | 2,710 | 43,857 | 516,853 |
| **Sub-total** | | **215,562** | **29,828** | **185,734** | **967,149** |
| **Other investments in subsidiaries** | **Note 6.3** | 55,165 | | 55,165 | 55,165 |
| **Sub-total** | | **55,165** | | **55,165** | **55,165** |
| **TOTAL** | | **270,728** | **29,828** | **240,900** | **1,022,314** |

Investments in subsidiaries correspond to shares in entities that are at least 50%-owned by the Company.

Investments in affiliates correspond to shares in entities that are less than 50%-owned by the Company.

The valuation method used is based on the value in use resulting from discounting available future cash flows.

At December 31, 2013, cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Group Management.

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

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

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

## Note 6.1 Investments in subsidiaries

| (in thousands of euros) | Dec. 31, 2012 | Acquisitions | Mergers | Disposals | Total | Provisions | Dec. 31, 2013 |
|---|---|---|---|---|---|---|---|
| Cofinpar | 29,270 | | | | 29,270 | | 29,270 |
| Cogeri | 38 | | | | 38 | | 38 |
| Fimipar | 36,579 | | | | 36,579 | | 36,579 |
| Coface Italia | 3,971 | | | | 3,971 | | 3,971 |
| Coface UK Holdings Limited | 8,318 | | | | 8,318 | (7,417) | 901 |
| Coface Belgium Services Holding (formerly RBB) | 6,759 | | | | 6,759 | | 6,759 |
| Coface Servicios España, SL | 3 | | | | 3 | | 3 |
| Coface RUS Insurance Company | 6,906 | | | | 6,906 | | 6,906 |
| Coface Holding America Latina SA | 2 | 1,560 | | | 1,561 | (1) | 1,561 |
| Coface Seguro de Credito Mexico | 4,391 | 2,736 | | | 7,127 | | 7,127 |
| Seguradora Brasileira CE (SBCE) | 6,789 | | | | 6,789 | | 6,789 |
| Coface North America Holding Company | 12,605 | | | | 12,605 | | 12,605 |
| Coface Central Europe Holding | 4,563 | | | | 4,563 | | 4,563 |
| Coface South Africa | 3,615 | | | | 3,615 | | 3,615 |
| Coface South Africa Services (formerly CUAL) | 877 | | | | 877 | | 877 |
| Coface Sigorta Turquie (Insurance) | 9,040 | | | | 9,040 | | 9,040 |
| Business Data Information | 199 | | | | 199 | | 199 |
| Axa Assurcrédit | 8,933 | | | | 8,933 | (4,455) | 4,478 |
| Coface Greater China Finance | 1,043 | | | | 1,043 | (1,043) | |
| Cofacerating.ch | 66 | | | | 66 | | 66 |
| Coface ARB | 129 | | | (129) | | | |
| Coface Services Japan | 100 | | | | 100 | (100) | |
| Coface Services Korea | 200 | | | | 200 | | 200 |
| Coface Services Taiwan | 986 | | | | 986 | (986) | |
| Unistrat Corporation of America | 83 | | | | 83 | | 83 |
| Kompass China | 92 | | | (92) | | | |
| Coface Services South Asia Pacific (Singapore) | 7,574 | | | | 7,574 | (7,574) | |
| Coface Shanghai Information Services | 387 | | | | 387 | (387) | |
| Coface Services Russia | 2,830 | | | | 2,830 | (2,320) | 510 |
| Coface Services West Africa | | 250 | | | 250 | | 250 |
| Coface Korea Credit Insurance Broker Co Ltd | | 339 | | | 339 | | 339 |
| Coface SICR | | | 709 | | 709 | (709) | |
| Coface Egypt Services | | | 1,268 | | 1,268 | (1,268) | |
| Coface Services Maghreb | | | 222 | | 222 | | 222 |
| Coface Algerie Services | | | 859 | | 859 | (859) | |
| Coface Emirates Services UA | | | 38 | | 38 | | 38 |
| Coface Seguro de Credito Colombia | | 4,888 | | | 4,888 | | 4,888 |
| TOTAL | **156,348** | **9,773** | **3,095** | **(221)** | **168,995** | **(27,118)** | **141,877** |

Mergers relate to shares initially held by Cameems which are now directly owned by Compagnie Française d'Assurance pour le Commerce Extérieur as a result of the asset and liability transfer (TUP).

## Note 6.2 Investments in affiliates

Investments in affiliates correspond to shares whose long-term ownership is considered beneficial to the Company's business, notably because such ownership enables the Company to exercise influence or control over the affiliate.

Investments in affiliates are recognized at their historical cost (purchase or transfer value) plus transaction expenses.

The table below provides a breakdown of the movements in the gross values of these investments:

| (in thousands of euros) | Dec. 31,2012 | Acquisitions | Mergers | Disposals | Total | Provisions | Dec. 31,2013 |
|---|---|---|---|---|---|---|---|
| Cofacrédit | 1 372 | | | | 1 372 | | 1 372 |
| **Sub-total – equity-accounted companies** | **1 372** | | | | **1 372** | | **1 372** |
| Planet Rating | 215 | | | | 215 | 215 | |
| Coface Ameem Services | 656 | | | (656) | | | |
| Cerip Services Banques | 157 | | | | 157 | | 157 |
| Cemeca (acquired in 2005) | 55 | | | | 55 | | 55 |
| Coface Services Turkey (formerly Coface Servis Bilgi) | 1 135 | | | | 1 135 | 615 | 520 |
| Sorenco | 28 | | 59 | | 87 | | 87 |
| Recours | 58 | | 31 | | 89 | 89 | |
| Coface Eastern Europe Holding | 804 | | | | 804 | 276 | 528 |
| Coface Services Greater China | 1 452 | | | | 1 452 | 162 | 1 290 |
| Kyriba Corporation | 2 605 | | | (2 605) | | | |
| **Sub-total – other affiliates** | **7 165** | | **90** | **(3 261)** | **3 994** | **1 357** | **2 637** |
| Coface Debitoren (formerly ADGC) | 3 404 | | | | 3 404 | | 3 404 |
| Coface Finanz (formerly AKCF) | 5 005 | 5 000 | | | 10 005 | | 10 005 |
| Cofacerating-Holding GmbH | 155 | | | | 155 | | 155 |
| Coface Deutschland Vertriebs GmbH | 25 | | | | 25 | | 25 |
| Kisselberg | 23 740 | | | (3 890) | 19 850 | | 19 850 |
| Coface Services Austria | 18 | | | | 18 | | 18 |
| Coface Austria Bank | 18 650 | | | (18 650) | | | |
| Coface Chile SA (Insurance) | 5 274 | | | | 5 274 | | 5 274 |
| Coface Poland Factoring | 887 | | | | 887 | | 887 |
| Coface Slovakia Insurance Services | 25 | | | | 25 | | 25 |
| Coface Czech Insurance Service | 33 | | | | 33 | | 33 |
| Coface Sweden Factoring | 972 | | | (972) | | | |
| Coface Baltics Services | 162 | | | | 162 | 162 | |
| Coface Hungary Insurance Services | 11 | | | | 11 | | 11 |
| Coface Factoring Chile | 1 334 | | | | 1 334 | 1 162 | 172 |
| Coface Poland Insurance Services | 12 | | | | 12 | | 12 |
| Coface Service Insurance Bulgaria | 3 | | | | 3 | | 3 |
| Coface Service Latvia | 4 | | | | 4 | | 4 |
| Coface Czech Factoring | 6 209 | | | (6 209) | | | |
| Coface Slovakia Factoring | 589 | | | (589) | | | |
| Coface Bulgaria CMS | | | | | | | |
| Coface Hungary CMS | | | | | | | |
| Coface Poland CMS | | | | | | | |
| Coface Slovakia CMS | | | | | | 25 | (25) |
| Coface Czech CMS | | | | | | | |
| Coface Latvia CMS | | | | | | 4 | (4) |
| Non-Group | 13 | | | (13) | | | |
| **Sub-total – branches** | **66 525** | **5 000** | | **(30 324)** | **41 201** | **1 353** | **39 849** |
| **TOTAL** | **75 062** | **5 000** | **90** | **(33 585)** | **46 567** | **2 710** | **43 858** |

The acquisition of € 5,000 thousand corresponds to an injection of capital coming from the loan granted to this entity

## Note 6.3 Other investments relating to subsidiaries and affiliates

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Increase | Decrease | Currency translation differences | Total | Provisions | Dec. 31,2013 |
|---|---|---|---|---|---|---|---|---|
| Coface North America Holding Company | 48,455 | | | | | 48,455 | | 48,455 |
| Coface Services Peru SA | 42 | | | (42) | | | | |
| **Sub-total – loans to subsidiaries** | **48,497** | | | **(42)** | | **48,455** | | **48,455** |
| Coface Finanz (formerly AKCF) | 5,000 | | | (5,000) | | | | |
| Cofacerating-Holding GmbH | 700 | | | | | 700 | | 700 |
| Coface Deutschland Vertriebs GmbH | 1,800 | | | (950) | | 850 | | 850 |
| Non-Group | | | | | | | | |
| **Sub-total – loans to branches** | **7,500** | | | **(5,950)** | | **1,550** | | **1,550** |
| Coface Assicurazioni SUCC (Coface Europe) | 5,549 | (5,549) | | | | | | |
| Coface South Africa | 6,737 | | | (480) | (1,432) | 4,825 | | 4,825 |
| Non-Group | | 447 | | (112) | | 335 | | 335 |
| **Sub-total – deposits** | **12,286** | **(5,102)** | | **(592)** | **(1,432)** | **5,160** | | **5,160** |
| **TOTAL** | **68,283** | **(5,102)** | | **(6,584)** | **(1,432)** | **55,165** | | **55,165** |

The amount of €447 thousand has been reclassified to deposits w ith ceding reinsurers.

The amount of €5,549 thousand corresponds to the reclassification of an intragroup elimination account.

The loan of € 5,000 thousand has been integrated as an injection capital in the entity.

## Note 6.4 Movements in provisions for impairment in value of investments in subsidiaries and affiliates

| (in thousands of euros) | Dec. 31,2012 | Mergers | Additions | Reversals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|---|
| **Subsidiaries** | **23,229** | **2,835** | **1,274** | **-221** | | **27,118** |
| Coface UK Holdings Limited | 7,417 | | | | | 7,417 |
| Axa Assurcrédit | 3,180 | | 1,274 | | | 4,455 |
| Coface Greater China Finance | 1,043 | | | | | 1,043 |
| Coface ARB | 129 | | | -129 | | |
| Coface Services Japan | 100 | | | | | 100 |
| Coface Services Taiwan | 986 | | | | | 986 |
| Kompass China | 92 | | | -92 | | |
| Coface Services South Asia Pacific (Singapore) | 7,574 | | | | | 7,574 |
| Coface Shanghai Information Services | 387 | | | | | 387 |
| Coface Services Russia | 2,320 | | | | | 2,320 |
| Coface SICR | | 709 | | | | 709 |
| Coface Egypt Services | | 1,268 | | | | 1,268 |
| Coface Algerie Services | | 859 | | | | 859 |
| **Investments in affiliates** | **2,292** | **31** | | **-966** | | **1,357** |
| Planet Rating | 215 | | | | | 215 |
| Coface Ameem Services | 656 | | | -656 | | |
| Coface Services Turkey (formerly Coface Servis Bilgi) | 925 | | | -311 | | 615 |
| Recours | 58 | 31 | | | | 89 |
| Coface Eastern Europe Holding | 276 | | | | | 276 |
| Coface Services Greater China | 162 | | | | | 162 |
| **Investments in affiliates – branches** | **8,322** | | | **(6,798)** | **-172** | **1,352** |
| Coface Baltics Services | 162 | | | | | 162 |
| Coface Factoring Chile | 1,334 | | | | -172 | 1,162 |
| Coface Czech Factoring | 6,209 | | | (6,209) | | |
| Coface Slovakia Factoring | 589 | | | -589 | | |
| Coface Slovakia CMS | 25 | | | | | 25 |
| Coface Latvia CMS | 4 | | | | | 4 |
| **TOTAL** | **33,844** | **2,866** | **1,274** | **(7,986)** | **-172** | **29,827** |

Mergers relate to provisions on the shares initially held by Cameems which are now directly owned by Compagnie Française d'Assurance pour le Commerce Extérieur as a result of the asset and liability transfer (TUP).

# NOTE 7 - ANALYSIS OF PROPERTY INVESTMENTS

## Note 7.1 Financial investments

| (in thousands of euros) | Gross at Dec. 31, 2013 | Provisions | Premium/ discount | Net at Dec. 31, 2013 | Market value |
|---|---|---|---|---|---|
| **Unlisted French and foreign equities** | **24** | | | **24** | **24** |
| **UCITS money-market funds** | **101,225** | | | **101,225** | **101,244** |
| UCITS money-market funds – head office | 101,225 | | | 101,225 | 101,244 |
| UCITS money-market funds – branches | | | | | |
| **Units in FCP mutual funds** | **5,517** | **302** | | **5,215** | **5,424** |
| **Units in FCP money-market mutual funds** | **180,437** | | | **180,437** | **180,726** |
| **Units in FCP sovereign debt bonds mutual funds** | **261,454** | | | **261,454** | **262,046** |
| **Units in FCP private eurozone debt bonds mutual funds** | **399,576** | | | **399,576** | **398,517** |
| **Units in FCP high-yield short maturity debt bonds mutual funds** | **190,450** | | | **190,450** | **191,778** |
| **Units in FCP emerging country interest rates mutual funds** | **230,772** | | | **230,772** | **221,861** |
| **Units in FCP equities mutual funds** | **81,500** | | | **81,500** | **85,759** |
| **Unlisted French and foreign equities** | **13,303** | **2,597** | | **10,706** | **15,194** |
| **Unlisted foreign equities (non-OECD)** | **23** | | | **23** | **23** |
| **Sovereign debt** | **60,860** | | **(1,843)** | **59,017** | **69,924** |
| **Bonds** | **4,478** | | | **4,478** | **4,569** |
| Convertible bonds – other listed entities | 2,478 | | | 2,478 | 2,338 |
| Bonds | | | | | |
| Indexed bonds | | | | | |
| Variable-rate bonds | 2,000 | | | 2,000 | 2,231 |
| **Treasury bills** | **1,256** | | | **1,256** | **1,234** |
| Treasury bills – head office | | | | | |
| Treasury bills – branches | 1,256 | | | 1,256 | 1,234 |
| **Commercial paper** | | | | | |
| **Certificates of deposit, money-market securities – branches** | **10,517** | | | **10,517** | **10,514** |
| SUB-TOTAL | **1,541,393** | **2,898** | **(1,843)** | **1,536,651** | **1,548,837** |
| Marketable securities lodged as collateral for ceding insurers | | | | | |
| Participating loan and OECD | 13,842 | | | 13,842 | 13,842 |
| Other deposits with banks | 187,884 | | | 187,884 | 187,884 |
| Margin call and initial margin – futures | 555 | | | 555 | 555 |
| Deposit/forward financial instruments – puts and calls | | | | | |
| **Total** | **1,743,674** | **2,898** | **(1,843)** | **1,738,932** | **1,751,118** |
| Adjustment: premium/discount | | | 1,843 | 1,843 | |
| Derivatives/swaps (net of liabilities) | | | | | |
| **Total** | **1,743,674** | **2,898** | | **1,740,775** | **1,751,118** |

## Note 7.2 Movements in financial investments

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Acquisitions | Disposals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|---|
| Listed French and foreign equities | 388 | 24 | | (388) | | 24 |
| UCITS money-market funds | 70,309 | | 539,225 | (508,309) | | 101,225 |
| UCITS money-market funds – branches | 15,376 | (10,000) | | (5,376) | | |
| Shares in venture capital funds | 5,063 | | 779 | (325) | | 5,517 |
| Units in FCP money-market mutual funds | 241,338 | | 180,437 | (241,338) | | 180,437 |
| Units in FCP sovereign debt bonds mutual funds | | | 261,454 | | | 261,454 |
| Units in FCP private eurozone debt bonds mutual funds | | | 399,576 | | | 399,576 |
| Units in FCP high-yield short maturity debt bonds mutual funds | | | 190,450 | | | 190,450 |
| Units in FCP emerging country interest rates mutual funds | | | 230,772 | | | 230,772 |
| Units in FCP equities mutual funds | | | 81,500 | | | 81,500 |
| Unlisted French and foreign equities | 15,747 | | | (2,444) | | 13,303 |
| Unlisted foreign equities – OECD – branches | 23 | | | | | 23 |
| Fixed-rate sovereign debt | 434,323 | (54,344) | 8,671 | (320,655) | (7 135) | 60,860 |
| Sovereign debt | | | | | | |
| Listed convertible bonds | | | | | | |
| Fixed-rate sovereign debt bonds securities | 77,514 | | 415 | (75,514) | | 4,478 |
| Listed bonds – branches | 211,906 | 54,320 | | (266,226) | | |
| Treasury bills | 2,785 | | 1,000 | (3,785) | | |
| Treasury bills – branches | 25,742 | | 546 | (25,000) | (32) | 1,256 |
| Certificates of deposit, money-market securities – branches | 34,171 | (2,040) | 116 | (17,500) | (4 229) | 10,517 |
| **SUB-TOTAL** | **1,134,686** | **-9 977** | **1,894,941** | **(1,466,861)** | **(11 395)** | **1,541,393** |
| Marketable securities lodged as collateral for ceding insurers | | | | | | |
| Participating loan and OECD | | 2,000 | 11,842 | | | 13,842 |
| Other deposits with banks | 446,718 | (1,821) | 19,221 | (264,235) | (12,000) | 187,884 |
| Margin call and initial margin – futures | 108 | | 698 | (252) | | 555 |
| **TOTAL** | **1,581,512** | **(9,798)** | **1,926,702** | **(1,731,348)** | **(23,395)** | **1,743,674** |

The amount of € 10 million corresponds to a reclassification from the UCITS money-market value to the banks.
The reclassifications of the listed French and foreign equities € 24 thousand, sovereign debt € -54,344 thousand and listed bonds - branches € 54,320 thousand balance.
The reclassifications of the Fixed-rate sovereign debt bonds securities € 2,063 thousand, Certificates of deposit € -2,040 thousand and a part of the the other deposits € -23 thousand balance.

## Note 7.3 Movements in provisions for impairment in value of financial investments

| (in thousands of euros) | Dec. 31,2012 | Additions | Reversals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|
| Venture capital funds | | (302) | | | (302) |
| FCP money-market mutual funds | (5 177) | | 5 177 | | |
| Unlisted equities | (4 940) | | 2 282 | 62 | (2 597) |
| **TOTAL** | **(10 117)** | **(302)** | **7 459** | **62** | **(2 898)** |

## Note 7.4 Breakdown of total investments by investment category

| (in thousands of euros) | Gross at Dec. 31, 2013 | Net at Dec. 31, 2013 | Market value | Unrealized gains |
|---|---|---|---|---|
| **Marketable securities** | | | | |
| Bonds and other fixed-income securities | 77,111 | 77,111 | 86,241 | 9,130 |
| Bond premiums and discounts | | 1,843 | | (1,843) |
| Listed equities and other variable-income securities | 24 | 24 | 24 | |
| Unlisted equities and other variable-income securities | 13,326 | 10,729 | 15,217 | 4,487 |
| UCITS money-market mutual funds | 101,225 | 101,225 | 101,240 | 15 |
| UCITS money-market funds – branches | | | | |
| UCITS equities funds | 87,017 | 86,715 | 91,183 | 4,468 |
| UCITS bond funds | 851,480 | 851,480 | 852,342 | 861 |
| Units in FCP mutual mutual funds | 230,772 | 230,772 | 221,861 | (8,911) |
| Units in FCP money-market mutual funds | 180,437 | 180,437 | 180,726 | 289 |
| **Property and shares in property companies** | 36,625 | 25,191 | 82,638 | 57,447 |
| **Loans** | | | | |
| **Investments in subsidiaries** | | | | |
| Shares in subsidiaries | 168,995 | 141,877 | 450,296 | 308,419 |
| Loans to subsidiaries | 50,005 | 50,005 | 50,005 | |
| **Investments in affiliates** | | | | |
| Shares in affiliates | 46,567 | 43,857 | 516,853 | 472,996 |
| Loans to affiliates | 13,842 | 13,842 | 13,842 | |
| Futures – Deposits and margin calls (assets/liabilities) | 555 | 555 | 292 | (262) |
| Put and call options – deposits (assets/liabilities) | | | | |
| **SUB-TOTAL** | **1,857,983** | **1,815,665** | **2,662,759** | **847 096** |
| Other deposits with banks | 187,884 | 187,884 | 187,884 | |
| **SUB-TOTAL** | **2,045,867** | **2,003,549** | **2,850,643** | **847 096** |
| Deposits with ceding insurers – subsidiaries | 5,160 | 5,160 | 5,160 | |
| Deposits with other ceding insurers | 1,588 | 1,588 | 1,588 | |
| - Discount (accruals account – assets) | | 1,464 | 1,464 | |
| + Premium (accruals account – liabilities) | | (3,307) | (3,307) | |
| **TOTAL FINANCIAL ASSETS** | **2,052,615** | **2,008,454** | **2,855,548** | **847 096** |
| Margin deposit accounts or initial margin/forward financial instruments – liabilities | | | | |
| Accruals accounts/forward financial instruments – assets | | | | |
| **TOTAL INVESTMENTS RECORDED IN THE BALANCE SHEET** | **2,052,615** | **2,008,454** | **2,855,548** | **847 096** |

## NOTE 8 – RECEIVABLES AND PAYABLES

### Note 8.1 Receivables by type and maturity

| (in thousands of euros) | Due within 1 year | Due between 1 and 5 years | Due beyond 5 years | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|---|---|---|
| **Receivables arising from direct insurance operations** | **319,222** | **4,056** | | **323,278** | **275,949** |
| Accrued premiums | 121,532 | 4,056 | | 125,588 | 103,687 |
| Other | 197,690 | | | 197,690 | 172,262 |
| **Receivables arising from reinsurance operations** | **32,220** | | | **32,220** | **167,075** |
| **Other receivables** | **238,674** | | | **238,674** | **260,711** |
| Recoverable personnel costs | 4,326 | | | 4,326 | 602 |
| Recoverable taxes | 36,616 | | | 36,616 | 17,549 |
| Miscellaneous receivables | 197,732 | | | 197,732 | 242,560 |
| **Total** | **590,116** | **4,056** | | **594,172** | **703,735** |

### Note 8.2 Payables by type and maturity

| (in thousands of euros) | Due within 1 year | Due between 1 and 5 years | Due beyond 5 years | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|---|---|---|
| **Payables arising from direct insurance operations** | **66,297** | | | **66,297** | **70,762** |
| **Payables arising from reinsurance operations** | **52,298** | **252** | | **52,550** | **146,661** |
| **Bank loans** | | | | | |
| **Other:** | **204,557** | **2,886** | | **207,443** | **252,790** |
| Other loans, deposits and sureties | 8,200 | | | 8,200 | 9,898 |
| Accrued personnel costs | 40,401 | | | 40,401 | 43,201 |
| Accrued taxes | 42,243 | | | 42,243 | 43,097 |
| Miscellaneous payables | 113,712 | 2,886 | | 116,598 | 156,594 |
| **Total** | **323,152** | **3,138** | | **326,290** | **470,213** |

## NOTE 9 –ACCRUED AND DEFERRED INCOME AND OTHER

### Note 9.1 Other prepayments and accrued income

| (in thousands of euros) | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|
| Accrued premiums – inward reinsurance (net of commissions) | 9,498 | 41,726 |
| Prepaid expenses | 2,327 | 3,536 |
| Other | 1,231 | 2,360 |
| Translation losses in subsidiaries | 32,269 | 212 |
| Value adjustment – "Other investments" | 1,622 | (3,078) |
| **TOTAL** | **46,946** | **44,756** |

In 2012, the Accrued premiums "Inward Reinsurance" includes 25 M€ of Accrued premium "Direct business" which have been reclassified in Receivables arising from direct insurance operations in 2013
In 2013, the translation losses in subsidiaries includes the translation losses related to the technical reserves and the translation of the branches equity at the closing exchange rate.

### Note 9.2 Charges and deferred income

| (in thousands of euros) | Dec. 31,2013 | Dec. 31,2012 |
|---|---|---|
| Deferred Acquisition Costs - Ceded | 22,081 | 22,411 |
| Discounts on Premiums | 3,307 | 5,426 |
| Other | 9,614 | 0 |
| Translation gains on subsidiaries | 7,430 | 7,961 |
| **TOTAL** | **42,431** | **35,799** |

## NOTE 10 – EQUITY

### Note 10.1 Share capital

At December 31, 2012, the Company's share capital consisted of 35,960,201 shares, representing an aggregate amount of €137,052 thousand and a per-share par value of €3.811225. A €26 thousand capital increase was carried out during 2012 following the exercise of 6,823 stock options granted under the December 3, 2002 plan (which expired on December 2, 2012).

At December 31, 2013, the Company's share capital consisted of 35,960,201 shares, representing an aggregate amount of €137,052 thousand and a per-share par value of € 3,811225.

The Company's ownership structure breaks down as follows:

| | | |
|---|---|---|
| - Coface SA | 35,866,804 shares | 99.74% |
| - Natixis | 91,672 shares | 0.25% |
| - Private individuals (including four directors) | 1,725 shares | 0.00% |

### Note 10.2 Movements in equity

| (in thousands of euros) | Dec. 31,2012 | Appropriation of net income | Dividend payment | Change | Dec. 31,2013 |
|---|---|---|---|---|---|
| **Share capital** | **137 052** | | | | **137 052** |
| Number of shares | **35 960 201** | | | | **35 960 201** |
| **Share premium** | **627 437** | | | | **627 437** |
| Crisis reserve | 56 511 | | | | 56 511 |
| Capitalization reserve | 5 611 | | | 17 032 | 22 643 |
| Construction gains reserve | 488 | | | | 488 |
| Other reserves | 144 | | | | 144 |
| Investment reserve | 2 399 | | | 1 | 2 400 |
| Contingency reserve | 154 359 | | | | 154 359 |
| **Total reserves before deductions** | **219 512** | | | **17 033** | **236 545** |
| Deduction from reserves (provisions for pensions) | (27 051) | | | | (27 051) |
| **Total reserves** | **192 461** | | | **17 033** | **209 494** |
| **Retained earnings** | (35 874) | 106 110 | (70 122) | (1 515) | (1 402) |
| **Net income for the year** | 106 110 | (106 110) | | 110 277 | 110 277 |
| **TOTAL** | **1 027 186** | **0** | **(70 122)** | **125 796** | **1 082 859** |

## NOTE 11 – TECHNICAL PROVISIONS BEFORE REINSURANCE

| (in thousands of euros) | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| ***PROVISIONS FOR UNEARNED PREMIUMS*** | | |
| Direct insurance | 202,387 | 197,262 |
| Inward reinsurance | 33,141 | 42,684 |
| | **235,528** | **239,946** |
| ***CLAIMS PROVISION*** | | |
| Direct insurance | 1,164,331 | 1,140,646 |
| Inward reinsurance | 115,827 | 126,926 |
| | **1,280,158** | **1,267,571** |
| **SUBROGATION AND SALVAGE** | | |
| Direct insurance | (207,598) | (152,009) |
| Inward reinsurance | (5,096) | (4,086) |
| | **(212,694)** | **(156,095)** |
| **PROVISIONS FOR POLICYHOLDERS' BONUSES AND REBATES** | | |
| Direct insurance | 60,954 | 53,547 |
| Inward reinsurance | 1,287 | 506 |
| | **62,241** | **54,052** |
| **Total technical provisions before reinsurance excluding claims equalization provision** | **1,365,233** | **1,405,475** |
| **CLAIMS EQUALIZATION PROVISION** | 465,179 | 451,510 |
| **Total technical provisions before reinsurance** | **1,830,411** | **1,856,986** |

## NOTE 12 – PROVISIONS FOR LIABILITIES AND CHARGES

| (in thousands of euros) | Dec. 31,2012 | Reclassifications | Mergers | Additions | Reversals | Currency translation differences | Dec. 31,2013 |
|---|---|---|---|---|---|---|---|
| **Provisions for losses on investments in affiliates** | **13,040** | **680** | **340** | | **(6,793)** | **(113)** | **7,154** |
| Coface Services Japan | 4,905 | | | | (4,784) | (26) | 95 |
| Coface China | 3,539 | | | | (1,243) | (87) | 2,209 |
| Coface Services South Asia Pacific | 2,971 | | | | | | 2,971 |
| Coface China Finance | 1,245 | | | | | | 1,245 |
| Coface Services Taiwan | 100 | | | | | | 100 |
| Coface SICR | | | 340 | | | | 340 |
| Coface Egypte | 279 | | | | (279) | | |
| Coface Slovakia Insurance Services | | 41 | | | | | 41 |
| Coface Latvia Insurance Services | | 66 | | | | | 66 |
| Coface Baltics Services UAB | | 87 | | | | | 87 |
| Coface Austria bank | | 486 | | | (486) | | |
| **Provisions for disputes** | **4,137** | **(1,533)** | | | | | **2,604** |
| **Provisions for employee benefit obligations** *(retirement benefits, medical care, long-service awards, pensions)* | **61,274** | **(1,138)** | | **12,058** | **(8,825)** | | **63,369** |
| o/w Coface Japan – branch | 1,650 | | | 235 | (165) | | 1,721 |
| o/w Coface Deutschland Kredit – branch | 13,149 | (483) | | 2,008 | (675) | | 13,999 |
| o/w Coface Kreditversicherung Austria – branch | 12,375 | | | 879 | (1,184) | | 12,070 |
| o/w Coface Assicurazioni Spa Italia – branch | 3,886 | | | 6,209 | (5,247) | | 4,848 |
| **Provisions for employee-related disputes** | **2,721** | | | **1,957** | **(620)** | | **4,057** |
| **Provisions for liabilities and charges** | **2,058** | **1,720** | | **243** | **(2,368)** | | **1,653** |
| o/w provisions for rents and charges: Nanterre | 1,789 | | | | **(1,789)** | | |
| **Excess tax depreciation on development costs** | **26,510** | | | **7,767** | **(2,070)** | | **32,207** |
| **Other tax-driven provisions** | | **270** | | | | | **270** |
| **Provisions for restructuring costs** | | **2,686** | | **734** | **(928)** | | **2,492** |
| **TOTAL PROVISIONS** | **109,739** | **2,686** | **340** | **22,759** | **(21,605)** | **(113)** | **113,806** |

The merger of Coface Services Japan and Coface Finanz led to a reversal of the provision for losses due to the change of the amount hold by Compagnie Française d'Assurance pour le Commerce Extérieur in Coface Services Japan.

## NOTE 13 – CLAIMS EXPENSES AND CHANGES IN CLAIM PROVISIONS

| ACCOUNTING YEAR | LOSS YEAR | | |
|---|---|---|---|
| **2010** | **2008** | **2009** | **2010** |
| Claims net of recoveries | (872,483) | (405,266) | (54,202) |
| Claims provisions | (210,357) | (229,443) | (409,769) |
| Subrogation and salvage | 40,117 | 29,078 | 31,425 |
| **Claims expenses** | **(1,042,723)** | **(605,632)** | **(432,545)** |
| Earned premiums | 891,527 | 922,419 | 756,195 |
| **Loss ratio (%)** | **117%** | **66%** | **57%** |

| ACCOUNTING YEAR | LOSS YEAR | | | |
|---|---|---|---|---|
| **2011** | **2008** | **2009** | **2010** | **2011** |
| Claims net of recoveries | (905,845) | (463,034) | (263,134) | (68,606) |
| Claims provisions | (161,469) | (159,554) | (204,848) | (543,924) |
| Subrogation and salvage | 33,978 | 64,114 | 36,882 | 43,793 |
| **Claims expenses** | **(1,033,337)** | **(558,474)** | **(431,099)** | **(568,737)** |
| Earned premiums | 894,725 | 916,256 | 1,000,898 | 751,077 |
| **Loss ratio (%)** | **115%** | **61%** | **43%** | **76%** |

| ACCOUNTING YEAR | LOSS YEAR | | | | |
|---|---|---|---|---|---|
| **2012** | **2008** | **2009** | **2010** | **2011** | **2012** |
| Claims net of recoveries | (927,139) | (481,683) | (323,684) | (428,821) | (115,584) |
| Claims provisions | (100,221) | (128,277) | (91,739) | (255,666) | (520,259) |
| Subrogation and salvage | 35,745 | 26,554 | 17,855 | 57,749 | 57,485 |
| **Claims expenses** | **(991,616)** | **(583,407)** | **(397,568)** | **(626,739)** | **(578,358)** |
| Earned premiums | 898,492 | 917,751 | 997,298 | 1,001,569 | 752,097 |
| **Loss ratio (%)** | **110%** | **64%** | **40%** | **63%** | **77%** |

| ACCOUNTING YEAR | LOSS YEAR | | | | | |
|---|---|---|---|---|---|---|
| **2013** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| Claims net of recoveries | (928,552) | (487,853) | (334,570) | (522,467) | (417,190) | (79,441) |
| Claims provisions | (70,894) | (66,295) | (52,519) | (113,692) | (253,359) | (485,921) |
| Subrogation and salvage | 26,184 | 7,903 | 9,025 | 38,347 | 34,923 | 47,453 |
| **Claims expenses** | **(973,263)** | **(546,244)** | **(378,064)** | **(597,812)** | **(635,625)** | **(517,908)** |
| Earned premiums | 900,883 | 921,727 | 1,000,954 | 1,022,604 | 958,352 | 736,636 |
| **Loss ratio (%)** | **108%** | **59%** | **38%** | **58%** | **66%** | **70%** |

The amounts presented exclude inward reinsurance (United States, Turkey, Brazil, Mexico, South Africa)

## NOTE 14 – ACCRUED EXPENSES RELATED TO OTHER PAYABLES

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| **Accrued personnel costs** | **40,401** | **43,201** |
| ** of which accrued expenses* | *26,551* | *25,072* |
| **Accrued taxes** | **42,243** | **43,097** |
| Social security | 15,332 | 18,206 |
| Other | 26,911 | 24,892 |
| ** of which accrued expenses* | *2,143* | *13,732* |
| **Miscellaneous payables** | **116,598** | **156,594** |
| Group current accounts | 32,809 | 97,103 |
| Trade payables | 27,048 | 31,206 |
| Accrued expenses | 55,034 | 27,859 |
| Other | 1,707 | 425 |
| **TOTAL** | **199,242** | **242,892** |

## NOTE 15 – ANALYSIS OF UNDERWRITING INCOME AND EXPENSES BY CATEGORY

| (in thousands of euros) | 29<br>Legal protection | 31<br>Financial losses | 34<br>Transport | 37<br>Credit insurance | 38<br>Guarantees | 39<br>Inward reinsurance | Branches | Total<br>Dec. 31,2013 | Total<br>Dec. 31,2012* |
|---|---|---|---|---|---|---|---|---|---|
| **1 - EARNED PREMIUMS** | **82** | | **235** | **216,386** | **4,046** | **81,562** | **849,887** | **1,152,198** | **1,205,749** |
| **1.1 - Premiums** | **82** | | **235** | **215,838** | **4,046** | **81,031** | **846,628** | **1,147,860** | **1,207,817** |
| Written premiums | 85 | | 235 | 225,625 | 3,854 | 86,597 | 821,487 | 1,137,882 | 1,163,508 |
| Accrued premiums | (4) | | | (12,176) | 145 | (5,565) | 4,313 | (13,287) | 24,994 |
| Policy fees | | | | 1,547 | | | 26,701 | 28,248 | 26,821 |
| Bad debts | | | | (3,402) | | | (3,913) | (7,315) | (7,504) |
| Change in provision for impairment of policyholder accounts | | | | 4,245 | 47 | | (1,960) | 2,332 | |
| **2.2- Change in unearned premiums and unexpired risk provisions** | | | | **548** | | **531** | **3,259** | **4,338** | **(2,068)** |
| **2 - CLAIMS EXPENSES** | **1** | **632** | **(223)** | **(97,853)** | **(5,617)** | **(44,216)** | **(460,921)** | **(608,197)** | **(690,216)** |
| **1.1 - Paid claims net of recoveries** | | | **(165)** | **(113,159)** | **(869)** | **(26,874)** | **(452,840)** | **(593,907)** | **(698,375)** |
| **2B - Claims provisions and other expenses** | **1** | **632** | **(58)** | **15,306** | **(4,748)** | **(17,342)** | **(8,081)** | **(14,290)** | **8,159** |
| Change in claims provisions | | | 35 | 29,939 | (4,446) | (17,342) | 13,798 | 21,984 | 48,131 |
| Claims handling expenses | 1 | 632 | (93) | (16,094) | -302 | | (6,530) | (22,386) | (22,482) |
| Other technical provisions | | | | | | | | | |
| Change in claims equalization provision | | | | 1,462 | | | (15,349) | (13,888) | (17,490) |
| **A - GROSS UNDERWRITING INCOME (1 + 2)** | **83** | **632** | **12** | **118,533** | **(1,571)** | **37,346** | **388,966** | **544,001** | **515,533** |
| **3 - POLICY ACQUISITION COSTS** | **(28)** | | **(6)** | **(86,711)** | **(254)** | **(28,623)** | **(129,836)** | **(245,457)** | **(252,136)** |
| **4 - OTHER ADMINISTRATIVE EXPENSES, NET** | **(45)** | | **(22)** | **(32,526)** | **(751)** | | **(123,728)** | **(157,071)** | **(153,799)** |
| Administrative costs | (33) | | (16) | (60,320) | (453) | | (110,383) | (171,206) | (221,143) |
| Other underwriting expenses | (12) | | (5) | (33,739) | (297) | | (16,058) | (50,112) | |
| Other underwriting income (including procedures management and other incidental income) | | | | 61,534 | | | 2,713 | 64,247 | 67,344 |
| **B - NET POLICY ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES (3 + 4)** | **(72)** | | **(27)** | **(119,237)** | **(1,005)** | **(28,623)** | **(253,565)** | **(402,528)** | **(405,935)** |
| **7 - INVESTMENT INCOME** | **4** | | **12** | **46,264** | **3,083** | **10,099** | | **59,462** | **61,997** |
| **8 - POLICYHOLDERS' BONUSES AND REBATES** | | | | **(3,351)** | **3** | **(336)** | **(3,825)** | **(7,509)** | **(9,252)** |
| **C - NET INVESTMENT INCOME (7 + 8)** | **4** | | **12** | **42 914** | **3 086** | **9 763** | **(3 825)** | **51 953** | **52 745** |
| **9 - REINSURERS' SHARE OF EARNED PREMIUMS** | | | **(18)** | **(69,719)** | **(267)** | **(252,520)** | **(19,608)** | **(342,132)** | **(356,306)** |
| Premiums | | | (18) | (69,645) | (267) | (250,760) | (19,504) | (340,193) | (351,761) |
| Change in provisions for unearned premiums and unexpired risks | | | | (74) | | (1,760) | (105) | (1,939) | (4,545) |
| **10 - REINSURERS' SHARE OF PAID CLAIMS** | | | | **29,854** | **(141)** | **133,063** | **7,466** | **170,242** | **200,125** |
| **11 - REINSURERS' SHARE OF CLAIMS PROVISIONS** | | | **(1)** | **(392)** | **217** | **(3,602)** | **(7,100)** | **(10,878)** | **(15,791)** |
| Claims provisions | | | (1) | (392) | 217 | (3,602) | (7,100) | (10,878) | (15,791) |
| **12 - REINSURERS' SHARE OF POLICYHOLDERS' BONUSES AND REBATES** | | | | **863** | | **801** | **(22)** | **1,642** | **2,070** |
| **13 - REINSURANCE COMMISSIONS RECEIVED** | | | **(1)** | **102,470** | **4,320** | **292** | **1,952** | **109,033** | **117,491** |
| **D - REINSURANCE RESULT (10 + 11 + 12 +1 3 - 9)** | | | **(21)** | **63,077** | **4,130** | **(121,966)** | **(17,313)** | **(72,093)** | **(52,411)** |
| **UNDERWRITING INCOME/(LOSS) (A + B + C + D)** | **15** | **632** | **(24)** | **105,287** | **4,640** | **(103,480)** | **114,264** | **121,333** | **109,935** |

* See Note 1

## NOTE 16 – ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES BY TYPE

| (in thousands of euros) | Dec. 31,2013 | Dec. 31,2012 | Change |
|---|---|---|---|
| Commissions | 148,774 | 161,689 | -7.99 % |
| Payroll costs | 222,998 | 215,052 | 3.70 % |
| Taxes other than income tax | 24,065 | 22,851 | 5.31 % |
| External charges | 89,634 | 89,207 | 0.48 % |
| Depreciation amortization and provisions | 17,177 | 21,097 | -18.58 % |
| **General and administrative expenses by type** | **502,647** | **509,895** | **-1.42 %** |

## NOTE 17 – ANALYSIS OF FINANCIAL INCOME AND EXPENSES

| (in thousands of euros) | Income and expense concerning investments in subsidiaries and affiliates | Other financial income and expense | 2013 | 2012 |
|---|---|---|---|---|
| **Income from investments in subsidiaries and affiliates (dividends** | **684** | **69,095** | **69,779** | **47,103** |
| **Income from property investments** | | **420** | **420** | **538** |
| **Income from investments** | **1,434** | **21,134** | **22,568** | **40,190** |
| Bonds, treasury bills and medium-term notes | | 9,235 | 9,235 | 31,951 |
| *Income from bonds* | | 9,133 | 9,133 | 31,332 |
| Income from treasury bills | | 103 | 103 | 619 |
| Equities | | 472 | 472 | 266 |
| UCITS mutual funds | | 1,509 | 1,509 | 1,474 |
| Loans and deposits | 1,434 | 9,918 | 11,352 | 5,999 |
| Other | | | | 500 |
| **TOTAL INVESTMENT INCOME** | **2,118** | **90,648** | **92,766** | **87,831** |
| **Reversal of provision for impairment in value (utilization)** | **8,137** | **3,566** | **11,703** | **12,498** |
| **Income from other investments** | | **7,987** | **7,987** | **0** |
| **Gains on sales of investments** | | **29,373** | **29,373** | **4,877** |
| **Foreign exchange gain** | | **224** | **224** | **4,958** |
| **Merger gain** | | | | **21,301** |
| **TOTAL REALIZED GAINS ON INVESTMENTS** | **8,137** | **41,150** | **49,287** | **43,634** |
| **TOTAL FINANCIAL INCOME** | **10,255** | **131,798** | **142,054** | **131,465** |
| **Property investment expenses** | | **-9** | **-9** | **-5** |
| **Financial expenses (commissions, professional fees, interest and bank charges)** | **-14** | **(1,080)** | **(1,094)** | **(1,416)** |
| **Financial expenses on securities** | | **-525** | **-525** | **-757** |
| **TOTAL FINANCIAL EXPENSES** | **-14** | **(1,614)** | **(1,628)** | **(2,177)** |
| **Provision for impairment in value of investments** | **(1,291)** | **(2,294)** | **(3,585)** | **(9,418)** |
| **Capitalisation Reserve** | | **(21,196)** | **(21,196)** | **(3,828)** |
| **Other investment expenses** | | **(2,660)** | **(2,660)** | **(2,268)** |
| **Losses on sales of investments** | | **(14,725)** | **(14,725)** | **(19,108)** |
| *Capital losses* | | (12,048) | (12,048) | (10,963) |
| *Debt waivers to subsidiaries* | | -598 | -598 | 0 |
| *Foreign exchange losses* | | (2,079) | (2,079) | (8,145) |
| **Merger deficit** | **(4,937)** | | **(4,937)** | |
| **TOTAL REALIZED LOSSES ON INVESTMENTS** | **(4,937)** | **(14,725)** | **(19,661)** | **(19,108)** |
| | | | | |
| **PORTFOLIO MANAGEMENT EXPENSES** | | **(4,653)** | **(4,653)** | **(5,203)** |
| TOTAL EXPENSES | **(6,242)** | **(47,141)** | **(53,383)** | **(42,003)** |
| **NET FINANCIAL INCOME** | **4,013** | **84,657** | **88,671** | **89,462** |

## NOTE 18 – NON-RECURRING INCOME AND EXPENSES

| (in thousands of euros) | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Income | Expenses | Net total | Income | Expenses | Net total |
| Disposals of assets | 180 | (101) | 79 | | (840) | (840) |
| Tax on claims liquidation surplus | | (855) | (855) | | (830) | (830) |
| Additions to and reversals of excess tax amortization | 2,070 | (7,767) | (5,697) | 3,282 | (9,296) | (6,014) |
| Losses/gains on stock options | | | | 3 | | 3 |
| Tax penalties and fines | | (5) | (5) | | | |
| Other | 1,671 | (2,177) | (505) | 2,869 | (668) | 2,200 |
| **TOTAL** | **3,922** | **(10,903)** | **(6,981)** | **6,153** | **(11,634)** | **(5,481)** |

Non-recurring result includes mainly the excess tax amortization for € 5,697 thousand which comes from the difference between the accounting amortization and the tax amortization.

## NOTE 19 – INCOME TAX

| (in thousands of euros) | 2013 | 2012 |
|---|---|---|
| Net income from ordinary activities before tax and employee profit-sharing | 144,394 | 129,642 |
| Net income from branches | 120,638 | 124,350 |
| **Net income from ordinary activities before tax and employee profit-sharing – France** | **23,756** | **5,292** |
| Amounts disallowed for tax purposes | 22,709 | 84,979 |
| Amounts deductible for tax purposes | (32,840) | (42,566) |
| Taxable base | 13,625 | 47,704 |
| Losses offset | (7,312) | (24,352) |
| **Taxable net income** | 6,312 | 23,352 |
| Income tax – France (rate: 33.33%) | (662) | (7,784) |
| Additional contributions (8.3% on income tax at 33.33%) in 2012 and (14% on income tax at 33.33%) in 2013 | (273) | (621) |
| Tax credits | 399 | 1,830 |
| Income tax – branches | (33,102) | (15,268) |
| **Total Income Tax Expense** | **(33,640)** | **(21,843)** |

## NOTE 20 – ALLOCATION OF MERGER DEFICIT

| Allocation of merger deficit | Carrying amount | Actual value | Unrealized gains | Allocation of merger deficit pro rata to unrealized gains |
|---|---|---|---|---|
| Assets recognized in the financial statements of the merged companies | | | | |
| Coface Services Suisse (formerly Cofacerating.Ch) | 66 | 7,021 | 6,954 | 503 |
| Coface Servicios España | 3 | 28,459 | 28,456 | 1,754 |
| Sub-total | 70 | 35,480 | 35,410 | 2,257 |
| Assets not recognized in the financial statements of the merged companies | | | | |
| Purchased goodwill related to: | | | | |
| Coface Assicurazioni | | 54,187 | | 10,156 |
| Coface Austria | | 188,500 | | 10,055 |
| Coface Kredit AG | | 821,864 | | 83,909 |
| Sub-total | | 1,064,552 | | 104,120 |
| | | | | |
| **TOTAL** | **70** | **1,100,032** | **35,410** | **106,377** |

Goodwill is systematically measured at its recoverable amount, determined using the discounted cash flow method.

As a result of the mergers occurred in 2012, La Compagnie Française d'Assurance pour le Commerce Extérieur booked all the merger deficit as intangible asset for a total amount of Euros 104,119,568.

The merger deficit has been allocated to a goodwill.

The goodwill value of each merged entity is € 54,187 thousand for Coface Assicurazioni, € 188,500 thousand for Coface Austria and € 821,864 thousand for Coface Kredit.

## NOTE 21- ADDITIONAL INFORMATION

### Information on employees

| | 2013 | 2012 |
|---|---|---|
| TOTAL | 2,530 | 2,608 |

Compensation paid to members of the Company's management and administrative bodies

(in thousands of euros)

| | Total compensation for the period | Retirement benefit obligations | Loans and advances granted during the period |
|---|---|---|---|
| Members of the Board of Directors | 121 | 40 | 9 |
| Members of the Group Management Board | 977 | 115 | |
| Members of the France Management Board | 866 | 88 | |

Statutory training entitlement

The number of training hours accrued under the French statutory training entitlement but not yet taken at December 31, 2013 totaled 47,939.

## AUDITORS' REPORT ON THE GUARANTOR'S 2013 FINANCIAL STATEMENTS

**Compagnie Française d'Assurance pour le Commerce**

**Extérieur S.A.**

Statutory Auditors' Report on the Financial Statements

*This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. The information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Year ended December 31, 2013
Compagnie Française d'Assurance pour le
Commerce Extérieur S.A.
1 Place Costes et Bellonte – CS 20003
92276 Bois-Colombes Cedex
*This report contains 47 pages*
Reference: FM-141-04

**Compagnie Française d'Assurance pour le Commerce Extérieur S.A.**

Registered Office: 1 Place Costes et Bellonte - CS 20003
92276 Bois-Colombes Cedex
Share Capital: €137,052,417

Statutory Auditors' Report on the Financial Statements

Year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders at their annual general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur (hereinafter the Company);
- the justification of our assessments;
- the specific information and verifications required by law.

The financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

## 1 OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test or other sampling basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the evidence collected is sufficient and provides a reasonable basis for our opinion.

In our opinion the financial statements give a fair and true view of the Company's financial position and its assets and liabilities as of December 31, 2013, and of the results of its operations for the year then ended, in accordance with the accounting principles generally accepted in France

## 2 BASIS OF OUR ASSESSMENTS

Pursuant to the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention to the following matters:

- Your Company recognizes technical provisions to cover its commitments. Note 3 to the financial statements on "Accounting principles and policies" sets out the methods used for estimates. Based on information available at the reporting date, our assessment of the technical provisions focused on an analysis of the calculation methods and assumptions used.

- In note 3 on "Accounting principles and policies", your Company sets out the methods used to measure financial instruments. We examined the control system used to identify and measure these instruments, as well as the appropriateness of the information provided in the above-mentioned note.

- The provision for impairment of the investment portfolio was assessed according to the methods set out in note 3 on "Accounting principles and policies". We assessed the data and assumptions used to determine recoverable amounts, particularly holding periods, as well as the capacity of your company to hold the investments for those periods.

- Note 3 on "Accounting principles and policies" sets out the methods used to measure investments in subsidiaries and affiliates as well as any impairment thereon. We assessed the appropriateness of the measurement methods and assumptions used.

Our assessments were an integral part of our audit of the financial statements as a whole and therefore contributed to the opinion expressed in the first part of this report.

## 3 SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with the auditing standards generally accepted in France.

We have no matters to report regarding the fair presentation and conformity with the financial statements of the information given in the management report of the Board of Directors and in the documents relating to the financial position and the financial statements.

In accordance with French law, we verified that information on investments and controlling interests had been disclosed in the management report.

| | |
|---|---|
| Paris La Défense, 11 March 2014 | Neuilly-sur-Seine, 11 March 2014 |
| KPMG Audit<br>Division of KPMG S.A. | DELOITTE & ASSOCIES |
| Francine Morelli<br>Partner | Damien Leurent<br>Partner |

**ANNUAL FINANCIAL STATMENTS OF THE GUARANTOR FOR THE YEAR ENDED DECEMDER 31, 2012**

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# Balance sheet at December 31, 2012

(in thousands of euros)

| ASSETS | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| **Uncalled subscribed capital / liaison account with head office** | | |
| **Intangible assets** | 197,799 | 81,767 |
| **Investments** | | |
| Property | 26,478 | 911 |
| Investments in subsidiaries and affiliates | 265,849 | 430,623 |
| Other investments | 1,571,395 | 720,145 |
| Deposits with ceding insurers | 2,264 | 1,409 |
| | 1,865,987 | 1,153,088 |
| **Reinsurers' share of provisions** | | |
| Provisions for unearned premiums and unexpired risks | 65,794 | 65,764 |
| Claims provisions | 307,339 | 299,255 |
| Provisions for policyholders' bonuses and rebates | 14,922 | 12,853 |
| | 388,056 | 377,871 |
| **Receivables** | | |
| Receivables arising from direct insurance operations | | |
| Accrued premiums | 103,687 | 83,930 |
| Other | 172,262 | 149,605 |
| Receivables arising from reinsurance operations | 167,075 | 109,135 |
| Other receivables: | | |
| Recoverable personnel costs | 602 | 275 |
| Recoverable taxes | 17,549 | 6,702 |
| Miscellaneous receivables | 242,560 | 128,421 |
| | 703,736 | 478,068 |
| **Other assets** | | |
| Property and equipment used in the business | 15,419 | 6,160 |
| Cash at bank and in hand | 244,880 | 79,384 |
| | 260,299 | 85,544 |
| **Prepayments and accrued income** | | |
| Prepaid interest and rentals | 13,277 | 7,112 |
| Deferred acquisition costs | 36,472 | 22,669 |
| Other | 44,544 | 15,748 |
| | 94,293 | 45,529 |
| **Unrealised translation losses** | 212 | 182 |
| ***TOTAL ASSETS*** | ***3,510,381*** | ***2,222,049*** |

(in thousands of euros)

| EQUITY AND LIABILITIES | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| **Equity** | | |
| Share capital | 137,052 | 137,026 |
| Share premium | 627,437 | 627,144 |
| Other reserves | 192,461 | 190,549 |
| Retained earnings | (35,874) | (151,756) |
| Net income for the year | 106,110 | 56,697 |
| Interim dividend | | |
| | 1,027,186 | 859,660 |
| Technical provisions before reinsurance | | |
| Provisions for unearned premiums and unexpired risks | 239,946 | 104,365 |
| Claims provisions | 1,111,477 | 698 477 |
| Provisions for policyholders' bonuses and rebates | 54,052 | 25,732 |
| Claims equalization provision | 451,510 | 37,862 |
| | 1,856,986 | 866,436 |
| Provisions for liabilities and charges | 109,739 | 68,170 |
| Deposits received from reinsurers | 10,430 | 870 |
| Other payables | | |
| Payables arising from direct insurance transactions | 70,762 | 46,967 |
| Payables arising from reinsurance transactions | 146,661 | 162,841 |
| Other | | |
| Other loans, deposits and sureties | 9,898 | 11,242 |
| Accrued personnel costs | 43,201 | 29,509 |
| Accrued taxes | 43,097 | 42,598 |
| Miscellaneous payables | 156,594 | 86,023 |
| | 470,213 | 379,180 |
| Accrued charges and deferred income | 27,865 | 24,976 |
| Unrealized translation gains | 7,961 | 22,757 |
| ***TOTAL EQUITY AND LIABILITIES*** | ***3,510,381*** | ***2,222,049*** |

**OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2012**

| | | | (in thousands of euros) Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|---|
| **COMMITMENTS RECEIVED** | | | **9,952** | **9,460** |
| **1. On investments:** | | | | |
| - Commitment to purchase Proparco shares (6/05/2013 to 6/05/2018) | | | 7,452 | 6,960 |
| - SCOR SA liability warranty for Unistrat Assurances, maximum amount | | | 2,500 | 2,500 |
| - Lireas Holdings liability warranty for Cual until 9/03/2011: ZAR 1,592.5 thousand | | | | |
| - Guarantee provided by Hanover Reinsurance Africa for commitments made by Lireas Holdings: ZAR 1,592.5 thousand | | | | |
| - Swanvest liability warranty for Cual until 9/03/2011: ZAR 1,885 thousand | | | | |
| - Guarantee provided by Santam for commitments made by Swanvest: ZAR 1,885 thousand | | | | |
| - IPRJ Investments liability warranty for Cual until 9/03/2011: ZAR 1,592.5 thousand | | | | |
| - Guarantee provided by Kreditinform for commitments made by IPRJ Investments: ZAR 1,592.5 thousand | | | | |
| | | **Total** | 9,952 | 9,460 |
| **2. Forward purchases of foreign currencies:** (from 29/12/10 to 28/01/11) | | | | |
| | EUR | | | |
| | | **Total** | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| **COMMITMENTS GIVEN** | | | **5,294** | **12,849** |
| **1. Guarantees and endorsements** | | | | |
| - Natixis guarantee on employees' time savings accounts (payment guarantee from 26/02/10 to 24/02/11) | EUR | | | |
| | | **Total** | 0 | 0 |
| **2. On investments** | | | | |
| - Commitment to subscribe to the E. De Rothschild private equity funds (I and II + Side) | | | 1,237 | 1,154 |
| - Commitment to subscribe to the Ventech Capital private equity fund | | | 915 | 1,353 |
| | | **Total** | 2,152 | 2,507 |
| **3. Forward sales of foreign currencies** (from 29/12/10 to 28/01/11) | | | | |
| | GBP | 28 000 | | |
| | HKD | 250 000 | | |
| | | **Total** | 0 | 0 |
| **4. Interest rate swaps: non-hedging derivatives** | | | | |
| - Schatz contracts: commitment to sell 13 2Y German bonds (maturity end-December 2014) | | | 1,300 | 400 |
| - Bund contracts: commitment to sell 18 10Y German bonds (maturity January 2022) | | | 1,800 | 4,600 |
| - Bobl contracts: commitment to purchase 52 5Y German bonds (maturity end-March 2012) | | | | 5,200 |
| - Buxl contracts: commitment to sell 13 24Y to 35Y German bonds (maturity March 2011) | | | | |
| | | | 3,100 | 10,200 |
| **5. Equipment and finance leases** | | | | |
| - Miscellaneous equipment with initial cost, excluding VAT, of €304 thousand (3 to 5 years), of which €42 thousand due within 1 year | | | 42 | 142 |
| | | | 42 | 142 |

| | | |
|---|---|---|
| **COLLATERAL RECEIVED**<br>Securities lodged as collateral for reinsurers' share of technical provisions | **373,541** | **333,849** |

Derivative instruments are used solely for hedging purposes. Coface does not engage in derivatives trading activities.

Hedging gains and losses are included in Coface SA's underwriting income.

# Income statement for the year ended December 31, 2012

## Technical account

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Gross | Ceded business | Net | Gross | Ceded business | Net |
| **Earned premiums** | ***1,205,750*** | ***(356,305)*** | ***849,445*** | ***718,750*** | ***(379,493)*** | ***339,257*** |
| Gross written premiums | 1,207,818 | (351,761) | 856,058 | 722,159 | (395,249) | 326,910 |
| Change in provisions for unearned premiums and unexpired risks | (2,068) | (4,545) | (6,613) | (3,409) | 15,756 | 12,347 |
| **Allocated investment income transferred from the non-technical account** | ***5,522*** | | ***5,522*** | 493 | | 493 |
| **Other underwriting income** | ***67,344*** | | ***67,344*** | **71,846** | | **71,846** |
| **Claims expenses** | ***(672,726)*** | ***184,335*** | ***(488,391)*** | ***(325,954)*** | ***179,534*** | ***(146,420)*** |
| Paid claims | (698,375) | 200,125 | (498,250) | (223,797) | 119,183 | (104,615) |
| Change in claims provisions | 48,131 | (15,790) | 32,341 | (65,729) | 60,351 | (5,378) |
| Claims handling expenses | (22,482) | | (22,482) | (36,428) | | (36,428) |
| **Policyholders' bonuses and rebates** | | | | | | |
| Change in provisions for policyholders' bonuses and rebates | (9,252) | 2,070 | (7,182) | (6,920) | 4,294 | (2,626) |
| **Policy acquisition costs and administrative expenses** | ***(416,300)*** | ***117,491*** | ***(298,810)*** | ***(274,998)*** | ***108,268*** | ***(166,730)*** |
| Policy acquisition costs | (252,136) | | (252,136) | (165,383) | | (165,383) |
| Administrative expenses | (164,164) | | (164,164) | (109,615) | | (109,615) |
| Reinsurance commissions | | 117,491 | 117,491 | | 108,268 | 108,268 |
| **Other underwriting expenses** | ***(56,978)*** | | ***(56,978)*** | **(31,940)** | | ***(31,940)*** |
| **Change in claims equalization provision** | ***(17,490)*** | | ***(17,490)*** | **(13,837)** | | ***(13,837)*** |
| ***UNDERWRITING INCOME*** | **105,870** | **(52,411)** | **53,460** | 137,440 | (87,397) | **50,043** |

## Income statement for the year ended December 31, 2012

## Non-technical account

(in thousands of eu

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| **Underwriting income** | ***53,460*** | ***50,043*** |
| **Investment income** | ***131,466*** | ***51,593*** |
| Interest and dividend income | 87,832 | 38,972 |
| Other investment income | 12,498 | 2,075 |
| Gains on disposal of investments | 31,136 | 10,546 |
| **Investment expenses** | ***(42,004)*** | ***(50,241)*** |
| Internal and external portfolio management expenses and interest expense | (2,178) | (1,850) |
| Portfolio management expenses | (5,203) | (5,134) |
| Other investment expenses | (15,515) | (31,513) |
| Losses on disposal of investments | (19,108) | (11,744) |
| **Investment income transferred to the technical account** | ***(5,522)*** | ***-493*** |
| **Other non-underwriting income** | 1,081 | 1,329 |
| **Other non-underwriting expenses** | | |
| **Non-recurring income and expenses, net** | ***(5,481)*** | ***21,377*** |
| Non-recurring income | 6,153 | 35,822 |
| Non-recurring expenses | (11,634) | (14,445) |
| **Employee profit-sharing** | ***(5,047)*** | ***(4,684)*** |
| **Corporate income tax** | ***(21,843)*** | ***(12,228)*** |
| ***NET INCOME FOR THE YEAR*** | **106,109** | **56,697** |

*Proforma income statement*

| | Dec. 31, 2012 | | | 31/12/2011 (PROFORMA) | | | Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|
| | Gross | Ceded business | Net | Gross | Ceded business | Net | Net |
| **Earned premiums** | **1,205,750** | **(356,305)** | **849,445** | **1,213,907** | **(372,009)** | **841,898** | **339,257** |
| Premiums written | 1207,818 | (351,761) | 856,058 | 1226,527 | (387,684) | 838,843 | 326,910 |
| Change in provisions for unearned premiums and unexpired risks | (2,068) | (4,545) | (6,613) | (12,620) | 15,676 | 3,056 | 12,347 |
| **Allocated investment income transferred from non-technical income statement (*)** | | | | | | | 493 |
| **Other underwriting income** | **67,344** | | **67,344** | **72,525** | | **72,525** | **71,846** |
| **Claims expenses** | **(672,726)** | **184,335** | **(488,391)** | **(645,341)** | **180 482** | **(464,859)** | **(146,420)** |
| Paid claims | (698,375) | 200,125 | (498,250) | (461,129) | 119,643 | (341,486) | (104,615) |
| Change in claims provisions | 48,131 | (15,790) | 32,341 | (151,129) | 60,838 | (90,290) | (5,378) |
| Claims handling expenses | (22,482) | | (22,482) | (33,083) | | (33,083) | (36,428) |
| **Policyholders' bonuses and rebates** | | | | | | | |
| Change in provisions for policyholders' bonuses and re | (9,252) | 2,070 | (7,182) | (10,413) | 4,278 | (6,135) | (2,626) |
| **Policy acquisition costs and administrative expenses** | **(416,300)** | **117,491** | **(298,810)** | **(399,904)** | **105,207** | **(294,697)** | **(166,730)** |
| Policy acquisition costs | (252,136) | | (252,136) | (235,929) | | (235,929) | (165,383) |
| Administrative expenses | (164,164) | | (164,164) | (163,976) | | (163,976) | (109,615) |
| Reinsurance commissions | | 117,491 | 117,491 | | 105,207 | 105,207 | 108,268 |
| **Other underwriting expenses** | **(56,978)** | | **(56,978)** | **(42,896)** | | **(42,896)** | **(31,940)** |
| **Change in claims equalisation provision** | **(17,490)** | | **(17,490)** | **(14,249)** | | **(14,249)** | **(13,837)** |
| ***Net income for the year*** | **100,348** | **(52,411)** | **47,938** | **173,629** | **-82 042** | **91,587** | **50,043** |

| | 31/12/2012 | 31/12/2011 (PROFORMA) | 31/12/2011 |
|---|---|---|---|
| **Technical income** | **47,938** | **91,587** | **50,043** |
| **Net financial income (*)** | **89,462** | **52,638** | **1,352** |
| **Allocated investment income transferred from non-technical income statement (*)** | | | **(493)** |
| **Other non-technical income and expense** | **1,081** | | **1,329** |
| **Non-recurring income and expense, net** | **(5,481)** | **22,381** | **21,377** |
| **Employee profit-sharing** | **(5,047)** | **(4,684)** | **(4,684)** |
| **Corporate income tax** | **(21,843)** | **(17,569)** | **(12,228)** |
| ***Net income for the year*** | **106,109** | **144,353** | **56,697** |

(*) In view of the practical difficulties in breaking down financial income and expense, only the net financial income is disclosed.
2012 figures have been included in the same format.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 - SIGNIFICANT EVENTS

2011 and 2012 were two years of reconstruction for Compagnie Française d'Assurance pour le Commerce Extérieur, centered on three key aims: paving the way for an independent and profitable growth model, strengthening the fundamentals of our core business of credit insurance, and putting in place a structured, but flexible governance system that can drive innovation.

These developments were underpinned by the Strong Commitment business plan, with 80 projects implemented over the past two years. The main achievements under this plan in 2012 were the following:

- Strengthening the Group's governance and simplifying its legal structure, in particular by converting all of the Group's European companies (in Germany, Italy, Austria, Central Europe and Northern Europe) into branches of Compagnie Française d'Assurance pour le Commerce Extérieur. This reorganization was completed in November 2012 after all the necessary legal, regulatory and tax authorizations had been obtained in each of the countries concerned.

- Putting in place a culture of prevention based on better risk underwriting and enhanced "buyer" information. As from 2011, a structural plan called "Beware of Claims" was rolled out, aimed at ensuring optimal risk monitoring. This plan was stepped up in 2012 through:

    - several action plans launched in the Southern European countries, particularly Spain and Italy;

    - the rollout of a new procedure for assessing and monitoring the largest exposures;

    - the standardization and reworking of the underwriting conditions for the Guarantee and Single Risk businesses (notably duration, type of cover granted and segregation of duties).

In parallel, the underwriting organization was overhauled with a more decentralized structure put in place for underwriting decisions. The Business Information activity has also been restructured, with lower added-value studies centralized at world level in three countries – Peru, India and Morocco – and enhanced information teams with greater value added set up in all countries, in close proximity to the businesses and the risk underwriters.

- Centralizing all IT teams under the supervision of a Group IT director.

- Optimizing the Group's asset/liability management: a €1.1 billion factored receivables securitization programmer was set up in Germany and €250 million worth of commercial paper was issued. Consequently, the portion of factoring financed through the financial markets amounted to 79% at the end of 2012 compared with 13% at end- 2011.

- Drawing up and filing with the French regulator (*Autorité de Contrôle Prudentiel*) an internal model for calculating capital requirements under Solvency II, based on the management of the own risks of Compagnie Française d'Assurance pour le Commerce Extérieur.

- Carrying out reorganizations to improve operating efficiency, particularly in Italy, Asia, South Africa and Western Europe.

As from the beginning of the second half of 2012, the focus was placed on business expansion. A "Grow Fast" plan was set up in June 2012 at the level of each country, region and the Group as a whole. Business reorganization plans were drawn up, and a new service offer was launched for large contracts (Global Solutions) as well as a new top-up cover product for existing customers (Topliner).

**Conversion of Group entities into branches:**

Until the end of 2011, Compagnie Française d'Assurance pour le Commerce Extérieur had 16 branches:

- Coface Australia
- Coface Argentina
- Coface Belgium
- Coface Luxembourg
- Coface Canada
- Coface Taiwan
- Coface Chile
- Coface Hong Kong
- Coface Singapore
- Coface Tokyo
- Coface Ireland
- Coface Switzerland
- Coface Iberica
- Coface Portugal
- Coface Ecuador
- Coface UK

In order to comply with the new Solvency II capital adequacy requirements, in 2012, 16 Group entities became direct branches of Compagnie Française d'Assurance pour le Commerce Extérieur by means of cross-border mergers.

At end-2012, Compagnie Française d'Assurance pour le Commerce Extérieur consolidated 16 foreign branches into its financial statements, with retroactive effect from January 1, 2012.

The entities concerned are:

- Coface Deutschland AG
- Coface Kreditversicherung Deutschland AG and its former branches
    - Coface Nederland
    - Coface Kreditforsikring (Denmark)
    - Coface Sverige (Sweden)

- Coface Assicurazioni SpA

- Coface Austria Holding

- Coface Kreditversicherung Austria AG and its former branches

    - Coface Czech Credit Insurance

    - Coface Hungary Credit Insurance

    - Coface Latvia Credit Insurance

    - Coface Lithuania Credit Insurance

    - Coface Poland Credit Insurance

    - Coface Romania Credit Insurance

    - Coface Slovakia Credit Insurance

    - Coface Bulgaria Credit Insurance

An analysis of the differences between French GAAP and local GAAP applicable to the entities converted into branches led to the recognition in retained earnings of income totaling €59,399,517.53.

The main restatements related to the following:

- Subrogation and salvage: €29,157 thousand
- Capitalization of software development costs: €16,809 thousand
- Cancellation of provisions for prolonged impairment in value: €16,767 thousand
- Claims provisions: €9,017 thousand
- Employee benefit obligations: €2,851 thousand
- Deferred acquisition costs: €5,977 thousand
- Cancellation of deferred taxes €(13,813) thousand
- Cancellation of property revaluations: €(5,039) thousand
- Premiums/discounts: €(1,542) thousand
- Depreciation and amortization expense: €(784) thousand

The restatements were calculated on a retroactive basis except for the impacts on the claims equalization provision and the capitalization reserve, which were impossible to calculate retroactively. The calculations related to this provision and reserve were performed on January 1, 2012 in accordance with French GAAP based on the 2011 amounts.

**Mergers:**

The following five mergers were carried out in 2012 as part of the Company's branch project:

**One domestic merger prior to the cross-border merger of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Austria Holding AG:**

Merger of Austria Holding AG and Coface Austria Kreditversicherung AG

**Four cross-border mergers:**

Merger of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Assicurazioni SpA

Merger of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Deutschland Holding AG

Merger of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Kreditversicherung Deutschland AG

Merger of Compagnie Française d'Assurance pour le Commerce Extérieur and Coface Austria Holding AG

The cross-border mergers were subject to Directive 2005/56/EC dated October 26, 2005 on cross-border mergers of limited liability companies. As each merger constituted an internal restructuring operation, the values of the transferred assets and liabilities were calculated based on their carrying amounts at December 31, 2011.

<u>Merger with Coface Deutschland AG</u>

At January 1, 2012, the value of the assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur by Coface Deutschland AG amounted to €281,688,266, and the value of the liabilities transferred was €184,512,667, representing a net asset transfer of €97,175,599.

In accordance with regulation CRC 2004-01, a merger surplus was recorded, amounting to €19,921,658 and corresponding to the excess of the value of the net assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur over the carrying amount of its existing investment in Coface Deutschland AG, which totaled €77,253,941.

<u>Merger with Coface Kreditversicherung Deutschland AG</u>

At January 1, 2012, the value of the assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur by Coface Kreditversicherung Deutschland AG amounted to €792,173,754, and the value of the liabilities transferred was €703,519,591, representing a net asset transfer of €88,654,163.

In accordance with regulation CRC 2004-01, a merger deficit was recorded, amounting to €83,908,601 and corresponding to the negative difference between the value of the net assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur and the carrying amount of its existing investment in Coface Kreditversicherung Deutschland AG, which totaled €172,562,764.

<u>Merger with Coface Assicurazioni SPA</u>

At January 1, 2012, the value of the assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur by Coface Assicurazioni amounted to €340,544,612, and the value of the liabilities transferred was €304,791,892, representing a net asset transfer of €35,752,720.

In accordance with regulation CRC 2004-01, a merger deficit was recorded, amounting to €10,156,690 and corresponding to the negative difference between the value of the net assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur and the carrying amount of its existing investment in Coface Assicurazioni, which totaled €45,909,410.

Merger with Coface Kreditversicherung Austria AG

At January 1, 2012, the value of the assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur by Coface Kreditversicherung Austria AG amounted to €74,349,549, and the value of the liabilities transferred was €47,472,426, representing a net asset transfer of €26,877,123.

In accordance with regulation CRC 2004-01, a merger deficit was recorded, amounting to €81,773,277 and corresponding to the negative difference between the value of the net assets transferred to Compagnie Française d'Assurance pour le Commerce Extérieur and the carrying amount of its existing investment in Coface Kreditversicherung Austria AG, which totaled €108,650,401.

The accounting gain on the sale of Coface Austria Holding shares by Coface Deutschland AG to Compagnie Française d'Assurance pour le Commerce Extérieur was recognized during the interim period prior to the merger (first quarter 2012) and therefore had to be cancelled (in an amount of €71,719,000). This internal disposal gain was deducted from the €81,773,277 merger deficit, giving a final merger deficit of €10,054,277.

In summary, therefore, the mergers resulted in the following merger surpluses and deficits:

- A €19,922 thousand merger surplus for the Coface Deutschland AG transaction
- A €10,055 thousand merger deficit for the Coface Kreditversicherung Austria AG transaction
- A €10,157 thousand merger deficit for the Coface Assicurazioni SpA transaction
- An €83,909 thousand merger deficit for the Coface Kreditversicherung Deutschland AG transaction

In accordance with Recommendation 5005-C issued by the Urgent Issues Task Force of the French National Accounting Board (*Conseil National de la Comptabilité* – CNC), the surpluses and deficits arising on the mergers were not netted but were calculated and recognized individually.

According to regulation CRC 2004-01, a merger deficit can be broken down into the following two elements:

- A technical deficit, which is generally recognized when the net value of the merged company's shares recorded in the surviving company's balance sheet is higher than the accounting value of the net assets transferred as part of the merger. It corresponds to unrealized gains on assets which may or may not be recognized in the merged company's accounts.

- An "actual" deficit which corresponds to the balance of the merger deficit and may represent additional impairment of the surviving company's investment in the merged company.

The aggregate technical merger deficit for Compagnie Française d'Assurance pour le Commerce Extérieur – amounting to €104,119,568 and corresponding to unrealized gains on assets not recognized in the merged companies' accounts (goodwill) – was recognized in full in intangible assets. The €19,921,658 merger surplus was recognized in "Net financial income".

Impairment tests will be carried out on the technical merger deficit at each reporting date and the amount recognized will be written down if necessary.

**Other merger:**

On March 29, 2012, Unistrat was merged with Compagnie Française d'Assurance pour le Commerce Extérieur. The merger surplus on the transaction amounted to €1,379 thousand.

**Agreement with the French government:**

- A new, four-year agreement was signed with the French government on January 1, 2012.

- **The "GP Greece" mechanism:**
  Given the economic and financial situation in Greece and the inadequate supply of private insurance coverage for exports to that country, the French government has entrusted Compagnie Française d'Assurance pour le Commerce Extérieur with managing a new, short-term credit insurance offering for French companies wishing to export to Greece.

## NOTE 2 – ACCOUNTING PRINCIPLES AND POLICIES

### General principles

The financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur have been prepared in accordance with French insurance accounting standards (Decree no. 94-481 dated June 8, 1994 and the Government Order dated June 20, 1994, transposing into French law the EU Directive of December 19, 1991 concerning the financial statements of insurance companies)

These financial statements incorporate the financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur's 30 international branches.

### Analysis of expenses by function

General and administrative expenses are initially recognized by nature and then analyzed by function using cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative expenses and other underwriting expenses are shown separately in the income statement.

### Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in the currency in which the transaction took place. For the preparation of the financial statements, balance sheet items are translated into euros at the period-end exchange rate or, if that rate is not available, at the rate prevailing at the end of the month preceding the period end.

In accordance with regulation CRC 2007-07 applicable from January 1, 2008, currency translation differences are broken down into operating elements and structural elements:

- Translation differences on operating items are recognized in income.

- Translation differences arising on additions to provisions recognized for structural changes relating to certain branches for tax or regulatory reasons are recognized in an accruals account in the balance sheet.

  The results of the operations of branches that are included in the parent company's financial statements are considered as structural items as no cash flows are generated from the inclusion of these results, and the accumulated profits are used to finance the branches' activities and development. Translation differences arising on these results are therefore recognized in an accruals account in the balance sheet.

### Fixed assets

**a - Intangible assets**

**IT research and development costs**

In accordance with CNC Recommendation 2004-15 of June 23, 2004, IT development costs are capitalized and amortized as from the date the assets concerned are put into service. In order to recognize these development costs as intangible assets, an entity must be able to demonstrate the following:

- 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;

- how the intangible asset will generate probable future economic benefits;
- the current or future availability of adequate resources to complete the development and use or sell the intangible asset;
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Intangible assets are amortized using the following methods and over the following periods:

| | **Amortization method** | **Amortization period** |
|---|---|---|
| Internally-developed software | Straight line | 15 years* |
| Purchased software | Straight line | 5 years |

* This period corresponds to the asset's maximum useful life.

**b – Property and equipment:**

Property and equipment are depreciated using the following methods and over the following periods:

| | **Depreciation method** | **Depreciation period** |
|---|---|---|
| IT equipment, excluding PCs | Straight line | 5 years |
| PCs | Straight line | 3 years |
| Furniture, office equipment, fixtures and fittings | Straight line | 8 years |
| Vehicles | Straight line | 4 years |
| Other equipment | Declining balance | 5 years |

A standard issued by the CNC requires entities to apply the component approach to items of property, plant and equipment, whereby the significant parts of individual assets are accounted for as separate units and depreciated accordingly. In compliance with this standard, Coface has separated its buildings into the following components:

- Land — Not depreciated
- Enclosed/covered structure — Depreciated over 30 years
- Technical equipment — Depreciated over 15 years
- Building improvements — Depreciated over 10 years

## Investments

Investments are recorded at historical cost.

A "liquidity risk provision" is recognized in cases where the total fair value of investments covered by Article R.332-20 of the French Insurance Code (*Code des assurances*) represents less than their acquisition cost.

No such provision was recorded as at December 31, 2012.

This provision is in addition to any provisions for prolonged impairment in value recognized on a case-by-case basis. Compagnie Française d’Assurance pour le Commerce Extérieur applies the criteria provided in Recommendation 2002 F issued by the CNC on December 18, 2002 to assess whether impairment in value should be considered prolonged. Where market volatility is low, the impairment is qualified as prolonged if the market value remains more than 20% lower (excluding currency effects) than the investment’s carrying amount for a period of over six months. The calculation of the provision takes into account the intended holding period of the asset concerned and the probability of the impairment loss being reversed over that period. Where market volatility is high, a provision is recognized if the market value of an investment is more than 30% lower (excluding currency effects) than its carrying amount for a period of six months.

No provision for prolonged impairment in value was recorded as at December 31, 2012.

In application of Article R.332-19 of the French Insurance Code, a provision for impairment is recognized on redeemable securities if the issuers present a risk of being unable to fulfil their commitments (payment of interest and repayment of principal). There were no such provisions at December 31, 2012 as the €7.9 million provision for counterparty risk recorded at December 31, 2011 for the purpose of covering 70% of the value of the Greek government bonds held by the Company was reversed in 2012 following the sale of said bonds.

Gains and losses on disposals of investments are determined using the first-in first-out (FIFO) method.

In accordance with Article R.333-2 of the French Insurance Code, gains and losses on sales of bonds and marketable debt securities are recognized in the capitalization reserve. This reserve is a technical provision aimed at reducing fluctuations in the performance of fixed rate bonds in the event of changes in interest rates.

### a - Property assets

Buildings are recognized at their historical acquisition cost and depreciated over 50 years.

Coface has separated its buildings into the following components:

- Land Not depreciated
- Enclosed/covered structure Depreciated over 30 years
- Technical equipment Depreciated over 15 years
- Building improvements Depreciated over 10 years

The realizable value of buildings and shares in non-trading property companies (SCI) is determined based on five-yearly independent valuations, updated annually.

**b - Investments in subsidiaries and affiliates**

The realizable value of these investments is determined based on the companies' revalued net assets, earnings, outlook and their value in use for the Company.

Investments that are intended to be held on a long-term basis are carried at cost and written down only in cases where they have suffered a prolonged impairment in value.

**c - Forward financial instruments**

Transactions in forward financial instruments include:

- Forward currency transactions, designed to hedge the risk of adverse fluctuations in exchange rates.

- Swaps, to hedge the risk of a rise in interest rates.

- Purchase (call) and sale (put) options, to hedge the risk of a rise or fall in the prices of the underlying assets.

The nominal amount of these hedges is strictly limited to the amount of the underlying assets held in the portfolio in order to ensure that these assets are effectively hedged.

Options are recognized in an accruals account in accordance with Recommendation 2002-09 issued by the CRC (French Accounting Standards Committee) as they qualify as transactions used as part of a yield-raising strategy. At each reporting date, any unrealized gains or losses on options are analyzed and the gain or loss arising on the effective portion of the hedge is recognized in income.

Any contingent commitments related to these transactions are included in off balance-sheet commitments.

**d - Other investments**

The Company's investment portfolio essentially comprises listed securities and mutual fund units. The realizable value of these investments is determined based on the closing price on the last trading day preceding the period-end.

The value of unlisted securities is determined in the same way as for investments in subsidiaries and affiliates.

Redeemable securities are recognized in the balance sheet at their acquisition cost excluding accrued interest and transaction expenses. When the redeemable value is different from the purchase cost, the difference is recognized, for each line of securities, in income over the residual life of the security using a discounting method.

**Receivables and payables**

Receivables and payables are stated at their nominal value. Provisions for impairment in value are recognized to reflect any collection difficulties likely to arise.

**Stock options**

Where applicable, provisions are recognized at the period-end to reflect the potential cost of stock options in the income statement. The provisions are determined based on the probability of the options being exercised, the exercise price, the exercise period and staff turnover assumptions. Where the shares to be allocated on exercise of stock options have not yet been purchased, the provision also takes into account assumptions concerning the price payable to acquire the required number of shares.

These provisions are recorded under provisions for liabilities and charges.

No provisions for stock options have been recognized since December 31, 2008 and the last plan expired on December 2, 2012.

**Employee benefits**

The Company contributes to retirement plans in accordance with the law and the applicable practices under the collective bargaining agreement for insurance companies. The present value of the Company's retirement benefit obligations is included in provisions for liabilities and charges and relates primarily to statutory retirement bonuses, pensions, seniority bonuses, long-service awards and employer contributions to healthcare plans for retired employees.

Based on plan regulations, 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 bonuses, 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 main assumptions used at end-2012 were as follows:

- In France:

An inflation rate of 2% and a rate of increase of salaries (including inflation) of 2.30%.

The discount rates used – corresponding to 2.60% (2.85% sensitivity) for statutory retirement bonuses, 2.20% (2.45% sensitivity) for long-service awards, 1.40% (1.65% sensitivity) for pensions and 3.00% (3.25% sensitivity) for medical expenses – are based on the French government bond (OAT) yield curve specific to each plan.

- In Austria:

An inflation rate of 2% and a rate of increase of salaries (including inflation) of 3.00%.

The discount rate used for retirement benefits was 3.10% (3.35% sensitivity).

- In Germany:

An inflation rate of 2% and a rate of increase of salaries (including inflation) of 2.50%.

The discount rate used for retirement benefits was 3.10% (3.35% sensitivity).

- In Italy:

An inflation rate of 2% and a rate of increase of salaries (including inflation) of 3.00%.

The discount rate used for retirement benefits was 3.10% (3.35% sensitivity).

- The actuarial value of benefits related to current and, where applicable past, 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.

Compagnie Française d'Assurance pour le Commerce Extérieur has implemented Recommendation 2003-R-01 issued by the CNC on April 1, 2004, relating to retirement benefit obligations. This recommendation sets out a basis for measuring retirement benefit obligations that is similar to that prescribed in International Financial Reporting Standards (IAS 19), and allows for unrecognized actuarial gains and losses to be recognized in equity (applicable since 2004).

**Underwriting operations**

**a - Premiums**

Gross premiums correspond to written premiums, excluding tax. They are stated net of premium cancellations and rebates and paid bonuses, but include an estimate of earned premiums not yet written and premiums to be cancelled after the period-end.

Premiums are primarily based on policyholders' declarations as to their revenue.

The Company's exchange risk cover activity is classified as financial loss insurance.

Compagnie Française d'Assurance pour le Commerce Extérieur also receives policy fees, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to clients and partners.

**b - Provision for unearned premiums**

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

The calculation of this provision only concerns policies where the revenue declaration by policyholders is either annual or quarterly (excluding Unistrat and investment insurance).

**c - Provision for unearned premiums not yet written**

The provision for unearned premiums not yet written corresponds to both premiums relating to contracts signed but not yet invoiced and estimates of adjustments calculated individually for each policy.

**d - Deferred acquisition costs**

Policy acquisition costs, including acquisition commissions and internal expenses related to contract preparation, are deferred over the life of the contracts according to the same rules as those for unearned premium provisions. They are recognized in the balance sheet under "Deferred acquisition costs". Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

**e - Paid claims**

Paid claims correspond to insurance settlements net of subrogation and salvage, plus claims handling expenses.

Losses arising on exchange risk cover are classified as claims and gains are classified as subrogation and salvage.

**f - Claims provisions**

Claims provisions include provisions to cover the estimated cost of all reported claims not settled at the period-end. Compagnie Française d'Assurance pour le Commerce Extérieur also records a provision for claims incurred but not yet reported, which is estimated based on statistics corresponding to an estimate of the final amount of the loss to be settled after the risk has been extinguished and after all subrogation and salvage.

Claims provisions also include a provision for future economic risks that may impact end-of-year premiums as well as a provision for claims handling expenses.

As well as this statistical estimate, specific provisions are recognized for major claims based on probability of default and loss severity in the event of default, estimated on a case-by-case basis.

Provisions for claims incurred but not yet reported are calculated on a "best estimate" basis using the information known at the reporting date. This method remains unchanged relative to that used in 2010.

**g - Subrogation and salvage**

Subrogation and salvage represent estimated recoveries by underwriting year. Since 2006, a forecasting model using bootstrap methodology has been used to calculate this provision. The confidence interval of 90% is identical to the interval used to calculate the final gross claims provision.

**h - Provisions for policyholders' bonuses and rebates**

This provision is calculated policy by policy based on the whole portfolio for which policyholders are contractually entitled to bonuses.

Part of the provision corresponds to policyholder bonuses due at the period-end but not yet paid, and part represents an estimate of the fraction of rebates of premiums already written. The latter calculation is based on the average loss ratio of each policy by underwriting year.

**i - Claims equalization provision**

The claims equalization provision for credit insurance business is intended to cover future possible underwriting losses and is funded by transfers from underwriting income each year.

In accordance with Article R.331-33 of Decree no. 91398 of April 25, 1991, 75% of credit insurance underwriting income, net of reinsurance, is allocated to the claims equalization provision each year.

The calculation of underwriting income does not include the fraction of credit insurance revenue corresponding to business that is not qualified as insurance cover or the related direct and indirect costs.

Transfers are no longer compulsory once the claims equalization provision represents 134% of average annual premium collections for the previous five years, net of ceded premiums but including inward reinsurance premiums. Annual transfers to the provision are used on a first-in first-out basis to offset underwriting losses for the year. Annual allocations that have not been utilized for this purpose within ten years are written back to taxable income in the eleventh year.

If credit insurance operations generate an underwriting loss, an equivalent amount is released from the claims equalization provision to offset the amount.

**j - Allocated investment income transferred from the non-technical income statement**

This income represents the fraction of total net investment income relating to assets representing technical provisions that is transferred from the non-technical account to enable underwriting income to be more representative.

**REINSURANCE OPERATIONS**

**a - Inward reinsurance**

Inward reinsurance is accounted for contract by contract based on actual or estimated results for the year.

Technical provisions are determined based on amounts reported by ceding reinsurers, as adjusted upwards by the Company where appropriate.

**b - Ceded reinsurance**

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

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

**Tax consolidation**

Compagnie Française d'Assurance pour le Commerce Extérieur has been a member of the Natixis tax consolidation group since January 1, 2003. The registered office of Natixis is at 30, Avenue Pierre Mendes France, 75013 Paris, France.

**Consolidating entities**

The Company's financial statements are fully consolidated by Natixis, whose registered office is at 30, avenue Pierre Mendes France, 75013 Paris, France.

In 2012, the Company's financial statements were also fully consolidated for the first time by Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface Holding SAS).

**OPERATIONS CARRIED OUT ON BEHALF OF THE FRENCH GOVERNMENT**

**a - Government guarantee**

Some of the Company's operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code. This essentially concerns the following activities, which are aimed at supporting and developing the French export trade:

- credit insurance, providing coverage for an exporter or its bank against the risk of non-repayment of an export loan;

- foreign investment insurance, protecting against political risk, ownership risk and inability to collect the revenues generated by investments;

- foreign exchange insurance, against the risk of depreciation in export billing currencies;

- prospection insurance, which protects SMEs against the risk of their prospecting activities in foreign markets failing to produce results;

**-** exporter risk insurance, which protects banks against the insolvency of an exporter for which they have issued guarantees (such as for the reimbursement of advance payments) or to which they have granted a prefinancing loan.

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

- These operations do not have to be recognized in the Company's balance sheet or income statement. Only the related management fees received are recognized in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government.

- Compagnie Française d'Assurance pour le Commerce Extérieur keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Compagnie Française d'Assurance pour le Commerce Extérieur and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more statutory auditors.

Without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Compagnie Française d'Assurance pour le Commerce Extérieur other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of January 25, 1985 relating to the court-ordered receivership and liquidation of companies, (ii) Act 84-148 of March 1, 1984 relating to the prevention and out-of-court settlement of companies' financial difficulties, or (iii) Articles L.310-25 and L. 326-2 to L.327-6 of the French Insurance Code.

**b - Public procedures management**

The services provided by the Company in terms of managing French public credit insurance procedures qualify as insurance business despite the fact that they solely correspond to management on behalf of a third party. Consequently, the remuneration received from the French government for these services is reported under "Other underwriting income". The corresponding costs are analyzed based on their respective functions and are included under the same income statement headings as the expenses incurred by the Company in connection with its private market insurance activities (see the section above on operations carried out on behalf of the French government).

## NOTES TO THE BALANCE SHEET

## NOTE 3. INTANGIBLE ASSETS

### Note 3.1 Movements in intangible assets

| | Dec. 31, 2011 | New branches | Acquisitions | Disposals | Other movements | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| **Start-up costs** | | **1,250** | | | | **1,250** |
| **IT development costs** | **100,562** | **25,827** | **717** | **119** | **666** | **127,653** |
| Development cost – France | 100,562 | | 0 | 0 | 640 | 101,202 |
| Development cost – Branches | | 25 827 | 717 | 119 | 26 | 26,451 |
| **IT development costs in progress** | **15,431** | **0** | **1,042** | **346** | **(14,142)** | **1,985** |
| Software - France | 15,211 | | 852 | 346 | (14,142) | 1,575 |
| Software - branches | 220 | | 190 | 0 | | 410 |
| **Merger costs: BIM** | **344** | | | | | **344** |
| **Merger costs: Coface RBI** | **16** | | | | | **16** |
| **Software** | **16,596** | **11,545** | **6,151** | **282** | **13,529** | **47,539** |
| Software - France | 13,680 | | 1,693 | 4 | 13,503 | 28,872 |
| Software - branches | 2,916 | 11,545 | 4,458 | 278 | 26 | 18,667 |
| **Cofacerating.Com merger deficit** | **2,257** | | | | | **2,257** |
| **Coface Assicurazioni merger deficit** | | **10,157** | | | | **10,157** |
| **Coface Austria Holding merger deficit** | | **10,055** | | | | **10,055** |
| **Coface Deutschland AG Holding merger deficit** | | | **83,909** | | | **83,909** |
| **Business goodwill - Italian & Austrian branch** | | **53** | **246** | | | **299** |
| **Business goodwill - Australian branch** | **1,572** | | | | | **1,572** |
| **Total** | **136,778** | **58,887** | **92,065** | **747** | **53** | **287,036** |

### Note 3.2 Movements in amortization and provisions

| | Dec. 31, 2011 | New branches | Acquisitions | Disposals | Other movements/ Translation adjustments | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| **Start-up costs** | | **1,250** | | | | 1,250 |
| **IT development costs** | **40,507** | **8,914** | **10,468** | **1,092** | **0** | **58,797** |
| Development costs – France | 40,507 | | 7,265 | 1,092 | | 46,680 |
| Development costs – branches | | 8,914 | 3,203 | 0 | **0** | 12,117 |
| **Merger costs: BIM** | **344** | | | | | **344** |
| **Merger costs: Coface RBI** | **16** | | | | | **16** |
| **Software** | **14,143** | **9,535** | **5,247** | **95** | **0** | **28,830** |
| Software - France | 11,756 | | 2,307 | 4 | | 14,059 |
| Software - branches | 2,387 | 9,535 | 2,940 | 91 | 0 | 14,771 |
| **Total** | **55,011** | **19,699** | **15,715** | **1,187** | **0** | **89,237** |

## Note 3.3 Net intangible assets

*(in thousands of euros)*

| | Gross | Amortization and provisions | Net |
|---|---|---|---|
| **Start-up costs** | **1,250** | **1,250** | **0** |
| **IT development costs** | **127,653** | **58,797** | **68,856** |
| Development costs – France | 101,202 | 46,680 | 54,522 |
| Development costs – branches | 26,451 | 12,117 | 14,334 |
| **IT development costs in progress** | **1,985** | | **1,985** |
| **Merger costs: BIM** | **344** | **344** | 0 |
| **Merger costs: Coface RBI (29/12/11)** | **16** | **16** | 0 |
| **Software** | **47,539** | **28,830** | **18,709** |
| Software - France | 28,872 | 14,059 | 14,813 |
| Software - branches | 18,667 | 14,771 | 3,896 |
| **Cofacerating.Com merger deficit** | **2,257** | | **2,257** |
| **Coface Assicurazioni merger deficit** | **10,157** | | **10,157** |
| **Coface Austria Holding merger deficit** | **10,055** | | **10,055** |
| **Coface Deutschland AG Holding merger deficit** | **83,909** | | **83,909** |
| **Business goodwill - Italian & Austrian branch** | **299** | | **299** |
| **Business goodwill - Australian branch** | **1,572** | | **1,572** |
| **Total** | **287,036** | **89,237** | **197,799** |

# NOTE 4. PROPERTY INVESTMENTS

## Note 4.1 Movements in property investments

(in thousands of euros)

| | Dec. 31, 2011 | New branches Dec. 31, 2012 | Acquisitions and current account advances | Disposals and current account repayments | Other movements | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| Buildings not used in the business | 21 | | | | | 21 |
| Buildings not used in the business - branches | | 36,081 | | | | 36,081 |
| Shares in non-trading property companies (SCI) (not used in the business) | 17 | | | 2 | | 15 |
| Buildings used in the business | 1,013 | | | 313 | | 700 |
| **TOTAL** | **1,050** | **36,081** | | **315** | | **36,816** |

## Note 4.2 Movements in depreciation and provisions – property investments

(in thousands of euros)

| | Dec. 31, 2011 | Additions | Reversals (utilizations) | Dec. 31, 2012 |
|---|---|---|---|---|
| Buildings not used in the business | 8 | 0 | | 8 |
| Buildings not used in the business - branches | | 10,226 | | 10,226 |
| Shares in non-trading property companies (SCI) (not used in the business) | 8 | | | 8 |
| Buildings used in the business | 123 | (27) | | 96 |
| **TOTAL** | **139** | **10,199** | | **10,338** |

## Note 4.3 Net property investments

(in thousands of euros)

| | Gross Dec. 31, 2012 | New branches Dec. 31, 2012 | Deprec. and provisions | Net Dec. 31, 2012 | Realizable value | Net Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Buildings not used in the business | 21 | | 8 | 12 | 280 | 12 |
| Buildings not used in the business - branches | | 36,081 | 10,226 | 25,855 | 44,897 | |
| Shares in non-trading property companies (SCI) (not used in the business) | 15 | | 8 | 6 | 6 | 8 |
| Buildings used in the business | 700 | | 96 | 604 | 662 | 890 |
| **TOTAL** | **735** | **36,081** | **10,338** | **26,478** | **45,845** | **911** |

## NOTE 5. INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

(in thousands of euros)

| | | Gross | Depreciation and provisions | Carrying amount | Realizable value |
|---|---|---|---|---|---|
| Subsidiaries | Note 5.1 | 156,348 | 23,229 | 133,119 | 487,003 |
| Investments in affiliates | Note 5.2 | 75,062 | 10,615 | 64,447 | 703,701 |
| **Sub-total** | | **231,410** | **33,844** | **197,566** | **1,190,704** |
| Other investments in subsidiaries | Note 5.3 | 68,283 | 0 | 68,283 | 66,819 |
| Other investments in affiliates | Note 5.3 | 0 | 0 | 0 | |
| **Sub-total** | | **68,283** | **0** | **68,283** | **66,819** |
| | | | | | |
| **TOTAL** | | **299,693** | **33,844** | **265,849** | **1,257,523** |

## Note 5.1 Movements in investments in subsidiaries

(in thousands of euros)

| | Dec. 31, 2011 | New branches | Acquisitions | Disposals | Total | Provisions | Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| UNISTRAT COFACE | 976 | 976 | | | 0 | | 0 |
| COFINPAR | 29,270 | | | | 29,270 | | 29,270 |
| COFACE GESTION RESEAU INTERNATIONAL (Cogeri) | 38 | | | | 38 | | 38 |
| FIMIPAR | 36,579 | | | | 36,579 | | 36,579 |
| AXA ASSURCREDIT | 8,933 | | | | 8,933 | 3,180 | 5,752 |
| COFACE HOLDING AMERICA LATINA | 2 | | | | 2 | 1 | 1 |
| UNISTRAT CORPORATION OF AMERICA | 83 | | | | 83 | | 83 |
| COFACE SERVICES KOREA | 200 | | | | 200 | | 200 |
| COFACE SERVICIOS ESPANA | 3 | | | | 3 | | 3 |
| COFACE SERVICES SUISSE (formerly COFACERATING.CH) | 66 | | | | 66 | | 66 |
| COFACE SERVICES JAPAN | 100 | | | | 100 | 100 | |
| COFACE CENTRAL EUROPE HOLDING AG (formerly Coface Intercredit holding AG | 4,563 | | | | 4,563 | | 4,563 |
| COFACE UK HOLDINGS LIMITED | 8,318 | | | | 8,318 | 7,417 | 901 |
| COFACE ITALIA SRL | 3,971 | | | | 3,971 | | 3,971 |
| COFACE NORTH AMERICA HOLDING COMPANY | 12,605 | | | | 12,605 | | 12,605 |
| COFACE HOLDING AKTIENGESELLSCHAFT | 77,254 | 77,254 | | | 0 | | 0 |
| COFACE AUSTRIA HOLDING AG | 8,794 | 8,794 | | | 0 | | 0 |
| COFACE Belgique SERVICE HOLDING | 6,759 | | | | 6,759 | | 6,759 |
| COFACE SEGURO CREDITO MEXICO | 4,391 | | | | 4,391 | | 4,391 |
| COFACE SIGORTA AS | 9,040 | | | | 9,040 | | 9,040 |
| COFACE ASSICURAZIONI SPA | 45,909 | 45,909 | | | 0 | | 0 |
| COFACE SOUTH AFRICA INSURANCE COMPANY LIMITED | 3,615 | | | | 3,615 | | 3,615 |
| COFACE RUS INSURANCE COMPANY | 2,447 | | 4,459 | | 6,906 | | 6,906 |
| SEGURADORA BRASILEIRA DE CREDITO A EXPORTACAO | 6,789 | | | | 6,789 | | 6,789 |
| COFACE SERVICES SOUTH ASIA PACIFIC PTE LTD | 7,574 | | | | 7,574 | 7,574 | |
| COFACE SERVICE TAIWAN | 986 | | | | 986 | 986 | |
| COFACE CHINA | 387 | | | | 387 | 387 | |
| KOMPASS CHINA INTERNATIONAL INFORMATION SERVICE | 92 | | | | 92 | 92 | |
| COFACE GREATER CHINA FINANCE (formerly COFACERATING.COM HONG KO | 1,043 | | | | 1,043 | 1,043 | |
| COFACE SERVICE RUSSIA COMPANY | 2,830 | | | | 2,830 | 2,320 | 510 |
| COFACE ARB LCC | 129 | | | | 129 | 129 | |
| BUSINESS DATA ISRAEL (BDI) | 199 | | | | 199 | | 199 |
| COFACE SOUTH AFRICA SERVICES | 877 | | | | 877 | | 877 |
| **TOTAL** | **284,823** | **132,933** | **4,459** | | **156,348** | **23,229** | **133,119** |

## Note 5.2 Movements in investments in affiliates

Investments in affiliates correspond to shares whose long-term ownership is considered beneficial to the Company’s business, notably because such ownership enables the Company to exercise influence or control over the affiliate.

These long-term investments are recognized at their historical cost (purchase or transfer value) plus transaction expenses.

The table below provides a breakdown of the movements in the gross values of these investments:

| | Dec. 31, 2011 | Opening 2012 New branches | Acquisitions | Disposals | Revaluation | TOTAL | Provisions | Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| COFACREDIT | 1,372 | | | | | 1,372 | | 1,372 |
| **Sub-total – equity-accounted companies** | **1,372** | | | | | **1,372** | | **1,372** |
| CERIP SERVICES BANQUES | 157 | | | | | 157 | | 157 |
| CEMECA | 55 | | | | | 55 | | 55 |
| PLANET RATING SAS | 215 | | | | | 215 | 215 | |
| COFACE AMEEM SERVICES (CAMEEMS) (exSOARI) | 656 | | | | | 656 | 656 | |
| COFACE SERVIS BILGI | 1,135 | | | | | 1 135 | 925 | 210 |
| COFACE EASTERM EUROPE HOLDING (ex coface IGK holding) | ,804 | | | | | 804 | 276 | 528 |
| KYRIBA CORPORATION | 2 605 | | | | | 2,605 | | 2,605 |
| COFACE GREATER CHINA SERVICES(ex Coface Frontline) | 1,452 | | | | | 1,452 | 162 | 1,290 |
| SORENCO | 28 | | | | | 28 | | 28 |
| RECOURS SA | 58 | | | | | 58 | 58 | |
| **Sub-total – other affiliates** | **7,165** | | | | | **7,165** | **2,292** | **4,873** |
| COFACE CHILE SA | 5,014 | | | | 260 | 5,274 | | 5,274 |
| COFACE FACTORING CHILE | 1,250 | | | | 84 | 1,334 | 1,334 | |
| KDV | | 10 | | | | 10 | | 10 |
| MVB GENO | | 3 | | | | 3 | | 3 |
| COFACE ROMANIA | | 0 | | | | 0 | | 0 |
| COFACE BALTICS SERVICE | | 162 | | | | 162 | 162 | |
| COFACE BULGARIA SERVICE | | 3 | | | | 3 | | 3 |
| COFACE SLOVAKIA SERVICE | | 25 | | | | 25 | 25 | |
| COFACE LATVIA | | 4 | | | | 4 | | 4 |
| COFACE SLOVAKIA FACTORING | | 589 | | | | 589 | 589 | |
| COFACE CZECH SERVICE | | 33 | | | | 33 | | 33 |
| COFACE HUNGARY | | 11 | | | | 11 | | 11 |
| COFACE POLAND SERVICE | | 12 | | | | 12 | | 12 |
| COFACE AUSTRIA SERVICE | | 18 | | | | 18 | | 18 |
| COFACE AUTRIA BANK | | 18,650 | | | | 18,650 | | 18,650 |
| COFACE POLAND FACTORING | | 887 | | | | 887 | | 887 |
| COFACE CZECH FACTORING | | 6,209 | | | | 6,209 | 6,209 | |
| COFACE DEBITORE | | 3,404 | | | | 3,404 | | 3,404 |
| COFACE RAITING HOLDING | | 155 | | | | 155 | | 155 |
| COFACE FINANZ GMBH | | 5,005 | | | | 5,005 | | 5,005 |
| COFACE DEUTSCH VERTR | | 25 | | | | 25 | | 25 |
| COFACE SVERIGE | | 972 | | | | 972 | | 972 |
| KISSELBERG | | 23,740 | | | | 23,740 | | 23,740 |
| **Sub-total – branches** | **6,264** | **59,917** | | | **344** | **66,525** | **8,319** | **58,206** |
| **TOTAL** | **14,801** | **59,917** | | | **344** | **75,062** | **10,611** | **64,451** |

## Note 5.3 - Other investments relating to subsidiaries and affiliates

(in thousands of euros)

| | Dec. 31, 2011 | Opening 2012 New branches | Acquisitions | Disposals | Other movements | Currency translation differences | TOTAL | PROVISIONS | Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| COFACE DEUTSCHLAND | 93,000 | | | 93,000 | | | | | |
| COFACE AUSTRIA HOLD | 4,000 | | | 4,000 | | | | | |
| COFACE HOLDING NA | 48,455 | | | | | | 48,455 | | 48,455 |
| COFACE SERVICES PERU | 43 | | | | 3 | (4) | 42 | | 42 |
| **Sub-total - loans to subsidiaries** | **145,498** | | | **97,000** | **3** | **(4)** | **48,497** | | **48 497** |
| Coface Rating Holding | | 700 | | | | | 700 | | 700 |
| Coface Finanz GmbH | | 5,000 | | | | | 5,000 | | 5,000 |
| Coface Vertriebs GmbH | | 1,800 | | | | | 1,800 | | 1,800 |
| **Sub-total – loans to branches** | | **7,500** | | | | | **7,500** | | **7,500** |
| OTHER INVESTMENTS AND RECEIVABLES: | | | | | | | | | |
| Coface Assicurazioni | 5,755 | | 766 | | | | 6,521 | | 6,521 |
| Coface South Africa Ins.Zar | 7,067 | | | 2,273 | | 972 | 5,766 | | 5,766 |
| **Sub-total - deposits** | **12,822** | | **766** | **2,273** | | **972** | **12,286** | | **12,286** |
| **TOTAL INVESTMENTS RELATING TO SUBSIDIARIE** | **158,320** | **7,500** | **766** | **99,273** | **3** | **968** | **68,283** | | **68,283** |
| **TOTAL LOANS TO AFFILIATES** | | | | | | | | | |
| **TOTAL** | **158,320** | **7,500** | **766** | **99,273** | **3** | **968** | **68,283** | | **68,283** |

## Note 5.4 Movements in provisions for impairment in value on investments in subsidiaries and affiliates

(in thousands of euros)

| | Dec. 31, 2011 | Opening 2012 New branches | Additions | Reversals | Other movements | Currency translation differences | Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| Subsidiaries | 23,941 | | 267 | 978 | | | 23,229 |
| AXA ASSURCREDIT | | | 267 | | | | |
| COFACE UK HOLDING | | | - | | | | |
| COFACE SEGURO CREDITO MEXICO | | | - | 978 | | | |
| COFA. SER.SOUTH ASIA | | | - | | | | |
| COF.RUS.SERV.COMP | | | - | | | | |
| COFACE ARB | | | - | | | | |
| Investments in affiliates | 2,130 | | 162 | - | | | 2,292 |
| CAMEEMS | | | - | - | | | |
| COFACE EASTERN EUROPE HOLDING | | | - | | | | |
| COFACE SERVIS BILGI | | | - | | | | |
| PLANET RATING SAS | | | - | | | | |
| COFACE GREATER CHINA | | | 162 | | | | |
| RECOURS | | | - | | | | |
| Investments in affiliates - branches | 1,250 | 6,989 | | | - | 83 | 8,322 |
| COF-FACT-CHILE: BRANCH | | - | - | - | - | 83 | |
| COFACE AUSTRIA | | 6,989 | | | | | |
| TOTAL | 27,320 | 6,989 | 429 | 978 | - | 83 | 33,844 |

## NOTE 6. ANALYSIS OF INVESTMENTS

### Note 6.1 Financial investments

(in thousands of euros)

| | Gross | Provisions | Premium/ discount | Net | Realizable value |
|---|---|---|---|---|---|
| Listed French and foreign equities | 388 | | | 388 | 367 |
| UCITS Money-market funds | 70,309 | | | 70,309 | 70,415 |
| UCITS Money-market funds - branches | 15,376 | | | 15,376 | 15,424 |
| Shares in venture capital funds | 5,063 | | | 5,063 | 5,966 |
| Shares in venture capital funds - branches | 241,338 | 5,177 | | 236,161 | 236,161 |
| Unlisted French and foreign equities | 15,747 | 4,940 | | 10,807 | 14,574 |
| Unlisted foreign equities - OECD - branches | 23 | | | 23 | 23 |
| PLAC HTM fixed-rate sovereign debt | 7,287 | | (182) | 7,105 | 8,078 |
| PLAC AFS sovereign debt | 76,527 | | (1,380) | 75,147 | 80,279 |
| Sovereign debt - branches | 243,646 | | (2,632) | 241,013 | 248,119 |
| COFOB1 AFS sovereign debt | 58,372 | | (1,213) | 57,159 | 58,974 |
| Listed convertible bonds - fixed-rate - COFAC2 | 75,514 | | (1,776) | 73,738 | 75,476 |
| COFAC2 AFS fixed-rate sovereign debt bonds | 19,659 | | (293) | 19,365 | 20,277 |
| PLAC indexed sovereign debt | 22,807 | | 1,321 | 24,128 | 29,578 |
| COFOB AFS indexed bonds | | | | - | - |
| Indexed bonds - branches | 6,025 | | 24 | 6,001 | 6,006 |
| PLAC HTM variable-income sovereign debt | | | | | |
| Obligations taux fixe BTA PLAC | | | | - | - |
| Variable-rate bonds | 2,000 | | | 2,000 | 2,101 |
| Listed bonds - branches | 211,906 | | (2,441) | 209,465 | 215,404 |
| Treasury bills | 2,785 | | (27) | 2,758 | 2,732 |
| Treasury bills - branches | 25,742 | | | 25,742 | 25,727 |
| Commercial paper and medium-term notes | | | | | |
| Commercial paper - branches | | | | - | - |
| Certificates of deposit, money-market securities - branches | 34,171 | | | 34,171 | 34,170 |
| **SUB-TOTAL** | **1,134,686** | **10,117** | **(8,648)** | **1,115,920** | **1,149,851** |
| Marketable securities lodged as collateral for ceding insurers | - | | | - | - |
| Other deposits with banks | 446,718 | | | 446,718 | 446,718 |
| **TOTAL** | **1,581,404** | **10,117** | **(8,648)** | **1,562,638** | **1,596,569** |
| Adjustment: premium/discount | | | | 8,648 | 8,648 |
| Derivatives / Swaps | 96 | | | 96 | 96 |
| **TOTAL** | **1,581,500** | **10,117** | **(8,648)** | **1,571,382** | **1,605,314** |

At December 31, 2012 the net value of the Company’s financial investments stood at €1,571,395 thousand excluding the amount of margin calls classified under assets in the balance sheet (corresponding to “Other investments” in the balance sheet).

## Note 6.2 Movements in financial investments

(in thousands of euros)

| | Dec. 31, 2011 | Opening 2012 New Branches | Acquisitions | Disposals | Other movements | Revaluation | Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|
| Other listed foreign equities | 388 | | | | | | 388 |
| UCITS money-market funds - France | 116,726 | | 750,281 | 799,238 | | | 67,768 |
| UCITS money-market funds - branches | 4,909 | 10,168 | 17,765 | 17,466 | | | 15,376 |
| COFAC2 UCITS money-market fund | 725 | | 1,635 | | | | 2,360 |
| Other UCITS mutual funds | | | | | | | |
| Mutual fund units | 4,649 | | 686 | 271 | | | 5,063 |
| Mutual fund branches | | 236,195 | 5,143 | | | | 241,338 |
| Unlisted French and foreign equities | 15,830 | | | 60 | | (23) | 15,747 |
| Unlisted foreign equities - OECD - branches | 23 | | | | | | 23 |
| Unlisted foreign equities branches | | 38,000 | | 38,000 | | | |
| PLAC HTM fixed-rate sovereign debt | 18,140 | | | 10,853 | | | 7,287 |
| PLAC AFS sovereign debt | 93,541 | | 30,744 | 47,759 | | | 76,527 |
| SOVEREIGN DEBT BONDS - BRANCHES | 28,470 | 195,312 | 59,226 | 36,278 | | (3,084) | 243,646 |
| COFOB1 AFS sovereign debt | 56,169 | | 14,141 | 11,938 | | | 58,372 |
| Listed convertible bonds - fixed-rate - COFAC2 | 51,706 | | 27,791 | 3,983 | | | 75,514 |
| COFAC2 AFS fixed-rate sovereign debt bonds | 20,791 | | 77 | 1,209 | | | 19,659 |
| PLAC indexed sovereign debt | 24,317 | | | 1,510 | | | 22,807 |
| COFOB AFS indexed bonds | | | | | | | |
| Indexed bonds - branches | | 11,039 | | 5,015 | | | 6,025 |
| PLAC HTM variable-income sovereign debt | 363 | | | 363 | | | |
| Variable-rate bonds | 2,000 | | | | | | 2,000 |
| Listed bonds - branches | 34,081 | 161,879 | 56,206 | 39,755 | | (506) | 211,906 |
| Treasury bills | 2,338 | | 3,737 | 3,290 | | | 2,785 |
| Treasury bills PLAC AFS | | | 247 | 247 | | | |
| Treasury bills COFAC2 AFS | | | 14 | 14 | | | |
| Treasury bills - branches | 512 | 55,000 | 25,249 | 55,000 | | (18) | 25,742 |
| Commercial paper, medium-term notes and certificates of deposit | 20,000 | | 106,800 | 126,800 | | | |
| Certificates of deposit, money-market securities - branches | 43,324 | | 251,433 | 249,181 | | (11,406) | 34,171 |
| **SUB-TOTAL** | **539,003** | **707,594** | **1,353,289** | **1,450,163** | | **(15,406)** | **1,134,686** |
| Marketable securities lodged as collateral for ceding insurers | | | | | | | |
| Other deposits | 193,816 | | 252,902 | | | | 446,718 |
| Margin call and initial margin - Cofob futures | 284 | | (188) | | | | 96 |
| Deposit/forward financial instruments put call Plac | | | | | | | |
| **SUB-TOTAL** | **733,103** | **707,594** | **1,606,003** | **1,450,163** | | **(15,038)** | **1,581,500** |
| Deposits with other ceding insurers | 1,531 | | 170 | | | 0 | 2,219 |
| Deposits with ceding companies - estimated | (121) | | | (166) | | | 45 |
| **TOTAL** | **734,513** | **707,594** | **1,606,174** | **1,449,997** | | **(15,038)** | **1,583,764** |

## Note 6.3 Movements in provisions for impairment in value of financial investments

(in thousands of euros)

| | Dec. 31, 2011 | Opening 2012 New branches | Additions | Reversals | Other movements | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| Venture capital funds | | 5,177 | | | | 5,177 |
| Unlisted equities | 5,027 | | 0 | 67 | -21 | 4,940 |
| PLAC AFS fixed-rate sovereign debt | 242 | | 9 | 251 | | 0 |
| PLAC HTM fixed-rate sovereign debt | 7,637 | | 1,112 | 8,749 | | |
| **TOTAL** | **12,906** | **5,177** | **1,121** | **9,066** | **-21** | **10,117** |

# Note 6.4 Breakdown of total investments by investment category

(in thousands of euros)

| | Gross | Net | Realizable value | Unrealized gains |
|---|---|---|---|---|
| **Marketable securities** | | | | |
| . Bonds and other fixed-income securities | 786,441 | 786,441 | 806,921 | 20,481 |
| . Bond premiums and discounts | | (8,648) | | |
| . Listed equities and other variable-income securities | 388 | 388 | 367 | (21) |
| . Unlisted equities and other variable-income securities | 15,770 | 10,831 | 14,598 | 3,767 |
| . UCITS money-market mutual funds | 70,309 | 70,309 | 70,415 | 106 |
| . UCITS money-market funds – branches | 15,376 | 15,376 | 15,424 | 48 |
| . UCITS equities funds | 5,063 | 5,063 | 5,966 | 902 |
| . FCPR - branches | 241,338 | 236,161 | 236,161 | |
| . UCITS bonds | | | | |
| **Properties and shares in property companies** | 36,816 | 26,478 | 45,845 | 19,367 |
| **Loans** | - | - | - | - |
| **Investments in subsidiaries** | | | | |
| Shares in subsidiaries | 156,348 | 133,119 | 487,003 | 353,884 |
| Loans to subsidiaries | 55,997 | 55,997 | 55,997 | - |
| **Investments in affiliates** | | | | |
| Shares in affiliates | 75,634 | 64,448 | 703,701 | 639,253 |
| Loans to affiliates | - | - | - | - |
| Futures – Deposits and margin calls (assets/liabilities) | 96 | 96 | 96 | - |
| Put and call options – deposits (assets/liabilities) | - | - | - | - |
| PLAC other forward financial instruments put and call premiums + unrealised | - | - | - | - |
| COFAC2 other forward financial instruments put and call premiums | - | - | - | - |
| COFAC2 other forward financial instruments, unrealised foreign exchange gains/losses | - | - | - 26 | - 26 |
| COFOB - other Eurex futures | - | - | | |
| **Sub-total** | **1,459,576** | **1,396,058** | **2,442,467** | **1,037,762** |
| Other deposits with banks | 446,718 | 446,718 | 446,718 | - |
| **Sub-total** | **1,906,295** | **1,842,776** | **2,889,185** | **1,037,762** |
| Deposits with ceding insurers/subsidiaries | 12,286 | 12,286 | 12,286 | - |
| Deposits with other ceding insurers | 2,264 | 2,264 | 2,264 | - |
| | | | | - |
| - Discount (accruals account – assets) | | 1,741 | 1,741 | - |
| + Premium (accruals account – liabilities) | | 10,389 | 10,389 | - |
| **TOTAL FINANCIAL ASSETS** | **1,920,845** | **1,865,975** | **2,912,384** | **1,037,762** |
| Margin deposit accounts or initial margin/forward financial instruments - liabilities | - <br> - | 13 | 13 | |
| Accruals accounts/forward financial instruments – assets | | | | |
| **TOTAL INVESTMENTS RECORDED IN THE BALANCE SHEET** | **1,920,845** | **1,865,988** | **2,912,397** | **1,037,762** |

# NOTE 7. RECEIVABLES AND PAYABLES

## Note 7.1 Receivables by type and maturity

(in thousands of euros)

| RECEIVABLES | Due within 1 year | Due between 1 and 5 years | Due beyond 5 years | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|---|---|
| **Receivables arising from direct insurance operations** | | | | 0 | |
| . Accrued premiums | 103,687 | - | - | 103,687 | 83,930 |
| . Other | 172,262 | | | 172,262 | 149,605 |
| **Receivables arising from reinsurance transactions** | 167,075 | | | 167,075 | 109,135 |
| *o/w subsidiaries* | *12,404* | | | *12,404* | *71,361* |
| **Other receivables** | | | | | |
| . Recoverable personnel costs | 424 | 178 | | 602 | 275 |
| . Recoverable taxes | 17,549 | - | - | 17,549 | 6,702 |
| . Miscellaneous receivables | 242,560 | | - | 242,560 | 128,421 |
| *o/w subsidiaries* | *88,984* | - | | *88,984* | *85,150* |
| **TOTAL** | **703,559** | **178** | **-** | **703,737** | **478,067** |

## Note 7.2 Payables by type and maturity

(in thousands of euros)

| PAYABLES | Due within 1 year | Due between 1 and 5 years | Due beyond 5 years | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|---|---|
| **Payables arising from direct insurance operations** | 70,762 | - | - | 70,762 | 46,967 |
| **Payables arising from reinsurance operations** | 146,661 | - | - | 146,661 | 162,841 |
| *o/w subsidiaries* | *3,535* | | | *3,535* | *52,791* |
| **Bonds** | - | | | - | - |
| **Bank loans** | | | | - | - |
| **Other liabilities:** | | | | | |
| . Other loans, deposits and sureties | 12 | 6,311 | 3,575 | 9,898 | 11,242 |
| . Accrued personnel costs | 43,201 | - | - | 43,201 | 29,509 |
| . Accrued taxes | 43,097 | - | - | 43,097 | 42,598 |
| . Miscellaneous payables | 156,594 | - | - | 156,594 | 86,023 |
| *o/w subsidiaries* | *31,853* | | | *31,853* | *25,333* |
| **TOTAL** | **460,327** | **6,311** | **3,575** | **470,213** | **379,180** |

## NOTE 8. OTHER PREPAYMENTS AND ACCRUED INCOME

(in thousands of euros)

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Accrued premiums - inward reinsurance (net of commissions) | 41,726 | 14,088 |
| Prepaid expenses | 3,536 | 1,828 |
| Other | 2,360 | 1,343 |
| Value adjustment – "Other investments" | (3,078) | (1,511) |
| **Total** | **44,544** | **15,748** |

## NOTE 9. EQUITY

### Note 9.1 Share capital

At December 31, 2011, the Company's share capital consisted of 35,953,378 shares, representing an aggregate amount of €137,026 thousand.

A €26 thousand capital increase was carried out during 2012 following the exercise of 6,823 stock options granted under the December 3, 2002 plan (which expired on December 2, 2012). Consequently, at December 31, 2012, the Company's share capital consisted of 35,960,201 shares with a par value of €3.811225 per share, representing an aggregate amount of €137,052 thousand.

The Company's ownership structure breaks down as follows:

| | | |
|---|---|---|
| - Coface SA (formerly Coface Holding SAS) | 35,866,804 shares | 99.74% |
| - Natixis | 89,864 shares | 0.25% |
| - Private individuals (including four Directors) | 3,533 shares | 0.01% |

### Note 9.2 Movements in equity

(in thousands of euros)

| | Dec. 31, 2011 | Appropriation of net income | Dividend payment | Branches – French GAAP | Change | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| **Share capital** | 137,026 | | | | 26 | 137,052 |
| **Share premium** | 627,144 | | | | 293 | 627,437 |
| Crisis reserve | 56,511 | | | | | 56,511 |
| Capitalization reserve | 3,698 | | | | 1,913 | 5,611 |
| Construction gains reserve | 488 | | | | | 488 |
| Other reserves | 144 | | | | | 144 |
| Investment reserve | 2,399 | | | | | 2,399 |
| Contingency reserve | 154,359 | | | | | 154,359 |
| Deduction from reserves | (27,051) | | | | | (27,051) |
| **Retained earnings** | (151,756) | 56,697 | | 59,399 | (214) | (35,874) |
| **Net income for the year** | 56,697 | (56,697) | | | 106,110 | 106,110 |
| **TOTAL** | **859,660** | **-** | **-** | **59,399** | **108,127** | **1,027,186** |

## NOTE 10. PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of euros)

| | Dec. 31, 2012 | New branches | Dec. 31, 2011 |
|---|---|---|---|
| **Provisions for losses on investments in affiliates** | **13,040** | | **13,693** |
| *- Coface Services Japan* | *4,905* | | *4,905* |
| *- Coface China* | *3,539* | | *4,307* |
| *- Indirect (Coface Factoring + Coface Finance Australia + Coface Credit Management Australia)* | *2,469* | | *2,469* |
| *- Coface South Asia Pacific* | *502* | | |
| *- Greater China Finance* | *1,245* | | *1,161* |
| *- Coface Service Taiwan* | *100* | | *572* |
| *- Cameems* | *279* | | *279* |
| **Provisions for disputes** | **4,137** | **3,194** | **1,141** |
| **Provisions for employee benefit obligations (retirement benefits, medical care, long-service awards, pensions)** | **61,274** | **28,027** | **30,656** |
| *- Japanese branch* | *1,650* | | *1,704* |
| *- Transfer to Fimipar in 2011 (partial business transfer)* | | | *(2,085)* |
| *- Coface Deutschland Kredit* | *1,600* | *1,247* | |
| *- Coface Kreditversicherung Deutschland AG* | *11,716* | *11,519* | |
| *- Coface Kreditversicherung Austria* | *12,694* | *12,358* | |
| *- Coface Assicurazioni Spa Italia* | *3,864* | *2,902* | |
| **Provision for litigation broker** | **270** | | |
| **Provision for voluntary redundancies** | | | **52** |
| **Provision for employee-related disputes** | **2,721** | **1,242** | **565** |
| **Provision for rents and expenses: Nanterre** | **1,789** | | **1,567** |
| **Excess tax depreciation on development costs** | **26,510** | | **20,496** |
| **Total provisions** | **109,739** | **32,462** | **68,170** |

(1) See Note 18.

## NOTE 11. CLAIMS EXPENSES AND CHANGES IN CLAIM PROVISIONS

(in thousands of euros)

| ACCOUNTING YEAR | LOSS YEAR | | |
|---|---|---|---|
| 2010 | 2008 | 2009 | 2010 |
| Claims net of recoveries | (914,386) | (437,595) | (69,394) |
| Claims provisions | (215,213) | (236,151) | (424,131) |
| Subrogation and salvage | 40,652 | 29,078 | 31,425 |
| Claims expenses | (1,088,947) | (644,669) | (462,100) |
| Earned premiums | 937,751 | 961,456 | 785,749 |
| Loss ratio (in %) | -116% | -67% | -59% |

| ACCOUNTING YEAR | LOSS YEAR | | | |
|---|---|---|---|---|
| 2011 | 2008 | 2009 | 2010 | 2011 |
| Claims net of recoveries | (954,892) | (509,693) | (309,453) | (81,220) |
| Claims provisions | (163,468) | (164,875) | (217,568) | (564,831) |
| Subrogation and salvage | 33,978 | 64,119 | 36,882 | 43,793 |
| Claims expenses | (1,084,382) | (610,449) | (490,139) | (602,258) |
| Earned premiums | 945,770 | 968,231 | 1,059,938 | 791,573 |
| Loss ratio (in %) | -115% | -63% | -46% | -76% |

| ACCOUNTING YEAR | LOSS YEAR | | | | |
|---|---|---|---|---|---|
| 2012 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Claims net of recoveries | (1,088,627) | (536,662) | (389,639) | (474,835) | (127,139) |
| Claims provisions | 6,561 | (133,655) | (111,433) | (291,981) | (538,542) |
| Subrogation and salvage | 36,534 | 28,528 | 20,355 | 57,836 | 57,437 |
| Claims expenses | (1,045,531) | (641,789) | (480,718) | (708,980) | (608,243) |
| Earned premiums | 950,053 | 974,333 | 1,071,279 | 1,071,207 | 781,746 |
| Loss ratio (in %) | -110% | -66% | -45% | -66% | -78% |

## NOTE 12. ACCRUED EXPENSES RELATED TO OTHER PAYABLES

(in thousands of euros)

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| **Accrued personnel costs** | **43,201** | **29,509** |
| * *of which accrued expenses* | *25,072* | *24,709* |
| **Accrued taxes** | | |
| - Social security | 18,206 | 14,793 |
| - Other | 24,892 | 27,804 |
| * *of which accrued expenses* | *13,732* | *17,359* |
| | **43,097** | **42,598** |
| **Miscellaneous payables** | | |
| - Group current accounts | 97,103 | 32,647 |
| - Trade payables | 31,206 | 19,353 |
| - Accrued expenses | 27,859 | 33,261 |
| - Other | 425 | 761 |
| | **156,594** | **86,023** |
| **Total** | **242,892** | **158,129** |

# NOTES TO THE INCOME STATEMENT
# NOTE 13. ANALYSIS OF UNDERWRITING INCOME AND EXPENSES BY CATEGORY

(in thousands of euros)

| INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012 | 29 LEGAL PROTECTION | 31 FINANCIAL LOSSES | 34 TRANSPORT | 37 CREDIT INSURANCE | 38 GUARANTEES | 39 INWARD REINSURANCE | Branches | TOTAL ALL CATEGORIES 2012 | TOTAL ALL CATEGORIES 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **1-EARNED PREMIUMS** | **93** | | **404** | **251,031** | **4,658** | **93,636** | **855,928** | **1205,750** | 718,750 |
| ***1A - PREMIUMS*** | ***92*** | | ***404*** | ***250,630*** | ***4,658*** | ***93,377*** | ***858,658*** | ***1207,818*** | 722,159 |
| -Written premiums | 98 | | 404 | 241,899 | 4,650 | 94,586 | 821,870 | ***1163,508*** | 697,613 |
| -Accrued premiums | (6) | | | 7,616 | 8 | (1,210) | 18,585 | ***24,994*** | 15,920 |
| -Policy fees | | | | 1,974 | | | 24,847 | ***26,821*** | 13,657 |
| -Bad debts | | | | (859) | | | (6,646) | ***(7,504)*** | (5,031) |
| ***1B-CHANGE IN UNEARNED PREMIUMS AND UNEXPIRED RISK PROVISIONS*** | 1 | | | 402 | | 260 | (2,730) | ***(2,068)*** | (3,409) |
| **2-CLAIMS EXPENSES** | **(5)** | | **(86)** | **(156,352)** | **3,903** | **(29,371)** | **(508,306)** | **(690,216)** | ***(339,791)*** |
| ***2A-PAID CLAIMS NET OF RECOVERIES*** | | | (59) | (171,885) | (1,624) | (36,369) | (488,439) | ***(698,375)*** | **(223,797)** |
| ***2B-CLAIMS PROVISIONS AND OTHER EXPENSES*** | ***(5)*** | | ***(27)*** | ***15,533*** | ***5,527*** | ***6,998*** | ***(19,867)*** | ***8,159*** | ***(115,994)*** |
| -Claims provisions | | | (27) | 46,079 | 5,527 | 6,998 | (10,446) | ***48,131*** | (65,729) |
| -Claims handling expenses | (5) | | | (13,056) | | | (9,421) | ***(22,482)*** | (36,428) |
| -Other technical provisions | | | | | | | | | |
| -Change in claims equalization provision | | | | (17,490) | | | | ***(17,490)*** | (13,837) |
| **A - GROSS UNDERWRITING INCOME (1-2)** | **88** | | **318** | **94,680** | **8,562** | **64,266** | **347,622** | **515,534** | **378,958** |
| **5-POLICY ACQUISITION COSTS** | (36) | | (157) | (98,005) | (336) | | (153,602) | ***(252,136)*** | (165,383) |
| **6-OTHER ADMINISTRATIVE EXPENSES** | **(37)** | | **(160)** | **(28,916)** | **(989)** | | **(123,696)** | ***(153,798)*** | ***(69,709)*** |
| -Administrative costs | (37) | | (160) | (94,199) | (1,116) | | (125,631) | ***(221,143)*** | (109,615) |
| -Other underwriting expenses | | | | | | | | | (31,940) |
| -Other underwriting income (including financial agreement and other related income) | | | | 65,282 | 127 | | 1,935 | ***67,344*** | 71,846 |
| **B - NET POLICY ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES (5 + 6)** | **(72)** | | **(318)** | **(126,921)** | **(1,325)** | | **(277,298)** | **(405,934)** | **(235,092)** |
| **7-INVESTMENT INCOME** | **1** | | **2** | **5,069** | **22** | **430** | | ***5,524*** | 493 |
| **8-POLICYHOLDERS' BONUSES AND REBATES** | | | | (1,368) | **(1,213)** | (31) | (6,639) | ***(9,252)*** | (6,920) |
| **C - NET INVESTMENT INCOME (7 - 8)** | **1** | | **2** | **3,701** | **(1,191)** | **399** | **(6,639)** | **(3,728)** | **(6,427)** |
| **9-REINSURERS' SHARE OF EARNED PREMIUMS** | | **28** | **(34)** | **(34,328)** | **3,187** | **(260,609)** | **(64,549)** | ***(356,305)*** | ***(379,493)*** |
| -Premiums | | 28 | (34) | (36,385) | 2,607 | (255,991) | (61,985) | (351,761) | (395,249) |
| -Change in provisions for unearned premiums and unexpired risks | | | | 2,058 | 579 | (4,617) | (2,564) | (4,545) | 15,756 |
| **10-REINSURERS' SHARE OF PAID CLAIMS** | | | | 48,280 | (2,698) | 151,077 | 3,465 | 200,125 | 119,183 |
| **11-REINSURERS' SHARE OF CLAIMS PROVISIONS** | | | **(8)** | **(16,722)** | **(9,244)** | **12,052** | **(1,869)** | (15,791) | 60,351 |
| - Change in technical provisions | | | (8) | (16,722) | (9,244) | 12,052 | (1,869) | (15,791) | 60,351 |
| **12-REINSURERS' SHARE OF POLICYHOLDERS' BONUSES AND REBATES** | | | | 314 | | 1,802 | (47) | 2,070 | 4,294 |
| **13-REINSURANCE COMMISSIONS RECEIVED** | | | 1 | 21,287 | 37 | 91,530 | 4,635 | 117,491 | 108,268 |
| **D - REINSURANCE RESULT (10+11+12+13-9)** | | **28** | **(40)** | **18,832** | **(8,718)** | **(4,148)** | **(58,365)** | **(52,411)** | **(87,397)** |
| **UNDERWRITING INCOME/(LOSS) (A+B+C+D)** | 16 | 28 | (38) | (9,709) | (2,673) | 60,517 | 5,320 | 53,460 | 50,042 |

## NOTE 14. GROSS WRITTEN PREMIUMS

(in thousands of euros)

| | Direct insurance France | Direct insurance other EU countries | Direct insurance outside the EU | Direct insurance Total |
|---|---|---|---|---|
| 2012 | 247,051 | 648,458 | 173,413 | 1,068,922 |
| 2011 | 249,522 | 143,676 | 171,822 | 565,020 |

## Note 15. ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES BY TYPE

(in thousands of euros)

| | Dec. 31, 2012 | Dec. 31, 2011 | *Change* |
|---|---|---|---|
| ***COMMISSIONS*** | | | |
| Commissions paid or due (excluding branches) | 58,991 | 61,597 | *-4,23%* |
| Commissions paid or due - branches | 107,836 | 51,314 | *110,15%* |
| ***Total commissions*** | **166,827** | **112,911** | ***47,75%*** |
| ***Payroll costs*** | | | |
| Employee compensation – France | 69,622 | 73,839 | *-5,71%* |
| Employee compensation – outside France | 101,445 | 19,917 | *409,34%* |
| Payroll taxes - France | 32,140 | 30,068 | *6,89%* |
| Payroll taxes outside France | 9,564 | 3,604 | *165,39%* |
| Provision for employee benefit obligations | 705 | 891 | *-20,84%* |
| ***Total payroll costs*** | **213,476** | **128,319** | ***66,36%*** |
| ***Taxes*** | | | |
| Business tax | 8,039 | 4,787 | *67,94%* |
| Unrecovered and irrecoverable VAT | 4,325 | 5,279 | *-18,07%* |
| Transport tax (gross) | 1,582 | 1,752 | *-9,70%* |
| Other (wages and land taxes) | 5,943 | 5,940 | *0,04%* |
| Taxes other than income tax - branches | 2,962 | 2,800 | *5,77%* |
| ***Total taxes other than income taxes*** | **22,851** | **20,559** | ***11,15%*** |
| ***External charges*** | | | |
| Property expenses (rent, service charges and maintenance) | 43,870 | 28,352 | *54,73%* |
| Equipment rental and financing | 3,647 | 5,058 | *-27,90%* |
| Vehicle and equipment maintenance | 1,490 | 1,042 | *43,02%* |
| Lease charges and fees | 60,436 | 34,830 | *73,52%* |
| Supplies and small appliances | 2,267 | 2,330 | *-2,70%* |
| IT expenses | 5,028 | 3,780 | *33,02%* |
| Telecommunication expenses | 2,703 | 1,981 | *36,40%* |
| External staff (temporary, seconded and "VIE" programme interns) | 5,492 | 8,676 | *-36,70%* |
| Temporary agency staff | 333 | 835 | *-60,13%* |
| Fees paid to intermediaries | 122 | 14,027 | *-99,13%* |
| Advertising and marketing expenses | 1,789 | 3,212 | *-44,30%* |
| Rebillings | (53,016) | (46,422) | *14,20%* |
| Travel and entertainment | 1,932 | 2,312 | *-16,41%* |
| Training costs | ,824 | 1,460 | *-43,57%* |
| Miscellaneous expenses (documentation and membership fees) | 3,394 | 1,685 | *101,42%* |
| Rebillings (external parties and COGERI) | 1 | (7,151) | *-100,01%* |
| External expenses - branches and foreign | 7,875 | 19,982 | *-60,59%* |
| ***Total external charges*** | **88,187** | **75,989** | ***16,05%*** |
| ***Depreciation and amortization*** | | | |
| Depreciation of property and equipment | 3,768 | 1,371 | *174,79%* |
| Amortization of intangible assets | 12,862 | 7,750 | *65,96%* |
| ***Provisions*** | | | |
| Provision for non-current assets in progress | 1,382 | 529 | *161,40%* |
| Provision for repair costs | 222 | (1,033) | *-121,49%* |
| Reversals of provision for liabilities and charges | 320 | - | |
| ***Total depreciation, amortization and provisions*** | **18,555** | **8,617** | ***115,33%*** |
| ***TOTAL COMMISSIONS AND OTHER EXPENSES*** | **509,895** | **346,395** | ***47,20%*** |

## NOTE 15.1. ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES BY TYPE – FRANCE

(in thousands of euros)

| | 2012 | 2011 | *Change* |
|---|---|---|---|
| ***COMMISSIONS*** | | | |
| Commissions paid or due (excluding branches) | 58,991 | 61,597 | *-4.2%* |
| Unistrat commissions - direct insurance and inward reinsurance | - | - | |
| Commissions for rating management | - | - | |
| ***Total commissions*** | **58,991** | **61,597** | ***-4.2%*** |
| ***Payroll costs*** | | | |
| Employee compensation – France | 70,552 | 73,973 | *-4.6%* |
| Payroll taxes - France | 32,140 | 29,935 | *7.4%* |
| Payroll costs recharged | ( 5,892) | ( 6,919) | *-14.8%* |
| Provision for employee benefit obligations | 421 | 844 | *-50.1%* |
| ***Total payroll costs*** | **97,222** | **97,833** | ***-0.6%*** |
| ***Taxes other than income tax*** | | | |
| Business tax | 4,462 | 3,888 | *14.8%* |
| Unrecovered and irrecoverable VAT | 4,325 | 5,279 | *-18.1%* |
| Transport tax (gross) | 1,582 | 1,752 | *-9.7%* |
| Other (wages and land taxes) | 5,943 | 5,940 | *0.0%* |
| ***Total taxes other than income taxes*** | **16,312** | **16,860** | ***-3.3%*** |
| ***External expenses*** | | | |
| Property expenses (rent, service charges and maintenance) | 27,738 | 24,483 | *13.3%* |
| Equipment rental and financing | 3,647 | 5,058 | *-27.90%* |
| Vehicle and equipment maintenance | 1,490 | 1,042 | *43.0%* |
| Lease charges and fees | 28,097 | 28,750 | *-2.3%* |
| Supplies, small appliances | 2,267 | 2,330 | *-2.7%* |
| IT expenses | 5,028 | ( 23,493) | *-121.4%* |
| Telecommunication expenses | 2,703 | 1,981 | *36.4%* |
| External staff (temporary, seconded and "VIE" programme interns) | 5,245 | 8,403 | *-37.6%* |
| Temporary agency staff | 333 | 835 | *-60.1%* |
| Fees paid to intermediaries | 67 | 11,448 | *-99.4%* |
| Advertising and marketing expenses | 1,318 | 2,636 | *-50.0%* |
| Travel and entertainment | 1,932 | ( 16,838) | *-111.5%* |
| Rebillings | ( 53,016) | | |
| Training costs | 824 | 1,460 | *-43.6%* |
| Miscellaneous expenses (documentation and membership fees) | 1,311 | 1,644 | *-20.2%* |
| Rebillings (external parties and COGERI) | 1 | ( 7,151) | *-100.0%* |
| External expenses - foreign | - | - | |
| ***Total external expenses*** | **28,984** | **42,590** | ***-31.9%*** |
| ***Depreciation and amortization*** | | | |
| Depreciation of property and equipment | 528 | 593 | *-10.9%* |
| Amortization of intangible assets | 8,554 | 7,432 | *15.1%* |
| ***Provisions*** | | | |
| Provision for repair costs | 222 | ( 1,033) | |
| Reversals of provisions for risks and expenses | 1,382 | 529 | |
| ***Total depreciation, amortization and provisions*** | **10,687** | **7,520** | ***42.1%*** |
| ***TOTAL COMMISSIONS AND OTHER EXPENSES*** | **212,196** | **226,400** | ***-6.3%*** |

## NOTE 15.2 ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES BY TYPE – BRANCHES

(in thousands of euros)

| | 2012 | 2011 | *Change* |
|---|---|---|---|
| ***COMMISSIONS*** | | | |
| Commissions paid or due - branches | 107,836 | 51,314 | *110.1%* |
| ***Total commissions*** | **107,836** | **51,314** | ***110.1%*** |
| ***Payroll costs*** | | | |
| Wages and salaries, salary expenses - branches | 115,970 | 30,439 | *281.0%* |
| Provision for employee benefit obligations | 284 | 47 | *505.2%* |
| ***Total payroll costs*** | **116,254** | **30,486** | ***281.3%*** |
| ***Taxes other than income tax*** | | | |
| Taxes other than income tax - branches | 6,539 | 3,699 | *76.8%* |
| ***Total taxes other than income tax*** | **6,539** | **3,699** | ***76.8%*** |
| ***External expenses*** | | | |
| Rent and property expenses | 6,876 | 3,529 | *94.9%* |
| Rental expenses - office equipment, furniture and IT eqpmt | 9,256 | 340 | *2621.1%* |
| Temporary agency staff | 247 | 273 | *-9.6%* |
| Fees paid to intermediaries | 21,409 | 20,990 | *2.0%* |
| Advertising and marketing expenses | 471 | 576 | *-18.2%* |
| Miscellaneous administrative expenses | 15,214 | 6,827 | *122.9%* |
| Travel - branches | 5,728 | 865 | *562.5%* |
| ***Total external expenses*** | **59,202** | **33,399** | ***77.3%*** |
| ***Depreciation and amortization*** | | | |
| On equipment, furniture, fixtures and fittings | 3,240 | 779 | *316.2%* |
| On software development costs - branches | 4,308 | 318 | *1253.5%* |
| ***Provisions*** | | | |
| Reversals of provisions for risks and expenses | 320 | - | |
| ***Total depreciation, amortization and provisions*** | **7,868** | **1,097** | ***617.3%*** |
| ***TOTAL COMMISSIONS AND OTHER EXPENSES*** | **297,699** | **119,994** | ***148.1%*** |

## NOTE 16. COMMISSIONS

(in thousands of euros)

| | Direct insurance France | Direct insurance other EU countries | Direct insurance outside the EU | Direct insurance Total |
|---|---|---|---|---|
| 2012 | 26,972 | 77,268 | 30,568 | 134,808 |
| 2011 | 34,800 | 19,354 | 31,960 | 86,114 |

## NOTE 17. ANALYSIS OF FINANCIAL INCOME AND EXPENSES

(in thousands of euros)

| | 2012 | Income and expense concerning investments in subsidiaries and affiliates | Other financial income and expense | 2011 |
|---|---|---|---|---|
| **Income from investments in subsidiaries and affiliates (dividends)** | **47,103** | **828** | **46,275** | **19,327** |
| **Income from property investments** | **538** | **-** | **538** | **6** |
| - bonds, treasury bills and medium-term notes | 31,951 | - | 31,951 | 10,861 |
| - equities | 266 | | 266 | 304 |
| - UCITS mutual funds | 1,474 | | 1,474 | 1,448 |
| - loans and deposits | 5,999 | 1,214 | 4,785 | 6,664 |
| - other | 500 | 220 | 280 | 361 |
| **Total income from other investments** | **40,191** | **1,434** | **38,757** | **19,638** |
| **Total investment income** | **87,832** | **2,262** | **85,570** | **38,972** |
| **Reversal of provision for impairment in value (utilization)** | 12,498 | 2,218 | 10,280 | 2,075 |
| **Gains on sales of investments** | 4,877 | - | 4,877 | 4,710 |
| **Foreign exchange gain** | 4,958 | | 4,958 | 5,565 |
| **Merger gain** | 21,301 | | 21,301 | 272 |
| **Total realized gains on investments** | **43,634** | **2,218** | **41,416** | **12,622** |
| **TOTAL FINANCIAL INCOME** | **131,466** | **4,480** | **126,986** | **51,593** |
| **Property investment expenses** | 5 | | 5 | 30 |
| **Financial expenses** (commissions, professional fees, interest and bank charges) | 1,416 | 14 | 1,402 | 1,064 |
| **Financial expenses on securities** | 757 | | 757 | 756 |
| **Total financial expenses** | **2,178** | **14** | **2,164** | **1,850** |
| **Provision for impairment losses on investments** | **15,515** | **1,015** | **14,499** | **31,513** |
| Losses on sales of investments<br>Merger deficit | 19,108 | | 19,108 | 11,744 |
| **Total realised losses on investments** | **19,108** | **-** | **19,108** | **11,744** |
| **Portfolio management expenses** | **5,203** | | **5,203** | **5,134** |
| **Total expenses** | **42,004** | **1,030** | **40,974** | **50,241** |
| **Net investment income** | **89,462** | **3,450** | **86,012** | **1,353** |

## NOTE 18. NON-RECURRING INCOME AND EXPENSES

(in thousands of euros)

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Income | Expense | Net total | Income | Expense | Net total |
| Disposals of assets | | 840 | (840) | | 0 | 0 |
| Partial business transfer to Fimipar | | | | 28,560 | | 28,560 |
| Tax on claims liquidation surplus | | 830 | (830) | | 1,200 | (1,200) |
| Additions to and reversals of excess tax depreciation | 3,282 | 9,296 | (6,014) | 1,972 | 8,151 | (6,179) |
| Losses/gains on stock options | 3 | | 3 | 261 | | 261 |
| Settlement of Unistrat accounts | | | | | | |
| Settlement of short-term reinsurance current accounts | | | | 4,861 | 4,848 | 13 |
| Branches | 2,638 | 376 | 2,262 | | | |
| Other | 231 | 290 | (61) | 168 | 246 | (78) |
| **TOTAL** | 6,153 | 11,634 | -5,481 | 35,822 | 14,445 | 21,377 |

## NOTE 19. INCOME TAX

| *(in thousands of euros)* | 2011 | 2012 |
|---|---|---|
| Net income from ordinary activities before tax and employee profit-sharing | 70,004 | 129,642 |
| Net income from branches | 14,742 | 124,351 |
| **Net income from ordinary activities before tax and employee profit-sharing - France** | **55,262** | **5,292** |
| Amounts disallowed for tax purposes | 25,959 | 84,979 |
| Amounts deductible for tax purposes | (53,484) | (42,566) |
| Taxable base | 27,737 | 47,704 |
| Losses offset | (17,042) | (24,352) |
| **Taxable net income** | **10,695** | **23,352** |
| Income tax – France (rate: 33.33%) | (3,565) | (7,784) |
| Additional contributions | (271) | (621) |
| Tax credits | 404 | 1,830 |
| Income tax – branches | (8,796) | (15,268) |
| **Total income tax expense** | **(12,228)** | **(21,843)** |

## NOTE 20. ALLOCATION OF MERGER DEFICIT

(in thousands of euros)

| Assets | Carrying amount (gross) | Actual value | Unrealized gains | Allocation of merger deficit pro rata to unrealized gains |
|---|---|---|---|---|
| Assets recognised in the financial statements of: | | | | |
| Coface Services Suisse (formerly Cofacerating.ch) | 66 | 7,499 | 7,433 | 503 |
| Coface Services España | 3 | 25,916 | 25,913 | 1,754 |
| **Sub-total** | | | | **2,257** |
| Assets not recognised in the financial statements of: | | | | |
| Coface Asssicurazioni | | 63,636 | | 10,156 |
| Coface Austria | | 204,412 | | 10,054 |
| Coface Kredit AG | | 851,822 | | 83,909 |
| **Sub-total** | | | | **104,119** |
| **Total** | | | | **106,376** |

Following the mergers carried out in 2012, Compagnie Française d'Assurance pour le Commerce Extérieur recognized the full amount of the aggregate merger deficit – corresponding to €104,119,568 – under intangible assets and the aggregate merger surplus – amounting to €19,921,658 – was recognized under "Net financial income". Outside the accounts, the merger deficit has been allocated to goodwill for each company concerned. The value of this goodwill is its recoverable amount, corresponding to the higher of its value in use (calculated using the discounted future cash flow method) and its fair value (based on an analysis of the multiples of comparable listed companies and comparable recent transactions). It breaks down as follows for each merged company: €63,636 thousand for Coface Assicurazioni, €204,412 thousand for Coface Austria and €851,822 thousand for Coface Kredit.

## NOTE 21. OTHER INFORMATION

**Information on employees**

Average workforce during the year

| Professional category | 2012 | 2011 |
|---|---|---|
| Non-management | 1,353 | 320 |
| Management | 1,255 | 1,331 |
| Total | 2,608 | 1,651 |

Compensation paid to members of the Company’s management and administrative bodies

(in € thousand)

| | Total compensation for the period | Retirement benefit obligations | Loans and advances granted during the period |
|---|---|---|---|
| Members of the Board of Directors | 117 | 38 | 9 |
| Members of the Group Management Board | 1,912 | 192 | |
| Members of the France Management Board | 806 | 124 | |

**Statutory training entitlement**

The number of training hours accrued under the French statutory training entitlement but not yet taken at December 31, 2012

totaled 50,731, compared with 47,717 at December 31, 2011.

**Information on the financial statements**

The full financial statements of Compagnie Française d’Assurance pour le Commerce Extérieur may be obtained from the Company.

# DETAILED ANALYSIS OF INVESTMENTS AT DECEMBER 31, 2012

***Detailed analysis of investments at 31 December 2012: Table A***

**Entity: Coface - Currency: EUR**

| Number and description of investments | | Exchange rate | Carrying amount: At cost | Carrying amount: Impairment | Net | Realisable value | Redemption value |
|---|---|---|---|---|---|---|---|
| **TOTAL TABLE A EUR** | **EUR / ARS:** | 6,47678 | 96,295,107,00 | 0,00 | 96,295,107,00 | 96,294,530,00 | 96,295,107,00 |
| **TOTAL TABLE A EUR** | **EUR / CAD:** | 1,3137 | 44,650,213,55 | 0,00 | 44,650,213,55 | 43,297,292,46 | 41,484,000,00 |
| **TOTAL TABLE A EUR** | **EUR / CHF:** | 1,2072 | 8,593,300,97 | 0,00 | 8,593,300,97 | 7,002,070,00 | 6,000,000,00 |
| **TOTAL TABLE A EUR** | **EUR / EUR:** | 1 | 702,562,560,95 | (8,630,136,22) | 693,932,424,73 | 724,525,412,96 | 672,317,450,00 |
| **TOTAL TABLE A EUR** | **EUR / JPY:** | 113,61 | 1 825 846 000,00 | 0,00 | 1 825 846 000,00 | 1 830 145 018,00 | 1 800 045 000,00 |
| **TOTAL TABLE A EUR** | **EUR / LTL:** | 3,4528 | 32,004,374,54 | (63,080,50) | 31,941,294,04 | 34,981,573,07 | 31,897,912,00 |
| **TOTAL TABLE A EUR** | **EUR / USD:** | 1,3194 | 3,357,750,65 | 0,00 | 3,357,750,65 | 3,337,360,00 | 3,357,750,65 |
| **TOTAL TABLE A EUR equivalent** | | | **786,443,693,72** | **(8,648,405,60)** | **777,795,288,12** | **806,921,434,77** | **751,360,611,71** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount: At cost | Carrying amount: Impairment | Net | Realisable value | Redemption value |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total EUR** | | | | | | **786,443,693,72** | **(8,648,405,60)** | **777,795,288,12** | **806,921,434,77** | **751,360,611,71** |
| **23 - INVESTMENTS** | | | | | | **786,443,693,72** | **(8,648,405,60)** | **777,795,288,12** | **806,921,434,77** | **751,360,611,71** |
| 231 - BONDS AND OTHER FIXED-INCOME SECURITIES | | | | | | 786,443,693,72 | (8,648,405,60) | 777,795,288,12 | 806,921,434,77 | 751,360,611,71 |
| 2310 - LISTED BONDS | | | | | | 511,839,577,76 | (6,180,558,91) | 505,659,018,85 | 528,888,961,14 | 484,929,974,59 |
| NCP_23100 | | | | | | 7,286,908,00 | (181,782,83) | 7,105,125,17 | 8,078,138,50 | 6,870,000,00 |
| 900 000,00 | BE0000300096 | BELGIUM 5.50% 05.06.02/28.09.17 | EUR | F | BEL | 994,230,00 | (35,315,91) | 958,914,09 | 1,097,595,00 | 900 000,00 |
| 2 100 000,00 | BE0000306150 | BELGIUM 3.75% 14.03.05/28.09.15 | EUR | F | BEL | 2,202,730,00 | (72,181,31) | 2,130,548,69 | 2,302,125,00 | 2,100,000,00 |
| 950 000,00 | FR0000187361 | GOVERNMENT BONDS 5% 02.02.01/25.10.16 | EUR | F | FRA | 1,030,560,00 | (52,931,68) | 977,628,32 | 1,114,777,50 | 950 000,00 |
| 1 460 000,00 | FR0000571218 | GOVERNMENT BONDS 5.5% 12.03.98/25.04.29 | EUR | F | FRA | 1,618,660,00 | (37,377,53) | 1,581,282,47 | 2,028,232,00 | 1,460,000,00 |
| 1 460 000,00 | FR0010061242 | GOVERNMENT BONDS 4% 06-04-04/25-04-14 | EUR | F | FRA | 1,440,728,00 | 16,023,60 | 1,456,751,60 | 1,535,409,00 | 1,460,000,00 |
| **TOTAL EUR** | | | | | | **7,286,908,00** | **-181 782,83** | **7,105,125,17** | **8,078,138,50** | **6,870,000,00** |
| NCP_23101 | | | | | | 473,720,396,23 | (7,295,146,03) | 466,425,250,20 | 483,125,039,65 | 450,874,974,59 |
| 1 000 000,00 | BE0000310194 | BELGIUM 4% 06-04-11/28-03-2013 | CHF | F | BEL | 1,363,714,68 | 0,00 | 1,363,714,68 | 1,009,150,00 | 100 000,00 |
| 2 000 000,00 | FI0001005407 | FINLAND 5.375% 06-07-11/04-07-20 | CHF | F | CHE | 2,633,929,56 | 0,00 | 2,633,929,56 | 2,053,600,00 | 2,000,000,00 |
| 1 000 000,00 | OBLIGSUISSE | GOVERNMENT BONDS 4% 02-03-09/25-04-13 | CHF | F | FRA | 1,326,590,31 | 0,00 | 1,326,590,31 | 1,012,250,00 | 1,000,000,00 |
| 1 000 000,00 | XS0592215239 | DENMARK 0.875% 01-04/19-02-13 | CHF | F | CHE | 931,616,97 | 0,00 | 931,616,97 | 1,000,900,00 | 1,000,000,00 |
| 1 500 000,00 | XS0670833853 | 7/8% EURO MEDIUM SWEDEN 14-10-11/02-09-13 | CHF | F | CHE | 1,880,982,40 | 0,00 | 1,880,982,40 | 1,508,250,00 | 1,500,000,00 |
| 400,00 | CH0001480083 | SWISS CONFEDERATION 4.25% 06.01.94/06.01.1 | CHF | F | CHE | 456,467,05 | 0,00 | 456,467,05 | 417,920,00 | 400,000,00 |
| **TOTAL CHF** | | | | | | **8,593,300,97** | **0,00** | **8,593,300,97** | **7,002,070,00** | **6,000,000,00** |
| | **TOTAL CHF - EUR equivalent** | | **EUR** | | | **7,118,373,89** | **0,00** | **7,118,373,89** | **5,800,256,79** | **4,970,178,92** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value | Redemption value |
|---|---|---|---|---|---|---|---|---|---|---|
| 1,800,000.00 | FR0010096123 | AIR LIQUIDE 4.75% 25.06.2004/25.06.2014 | EUR | F | FRA | 1,909,800.00 | -76,645.77 | 1,833,154.23 | 1,911,780.00 | 1,800,000.00 |
| 2,800,000.00 | FR0010713875 | CREDIT AGRICOLE 4% 27-06-12/16-02-2014 | EUR | F | FRA | 2,884,000.00 | -25,309.06 | 2,858,690.94 | 2,887,640.00 | 2,800,000.00 |
| 2,000,000.00 | FR0010945006 | BPCE 2.875% 29-06-12/22-09-2015 | EUR | F | FRA | 2,038,380.00 | -5,860.24 | 2,032,519.76 | 2,100,200.00 | 2,000,000.00 |
| 10,000,000.00 | FR0011212232 | UNEDIC 3% 27-06-12/25-04-2019 | EUR | F | FRA | 10,505,000.00 | -35,623.85 | 10,469,376.15 | 11,076,000.00 | 10,000,000.00 |
| 5,000,000.00 | XS0186317417 | BANK OF AMERICA 4.625 2.11.2010/18.02.2014 | EUR | F | USA | 5,093,450.00 | -67,411.90 | 5,026,038.10 | 5,200,000.00 | 5,000,000.00 |
| 1,000,000.00 | XS0190990837 | RABOK 4.25% 27-06-12/22-04-2014 | EUR | F | NLD | 1,055,700.00 | -15,596.37 | 1,040,103.63 | 1,049,850.00 | 1,000,000.00 |
| 2,000,000.00 | XS0250172003 | BBVA SENIOR FINANCE 4% 22-04-07/22-04-13 | EUR | F | ESP | 2,048,000.00 | -41,954.31 | 2,006,045.69 | 2,010,200.00 | 2,000,000.00 |
| 3,200,000.00 | XS0306167312 | COLGATE 4.75% 13-06-07/13-06-14 | EUR | F | FRA | 3,383,040.00 | -134,390.42 | 3,248,649.58 | 3,394,080.00 | 3,200,000.00 |
| 5,000,000.00 | XS0400736475 | EDF 5.625% 26-11-08/23-01-13 | EUR | F | FRA | 5,459,400.00 | -450,621.69 | 5,008,778.31 | 5,015,750.00 | 5,000,000.00 |
| 4,000,000.00 | XS0405121368 | BNP PARIBAS 5% 16/12/2008 - 16/12/2013 EMTN | EUR | F | FRA | 4,329,760.00 | -137,979.18 | 4,191,780.82 | 4,171,200.00 | 4,000,000.00 |
| 4,350,000.00 | XS0405713883 | INTESA 5.375% 29-10-10/19-12-13 | EUR | F | ITA | 4,673,640.00 | -97,514.49 | 4,576,125.51 | 4,509,645.00 | 4,350,000.00 |
| 4,000,000.00 | XS0408832151 | RABOBANK 4.375% 22-01-10/22-01-14 | EUR | F | NLD | 4,242,310.00 | -142,586.49 | 4,099,723.51 | 4,163,800.00 | 4,000,000.00 |
| 3,000,000.00 | XS0414313691 | TOTAL CAPIT.3.5% 27-02-09/27-02-14 | EUR | F | FRA | 3,085,200.00 | -61,541.81 | 3,023,658.19 | 3,106,140.00 | 3,000,000.00 |
| 5,000,000.00 | XS0417208591 | VATTENF 4.125% 15-09-09/18-03-13 | EUR | F | FRA | 5,220,500.00 | -208,070.16 | 5,012,429.84 | 5,038,500.00 | 5,000,000.00 |
| 3,000,000.00 | XS0422704238 | LLYODS TSB BANK 6.25% 15-04-10/15-04-14 | EUR | F | GBR | 3,269,880.00 | -164,630.44 | 3,105,249.56 | 3,213,750.00 | 3,000,000.00 |
| 1,000,000.00 | XS0426016753 | HSBC 4.5% 27-06-12/30-04-2014 | EUR | F | GBR | 1,057,290.00 | -15,839.81 | 1,041,450.19 | 1,052,600.00 | 1,000,000.00 |
| 3,000,000.00 | XS0446860826 | SOC. GENERALE 3.75% 21-08-10/21-08-14 | EUR | F | FRA | 3,098,100.00 | -54,092.26 | 3,044,007.74 | 3,143,700.00 | 3,000,000.00 |
| 4,000,000.00 | XS0531257193 | SAN/DER 3.5% 19-11-10/12-08-14 | EUR | F | ESP | 4,005,120.00 | -3,162.48 | 4,001,957.52 | 4,051,620.00 | 4,000,000.00 |
| 3,000,000.00 | XS0581166708 | ABN AMRO 3.375% 10.01.2012/21.01.2014 | EUR | F | NLD | 3,029,400.00 | -13,876.81 | 3,015,523.19 | 3,087,600.00 | 3,000,000.00 |
| 2,000,000.00 | XS0585868622 | HSBC BANK3.25% 30-09-11/28-01-15 | EUR | F | FRA | 2,040,600.00 | -14,710.55 | 2,025,889.45 | 2,104,400.00 | 2,000,000.00 |
| 3,000,000.00 | XS0762339850 | AFD 2.25% 27-06-12/23-03-2017 | EUR | F | FRA | 3,085,300.00 | -8,793.25 | 3,076,506.75 | 3,187,350.00 | 3,000,000.00 |
| 7,000,000.00 | AT0000A011T9 | AUSTRIA 4% 19-07-10/15-09-16 | EUR | F | AUT | 7,672,000.00 | -256,182.32 | 7,415,817.68 | 7,941,150.00 | 7,000,000.00 |
| 5,000,000.00 | AT0000A06P24 | AUSTRIA 4.30% 19/07/2010 - 15/09/17 | EUR | F | AUT | 5,560,000.00 | -180,422.86 | 5,379,577.14 | 5,865,500.00 | 5,000,000.00 |
| 778,950.00 | EU000A1G0AF5 | EU FIN STAB 0.4% 12-03-12/12-03-13 | EUR | F | LUX | 776,223.68 | 2,192.56 | 778,416.24 | 779,475.79 | 778,950.00 |
| 10,000,000.00 | FI0001006306 | FINNISH GOV 4.375% 14-12-10/04-07-19 | EUR | F | FIN | 11,322,800.00 | -329,970.27 | 10,992,829.73 | 12,211,500.00 | 10,000,000.00 |
| 2,000,000.00 | FR0010670737 | OAT 4.25% 26-06-12/25-10-2018 | EUR | F | FRA | 2,285,500.00 | -21,617.92 | 2,263,882.08 | 2,371,100.00 | 2,000,000.00 |
| 7,000,000.00 | FR0010776161 | OAT 3.75% 02.07.09/25.10.19 | EUR | F | FRA | 7,765,840.00 | -48,616.60 | 7,717,223.40 | 8,148,000.00 | 7,000,000.00 |
| 13,000,000.00 | FR0010949651 | OAT 2.50% 21-10-10/25-10-2020 | EUR | F | FRA | 13,137,550.00 | -7,372.18 | 13,130,177.82 | 13,951,600.00 | 13,000,000.00 |
| 5,000,000.00 | FR0011059088 | OAT 3.25% 25.10.2010/25.10.2021 | EUR | F | FRA | 5,278,100.00 | -13,009.81 | 5,265,090.19 | 5,607,000.00 | 5,000,000.00 |
| 15,000,000.00 | NL0006227316 | NETHERLANDS 4% 22/07/10 - 150718 | EUR | F | NLD | 16,662,250.00 | -466,323.64 | 16,195,926.36 | 17,703,750.00 | 15,000,000.00 |
| 5,000,000.00 | SI0002103057 | SLOVENIA 4.125% 21-0610 Z/26-01-2020 | EUR | F | SVN | 5,119,000.00 | -26,789.81 | 5,092,210.19 | 4,767,000.00 | 5,000,000.00 |
| 900,000.00 | XS0417728325 | DENMARK 3.125% 04-06-10/17-03-14 | EUR | F | DNK | 947,700.00 | -32,113.44 | 915,586.56 | 933,210.00 | 900,000.00 |
| 400,000.00 | IT0003242747 | BTP 5.25% 1/2/2002 - 1/8/2017 | EUR | F | ITA | 393,680.00 | 1,850.22 | 395,530.22 | 435,300.00 | 400,000.00 |
| 350,000.00 | IT0003472336 | BTP 4.25% 01/02/03-01/08/13 | EUR | F | ITA | 369,278.00 | -15,210.51 | 354,067.49 | 356,405.00 | 350,000.00 |
| 3,500,000.00 | IT0003493258 | BTP 4.25% 1/2/03 - 1/2/19 | EUR | F | ITA | 3,434,066.17 | 15,525.00 | 3,449,591.17 | 3,616,200.00 | 3,500,000.00 |
| 6,345,000.00 | IT0003618383 | BTP 4.25% 1/2/04 - 1/8/14 | EUR | F | ITA | 6,710,459.94 | -209,930.26 | 6,500,529.68 | 6,576,909.75 | 6,345,000.00 |
| 5,085,000.00 | IT0003719918 | BTP 4.25% 1/8/04 - 1/2/15 | EUR | F | ITA | 5,432,810.95 | -175,979.06 | 5,256,831.89 | 5,308,740.00 | 5,085,000.00 |
| 10,400,000.00 | IT0004009673 | BTP 3.75% 01/02/06 - 01/08/21 | EUR | F | ITA | 10,120,361.68 | 49,050.26 | 10,169,411.94 | 10,162,360.00 | 10,400,000.00 |
| 2,710,000.00 | IT0004273493 | BTP 4.5% 1/8/07 - 1/2/18 | EUR | F | ITA | 2,832,720.18 | -34,151.69 | 2,798,568.49 | 2,857,966.00 | 2,710,000.00 |
| 4,200,000.00 | IT0004356843 | BPT 4.75% 1/2/08 - 1/8/23 | EUR | F | ITA | 4,377,387.84 | -24,244.88 | 4,353,142.96 | 4,304,370.00 | 4,200,000.00 |
| 2,400,000.00 | IT0004361041 | BTP 4.50% 1/2/08 - 1/8/18 | EUR | F | ITA | 2,363,698.32 | 9,250.23 | 2,372,948.55 | 2,522,160.00 | 2,400,000.00 |
| 3,000,000.00 | IT0004489610 | BTP 4.25% 1/3/09 - 1/9/19 | EUR | F | ITA | 2,976,000.00 | 5,312.06 | 2,981,312.06 | 3,089,550.00 | 3,000,000.00 |
| 10,000,000.00 | IT0004536949 | BTP 4.25% 01/09/09 - 01/03/20 | EUR | F | ITA | 10,175,010.00 | -35,620.89 | 10,139,389.11 | 10,228,500.00 | 10,000,000.00 |
| 700,000.00 | AT0000386073 | AUSTRIA 4.3% 15.01.04/15.07.14 | EUR | F | AUT | 718,760.00 | -10,945.13 | 707,814.87 | 745,535.00 | 700,000.00 |
| 2,000,000.00 | AT0000386115 | AUSTRIA 3.90% 0520 | EUR | F | AUT | 2,076,800.00 | -15,646.26 | 2,061,153.74 | 2,369,800.00 | 2,000,000.00 |
| 3,000,000.00 | AT0000386198 | AUSTRIA 3.50% 09-04-10/15-07-15 | EUR | F | AUT | 3,154,500.00 | -70,710.33 | 3,083,789.67 | 3,256,950.00 | 3,000,000.00 |
| 4,000,000.00 | AT0000A0U3T4 | AUSTRIA 3.4% 12-22 26.01.12/22.11.22 | EUR | F | AUT | 4,344,200.00 | -16,820.50 | 4,327,379.50 | 4,598,600.00 | 4,000,000.00 |
| 1,000,000.00 | BE0000307166 | BELGIUM 3.25% 10-03-11/28-09-2016 | EUR | F | BEL | 1,024,100.00 | -8,672.75 | 1,015,427.25 | 1,102,500.00 | 1,000,000.00 |
| 10,000,000.00 | FI0001006306 | FINNISH GOV 4.375% 14-12-10/04-07-19 | EUR | F | FIN | 11,660,000.00 | -163,614.62 | 11,496,385.38 | 12,211,500.00 | 10,000,000.00 |
| 1,000,000.00 | FI4000010848 | FINLAND 3.375%25.03.10/15.04.2020 | EUR | F | FIN | 1,005,800.00 | -1,178.97 | 1,004,621.03 | 1,161,250.00 | 1,000,000.00 |
| 4,800,000.00 | FR0000188989 | GOVERNMENT BONDS 4% 25-04-02/25-04-13 | EUR | F | FRA | 4,997,760.00 | -166,153.26 | 4,831,606.74 | 4,858,800.00 | 4,800,000.00 |
| 4,770,000.00 | FR0010011130 | OAT 4% 13.08.2003/25.10.2013 | EUR | F | FRA | 4,992,759.00 | -148,297.96 | 4,844,461.04 | 4,922,878.50 | 4,770,000.00 |
| 4,750,000.00 | FR0010112052 | OAT 4% 27.08.2004/25.10.2014 | EUR | F | FRA | 4,993,675.00 | -113,954.16 | 4,879,720.84 | 5,089,625.00 | 4,750,000.00 |
| 4,840,000.00 | FR0010163543 | OAT 3.5% 19-01-2010/25-04-2015 | EUR | F | FRA | 5,001,172.00 | -65,820.03 | 4,935,351.97 | 5,203,000.00 | 4,840,000.00 |
| 15,000,000.00 | FR0010216481 | OAT 3.0% 19-01-2010/25-04-2015 | EUR | F | FRA | 15,497,750.00 | -136,935.61 | 15,360,814.39 | 16,183,500.00 | 15,000,000.00 |
| 3,000,000.00 | FR0010242685 | CIF Euromortage 20.10.05-20.10.2015 3.25% | EUR | F | FRA | 3,010,200.00 | -3,879.25 | 3,006,320.75 | 3,186,750.00 | 3,000,000.00 |
| 2,000,000.00 | FR0010776161 | OAT 3.75% 02.07.09/25.10.19 | EUR | F | FRA | 2,128,200.00 | -28,879.78 | 2,099,320.22 | 2,328,000.00 | 2,000,000.00 |
| 2,000,000.00 | FR0010854182 | OAT 3.50% 14/06/10/25/04/2020 | EUR | F | FRA | 2,019,200.00 | -4,011.54 | 2,015,188.46 | 2,295,700.00 | 2,000,000.00 |
| 2,000,000.00 | FR0010949651 | OAT 2.50% 21-10-10/25-10-2020 | EUR | F | FRA | 1,953,000.00 | 4,119.30 | 1,957,119.30 | 2,146,400.00 | 2,000,000.00 |
| 4,760,000.00 | FR0010061242 | GOVERNMENT BONDS 4% 06-04-04/25-04-14 | EUR | F | FRA | 4,996,572.00 | -130,606.61 | 4,865,965.39 | 5,005,854.00 | 4,760,000.00 |
| 7,300,000.00 | IT0003357982 | ITALY 4.75% 10-03-11/01-02-13 | EUR | F | ITA | 7,865,865.70 | -544,617.97 | 7,321,247.73 | 7,324,455.00 | 7,300,000.00 |
| 4,800,000.00 | IT0003844534 | ITALY 3.75% 29.10.10/01.08.2015 | EUR | F | ITA | 5,042,415.36 | -108,310.45 | 4,934,104.91 | 4,962,960.00 | 4,800,000.00 |
| 6,150,000.00 | IT0004019581 | ITALY 3.75% 22-07-10/01-08-16 | EUR | F | ITA | 6,458,127.92 | -112,888.82 | 6,345,239.10 | 6,376,320.00 | 6,150,000.00 |
| 1,200,000.00 | IT0004164775 | ITALY 4% 01-02-2017 | EUR | F | ITA | 1,204,572.00 | -1,522.08 | 1,203,049.92 | 1,248,900.00 | 1,200,000.00 |
| 900,000.00 | IT0004365554 | BTPS 4.25% 16.05.2008/15.04.2013 | EUR | F | ITA | 957,751.29 | -51,071.12 | 906,680.17 | 909,045.00 | 900,000.00 |
| 4,000,000.00 | IT0004448863 | ITALY 3.75% 15.122008/15.12.2013 | EUR | F | ITA | 4,074,050.00 | -51,057.48 | 4,022,992.52 | 4,086,800.00 | 4,000,000.00 |
| 2,500,000.00 | IT0004505076 | ITALY 3.50% 11.06.09/06.06.14 | EUR | F | ITA | 2,522,012.25 | -11,623.93 | 2,510,388.32 | 2,558,625.00 | 2,500,000.00 |
| 4,975,000.00 | IT0004568272 | ITALY 3% 15 04 15 | EUR | F | ITA | 5,046,654.93 | -15,283.70 | 5,031,371.23 | 5,055,346.25 | 4,975,000.00 |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value | Redemption value |
|---|---|---|---|---|---|---|---|---|---|---|
| 2,500,000.00 | SI0002102349 | SLOVENIA 4.0%05-16 17.01.05-17.02.16 | EUR | F | SVN | 2,620,250.00 | -47,940.65 | 2,572,309.35 | 2,540,750.00 | 2,500,000.00 |
| 4,000,000.00 | SI0002102794 | SLOVENIA 4.375%08-19 06.02.08-06.02.19 | EUR | F | SVN | 3,966,000.00 | 3,363.25 | 3,969,363.25 | 3,959,000.00 | 4,000,000.00 |
| 1,500,000.00 | SI0002103065 | SLOVENIA 2.75%10-15 08.03.10-08.03.15 | EUR | F | SVN | 1,496,700.00 | 1,593.35 | 1,498,293.35 | 1,494,975.00 | 1,500,000.00 |
| 3,000,000.00 | SK4120007204 | SLOVAKIA 4.0%10-15 27.04.10-27.04.15 | EUR | F | SKK | 2,991,000.00 | 1,765.55 | 2,992,765.55 | 3,381,750.00 | 3,000,000.00 |
| 2,000,000.00 | SK4120007071 | SLOVAKIA 3.5% 10-16 24.02.10-24.02.16 | EUR | F | SKK | 2,038,000.00 | -7,851.48 | 2,030,148.52 | 2,163,900.00 | 2,000,000.00 |
| 8,000,000.00 | XS0242491230 | POLAND 3.63% 01.02.06-01.02.16 | EUR | F | POL | 7,988,000.00 | 5,069.87 | 7,993,069.87 | 8,690,400.00 | 8,000,000.00 |
| 3,000,000.00 | XS0292653994 | POLAND 4.675% 22.03.07-22.03.18 | EUR | F | SVN | 3,115,500.00 | -31,798.98 | 3,083,701.02 | 3,031,350.00 | 3,000,000.00 |
| 2,500,000.00 | XS0299989813 | SLOVAKIA 4.38% 07-17 15.05.07-15.05.17 | EUR | F | SKK | 2,635,250.00 | -42,768.52 | 2,592,481.48 | 2,844,875.00 | 2,500,000.00 |
| 2,000,000.00 | XS0427020309 | CZECH REPUBLIC 4.5% 09-14 05.05.09-05.11.14 | EUR | F | CSK | 2,144,400.00 | -77,549.29 | 2,066,850.71 | 2,150,000.00 | 2,000,000.00 |
| 5,000,000.00 | XS0498285351 | POLAND 3.75% 10-17 29.03.10-29.03.17 | EUR | F | POL | 4,960,300.00 | 12,563.42 | 4,972,863.42 | 5,558,000.00 | 5,000,000.00 |
| 20,524,000.00 | DE0001030542 | BUND GERMANY INFL.LKD 0.1% 23.03.2012-15.04.2023 | EUR | F | DEU | 21,303,238.73 | -37,978.99 | 21,265,259.74 | 21,616,287.28 | 20,524,000.00 |
| 1,900,000.00 | AT0000386115 | AUSTRIA 3.90% 0520 | EUR | F | AUT | 2,033,285.00 | -13,351.97 | 2,019,933.03 | 2,251,310.00 | 1,900,000.00 |
| 600,000.00 | BE0000303124 | BELGIUM 4.25% 18-05-11/28-09-14 | EUR | F | BEL | 625,044.00 | -11,744.63 | 613,299.37 | 643,290.00 | 600,000.00 |
| 1,700,000.00 | BE0000323320 | BELGIUM 3.5% 28/06/2011 - 28/06/2017 | EUR | F | BEL | 1,679,770.00 | 2,887.00 | 1,682,657.00 | 1,902,640.00 | 1,700,000.00 |
| 3,300,000.00 | DE0001135242 | GERMANY 4.25% 31-10-03/04-01-14 | EUR | F | DEU | 3,570,600.00 | -150,647.46 | 3,419,952.54 | 3,441,075.00 | 3,300,000.00 |
| 6,480,000.00 | DE0001135259 | GERMANY 4.25% 28.05.2004/04.07.2014 | EUR | F | DEU | 7,023,483.80 | -301,595.32 | 6,721,888.48 | 6,894,072.00 | 6,480,000.00 |
| 2,000,000.00 | DE0001135283 | GERMANY 3.25% 04/07/2009/04/07/2015 | EUR | F | DEU | 2,121,400.00 | -43,997.48 | 2,077,402.52 | 2,163,600.00 | 2,000,000.00 |
| 500,000.00 | DE0001135309 | GERMANY 4% 31-01-11/04-07-16 | EUR | F | DEU | 565,170.00 | -16,750.42 | 548,419.58 | 568,550.00 | 500,000.00 |
| 1,200,000.00 | DE0001135341 | GERMANY 4% 10-03-2011/04-01-2018 | EUR | F | DEU | 1,415,064.00 | -5,956.13 | 1,409,107.87 | 1,418,340.00 | 1,200,000.00 |
| 1,200,000.00 | DE0001135416 | GERMANY 2.2 5% 03-12-10/04-09-2020 | EUR | F | DEU | 1,229,220.00 | -3,658.67 | 1,225,561.33 | 1,319,160.00 | 1,200,000.00 |
| 1,000,000.00 | DE0001135465 | GERMANY 2% 13-01-2012/04-01-2022 | EUR | F | DEU | 1,010,230.00 | -818.84 | 1,009,411.16 | 1,069,900.00 | 1,000,000.00 |
| 1,050,000.00 | DE0001141521 | GERMANY 3.50% 28.03.2008/.12.04.2013 | EUR | F | DEU | 1,097,596.50 | -39,056.17 | 1,058,540.33 | 1,059,975.00 | 1,050,000.00 |
| 2,300,000.00 | DE0001141570 | GERMANY 2.25% 26-07-12/10-04-2015 | EUR | F | DEU | 2,438,782.00 | -21,509.01 | 2,417,272.99 | 2,419,025.00 | 2,300,000.00 |
| 1,000,000.00 | ES0000012098 | SPAIN 4.75% 09-05/30-07-14 | EUR | F | ESP | 1,028,120.00 | -14,073.69 | 1,014,046.31 | 1,030,600.00 | 1,000,000.00 |
| 980,000.00 | ES00000122R7 | SPAIN 2.50% 21-01-11/31-10-13 | EUR | F | ESP | 948,924.20 | 21,270.35 | 970,194.55 | 982,744.00 | 980,000.00 |
| 1,340,000.00 | ES00000123D5 | SPAIN 3.40% 30/04/2011 - 30/04/2014 | EUR | F | ESP | 1,331,290.00 | 4,598.44 | 1,335,888.44 | 1,353,199.00 | 1,340,000.00 |
| 1,262,000.00 | EU000A1GN002 | EUROPEAN UNION 3.25% 17-03-11/04-04-18 | EUR | F | LUX | 1,261,432.10 | 18.28 | 1,261,450.38 | 1,428,584.00 | 1,262,000.00 |
| 400,000.00 | EU000A1GRVV3 | EUROPEAN UNION 3.5% 31-05-11/04-06-21 | EUR | F | LUX | 398,900.00 | 23,306.66 | 422,206.66 | 465,460.00 | 400,000.00 |
| 1,100,000.00 | FI4000018049 | FINLAND 1.75% 07-10-11/15-04-2016 | EUR | F | FIN | 1,108,569.00 | -2,264.01 | 1,106,304.99 | 1,159,180.00 | 1,100,000.00 |
| 1,800,000.00 | FR0000187361 | GOVERNMENT BONDS 5% 02.02.01/25.10.16 | EUR | F | FRA | 2,027,958.00 | -67,105.78 | 1,960,852.22 | 2,112,210.00 | 1,800,000.00 |
| 340,000.00 | FR0000188989 | GOVERNMENT BONDS 4% 25-04-02/25-04-13 | EUR | F | FRA | 356,371.00 | -13,045.17 | 343,325.83 | 344,165.00 | 340,000.00 |
| 6,740,000.00 | FR0010011130 | OAT 4% 13.08.2003/25.10.2013 | EUR | F | FRA | 7,136,637.00 | -255,333.53 | 6,881,303.47 | 6,956,017.00 | 6,740,000.00 |
| 700,000.00 | FR0010949651 | OAT 2.50% 21-10-10/25-10-2020 | EUR | F | FRA | 676,662.00 | 2,662.31 | 679,324.31 | 751,240.00 | 700,000.00 |
| 7,200,000.00 | FR0010061242 | GOVERNMENT BONDS 4% 06-04-04/25-04-14 | EUR | F | FRA | 7,637,307.00 | -148,932.61 | 7,488,374.39 | 7,571,880.00 | 7,200,000.00 |
| 3,600,000.00 | IT0003357982 | ITALY 4.75% 10-03-11/01-02-13 | EUR | F | ITA | 3,691,968.00 | -87,333.58 | 3,604,634.42 | 3,612,060.00 | 3,600,000.00 |
| 2,010,000.00 | IT0004615917 | ITALY 3% 15-06-2015 | EUR | F | ITA | 2,013,654.50 | -2,482.38 | 2,011,172.12 | 2,042,763.00 | 2,010,000.00 |
| 2,680,000.00 | NL0000102325 | NETHERLANDS 3.75% 28-01-09/15-07-14 | EUR | F | NLD | 2,767,618.80 | -55,179.22 | 2,712,439.58 | 2,832,358.00 | 2,680,000.00 |
| 1,000,000.00 | NL0006227316 | NETHERLANDS 4% 22/07/10 - 150718 | EUR | F | NLD | 1,177,180.00 | -13,000.44 | 1,164,179.56 | 1,180,250.00 | 1,000,000.00 |
| 1,050,000.00 | AT0000386198 | AUSTRIA 3.50% 09-04-10/15-07-15 | EUR | F | AUT | 1,120,350.00 | -31,626.71 | 1,088,723.29 | 1,139,932.50 | 1,050,000.00 |
| 1,100,000.00 | AT0000A0CL73 | AUSTRIA 3.40% 02-02-11/20-10-14 | EUR | F | AUT | 1,146,310.00 | -23,294.18 | 1,123,015.82 | 1,166,385.00 | 1,100,000.00 |
| 550,000.00 | AT0000A0GLY4 | AUSTRIA 3.2% 04-04-11/20-02-17 | EUR | F | AUT | 548,740.50 | 336.20 | 549,076.70 | 612,315.00 | 550,000.00 |
| 450,000.00 | ES00000121A5 | ESP 4.1% 20-07-10/30-07-18 | EUR | F | ESP | 451,350.00 | -450.66 | 450,899.34 | 444,915.00 | 450,000.00 |
| 450,000.00 | ES00000121L2 | ESP 4.6% 20-07-10/30-07-19 | EUR | F | ESP | 464,850.00 | -3,594.05 | 461,255.95 | 450,810.00 | 450,000.00 |
| 26,250.00 | EU000A1G0AF5 | EU FIN STAB 0.4% 12-03-12/12-03-13 | EUR | F | LUX | 26,158.13 | 73.88 | 26,232.01 | 26,267.71 | 26,250.00 |
| 26,250.00 | EU000A1G0AG3 | EU FIN STAB 1% 12-03-12/12-03-14 | EUR | F | LUX | 26,176.50 | 29.17 | 26,205.67 | 26,510.79 | 26,250.00 |
| 800,000.00 | FI0001006066 | FINLAND 3.875% 30-05-06/15-09-17 | EUR | F | FIN | 831,032.00 | -7,757.19 | 823,274.81 | 927,960.00 | 800,000.00 |
| 750,000.00 | FI0001006306 | FINNISH GOV 4.375% 14-12-10/04-07-19 | EUR | F | FIN | 824,550.00 | -16,169.94 | 808,380.06 | 915,862.50 | 750,000.00 |
| 850,000.00 | FI0001006462 | FINLAND 3.125% 16-03-09/15-09-14 | EUR | F | FIN | 884,000.00 | -17,618.79 | 866,381.21 | 894,795.00 | 850,000.00 |
| 1,650,000.00 | FR0000188989 | GOVERNMENT BONDS 4% 25-04-02/25-04-13 | EUR | F | FRA | 1,717,600.50 | -57,180.36 | 1,660,420.14 | 1,670,212.50 | 1,650,000.00 |
| 1,650,000.00 | FR0010288357 | OAT 3.25% 25-04-06/25-04-16 | EUR | F | FRA | 1,717,485.00 | -24,746.52 | 1,692,738.48 | 1,811,617.50 | 1,650,000.00 |
| 1,600,000.00 | FR0010517417 | OAT 4.25% 06-09-07/25-10-17 | EUR | F | FRA | 1,744,160.00 | -40,240.06 | 1,703,919.94 | 1,870,080.00 | 1,600,000.00 |
| 1,650,000.00 | FR0010061242 | GOVERNMENT BONDS 4% 06-04-04/25-04-14 | EUR | F | FRA | 1,754,032.50 | -60,910.22 | 1,693,122.28 | 1,735,222.50 | 1,650,000.00 |
| 450,000.00 | IT0004019581 | ITALY 3.75% 22-07-10/01-08-16 | EUR | F | ITA | 468,675.00 | -7,149.36 | 461,525.64 | 466,560.00 | 450,000.00 |
| 450,000.00 | IT0004164775 | ITALY 4% 01-02-2017 | EUR | F | ITA | 470,250.00 | -6,546.31 | 463,703.69 | 468,337.50 | 450,000.00 |
| 1,100,000.00 | NL0000102242 | NETHERLANDS 3.25% 15/07/2015 | EUR | F | NLD | 1,143,340.00 | -18,044.95 | 1,125,295.05 | 1,188,550.00 | 1,100,000.00 |
| 1,050,000.00 | NL0000102283 | NETHERLANDS 4% 27-10-10/15-07-16 | EUR | F | NLD | 1,157,152.50 | -39,253.15 | 1,117,899.35 | 1,189,702.50 | 1,050,000.00 |
| 500,000.00 | NL0006007239 | NETHERLANDS 4.5% 04-04-11/15-07-17 | EUR | F | NLD | 537,665.00 | -9,728.45 | 527,936.55 | 591,375.00 | 500,000.00 |
| 450,000.00 | PTOTEMOE0027 | PORTUGAL 4.75% 23-07-10/14-06-19 | EUR | F | PRT | 433,800.00 | 13,900.96 | 447,700.96 | 411,030.00 | 450,000.00 |
| 400,000.00 | PTOTENOE0018 | PORTUGAL 4.45% 23-07-10/15-06-18 | EUR | F | PRT | 384,000.00 | 88,589.94 | 472,589.94 | 373,380.00 | 400,000.00 |
| 1,150,000.00 | XS0417728325 | DENMARK 3.125% 04-06-10/17-03-14 | EUR | F | DNK | 1,197,984.00 | -29,847.93 | 1,168,136.07 | 1,192,435.00 | 1,150,000.00 |
| 600,000.00 | XS0458008496 | POLAND 4.675% 22-07-10/15-10-19 | EUR | F | POL | 609,000.00 | -2,051.87 | 606,948.13 | 702,570.00 | 600,000.00 |
| **TOTAL EUR** | | | | | | **441,261,741.47** | **-7,276,876.65** | **433,984,864.82** | **451,084,405.57** | **420,822,450.00** |
| 1.00 | JP1023041B55 | JAPAN 0.2% 25-05-11/15-05-13 | JPY | F | JPN | 200,116,000.00 | 0.00 | 200,116,000.00 | 200,060,000.00 | 200,000,000.00 |
| 1.00 | JP1023031B40 | JAPAN 0.2% 15-04-11/15-04-2013 | JPY | F | JPN | 500,045,000.00 | 0.00 | 500,045,000.00 | 500,245,018.00 | 500,045,000.00 |
| 1.00 | JP1050851995 | JAPAN 0.7% 25-05-12/20-09-2014 | JPY | F | JPN | 405,552,000.00 | 0.00 | 405,552,000.00 | 404,120,000.00 | 400,000,000.00 |
| 1.00 | JP1102661517 | JAPAN 1.40% 20-02-12/20-12-14 | JPY | F | JPN | 310,173,000.00 | 0.00 | 310,173,000.00 | 307,620,000.00 | 300,000,000.00 |
| 1.00 | JP1102681531 | JAPAN 1.5% 06-04-12/20-03-15 | JPY | F | JPN | 207,832,000.00 | 0.00 | 207,832,000.00 | 206,160,000.00 | 200,000,000.00 |
| 1.00 | N°298-JAP | JBP BOND 1.30% 18.12.08/18.12.2018 | JPY | F | JPN | 202,128,000.00 | 0.00 | 202,128,000.00 | 211,940,000.00 | 200,000,000.00 |
| **TOTAL JPY** | | | | | | **1,825,846,000.00** | **0.00** | **1,825,846,000.00** | **1,830,145,018.00** | **1,800,045,000.00** |
| | **TOTAL JPY - EUR equivalent** | | **EUR** | | | **16,071,173.32** | **0.00** | **16,071,173.32** | **16,109,013.45** | **15,844,071.81** |
| 7,066,000.00 | LT0000605107 | LITHUANIA 4.9% 10-15 29.04.10 - 29.04.15 | LTL | F | LIT | 7,271,055.99 | -89,340.09 | 7,181,715.90 | 7,602,168.08 | 7,066,000.00 |
| 225,000.00 | LT0000605115 | LITHUANIA 4.8% 11-16 20.10.11 - 20.10.16 | LTL | F | LIT | 225,976.50 | -259.16 | 225,717.34 | 247,524.75 | 225,000.00 |
| 3,000,000.00 | LT0000605123 | LITHUANIA 4.7% 12-17 07.06.12-07.06.17 | LTL | F | LIT | 2,995,646.00 | -2,322.42 | 2,993,323.58 | 3,285,810.00 | 3,000,000.00 |
| 13,555,600.00 | LT0000607053 | LITHUANIA 5.2% 11-18 28.03.11-28.03.18 | LTL | F | LIT | 13,626,105.44 | -2,158.56 | 13,623,946.88 | 15,166,547.50 | 13,555,600.00 |
| 4,892,000.00 | LT0000611014 | LITHUANIA 3.75% 5-16 10.02.05 - 10.02.16 | LTL | F | LIT | 4,734,421.67 | 30,668.27 | 4,765,089.94 | 5,165,609.56 | 4,892,000.00 |
| 3,159,312.00 | LT1000600270 | LITHUANIA 4.95% 10-17 22.09.10-22.09.17 | LTL | F | LIT | 3,151,168.94 | 331.46 | 3,151,500.40 | 3,513,913.18 | 3,159,312.00 |
| **TOTAL LTL** | | | | | | **32,004,374.54** | **-63,080.50** | **31,941,294.04** | **34,981,573.07** | **31,897,912.00** |
| | **TOTAL LTL - EUR equivalent** | | **EUR** | | | **9,269,107.55** | **-18,269.38** | **9,250,838.17** | **10,131,363.84** | **9,238,273.86** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount | | Net | Realizable value | Redemption value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | At cost | Impairment | | | |
| NCP_23105 | | | | | | 222,589.30 | 22,835.84 | 245,425.14 | 342,277.03 | 185,000.00 |
| 185,000.00 | FR0000186413 | GOVERNMENT BONDS 3.40% 01-07-03/25-07-29 | EUR | F | FRA | 222,589.30 | 22,835.84 | 245,425.14 | 342,277.03 | 185,000.00 |
| **TOTAL EUR** | | | | | | **222,589.30** | **22,835.84** | **245,425.14** | **342,277.03** | **185,000.00** |
| NCP_23106 | | | | | | 2,000,000.00 | 0.00 | 2,000,000.00 | 2,101,400.00 | 2,000,000.00 |
| 1,000,000.00 | FR0000476533 | COMPAGNIE DE FINANC.FONC.TX VAR. 08-07-03/08- | EUR | F | LUX | 1,000,000.00 | 0.00 | 1,000,000.00 | 1,067,900.00 | 1,000,000.00 |
| 100.00 | XS0185626347 | BNP PARIBAS 0% 18-02-04/13-02-14 | EUR | F | LUX | 1,000,000.00 | 0.00 | 1,000,000.00 | 1,033,500.00 | 1,000,000.00 |
| **TOTAL EUR** | | | | | | **2,000,000.00** | **0.00** | **2,000,000.00** | **2,101,400.00** | **2,000,000.00** |
| NCP_23107 | | | | | | 28,609,684.23 | 1,273,534.11 | 29,883,218.34 | 35,242,105.96 | 25,000,000.00 |
| 3,000,000.00 | FR0000188799 | OATE 3.15% 03-11-09/25-07-32 | EUR | F | FRA | 4,238,424.83 | 185,964.30 | 4,424,389.13 | 5,434,462.06 | 3,000,000.00 |
| 5,000,000.00 | OAT3.40%PLAC | GOVERNMENT BONDS 3.40% 01-07-08/25-07-29 | EUR | F | FRA | 6,942,295.28 | 112,733.33 | 7,055,028.61 | 9,250,730.45 | 5,000,000.00 |
| 3,000,000.00 | FR0010050559 | OATE 2.25% 03-11-09/25-07-20 | EUR | F | FRA | 3,601,950.40 | 190,244.83 | 3,792,195.23 | 4,330,900.95 | 3,000,000.00 |
| 4,000,000.00 | FR0010235176 | OAT 1% 08-07-08/25-07-17 | EUR | F | FRA | 3,826,111.66 | 449,020.38 | 4,275,132.04 | 4,935,061.86 | 4,000,000.00 |
| 4,000,000.00 | FR0010585901 | OAT 2.10% 22-05-08/25-07-23 | EUR | F | FRA | 3,976,002.06 | 359,772.05 | 4,335,774.11 | 5,284,650.64 | 4,000,000.00 |
| 3,000,000.00 | XS0579627984 | Lloyds var. 11-13 | EUR | F | AUT | 3,024,900.00 | -24,200.78 | 3,000,699.22 | 3,002,250.00 | 3,000,000.00 |
| 3,000,000.00 | XS0597215937 | RBI var. 11-13 | EUR | F | AUT | 3,000,000.00 | 0.00 | 3,000,000.00 | 3,004,050.00 | 3,000,000.00 |
| **TOTAL EUR** | | | | | | **28,609,684.23** | **1,273,534.11** | **29,883,218.34** | **35,242,105.96** | **25,000,000.00** |
| 2311-LISTED BONDS BRANCHES | | | | | | 211,906,077.00 | -2,440,878.20 | 209,465,198.80 | 215,403,510.26 | 203,777,985.85 |
| NCP_23110 | | | | | | 211,906,077.00 | -2,440,878.20 | 209,465,198.80 | 215,403,510.26 | 203,777,985.85 |
| 2,865,000.00 | CA064149A803 | BANK OF NOVA 3.34% 04-12-12/25-03-15 | CAD | F | CAN | 2,980,975.20 | 0.00 | 2,980,975.20 | 2,964,272.25 | 2,865,000.00 |
| 1,903,000.00 | CA563469TG04 | MANITOBA 3.05% 26-10-11/01-09-14 | CAD | F | CAN | 1,987,206.75 | 0.00 | 1,987,206.75 | 1,959,519.10 | 1,903,000.00 |
| 1,594,000.00 | CA626209HW32 | MUN FIN AUTH 4.15% 04-12-12/13-10-15 | CAD | F | CAN | 1,713,948.50 | 0.00 | 1,713,948.50 | 1,681,703.48 | 1,594,000.00 |
| 1,611,000.00 | CA642866EF03 | NEW BRUNSWICK 8.75% 26-10-11/12-05-15 | CAD | F | CAN | 1,996,834.50 | 0.00 | 1,996,834.50 | 1,853,642.38 | 1,611,000.00 |
| 8,242.00 | CA683234UF36 | ONTARIO 5% 23-08-10/08-03-14 | CAD | F | CAN | 9,042,079.00 | 0.00 | 9,042,079.00 | 8,604,648.00 | 8,242,000.00 |
| 4,779.00 | CA683234TF54 | ONTARIO 4.75% 19-05-10/02-06-2013 | CAD | F | CAN | 5,077,209.60 | 0.00 | 5,077,209.60 | 4,851,879.75 | 4,779,000.00 |
| 2,965,000.00 | CA780085BZ88 | RBC 4.71% 20-01-12/22-12-2014 | CAD | F | CAN | 3,217,618.00 | 0.00 | 3,217,618.00 | 3,137,859.50 | 2,965,000.00 |
| 4,665,000.00 | CA01285PDS44 | ALBERTA CAP 3.05% 01-09-11/15-06-2015 | CAD | F | CAN | 4,905,480.75 | 0.00 | 4,905,480.75 | 4,858,597.50 | 4,665,000.00 |
| 4,000,000.00 | CA013051DA24 | ALBERTA PROV 07-03-11/01-12-14 | CAD | F | CAN | 4,036,000.00 | 0.00 | 4,036,000.00 | 4,115,800.00 | 4,000,000.00 |
| 3,495.00 | CA748148RK14 | QUEBEC PROV 5.25% 22-07-10/01-10-2013 | CAD | F | CAN | 3,814,967.25 | 0.00 | 3,814,967.25 | 3,601,248.00 | 3,495,000.00 |
| 5,365,000.00 | CA803854JF67 | PROV SASKATCHEWAN 5.25% 03-06-11/03-06-2014 | CAD | F | CAN | 5,877,894.00 | 0.00 | 5,877,894.00 | 5,668,122.50 | 5,365,000.00 |
| **TOTAL CAD** | | | | | | **44,650,213.55** | **0.00** | **44,650,213.55** | **43,297,292.46** | **41,484,000.00** |
| | **TOTAL CAD - EUR equivalent** | | **EUR** | | | **33,988,135.45** | **0.00** | **33,988,135.45** | **32,958,280.01** | **31,577,985.85** |
| 5,000,000.00 | DE-SSD-356 | Landesbank Baden-Württemberg 4.95% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,055,593.50 | 5,000,000.00 |
| 5,000,000.00 | DE-SSD-359 | Landesbank Baden-Württemberg 4.18% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,104,944.00 | 5,000,000.00 |
| 5,000,000.00 | DE-SSD-360 | HSH Nordbank AG 4.365% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,025,803.00 | 5,000,000.00 |
| 5,000,000.00 | DE-SSD-361 | HSH Nordbank AG 4.345% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,036,504.50 | 5,000,000.00 |
| 5,000,000.00 | DE-SSD-362 | Landesbank Baden-Württemberg 4.31% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,057,396.50 | 5,000,000.00 |
| 2,500,000.00 | DE-SSD-363 | HSH Nordbank AG 4.26% | EUR | F | DEU | 2,500,000.00 | 0.00 | 2,500,000.00 | 2,532,323.75 | 2,500,000.00 |
| 5,000,000.00 | DE-SSD-364 | HSH Nordbank AG 4.285% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,052,348.50 | 5,000,000.00 |
| 5,000,000.00 | DE-SSD-365 | Landesbank Baden-Württemberg 4.42% | EUR | F | DEU | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,108,391.50 | 5,000,000.00 |
| 5,000,000.00 | FR0010018275 | CSSE REFIN HYPOT 25/10/14 4.25% | EUR | F | ITA | 5,273,000.00 | -147,658.06 | 5,125,341.94 | 5,360,250.00 | 5,000,000.00 |
| 5,000,000.00 | FR0010261495 | CSSE REFIN HYPOT CRH 25/4/2017 3.5% | EUR | F | ITA | 4,892,500.00 | 33,723.28 | 4,926,223.28 | 5,576,500.00 | 5,000,000.00 |
| 5,000,000.00 | FR0010345181 | CSSE REFIN HYPOT CRH 25/04/18 4% | EUR | F | ITA | 5,062,557.50 | -16,946.24 | 5,045,611.26 | 5,766,000.00 | 5,000,000.00 |
| 500,000.00 | XS0247784100 | BANCA POPOLARE EMILIA 23/3/16 FL | EUR | F | ITA | 499,679.85 | 216.91 | 499,896.76 | 448,750.00 | 500,000.00 |
| 3,000,000.00 | XS0586635061 | INTESA SANPAOLO 01/02/13 3.25% | EUR | F | ITA | 3,009,904.20 | -9,528.33 | 3,000,375.87 | 3,003,150.00 | 3,000,000.00 |
| 3,000,000.00 | FR0010134379 | CAISSE REFINANCEMENT L'HABITAT EO 22.11 04-25.10.1 | EUR | F | FRA | 3,199,500.00 | -199,500.00 | 3,000,000.00 | 3,304,800.00 | 3,000,000.00 |
| 5,000,000.00 | FR0010134379 | CAISSE REFINANCEMENT L'HABITAT EO 22.11 04-25.10.1 | EUR | F | ITA | 5,175,000.00 | -175,000.00 | 5,000,000.00 | 5,508,000.00 | 5,000,000.00 |
| 6,000,000.00 | FR0010428185 | Dexia Municipal Agency S.A. 4.25% 07.02.2007-07.02 | EUR | F | FRA | 6,379,000.00 | -26,918.18 | 6,352,081.82 | 6,837,000.00 | 6,000,000.00 |
| 700,000.00 | FR0010611491 | DEXMA 4.5% 08-15 25.04.08-27.04.2015 | EUR | F | FRA | 720,300.00 | -8,349.52 | 711,950.48 | 757,400.00 | 700,000.00 |
| 15,000,000.00 | FR0010622753 | BNP Paris Home Loan 08/28.05.2013 MTN 4.75 | EUR | F | FRA | 15,705,000.00 | -530,439.65 | 15,174,560.35 | 15,273,000.00 | 15,000,000.00 |
| 10,000,000.00 | FR0010762385 | Bque Populaires 3.875% 05.06.2009-05.06.2014 | EUR | F | FRA | 10,350,000.00 | -146,568.66 | 10,203,431.34 | 10,486,500.00 | 10,000,000.00 |
| 10,000.00 | FR0010772988 | SFEF 3.125% 22.06.09/30.01.2014 | EUR | F | FRA | 10,305,000.00 | -124,565.13 | 10,180,434.87 | 10,440,850.00 | 10,000,000.00 |
| 1,000,000.00 | FR0010784009 | BNP PARIBAS 3.0% 23.07.09-23.07.2013 | EUR | F | FRA | 1,037,500.00 | 0.00 | 1,037,500.00 | 1,015,350.00 | 1,000,000.00 |
| 2,000,000.00 | FR0010843375 | BNP 3.375% 10-17 12.01.10-12.01.2017 | EUR | F | FRA | 2,122,000.00 | -16,464.40 | 2,105,535.60 | 2,210,300.00 | 2,000,000.00 |
| 3,000,000.00 | FR0010850982 | DEXMA 4.25% 10-22 26.01.10-26.01.22 | EUR | F | FRA | 3,322,500.00 | -7,184.02 | 3,315,315.98 | 3,446,850.00 | 3,000,000.00 |
| 3,000,000.00 | FR0010857672 | CAISSE REFINANCEMENT L'HABITAT EO 19.02.10-19.02.2 | EUR | F | FRA | 3,009,300.00 | -1,753.21 | 3,007,546.79 | 3,465,150.00 | 3,000,000.00 |
| 3,000,000.00 | FR0010859777 | Dexia Municipal Agency S.A. 3.625% 26.02.2010-26.0 | EUR | F | FRA | 3,058,500.00 | -6,780.43 | 3,051,719.57 | 3,297,600.00 | 3,000,000.00 |
| 3,000,000.00 | FR0010945956 | Dexia Municipal Agency S.A. 2.75% 24.09.10-25.01.2 | EUR | F | FRA | 2,881,500.00 | 41,728.05 | 2,923,228.05 | 3,148,200.00 | 3,000,000.00 |
| 10,000,000.00 | FR0010989806 | GCE Covered Bonds 11/15 2.750% | EUR | F | FRA | 10,023,000.00 | -8,772.27 | 10,014,227.73 | 10,450,000.00 | 10,000,000.00 |
| 3,000,000.00 | FR0010998872 | CREDIT AGRICOLE 2.625% 28.01.2011-28.01.2014 | EUR | F | FRA | 2,995,500.00 | 2,678.22 | 2,998,178.22 | 3,072,300.00 | 3,000,000.00 |
| 1,500,000.00 | FR0011001684 | SOC GEN 4.25% 11-23 03.02.11-03.02.23 | EUR | F | FRA | 1,756,500.00 | -3,676.59 | 1,752,823.41 | 1,804,275.00 | 1,500,000.00 |
| 3,000,000.00 | FR0011075167 | BNP Paris Home Loan MTN 3.875% 12.07.2011-12.07.20 | EUR | F | FRA | 3,310,500.00 | -16,574.75 | 3,293,925.25 | 3,514,650.00 | 3,000,000.00 |
| 10,000,000.00 | FR0011215516 | Société Générale SFH 2.875% 14.03.201212-14.03.2 | EUR | F | FRA | 10,188,600.00 | -14,923.88 | 10,173,676.12 | 10,912,000.00 | 10,000,000.00 |
| 5,000,000.00 | XS0414313691 | TOTAL CAPIT.3.5% 27-02-09/27-02-14 | EUR | F | FRA | 5,326,500.00 | -213,788.26 | 5,112,711.74 | 5,176,900.00 | 5,000,000.00 |
| 4,000,000.00 | XS0611215103 | SANTA 4.25% 11-14 07.04.11-07.04.14 | EUR | F | ESP | 4,005,600.00 | -2,596.34 | 4,003,003.66 | 4,079,400.00 | 4,000,000.00 |
| 5,000,000.00 | XS0367884375 | E.ON Finance B.V. 5.25% | EUR | F | NLD | 5,608,500.00 | -367,773.49 | 5,240,726.51 | 5,333,000.00 | 5,000,000.00 |
| 5,000,000.00 | XS0399648301 | RWE Finance B.V. 5.75% 20.11.2013 | EUR | F | NLD | 5,605,500.00 | -431,115.36 | 5,174,384.64 | 5,229,750.00 | 5,000,000.00 |
| 5,000,000.00 | XS0412154378 | BASF 5.125% 09.02.2009 - 09.06.2015 | EUR | F | NLD | 5,595,000.00 | -42,347.89 | 5,552,652.11 | 5,554,000.00 | 5,000,000.00 |
| **TOTAL EUR** | | | | | | **177,917,941.55** | **-2,440,878.20** | **175,477,063.35** | **182,445,230.25** | **172,200,000.00** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value | Redemption value |
|---|---|---|---|---|---|---|---|---|---|---|
| 2316 - NEGOTIABLE DEBT SECURITIES AND TREASURY BILLS | | | | | | 62,676,347.67 | -26,968.49 | 62,649,379.18 | 62,628,963.37 | 62,652,651.27 |
| NCP_23162 | | | | | | 28,505,704.16 | -26,968.49 | 28,478,735.67 | 28,458,667.08 | 28,482,007.76 |
| 25,000,000.00 | FR0120881380 | CACIB CDN EONIACAP 01/02/2013 | EUR | F | FRA | 25,000,000.00 | 0.00 | 25,000,000.00 | 25,000,000.00 | 25,000,000.00 |
| 400,000.00 | FR0113087466 | COMMERCIAL PAPER 3.75% 13.08.08/12.01.13 | EUR | F | FRA | 408,300.53 | -8,413.17 | 399,887.36 | 399,905.43 | 400,000.00 |
| 2,340,000.00 | FR0117836652 | FRA TREASURY BILL 2.50% 13/04/10/15/01/15 | EUR | F | FRA | 2,355,395.87 | -18,555.32 | 2,336,840.55 | 2,332,062.39 | 2,340,000.00 |
| **TOTAL EUR** | | | | | | **27,763,696.40** | **-26,968.49** | **27,736,727.91** | **27,731,967.82** | **27,740,000.00** |
| 35,500.00 | BONEQUAT1 | TREASURY BILL 6.50% 20-05-10/20-05-20 | USD | F | ECU | 35,500.00 | 0.00 | 35,500.00 | 35,039.00 | 35,500.00 |
| 113,500.00 | BONECUADOR | TREASURY BILL ECUADOR 4.5% 31-05/31-05-13 | USD | F | ECU | 113,500.00 | 0.00 | 113,500.00 | 113,259.00 | 113,500.00 |
| 76,000.00 | BONECUADOR1 | TREASURY BILLS 6.5% 20-05-10/20-05-20 | USD | F | ECU | 76,000.00 | 0.00 | 76,000.00 | 71,803.00 | 76,000.00 |
| 156,000.00 | BONECUADOR2 | TREASURY BILL 6.5% 20-05-10/20-05-20 | USD | F | ECU | 156,000.00 | 0.00 | 156,000.00 | 147,384.00 | 156,000.00 |
| 45,000.00 | BONECUADOR3 | TREASURY BILL 6.5% 16-05-11/20-05-20 | USD | F | ECU | 45,000.00 | 0.00 | 45,000.00 | 43,453.00 | 45,000.00 |
| 68,000.00 | BONTRESOREQU | TREASURY BILL 6.50% 20-05-10/20-05-20 | USD | F | ECU | 68,000.00 | 0.00 | 68,000.00 | 67,117.00 | 68,000.00 |
| 114,000.00 | ECUADORBT40 | ECUADOR 6.50% 07/12/11-20/05/2020 | USD | F | ECU | 114,000.00 | 0.00 | 114,000.00 | 110,879.00 | 114,000.00 |
| 21,000.00 | ECUADORBT41 | ECUADOR 4.25% 13-06-12/13-06-14 | USD | F | ECU | 21,000.00 | 0.00 | 21,000.00 | 21,000.00 | 21,000.00 |
| 196,970.27 | ECUADORBT44 | ECUADOR TB 5.07% 14-11-12/20-03-17 | USD | F | ECU | 196,970.27 | 0.00 | 196,970.27 | 196,744.00 | 196,970.27 |
| 12,000.00 | ECUADORCD29 | ECUADOR TREASURY BILL 6.5% 17/06/11-20/05/2020 | USD | F | ECU | 12,000.00 | 0.00 | 12,000.00 | 11,845.00 | 12,000.00 |
| 20,000.00 | ECUADORCD30 | ECUADOR TREASURY BILL 6.50% 28/06/11-20/05/20 | USD | F | ECU | 20,000.00 | 0.00 | 20,000.00 | 19,786.00 | 20,000.00 |
| 22,000.00 | ECUADORCD39 | ECUADOR 6.50% 07/12/11-20/05/2020 | USD | F | ECU | 22,000.00 | 0.00 | 22,000.00 | 21,505.00 | 22,000.00 |
| 99,034.76 | ECUADORCD99 | TB 5.07% 26-09-12/20-03-13 | USD | F | ECU | 99,034.76 | 0.00 | 99,034.76 | 98,993.00 | 99,034.76 |
| **TOTAL USD** | | | | | | **979,005.03** | **0.00** | **979,005.03** | **958,807.00** | **979,005.03** |
| | **TOTAL USD - EUR equivalent** | | **EUR** | | | **742,007.76** | **0.00** | **742,007.76** | **726,699.26** | **742,007.76** |
| NCP_23164 | | | | | | 34,170,643.51 | 0.00 | 34,170,643.51 | 34,170,296.29 | 34,170,643.51 |
| 13,590,000.00 | ARGEN227151 | CD ARGENTINA 227151 14.75% 12-11/12-12-12 | ARS | F | ARG | 13,590,000.00 | 0.00 | 13,590,000.00 | 13,590,000.00 | 13,590,000.00 |
| 31,435,912.00 | ARGEN227171 | CD ARGENTINA 227171 0.9% 12-11/12-12-12 | ARS | F | ARG | 31,435,912.00 | 0.00 | 31,435,912.00 | 31,435,912.00 | 31,435,912.00 |
| 4,000,000.00 | ARGEN227252 | CD ARGENTINA 227252 14.9% 16-11/17-12-12 | ARS | F | ARG | 4,000,000.00 | 0.00 | 4,000,000.00 | 4,000,000.00 | 4,000,000.00 |
| 36,550,000.00 | ARGEN227591 | CD ARGENTINA 227591 14.9% 29-11/02-01-13 | ARS | F | ARG | 36,550,000.00 | 0.00 | 36,550,000.00 | 36,549,611.00 | 36,550,000.00 |
| 4,939,195.00 | ARGEN227592 | CD ARGENTINA 227592 0.9% 29-11/02-01-13 | ARS | F | ARG | 4,939,195.00 | 0.00 | 4,939,195.00 | 4,939,195.00 | 4,939,195.00 |
| 5,780,000.00 | ARGEN227683 | CD 14.9% 03-12-12/07-01-13 | ARS | F | ARG | 5,780,000.00 | 0.00 | 5,780,000.00 | 5,779,812.00 | 5,780,000.00 |
| **TOTAL ARS** | | | | | | **96,295,107.00** | **0.00** | **96,295,107.00** | **96,294,530.00** | **96,295,107.00** |
| | **TOTAL ARS - EUR equivalent** | | **EUR** | | | **14,867,744.00** | **0.00** | **14,867,744.00** | **14,867,654.92** | **14,867,744.00** |
| 1,500,000.00 | BANKINTECD11 | CD 3.36% 17-10/15-01-13 | EUR | F | ESP | 1,500,000.00 | 0.00 | 1,500,000.00 | 1,499,985.73 | 1,500,000.00 |
| 1,500,000.00 | BANKINTECD12 | CD 3.36% 17-10/17-01-13 | EUR | F | ESP | 1,500,000.00 | 0.00 | 1,500,000.00 | 1,499,985.73 | 1,500,000.00 |
| 1,500,000.00 | BANKINTECD13 | CD 3.36% 14-11/14-02-13 | EUR | F | ESP | 1,500,000.00 | 0.00 | 1,500,000.00 | 1,499,973.23 | 1,500,000.00 |
| 1,000,000.00 | BANKINTECD14 | CD 3.36% 14-11/14-02-13 | EUR | F | ESP | 1,000,000.00 | 0.00 | 1,000,000.00 | 999,982.14 | 1,000,000.00 |
| 5,000,000.00 | BBVACD11 | CD 2.75% 14-09-12/14-12-2012 | EUR | F | ESP | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,000,000.00 | 5,000,000.00 |
| 3,000,000.00 | BBVACD12 | CD 2.7% 17-10-12/17-01-2013 | EUR | F | ESP | 3,000,000.00 | 0.00 | 3,000,000.00 | 2,999,979.10 | 3,000,000.00 |
| 2,000,000.00 | BBVACD13 | CD 2.2% 19-11/19-12-2012 | EUR | F | ESP | 2,000,000.00 | 0.00 | 2,000,000.00 | 2,000,000.00 | 2,000,000.00 |
| 2,000,000.00 | BBVACD14 | CD 2.4% 19-11/19-02-2013 | EUR | F | ESP | 2,000,000.00 | 0.00 | 2,000,000.00 | 1,999,981.90 | 2,000,000.00 |
| **TOTAL EUR** | | | | | | **17,500,000.00** | **0.00** | **17,500,000.00** | **17,499,887.83** | **17,500,000.00** |
| 7,000.00 | EQUATEUCD100 | ECUADOR 3.44% 07-11-12/08-05-13 | USD | F | ECU | 7,000.00 | 0.00 | 7,000.00 | 7,000.00 | 7,000.00 |
| 200,000.00 | EQUATEUCD101 | ECUADOR 4% 14-11-12/13-11-13 | USD | F | ECU | 200,000.00 | 0.00 | 200,000.00 | 199,965.00 | 200,000.00 |
| 37,000.00 | EQUATEUCD102 | ECUADOR 3.44% 14-11-12/15-05-13 | USD | F | ECU | 37,000.00 | 0.00 | 37,000.00 | 36,998.00 | 37,000.00 |
| 100,516.66 | EQUATEUCD103 | ECUADOR 5% 26-11-12/27-05-13 | USD | F | ECU | 100,516.66 | 0.00 | 100,516.66 | 100,507.00 | 100,516.66 |
| 200,000.00 | EQUATEUCD104 | CD 5% 10-09-12/11-03-13 | USD | F | ECU | 200,000.00 | 0.00 | 200,000.00 | 199,970.00 | 200,000.00 |
| 53,096.53 | EQUATEUCD105 | CD 5% 10-09-12/11-03-13 | USD | F | ECU | 53,096.53 | 0.00 | 53,096.53 | 53,089.00 | 53,096.53 |
| 200,000.00 | EQUATEUCD106 | CD 4.75% 30-11-12/02-03-13 | USD | F | ECU | 200,000.00 | 0.00 | 200,000.00 | 199,994.00 | 200,000.00 |
| 124,454.00 | EQUATEUCD107 | CD 3.5% 10-12-12/11-02-13 | USD | F | ECU | 124,454.00 | 0.00 | 124,454.00 | 124,453.00 | 124,454.00 |
| 31,126.97 | EQUATEUCD108 | CD 3.5% 10-12-12/11-02-13 | USD | F | ECU | 31,126.97 | 0.00 | 31,126.97 | 31,127.00 | 31,126.97 |
| 7,436.04 | EQUATEUCD109 | CD 3.5% 10-12-12/11-02-13 | USD | F | ECU | 7,436.04 | 0.00 | 7,436.04 | 7,436.00 | 7,436.04 |
| 62,136.02 | EQUATEUCD110 | CD 3.5% 10-12-12/11-02-13 | USD | F | ECU | 62,136.02 | 0.00 | 62,136.02 | 62,137.00 | 62,136.02 |
| 150,000.00 | ECUADORBT42 | CD 3.44% 26-09-12/27-03-13 | USD | F | ECU | 150,000.00 | 0.00 | 150,000.00 | 149,990.00 | 150,000.00 |
| 19,000.00 | ECUADORBT43 | CD 3.44% 10-10-12/10-04-13 | USD | F | ECU | 19,000.00 | 0.00 | 19,000.00 | 18,999.00 | 19,000.00 |
| 184,072.50 | ECUADORCD80 | ECUADOR 4.5% 22-08/19-02-13 | USD | F | ECU | 184,072.50 | 0.00 | 184,072.50 | 184,055.00 | 184,072.50 |
| 36,000.00 | ECUADORCD85 | ECUADOR 3.44% 12-09/13-03-13 | USD | F | ECU | 36,000.00 | 0.00 | 36,000.00 | 35,997.00 | 36,000.00 |
| 30,000.00 | ECUADORCD86 | ECUADOR 3.44% 04-07/02-01-13 | USD | F | ECU | 30,000.00 | 0.00 | 30,000.00 | 30,001.00 | 30,000.00 |
| 72,200.00 | ECUADORCD87 | ECUADOR 3.44% 25-07/23-01-13 | USD | F | ECU | 72,200.00 | 0.00 | 72,200.00 | 72,199.00 | 72,200.00 |
| 124,000.00 | ECUADORCD88 | ECUADOR 3.44% 22-08/20-02-13 | USD | F | ECU | 124,000.00 | 0.00 | 124,000.00 | 123,993.00 | 124,000.00 |
| 83,508.73 | ECUADORCD89 | ECUADOR 4.5% 01-10-12/01-04-13 | USD | F | ECU | 83,508.73 | 0.00 | 83,508.73 | 83,500.00 | 83,508.73 |
| 138,693.39 | ECUADORCD90 | ECUADOR 4.5% 01-10-12/01-04-13 | USD | F | ECU | 138,693.39 | 0.00 | 138,693.39 | 138,676.00 | 138,693.39 |
| 202,148.61 | ECUADORCD96 | ECUADOR 4.5% 19-10-12/17-04-13 | USD | F | ECU | 202,148.61 | 0.00 | 202,148.61 | 202,125.00 | 202,148.61 |
| 103,793.84 | ECUADORCD97 | ECUADOR 4.25% 22-10-12/21-02-13 | USD | F | ECU | 103,793.84 | 0.00 | 103,793.84 | 103,789.00 | 103,793.84 |
| 212,562.33 | ECUADORCD98 | ECUADOR 4.25% 22-10-12/21-02-13 | USD | F | ECU | 212,562.33 | 0.00 | 212,562.33 | 212,553.00 | 212,562.33 |
| **TOTAL USD** | | | | | | **2,378,745.62** | **0.00** | **2,378,745.62** | **2,378,553.00** | **2,378,745.62** |
| | **TOTAL USD - EUR equivalent** | | **EUR** | | | **1,802,899.51** | **0.00** | **1,802,899.51** | **1,802,753.54** | **1,802,899.51** |

## *Detailed analysis of investments at 31 December 2012: Table B*

**Entity: Coface - Currency: EUR**

| Number and description of investments | | | | Exchange rate | Carrying amount At cost | Carrying amount Impairment | Net | Realisable value |
|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **TABLE B** | **EUR** | **EUR / CLP:** | 630,99 | 3,456,403,738 | (841,491,997,00) | 2,614,911,741 | 18,469,871,403 |
| **TOTAL** | **TABLE B** | **EUR** | **EUR / EUR:** | 1 | 618,385,906,24 | (51,906,719,96) | 564,444,986,81 | 1,558,611,735,59 |
| **TOTAL** | **TABLE B** | **EUR** | **EUR / LTL** | 3,4528 | 2,503,392,42 | (569,830,50) | 1,933,561,92 | 1,933,561,92 |
| **TOTAL** | **TABLE B** | **EUR** | **EUR / USD:** | 1,3194 | 63,923,510,00 | (1,868,510,00) | 62,055,000,00 | 62,055,000,00 |
| **TOTAL** | **TABLE B** | **EUR equivalent** | | | **673,037,609,81** | **(54,821,541,80)** | **616,181,868,54** | **1,635,475,734,48** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realisable value |
|---|---|---|---|---|---|---|---|---|---|
| **Total EUR** | | | | | | **673,037,609,81** | **(54,821,541,80)** | **616,181,868,54** | **1,635,475,734,48** |
| **21 - PROPERTY INVESTMENTS** | | | | | | **36,815,995,36** | **(10,288,098,67)** | **26,527,896,69** | **45,845,277,96** |
| 212 - BUILDINGS (EXCLUDING THOSE USED IN THE BUSINESS) | | | | | | 36,101,489,20 | (10,233,859,47) | 25,867,629,73 | 45,176,936,02 |
| 2122 - LAND AND BUILDINGS ACQUIRED BEFORE 1.1.82 | | | | | | 36,101,489,20 | (10,233,859,47) | 25,867,629,73 | 45,176,936,02 |
| NCP_21220 | | | | | | 36,101,489,20 | (10,233,859,47) | 25,867,629,73 | 45,176,936,02 |
| 1,00 | NC200 | PARIS - 14, RUE DARU | EUR | F | FRA | 20,562 | (8,274) | 12,287 | 280,000 |
| 1,00 | NC274 | Grundstuck Kisselberg | | | | 5,918,619,12 | 0,00 | 5,918,619,12 | 5,918,619,12 |
| 1,00 | NC275 | Grundstuck Ausgleichsflache | | | | 989,017 | 0,00 | 989,017 | 989,017 |
| 1,00 | NC276 | Betriebskindertagesstatte | | | | 693,044 | (50,542) | 642,502 | 693,044 |
| 1,00 | NC277 | IMMOBILE SEDE BIELLA | | | | 1,858,046,32 | (582,790) | 1,275,255,93 | 1,800,000,00 |
| 1,00 | NC278 | IMMOBILE SEDE MI | | | | 3,706,477,52 | (1,166,739,37) | 2,539,738,15 | 3,706,477,52 |
| 1,00 | NC279 | IMMOBILE VIA SPADOLINI | | | | 13,860,910,93 | (8,260,479,23) | 5,600,431,70 | 22,900,000,00 |
| 1,00 | NC280 | TERRENO IMMOBILE SPADOLINI | | | | 7,102,000,00 | 0,00 | 7,102,000,00 | 7,102,000,00 |
| 1,00 | NC281 | IMMOBIL LOCALI USO BOX AUTO GENOVA | | | | 184,668 | 0,00 | 184,668 | 184,668 |
| 1,00 | NC282 | IMMOBIL NEGOZI MASSA VIA CARDUCCI | | | | 1,043,111,30 | 0,00 | 1,043,111,30 | 1,043,111,30 |
| **TOTAL EUR** | | | | | | **35,376,456,64** | **(10,068,825,15)** | **25,307,631,49** | **44,616,937,78** |
| 1,00 | **NC283** | **Lands and building** | LTL | F | | 2,503,392,42 | (569,830,50) | 1,933,561,92 | 1,933,561,92 |
| **TOTAL LTL** | | | | | | **2,503,392,42** | **(569,830,50)** | **1,933,561,92** | **1,933,561,92** |
| **TOTAL LTL EUR** | | | **EUR** | | | **725,032,56** | **(165,034,32)** | **559,998,24** | **559,998,24** |
| 213 - SHARES AND OTHER INTERESTS IN UNLISTED PROPERTY COMPANIES - USED IN THE BUSINESS | | | | | | 14,506,16 | (8,326,87) | 6,179,29 | 6,341,94 |
| 2130 - SHARES AND OTHER INTERESTS IN UNLISTED PROPERTY COMPANIES | | | | | | 14,506,16 | (8,326,87) | 6,179,29 | 6,341,94 |
| NCP_21300 | | | | | | 14,506,16 | (8,326,87) | 6,179,29 | 6,341,94 |
| 1,00 | CCGAMMA | GAMMA VALBONNE CURRENT ACCOUNT | EUR | F | FRA | 5,469,96 | (5,128,02) | 341,94 | 341,94 |
| 1,00 | CCLIBERATION | 34 BD LIBERATION VINCENNES CURRENT ACCOUNT | EUR | F | FRA | 6,000,00 | 0,00 | 6,000,00 | 6,000,00 |
| 1,00 | CCMOULINS | LES MOULINS DE FONTENAY CURRENT ACCOUNT | EUR | F | FRA | (,162,65) | 0,00 | -162,65 | 0,00 |
| 1,00 | CCSOURDERIE | LA SOURDERIE MONTIGNY CURRENT ACCOUNT | EUR | F | FRA | 2,849,20 | (2,849,20) | 0,00 | 0,00 |
| 99,00 | NC225 | LES MOULINS DE FONTENAY | EUR | F | FRA | 151,47 | -151,47 | 0,00 | 0,00 |
| 40,00 | NC250 | GAMMA VALBONNE | EUR | F | FRA | 60,98 | -60,98 | 0,00 | 0,00 |
| 90,00 | NC262 | LA SOURDERIE MONTIGNY | EUR | F | FRA | 137,20 | -137,20 | 0,00 | 0,00 |
| **TOTAL EUR** | | | | | | **14,506,16** | **(8,326,87)** | **6,179,29** | **6,341,94** |
| 219 - BUILDINGS USED IN THE BUSINESS | | | | | | 700,000,00 | (45,912,33) | 654,087,67 | 662,000,00 |
| 2192 - BUILDINGS | | | | | | 700,000,00 | (45,912,33) | 654,087,67 | 662,000,00 |
| NCP_21920 | | | | | | 700,000,00 | (45,912,33) | 654,087,67 | 662,000,00 |
| 1,00 | NC273 | DIJON 6 to 12 av Maréchal Foch 5 et 7 rue des Perr | EUR | F | FRA | 700,000,00 | (45,912,33) | 654,087,67 | 662,000,00 |
| **TOTAL EUR** | | | | | | **700,000,00** | **(45,912,33)** | **654,087,67** | **662,000,00** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value |
|---|---|---|---|---|---|---|---|---|---|
| **23 - INVESTMENTS** | | | | | | **348,244,778.67** | **-10,117,084.34** | **338,127,694.33** | **342,929,732.22** |
| 230 - EQUITIES AND OTHER VARIABLE-INCOME SECURITIES | | | | | | 348,244,778.67 | -10,117,084.34 | 338,127,694.33 | 342,929,732.22 |
| 2300 - LISTED EQUITIES AND SECURITIES | | | | | | 387,980.50 | 0.00 | 387,980.50 | 366,800.00 |
| NCP_23001 | | | | | | 387,980.50 | 0.00 | 387,980.50 | 366,800.00 |
| 20,000.00 | IT0003132476 | ENI SPA | EUR | F | ITA | 387,980.50 | 0.00 | 387,980.50 | 366,800.00 |
| **TOTAL EUR** | | | | | | **387,980.50** | **0.00** | **387,980.50** | **366,800.00** |
| 2301 - SHARES AND UNITS IN MUTUAL FUNDS exclusively invested in fixed-income securities | | | | | | 85,685,014.40 | 0.00 | 85,685,014.40 | 85,839,060.10 |
| 23012 - SHARES AND UNITS IN MUTUAL FUNDS - FIXED-INCOME SECURITIES | | | | | | 83,144,739.31 | 0.00 | 83,144,739.31 | 83,285,014.90 |
| 82.00 | FR0000027864 | NATIXIS INSTIT.JOUR C | EUR | F | FRA | 3,274,558.56 | 0.00 | 3,274,558.56 | 3,276,751.16 |
| 99.00 | FR0000293714 | NATIXIS Cash Euribor R | EUR | F | FRA | 4,098,379.58 | 0.00 | 4,098,379.58 | 4,102,307.55 |
| 67.00 | FR0000401069 | NATEXIS PERFORM. INVESTISS. FCP | EUR | F | FRA | 2,397,708.80 | 0.00 | 2,397,708.80 | 2,399,200.32 |
| 293.00 | FR0010831693 | NATIXIS EURIBOR 3 MOIS I SI 4DEC | EUR | F | BEL | 30,049,150.21 | 0.00 | 30,049,150.21 | 30,052,851.78 |
| 5.00 | FR0010446633 | OBJECTIF C.T. EUROB B FCP | EUR | F | FRA | 27,948,518.70 | 0.00 | 27,948,518.70 | 28,029,425.75 |
| 250.00 | FR0000293714 | NATIXIS Cash Euribor R | EUR | F | FRA | 10,322,580.00 | 0.00 | 10,322,580.00 | 10,359,362.50 |
| 26.00 | FR0010831693 | NATIXIS EURIBOR 3 MOIS I SI 4DEC | EUR | F | BEL | 2,659,850.18 | 0.00 | 2,659,850.18 | 2,666,805.96 |
| 23.38 | FR10831693ES | NATIXIS EURIBOR 3 MOIS I SI 4DEC | EUR | F | ESP | 2,393,993.28 | 0.00 | 2,393,993.28 | 2,398,309.88 |
| **TOTAL EUR** | | | | | | **83,144,739.31** | **0.00** | **83,144,739.31** | **83,285,014.90** |
| 23013- SHARES AND UNITS IN COFAC2 MUTUAL FUND | | | | | | 2,359,854.43 | 0.00 | 2,359,854.43 | 2,373,564.48 |
| 336.00 | FR0007498480 | OBJECTIF C.T. EUROB A FCP | EUR | F | FRA | 2,359,854.43 | 0.00 | 2,359,854.43 | 2,373,564.48 |
| **TOTAL EUR** | | | | | | **2,359,854.43** | **0.00** | **2,359,854.43** | **2,373,564.48** |
| NCP_23014 | | | | | | 180,420.66 | 0.00 | 180,420.66 | 180,480.72 |
| 15.30 | FR0010077974 | MONETAIRE BIO 3B | EUR | F | FRA | 180,420.66 | 0.00 | 180,420.66 | 180,480.72 |
| **TOTAL EUR** | | | | | | **180,420.66** | **0.00** | **180,420.66** | **180,480.72** |
| 2302 - SHARES AND UNITS IN OTHER MUTUAL FUNDS | | | | | | 246,401,299.19 | 0.00 | 246,401,299.19 | 247,303,541.89 |
| NCP_23025 | | | | | | 5,063,362.00 | 0.00 | 5,063,362.00 | 5,965,604.70 |
| 247,500.00 | NC118 | LCF ROTHSCHILD LBO FUNS | EUR | F | FRA | 1,206,950.00 | 0.00 | 1,206,950.00 | 1,368,675.00 |
| 2,500.00 | NC119 | LCF ROTHSCHILD LBO PARTS (B) | EUR | F | FRA | 25,000.00 | 0.00 | 25,000.00 | 25,000.00 |
| 29,700.00 | NC145 | FCPR VENTECH CAPITAL 3 (A) | EUR | F | FRA | 2,055,180.00 | 0.00 | 2,055,180.00 | 2,481,761.70 |
| 19,960.00 | NC160 | LCF ROTHSCHILD FUNDS II PARTS A | EUR | F | FRA | 1,630,732.00 | 0.00 | 1,630,732.00 | 1,542,908.00 |
| 4,000.00 | NC161 | LCF ROTCHSCHILD FUND II PARTS B | EUR | F | FRA | 4,000.00 | 0.00 | 4,000.00 | 4,000.00 |
| 500,000.00 | NC168 | LCF ROTHSCHILD LBO SIDE FUND | EUR | F | FRA | 111,500.00 | 0.00 | 111,500.00 | 111,500.00 |
| 30,000.00 | NC146 | FCPR VENTECH CAPITAL 3 (B) | EUR | F | FRA | 30,000.00 | 0.00 | 30,000.00 | 431,760.00 |
| **TOTAL EUR** | | | | | | **5,063,362.00** | **0.00** | **5,063,362.00** | **5,965,604.70** |
| NCP_23026 | | | | | | 241,337,937.19 | -5,177,179.13 | 236,160,758.06 | 236,160,758.06 |
| 1,548,897.00 | DE0008498148 | MLS1 DEAM Closed Investment Fund | EUR | F | DEU | 142,440,606.20 | -3,073,348.62 | 139,367,257.58 | 139,367,257.58 |
| 1,685,162.92 | DE000A0YAJ88 | F-54 METZLER Closed Investment Fund | EUR | F | DEU | 98,897,330.99 | -2,103,830.51 | 96,793,500.48 | 96,793,500.48 |
| **TOTAL EUR** | | | | | | **241,337,937.19** | **-5,177,179.13** | **236,160,758.06** | **236,160,758.06** |
| 2305 - UNLISTED EQUITIES AND OTHER SECURITIES | | | | | | 15,770,484.58 | -4,939,905.21 | 10,830,579.37 | 14,597,509.36 |
| NCP_23050 | | | | | | 13,808,905.67 | -3,518,880.33 | 10,290,025.34 | 14,056,953.28 |
| 2,652.00 | NC110 | CASHWARE | EUR | F | FRA | 1,002,456.00 | -1,002,456.00 | 0.00 | 0.00 |
| 3,064.00 | NC112 | OSEO SA | EUR | F | FRA | 28,340.27 | 0.00 | 28,340.27 | 28,340.27 |
| 403,500.00 | NC124 | LA FINANCIERE PATRIMONIALE D'INVESTISSEMENT | EUR | F | FRA | 4,559,550.00 | 0.00 | 4,559,550.00 | 6,476,223.13 |
| 1.00 | NC135 | SCPI | EUR | F | FRA | 2,079.86 | -2,079.86 | 0.00 | 0.00 |
| 401,244.00 | NC39 | SFBT (G.F.F.) | EUR | F | FRA | 2,382,436.42 | -2,281,606.56 | 100,829.86 | 100,829.86 |
| 15,000.00 | NC40 | COPRA | EUR | F | FRA | 231,975.66 | -231,975.66 | 0.00 | 0.00 |
| 50.00 | NC42 | SEMAH | EUR | F | FRA | 762.25 | -762.25 | 0.00 | 0.00 |
| 332,214.00 | NC50 | PROPARCO | EUR | F | FRA | 5,601,305.21 | 0.00 | 5,601,305.21 | 7,451,560.02 |
| **TOTAL EUR** | | | | | | **13,808,905.67** | **-3,518,880.33** | **10,290,025.34** | **14,056,953.28** |
| NCP_23051 | | | | | | 1,444,059.40 | -1,420,719.40 | 23,340.00 | 23,340.00 |
| 2.00 | NC46 | DEXNET DE NLG 5000 | EUR | F | NLD | 4,537.80 | -4,537.80 | 0.00 | 0.00 |
| 11,670.00 | NC165 | NORGARANTE SOCIEDADE DE GARANTIA MUTUA | EUR | F | PRT | 11,670.00 | 0.00 | 11,670.00 | 11,670.00 |
| 11,670.00 | NC167 | LISGARANTE SOCIEDADE DE GARANTIA MUTUA | EUR | F | PRT | 11,670.00 | 0.00 | 11,670.00 | 11,670.00 |
| **TOTAL EUR** | | | | | | **27,877.80** | **-4,537.80** | **23,340.00** | **23,340.00** |
| 1,868.51 | NC144 | TRADE CARD INC | USD | F | USA | 1,868,510.00 | -1,868,510.00 | 0.00 | 0.00 |
| **TOTAL USD** | | | | | | **1,868,510.00** | **-1,868,510.00** | **0.00** | **0.00** |
| | **TOTAL USD - EUR equivalent** | | **EUR** | | | **1,416,181.60** | **-1,416,181.60** | **0.00** | **0.00** |
| NCP_23052 | | | | | | 305.73 | -305.48 | 0.25 | 2.30 |
| 2.00 | NC162 | COFACE EGYPT INFORMATION AND ECONOMIC CONSULTANTS | EUR | F | EGY | 275.00 | -275.00 | 0.00 | 0.00 |
| 2.00 | NC58 | S.I.C.R. | EUR | F | CIV | 30.48 | -30.48 | 0.00 | 0.00 |
| 1.00 | NC154 | COFACE INDIA CREDIT MANAGMENT SERVICES | EUR | F | IND | 0.25 | 0.00 | 0.25 | 2.30 |
| **TOTAL EUR** | | | | | | **305.73** | **-305.48** | **0.25** | **2.30** |
| NCP_23053 | | | | | | 517,213.78 | 0.00 | 517,213.78 | 517,213.78 |
| 33,927.00 | NC83 | STE D'ASSURANCE DE CONSOLIDATION DES RETRAITES | EUR | F | FRA | 517,213.78 | 0.00 | 517,213.78 | 517,213.78 |
| **TOTAL EUR** | | | | | | **517,213.78** | **0.00** | **517,213.78** | **517,213.78** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Impairment | Net | Realisable value |
|---|---|---|---|---|---|---|---|---|---|
| **25 - INVESTMENTS IN SUBSIDIARIES** | | | | | | **210,880,575,06** | **(23,229,221,20)** | **187,651,353,86** | **541,535,754,37** |
| 250 - SHARES OR EQUIVALENT SECURITIES | | | | | | 156,347,832,91 | (23,229,221,20) | 133,118,611,71 | 487,003,012,22 |
| 2505 - SHARES IN UNLISTED FRENCH SUBSIDIARIES | | | | | | 74,819,581,19 | (3,180,477,93) | 71,639,103,26 | 118,189,301,27 |
| NCP_25050 | | | | | | 74,819,581,19 | (3,180,477,93) | 71,639,103,26 | 118,189,301,27 |
| 1 920 000,00 | NC16 | COFINPAR | EUR | F | FRA | 29,270,211,28 | 0,00 | 29,270,211,28 | 68,919,851,33 |
| 249,00 | NC94 | COFACE GESTION RESEAU INTERNATIONAL | EUR | F | FRA | 38,028,39 | 0,00 | 38,028,39 | 1,853,653,41 |
| 1 720 855,00 | NC98 | FIMIPAR | EUR | F | FRA | 36,578,810,52 | 0,00 | 36,578,810,52 | 41,263,444,30 |
| 124 284,00 | ZZ0007945700 | AXA ASSURCREDIT | EUR | F | FRA | 8,932,531,00 | (3,180,477,93) | 5,752,053,07 | 6,152,352,23 |
| **TOTAL EUR** | | | | | | **74,819,581,19** | **(3,180,477,93)** | **71,639,103,26** | **118,189,301,27** |
| 2506 - SHARES IN UNLISTED SUBSIDIARIES OUTSIDE FRANCE | | | | | | 81,528,251,72 | (20,048,743,27) | 61,479,508,45 | 368,813,710,95 |
| NCP_25060 | | | | | | 36,669,428,76 | (7,518,055,87) | 29,151,372,89 | 261,426,649,58 |
| 25 000,00 | NC125 | COFACE HOLDING AMERICA LATINA SA DE CV (CHAL) | EUR | F | MEX | 1,651,16 | -645,07 | 1,006,09 | 1,814,61 |
| 1 500,00 | NC134 | UNISTRAT CORPORATION OF AMERICA | EUR | F | USA | 83,405,22 | 0,00 | 83,405,22 | 83,405,22 |
| 40 000,00 | NC137 | COFACE SERVICES KOREA | EUR | F | KOR | 199,501,67 | 0,00 | 199,501,67 | 2,027,053,21 |
| 310,00 | NC138 | COFACE SERVICIOS ESPANA SL | EUR | F | ESP | 3,100,00 | 0,00 | 3,100,00 | 25,915,553,14 |
| 1 000,00 | NC139 | COFACE SERVICES SUISSES | EUR | F | CHE | 66,467,77 | 0,00 | 66,467,77 | 7,498,845,46 |
| 200,00 | NC143 | COFACE SERVICES JAPAN | EUR | F | JPN | 100,100,55 | (100,100,55) | 0,00 | 0,00 |
| 16 100,00 | NC170 | COFACE BELGIUM SERVICES HOLDING | EUR | F | BEL | 6,759,000,00 | 0,00 | 6,759,000,00 | 10,433,086,09 |
| 7 499,00 | NC29 | COFACE CENTRAL EUROPE HOLDING AG | EUR | F | AUT | 4,562,844,10 | 0,00 | 4,562,844,10 | 41,778,676,67 |
| 99 999,00 | NC51 | COFACE UK HOLDINGS LIMITED | EUR | F | GBR | 8,317,827,99 | (7,417,310,25) | 900 517,74 | 5,180,625,95 |
| 1 000 000,00 | NC57 | COFACE ITALIA SRL | EUR | F | ITA | 3,970,564,38 | 0,00 | 3,970,564,38 | 9,468,464,88 |
| 10 000,00 | NC77 | COFACE NORTH AMERICA HOLDING COMPANY | EUR | F | USA | 12,604,965,92 | 0,00 | 12,604,965,92 | 159,039,124,35 |
| **TOTAL EUR** | | | | | | **36,669,428,76** | **(7,518,055,87)** | **29,151,372,89** | **261,426,649,58** |
| NCP_25061 | | | | | | 13,430,959,93 | 0,00 | 13,430,959,93 | 64,778,129,37 |
| 64 880 700,00 | NC148 | COFACE SEGURO DE CREDITO MEXICO | EUR | F | MEX | 4,390,909,52 | 0,00 | 4,390,909,52 | 22,403,459,48 |
| 18 399 998,00 | NC149 | COFACE SIGORTA AS | EUR | F | TUR | 9,040,050,41 | 0,00 | 9,040,050,41 | 42,374,669,89 |
| **TOTAL EUR** | | | | | | **13,430,959,93** | **0,00** | **13,430,959,93** | **64,778,129,37** |
| NCP_25062 | | | | | | 17,310,080,33 | 0,00 | 17,310,080,33 | 40,774,829,77 |
| 7,00 | NC131 | COFACE SOUTH AFRICA INSURANCE COMPANY LIMITED | EUR | F | ZAR | 3,615,235,73 | 0,00 | 3,615,235,73 | 25,407,984,15 |
| 40 000,00 | NC164 | COFACE RUS INSURANCE COMPANY | EUR | F | RUB | 6,905,631,00 | 0,00 | 6,905,631,00 | 6,905,631,00 |
| 6 899 992,00 | NC91 | SEGURADORA BRASILEIRA DE CREDITO A EXPORTACAO SA | EUR | F | BRA | 6,789,213,60 | 0,00 | 6,789,213,60 | 8,461,214,62 |
| **TOTAL EUR** | | | | | | **17,310,080,33** | **0,00** | **17,310,080,33** | **40,774,829,77** |
| NCP_25063 | | | | | | 14,117,782,70 | (12,530,687,40) | 1,587,095,30 | 1,834,102,23 |
| 60,00 | NC120 | KOMPASS CHINA INTERNATIONAL INFORMATION SERVICE | EUR | F | CHN | 92,182,93 | (92,182,93) | 0,00 | 0,00 |
| 11 669 000,00 | NC126 | COFACE GREATER CHINA FINANCE LTD | EUR | F | HKG | 1,043,376,31 | (1,043,376,31) | 0,00 | 0,00 |
| 2 850 000,00 | NC132 | COFACE ARB LCC NRA | EUR | F | RUB | 128,984,19 | (128,984,19) | 0,00 | 0,00 |
| 15 000 000,00 | NC141 | COFACE SERVICES SOUTH ASIA PACIFIC PTE LTD | EUR | F | SGP | 7,573,591,32 | (7,573,591,32) | 0,00 | 0,00 |
| 3 999 993,00 | NC142 | COFACE SERVICE TAIWAN | EUR | F | TWN | 986,125,37 | (986,125,37) | 0,00 | 0,00 |
| 20,00 | NC147 | BDI (BUSINESS DATA ISRAEL) | EUR | F | ISR | 199,445,40 | 0,00 | 199,445,40 | 1,323,832,80 |
| 1,00 | NC166 | COFACE CHINA | EUR | F | CHN | 386,834,82 | (386,834,82) | 0,00 | 0,00 |
| 100,00 | NC169 | COFACE RUS SERVICES COMPANY | EUR | F | RUB | 2,829,861,89 | (2,319,592,46) | 510,269,43 | 510,269,43 |
| 501 000,00 | NC99 | COFACE SOUTH AFRICA SERVICES | EUR | F | ZAR | 877,380,47 | 0,00 | 877,380,47 | 0,00 |
| **TOTAL EUR** | | | | | | **14,117,782,70** | **(12,530,687,40)** | **1,587,095,30** | **1,834,102,23** |
| 252 - LOANS | | | | | | 54,532,742,15 | 0,00 | 54,532,742,15 | 54,532,742,15 |
| 2520 - LOANS TO SUBSIDIARIES | | | | | | 54,532,742,15 | 0,00 | 54,532,742,15 | 54,532,742,15 |
| NCP_25201 | | | | | | 54,532,742,15 | 0,00 | 54,532,742,15 | 54,532,742,15 |
| 1,00 | PCOFDEUTSAG1 | PRET COFACE DEUTSCHLAND AG1 | EUR | L | DEU | 700,000,00 | 0,00 | 700,000,00 | 700,000,00 |
| 1,00 | PCOFDEUTSAG2 | PRET COFACE DEUTSCHLAND AG2 | EUR | L | DEU | 5,000,000,00 | 0,00 | 5,000,000,00 | 5,000,000,00 |
| 1,00 | PCOFDEUTSAG3 | PRET COFACE DEUTSCHLAND AG3 | EUR | L | DEU | 1,800,000,00 | 0,00 | 1,800,000,00 | 1,800,000,00 |
| **TOTAL EUR** | | | | | | **7,500,000,00** | **0,00** | **7,500,000,00** | **7,500,000,00** |
| 1,00 | PCOFHOLDNA | COFACE HOLDING NORTH AMERICA | USD | L | USA | 62,000,000,00 | 0,00 | 62,000,000,00 | 62,000,000,00 |
| 1,00 | PCOFSERVPERU | COFACE SERVICES PERU | USD | L | PER | 55,000,00 | 0,00 | 55,000,00 | 55,000,00 |
| **TOTAL USD** | | | | | | **62,055,000,00** | **0,00** | **62,055,000,00** | **62,055,000,00** |
| | **TOTAL USD - EUR equivalent** | | **EUR** | | | **47,032,742,15** | **0,00** | **47,032,742,15** | **47,032,742,15** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount | | Net | Realisable value |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | At cost | Impairment | | |
| **26 - INVESTMENTS IN AFFILIATES** | | | | | | **75,062,061,25** | **(11,187,137,59)** | **63,874,923,66** | **703,700,606,62** |
| 260 - SHARES IN UNLISTED AFFILIATES | | | | | | 75,062,061,25 | (11,187,137,59) | 63,874,923,66 | 703,700,606,62 |
| 2605 - SHARES IN UNLISTED FRENCH AFFILIATES | | | | | | 2,454,500,83 | (870,550,12) | 1,583,950,71 | 19,664,869,56 |
| NCP_26050 | | | | | | 2,454,500,83 | (870,550,12) | 1,583,950,71 | 19,664,869,56 |
| 1 550,00 | NC13 | CERIP SERVICES BANQUES | EUR | F | FRA | 156,909,56 | 0,00 | 156,909,56 | 156,909,56 |
| 1 000,00 | NC130 | CEMECA | EUR | F | FRA | 55,000,00 | 0,00 | 55,000,00 | 55,000,00 |
| 48 427,00 | NC140 | PLANET RATING SAS | EUR | F | FRA | 215,000,46 | (215,000,46) | 0,00 | 0,00 |
| 72 000,00 | NC15 | COFACREDIT | EUR | F | FRA | 1,372,041,15 | 0,00 | 1,372,041,15 | 19,452,960,00 |
| 243,00 | NC55 | COFACE AMEEM SERVICES | EUR | F | FRA | 655,549,66 | (655,549,66) | 0,00 | 0,00 |
| **TOTAL EUR** | | | | | | **2,454,500,83** | **-870 550,12** | **1,583,950,71** | **19,664,869,56** |
| 2606 - SHARES IN UNLISTED AFFILIATES OUTSIDE FRANCE | | | | | | 72,607,560,42 | (10,316,587,47) | 62,290,972,95 | 684,035,737,06 |
| NCP_26060 | | | | | | 4,544,123,63 | (1,201,259,82) | 3,342,863,81 | 3,342,863,81 |
| 1 879,00 | NC103 | COFACE SERVIS BILGI | EUR | F | TUR | 1,134,943,87 | (925,259,82) | 209,684,05 | 209,684,05 |
| 700,00 | NC111 | COFACE EASTERM EUROPE HOLDING | EUR | F | DEU | 803,742,75 | (276,000,00) | 527,742,75 | 527,742,75 |
| 477 400,00 | NC163 | KYRIBA CORPORATION | EUR | F | USA | 2,605,437,01 | 0,00 | 2,605,437,01 | 2,605,437,01 |
| **TOTAL EUR** | | | | | | **4,544,123,63** | **(1,201,259,82)** | **3,342,863,81** | **3,342,863,81** |
| NCP_26062 | | | | | | 5,274,459,32 | 0,00 | 5,274,459,32 | 34,980,985,44 |
| 5 905,00 | NC159 | COFACE CHILE SUCCUR | CLP | F | CHL | 2,614,911,741,00 | 0,00 | 2,614,911,741,00 | 18,469,871,403,20 |
| **TOTAL CLP** | | | | | | **2,614,911,741,00** | **0,00** | **2,614,911,741,00** | **18,469,871,403,20** |
| | **TOTAL CLP - EUR equivalent** | | **EUR** | | | **4,144,141,34** | **0,00** | **4,144,141,34** | **29,271,258,50** |
| 1 084,00 | NC159-EUR | COFACE CHILE SUCCUR. - EUR | EUR | F | CHL | 1,130,317,98 | 0,00 | 1,130,317,98 | 5,709,726,94 |
| **TOTAL EUR** | | | | | | **1,130,317,98** | **0,00** | **1,130,317,98** | **5,709,726,94** |
| NCP_26063 | | | | | | 3,667,172,56 | (1,554,295,69) | 2,112,876,87 | 11,280,322,11 |
| 83 998,00 | NC158 | COFACE FACTORING CHILE SUCCUR | CLP | F | CHL | 841,491,997,00 | (841,491,997,00) | 0,00 | 0,00 |
| **TOTAL CLP** | | | | | | **841,491,997,00** | **(841,491,997,00)** | **0,00** | **0,00** |
| | **TOTAL CLP - EUR equivalent** | | **EUR** | | | **1,333,605,92** | **(1,333,605,92)** | **0,00** | **0,00** |
| 500 000,00 | NC106 | COFACE GREATER CHINA SERVICES | EUR | F | HKG | 1,451,964,33 | (162,401,88) | 1,289,562,45 | 1,289,562,45 |
| 305,00 | NC31 | SORENCO | EUR | F | TUN | 28,269,15 | 0,00 | 28,269,15 | 312,184,55 |
| 6 260,00 | NC35 | RECOURS SA | EUR | F | MAR | 58,287,89 | (58,287,89) | 0,00 | 0,00 |
| 4 222,00 | DE-KDV | KAPITALBETILIGUNGSGES DT VERSICHERUNGSWIRTSCHAFT | EUR | F | DEU | 10,217,24 | 0,00 | 10,217,24 | 21,110,00 |
| 60,00 | DE-MVB-GENO | MVB GENOSSENSCHAFTSANTEILE | EUR | F | DEU | 3,000,00 | 0,00 | 3,000,00 | 3,000,00 |
| 1,00 | NCAUBR12 | COFACE ROMANIA INSURANCE SERVICES | EUR | F | AUT | 49,20 | 0,00 | 49,20 | 4,338,887,65 |
| 1,00 | NCAUBR13 | COFACE BALTICS SERVICES | EUR | F | AUT | 161,578,83 | (161,578,83) | 0,00 | 0,00 |
| 1,00 | NCAUBR16 | COFACE BULGARIA SERVICE | EUR | F | AUT | 2,700,00 | 0,00 | 2,700,00 | 674,880,34 |
| 1,00 | NCAUBR17 | COFACE SLOVAKIA SERVICES | EUR | F | AUT | 25,000,00 | (25,000,00) | 0,00 | 0,00 |
| 1,00 | NCAUBR18 | COFACE LATVIA | EUR | F | AUT | 3,500,00 | (3,500,00) | 0,00 | 0,00 |
| 1,00 | NCAUBR23 | Coface Slovakia factoring | EUR | F | AUT | 589,000,00 | (589,000,00) | 0,00 | 0,00 |
| **TOTAL EUR** | | | | | | **2,333,566,64** | **-999 768,60** | **1,333,798,04** | **6,639,624,99** |
| NCP_26065 | | | | | | 59,121,804,91 | (6,781,953,13) | 52,339,851,78 | 639,072,262,82 |
| 1,00 | NCAUBR11 | COFACE CZECH INSURANCE SERVICE | EUR | F | AUT | 32,740,17 | 0,00 | 32,740,17 | 3,151,796,00 |
| 1,00 | NCAUBR14 | COFACE HUNGARY SERVICES | EUR | F | AUT | 11,251,13 | 0,00 | 11,251,13 | 1,832,015,40 |
| 1,00 | NCAUBR15 | COFACE POLAND SERVICES | EUR | F | AUT | 12,077,29 | 0,00 | 12,077,29 | 10,345,912,86 |
| 1,00 | NCAUBR19 | Coface Austria Service GMBH | EUR | F | AUT | 18,250,00 | 0,00 | 18,250,00 | 18,250,00 |
| 1,00 | NCAUBR20 | Coface Austria bank AG | EUR | F | AUT | 18,650,000,00 | 0,00 | 18,650,000,00 | 18,650,000,00 |
| 1,00 | NCAUBR21 | Coface Poland factoring | EUR | F | AUT | 886,707,18 | 0,00 | 886,707,18 | 83,957,760,29 |
| 1,00 | NCAUBR22 | Coface Czech factoring | EUR | F | AUT | 6,209,465,47 | (6,209,465,47) | 0,00 | 0,00 |
| 3,00 | NCDEBR11 | COFACE DEBITORENMANAGEMENT GMBH | EUR | F | DEU | 3,403,794,33 | 0,00 | 3,403,794,33 | 26,829,453,34 |
| 2,00 | NCDEBR12 | COFACE RATING HOLDING GMBH | EUR | F | DEU | 155,000,00 | 0,00 | 155 000,00 | 229,835,455,49 |
| 1,00 | NCDEBR13 | COFACE FINANZ GMBH | EUR | F | DEU | 5,005,112,92 | 0,00 | 5,005,112,92 | 240,686,700,68 |
| 1,00 | NCDEBR14 | COFACE DEUTSCHLAND VERTRIEBS GMBH | EUR | F | DEU | 25,000,00 | 0,00 | 25,000,00 | 25,000,00 |
| 1 000 000,00 | NCDEBR17 | COFACE SVERIGE FINANZ AB | EUR | F | DEU | 972,487,66 | (572,487,66) | 400,000,00 | 0,00 |
| 1,00 | NCDEBR18 | KISSELBERG GRUNDSTUCKSVERWALTUNG KG | EUR | F | DEU | 23,739,918,76 | 0,00 | 23,739,918,76 | 23,739,918,76 |
| **TOTAL EUR** | | | | | | **59,121,804,91** | **(6,781,953,13)** | **52,339,851,78** | **639,072,262,82** |

## *Detailed analysis of investments at December 31, 2012: Table G*

**Entity: Coface - Currency: EUR**

| Number and description of investments | | | | | Exchange rate | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL TABLE G EUR** | | | **EUR / EUR:** | | 1 | 0.00 | 0.00 | 0.00 | -25,715.00 |
| **TOTAL TABLE G EUR equivalent** | | | | | | **0.00** | **0.00** | **0.00** | **-25,715.00** |

| Number and description of investments | | | Curr-ency | Allo-cation | Location | Carrying amount At cost | Carrying amount Impairment | Net | Realizable value |
|---|---|---|---|---|---|---|---|---|---|
| **Total EUR** | | | | | | **0.00** | **0.00** | **0.00** | **-25,715.00** |
| **23 - INVESTMENTS** | | | | | | **0.00** | **0.00** | **0.00** | **-25,715.00** |
| 233 - DEPOSITS WITH BANKS | | | | | | 0.00 | 0.00 | 0.00 | -25,715.00 |
| 2331 - OTHER SECURITY DEPOSITS WITH BANKS | | | | | | 0.00 | 0.00 | 0.00 | -25,715.00 |
| NCP_23311 | | | | | | 0.00 | 0.00 | 0.00 | -25,715.00 |
| -18.00 | FGBL0313 | CONTRACT EUREX B 0313 | EUR | | | 0.00 | 0.00 | 0.00 | -24,480.00 |
| -13.00 | FGBS0313 | CONTRACT EUREX S 0313 | EUR | | | 0.00 | 0.00 | 0.00 | -1,235.00 |
| **TOTAL EUR** | | | | | | **0.00** | **0.00** | **0.00** | **-25,715.00** |

## *Summary of total investments at December 31, 2012*

### Entity: Coface - Currency: EUR

| *Type of investment* | *Cost* | *Net* | *Realizable value* |
|---|---|---|---|
| 1. Property investments and property investments in progress | 36,815,995.36 | 26,477,913.06 | 45,845,277.96 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 2. Equities and other variable-income securities other than mutual fund units | 247,568,359.24 | 208,212,095.24 | 1,205,667,928.20 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 3. Mutual fund units (other than those referred to in 4) | 332,086,313.59 | 326,909,134.46 | 327,965,422.86 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 4. Units of mutual funds invested exclusively in fixed-income securities | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 5. Bonds and other fixed-income securities | 787,013,529.88 | 778,365,124.22 | 806,921,434.77 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 6. Mortgage loans | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 7. Other loans | 55,997,105.46 | 55,997,105.46 | 55,997,105.46 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 8. Deposits with ceding insurers | 0.00 | 0.00 | 0.00 |
| 9. Cash deposits and guarantees and other investments (deposits other than those mentioned in 8) | 0.00 | 0.00 | 0.00 |
| 10. Assets representing a unit-linked contract | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| 11. Other forward financial instruments | 95,680.00 | 95,680.00 | 69,965.00 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 95,680.00 | 95,680.00 | 69,965.00 |
| Forward financial instruments: other | 0.00 | 0.00 | 0.00 |
| **12. TOTAL 1 to 11** | **1,459,576,983.53** | **1,396,057,052.44** | **2,442,467,134.25** |

| *Type of investment* | *Cost* | *Net* | *Realizable value* |
|---|---|---|---|
| **12. TOTAL 1 to 11** | **1,459,576,983.53** | **1,396,057,052.44** | **2,442,467,134.25** |
| - of which total forward financial instruments | 95,680.00 | 95,680.00 | 69,965.00 |
| - of which total investments | 1,459,481,303.53 | 1,395,961,372.44 | 2,442,397,169.25 |
| a) of which: | 1,459,576,983.53 | 1,396,057,052.44 | 2,442,467,134.25 |
| - Investments valued in accordance with Article R.332-19 and related forward financial instruments | 786,443,693.72 | 777,795,288.12 | 806,921,434.77 |
| - Discount not yet amortised | 185,237,281.85 | 185,095,920.60 | 190,629,449.98 |
| - Redemption premium not yet written back | 601,184,720.58 | 592,677,676.23 | 616,291,984.79 |
| - Investments valued in accordance with Article R.332-20 and related forward financial instruments | 673,133,289.81 | 618,261,764.32 | 1,635,545,699.48 |
| - Investments valued in accordance with Article R.332-5 and related forward financial instruments | 0.00 | 0.00 | 0.00 |
| - Property investments | 0.00 | 0.00 | 0.00 |
| - Variable-income securities other than mutual fund units | 0.00 | 0.00 | 0.00 |
| - Units of mutual funds invested exclusively in fixed-income securities | 0.00 | 0.00 | 0.00 |
| - Other mutual fund units | 0.00 | 0.00 | 0.00 |
| - Bonds and other fixed-income securities | 0.00 | 0.00 | 0.00 |
| - Investments valued in accordance with Article 28 of Decree 2004-342 of April 21, 2004 | 0.00 | 0.00 | 0.00 |
| - Other forward financial instruments | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: investment or divestment strategy | 0.00 | 0.00 | 0.00 |
| Forward financial instruments: yield strategy | 0.00 | 0.00 | 0.00 |
| b) of which: | 1,459,576,983.53 | 1,396,057,052.44 | 2,442,467,134.25 |
| - Securities representing technical provisions other than those listed below | 1,459,576,983.53 | 1,396,057,052.44 | 2,442,467,134.25 |
| - Securities pledged to cover commitments to providential insurance companies or covering managed investments funds | 0.00 | 0.00 | 0.00 |
| - Securities deposited with ceding reinsurers | 0.00 | 0.00 | 0.00 |
| - of which joint surety | 0.00 | 0.00 | 0.00 |
| - Securities allocated to special technical provisions for transactions carried out in the context of a fiduciary trust in France | 0.00 | 0.00 | 0.00 |
| - Other allocations or unallocated | 0.00 | 0.00 | 0.00 |
| c) of which: | 1,459,576,983.53 | 1,396,057,052.44 | 2,442,467,134.25 |
| - Investments and forward financial instruments within the OECD | 1,330,872,254.47 | 1,291,909,443.22 | 2,262,473,436.11 |
| - Investments and forward financial instruments outside the OECD | 128,704,729.06 | 104,147,609.22 | 179,993,698.14 |

# SECURITIES AND OTHER ASSETS LODGED AS COLLATERAL BY REINSURERS AT DECEMBER 31, 2012

## COFACE GROUP QUOTA SHARE TREATIES

## DEPOSITS TO BE REPRESENTED AT 31 DECEMBER 2012

**(in euros)**

| Reinsurer | Country | EU/ outside EU | Type of deposit | TOTAL Unistrat + Coface commitments at Dec. 31, 12 |
|---|---|---|---|---|
| ACE GUARANTY RE | Bermudes | Outside EU | Securities | 6,708 |
| ALLIANZ | Allemagne | EU | Securities | 2,706,886 |
| Arche re | UK | EU | Securities | 5,490,994 |
| Aspen re | UK | EU | Securities | 6,458,730 |
| AXA RE | France | EU | Securities | 22,546 |
| AWAC | Irelande | EU | Securities | 1,048,988 |
| BEST RE | Tunisie | Outside EU | Securities | 6,319 |
| CCR* hors ibnr | France | EU | Securities | 8,020,903 |
| CCR CE | France | EU | Securities | 5,247,577 |
| CONVERIUM | Suisse | Outside EU | Securities | 151,968 |
| CORIFRANCE (RIVERSTONE) | UK | EU | Securities | 12,552 |
| EMPLOYERS RE | USA | Outside EU | Securities | 1,430 |
| ERC FRANKONA | Allemagne | EU | Securities | 5,721 |
| EVEREST RE | Bermudes | Outside EU | Securities | 9,117,708 |
| **GLOBAL RUCK** | Allemagne | EU | Securities | - |
| HANNOVER RÜCK | Allemagne | EU | Securities | 82,168,994 |
| LIBERTY Syndicates | France | EU | Securities | 6,939,394 |
| MAPFRE | Espagne | EU | Securities | 22,546 |
| MUNICH RE | Allemagne | EU | Securities | 22,245,291 |
| ODYSSEY RE | USA | Outside EU | Securities | 13,440,496 |
| PARIS RE | France | EU | Securities | 1,921,039 |
| PARTNER RE | Irelande | EU | Securities | 37,624,743 |
| PLATINUM | Bermudes | Outside EU | Securities | 5,766,806 |
| QBE | UK | EU | Securities | 3,992,178 |
| R+V | Allemagne | EU | Securities | 15,156,321 |
| RBC | Barbade | Outside EU | Securities | 17,527,075 |
| SCOR | France | EU | Securities | 45,088,766 |
| SECURA | Belgique | EU | Securities | 44,227 |
| SIRIUS INTERNATIONAL | Belgique | EU | Securities | 15,596,552 |
| SOREMA (inclus dans Scor) | France | EU | Securities | 2,235 |
| **ST PAUL** | Belgique | EU | Securities | 3,037 |
| SWISS RE | Suisse | EU | Securities | 16,310,052 |
| TRANSATLANTIC RE | USA | Outside EU | Securities | 7,970,601 |
| XL RE | Irelande | EU | Securities | 4,006,212 |
| **Sub-total: securities** | | | | 334,125,596 |
| Ariel Ré | Bermuda | | LoC | 4,385,805 |
| AXIS | Ireland | EU | LoC | 21,741,551 |
| CatlinRé | | | LoC | 8,358,827 |
| Renaissance re | | | LoC | 4,726,307 |
| **Sub-total: LoC** | | | | 39,212,490 |
| ACE | UK | | Cash | 16,795 |
| ALBINGIA | | | Cash | 5,164 |
| ALEA | | | Cash | 1,795 |
| ASSITALIA | UK | | Cash | 912 |
| CNA | UK | | Cash | 4,225 |
| EAGLE STAR | UK | | Cash | 3,455 |
| GENERAL RE | UK | | Cash | 7,339 |
| GENERALI | UK | | Cash | 959 |
| GLOBAL RUCK | France | EU | Cash | 1,436 |
| LIBERTY | UK | | Cash | 479 |
| NAMUR | Belgium | | Cash | 5,212 |
| ONDD | Belgium | EU | Cash | 111,871 |
| QBE | UK | | Cash | 2,872 |
| TERRA NOVA (Markel International) | UK | | Cash | 2,233 |
| WURTTEMBERGISCHE | UK | | Cash | 37,927 |
| **Sub-total: cash** | | | | 202,673 |
| **TOTAL** | | | | 373,540,759 |

**AUDITORS’ REPORT ON THE GUARANTOR’S 2012 FINANCIAL STATEMENTS**

**Compagnie Française d’Assurance pour le Commerce**

**Extérieur S.A.**

Statutory Auditors’ Report on the Financial Statements

*This is a free translation into English of the statutory auditors’ report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors’ report includes information specifically required by French law in such reports, whether modified or not. The information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Year ended December 31, 2012
Compagnie Française d’Assurance pour le
Commerce Extérieur S.A.
12, cours Michelet – La Défense10 – 92800 Puteaux
France
*This report contains 67 pages*
Reference: FM-132-36

**Compagnie Française d'Assurance pour le Commerce Extérieur S.A.**

Registered Office: 12, cours Michelet – La Défense 10 – 92800 Puteaux, France
Share Capital: €137,052,417

Statutory Auditors' Report on the Financial Statements

Year ended December 31, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders at their annual general meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Compagnie Française d'Assurance pour le Commerce Extérieur (hereinafter the Company);
- the justification of our assessments;
- the specific information and verifications required by law.

The financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

## 1 OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test or other sampling basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the evidence collected is sufficient and provides a reasonable basis for our opinion.

In our opinion the financial statements give a fair and true view of the Company's financial position and its assets and liabilities as of December 31, 2012, and of the results of its operations for the year then ended, in accordance with the accounting principles generally accepted in France.

Without modifying the above opinion, we would draw your attention to the point set out in Note 1 to the financial statements, "Major Events", concerning the restructuring through conversion into branches with retroactive effect from January 1, 2012 and to the pro forma financial information presenting the comparative income statement for the year ended December 31, 2011.

## 2 BASIS OF OUR ASSESSMENTS

As a result of the persistence of a difficult economic and financial environment, choosing the economic assumptions underlying the close of financial statements of insurance organizations continues to be an especially complex exercise. In particular, future changes in interest rates could deviate significantly from those used and produce different direct and indirect effects. It is in this context that we have made our own assessments which we bring to your attention in accordance with the requirements of article L. 823-9 of the French commercial code:

- Your Company recognizes technical provisions to cover its commitments. Note 2 to the financial statements, “Accounting principles and policies”, sets out the methods used for estimates. Based on information available at the reporting date, our assessment of the technical provisions focused on an analysis of the calculation methods and assumptions used.

- In Note 2, “Accounting principles and policies”, your Company sets out the methods used to measure financial instruments. We examined the control system used to identify and measure these instruments, as well as the appropriateness of the information provided in the above-mentioned note.

- The provision for impairment of the investment portfolio was assessed according to the methods set out in Note 2, “Accounting principles and policies”. We assessed the data and assumptions used to determine recoverable amounts, and particularly holding periods and the capacity of your company to hold the investments for those periods.

- Note 2, “Accounting principles and policies” sets out the methods used to measure investments in subsidiaries and affiliates as well as any impairment thereon. We assessed the appropriateness of the measurement methods and assumptions used.

- Note 1, “Major Events”, Note 20, “Allocation of merger deficit” and the pro forma financial information set out the consequences of the mergers performed in 2012. We assessed the appropriateness of harmonization restatements and the accounting treatment of the merger premiums and deficits.

Our assessments were an integral part of our audit of the financial statements as a whole and therefore contributed to the opinion expressed in the first part of this report.

## 3 SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with auditing standards generally accepted in France.

We have no matters to report regarding the fair presentation and conformity with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders relating to the financial position and the financial statements.

In accordance with French law, we verified that information on investments and controlling interests is disclosed in the management report.

Paris La Défense, May 7, 2013

KPMG Audit
Division of KPMG S.A.

Francine Morelli
Partner

Neuilly-sur-Seine, May 7, 2013

DELOITTE & ASSOCIES

Damien Leurent
Partner

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