4.1 Consolidated financial statements

4.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Intangible assets		**215,708**	**224,307**
Goodwill	4	156,214	155,467
Other intangible assets	5	59,494	68,840
Insurance business investments	6	**2,751,091**	**2,648,119**
Investment property	6	787	800
Held-to-maturity securities	6	2,740	3,721
Available-for-sale securities	6	2,593,953	2,512,526
Trading securities	6	69,696	55,468
Derivatives	6	2,975	6,123
Loans and receivables	6	80,940	69,481
Receivables arising from banking and other activities	7	**2,481,525**	**2,370,902**
Investments in associates	8	**13,411**	**20,258**
Reinsurers' share of insurance liabilities	19	**341,347**	**327,986**
Other assets		**926,344**	**894,121**
Buildings used in the business and other property, plant and equipment	9	57,484	65,107
Deferred acquisition costs	11	46,393	44,043
Deferred tax assets	21	71,973	57,538
Receivables arising from insurance and reinsurance operations	10	528,273	518,970
Trade receivables arising from other activities	11	14,849	14,238
Current tax receivables	11	69,126	68,937
Other receivables	11	138,246	125,288
Cash and cash equivalents	12	**332,071**	**396,837**
TOTAL ASSETS		**7,061,497**	**6,882,530**

Equity and liabilities

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Equity attributable to owners of the parent		**1,755,177**	**1,760,954**
Share capital	13	314,496	786,241
Additional paid-in capital		810,420	347,371
Retained earnings		501,734	442,231
Other comprehensive income		86,996	58,872
Consolidated net income for the year		41,531	126,239
Non-controlling interests		**5,490**	**6,073**
Total equity		**1,760,667**	**1,767,027**
Provisions for liabilities and charges	16	**151,074**	**114,234**
Financing liabilities	18	**390,044**	**392,594**
Liabilities relating to insurance contracts	19	**1,678,249**	**1,514,862**
Payables arising from banking sector activities	20	**2,409,691**	**2,369,662**
Amounts due to banking sector companies	20	452,144	352,379
Amounts due to customers of banking sector companies	20	366,363	404,218
Debt securities	20	1,591,184	1,613,065
Other liabilities		**671,772**	**724,151**
Deferred tax liabilities	21	104,500	144,266
Payables arising from insurance and reinsurance operations	22	191,911	241,339
Current taxes payable	23	110,847	111,527
Derivative instruments with a negative fair value	23	7,508	6,752
Other payables	23	257,006	220,267
TOTAL EQUITY AND LIABILITIES		**7,061,497**	**6,882,530**

4.1.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Revenue	24	**1,411,297**	**1,489,530**
Gross written premiums		1,202,440	1,269,082
Premium refunds		-92,876	-81,497
Net change in unearned premium provisions		5,576	-1,650
Earned premiums	24	**1,115,140**	**1,185,935**
Fee and commission income	24	**128,795**	**125,550**
Net income from banking activities	24	**70,619**	**70,599**
Cost of risk	26	-4,222	-4,696
Revenue or income from other activities	24	**96,743**	**107,446**
Investment income, net of management expenses	29	*46,927*	*50,245*
Gains and losses on disposals of investments	29	*1,105*	*2,846*
Investment income, net of management expenses (excluding finance costs)	29	48,032	53,091
TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES		**1,455,107**	**1,537,925**
Claims expenses	25	-705,655	-605,344
Expenses from banking activities, excluding cost of risk	26; 27	-13,193	-14,094
Expenses from other activities	27	-44,379	-44,892
Income from ceded reinsurance	28	*239,940*	*214,300*
Expenses from ceded reinsurance	28	*-257,539*	*-265,710*
Income and expenses from ceded reinsurance	28	-17,599	-51,410
Policy acquisition costs	27	-255,289	-274,048
Administrative costs	27	-275,095	-269,956
Other current operating expenses	27	-83,004	-81,652
TOTAL CURRENT INCOME AND EXPENSES		**-1,394,214**	**-1,341,396**
CURRENT OPERATING INCOME		**60,893**	**196,529**
Other operating expenses	30	-54,945	-5,490
Other operating income	30	108,441	1,258
OPERATING INCOME		**114,389**	**192,297**
Finance costs		-18,373	-18,491
Share in net income of associates	31	-5,838	2,157
Income tax expense	32	-48,124	-48,836
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**42,054**	**127,127**
Non-controlling interests		-523	-888
NET INCOME FOR THE YEAR		**41,531**	**126,239**
Earnings per share *(in €)*	34	0.26	0.80
Diluted earnings per share *(in €)*	34	0.26	0.80

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Net income for the period		**41,531**	**126,239**
Non-controlling interests		523	888
Other comprehensive income			
Currency translation differences reclassifiable to income		**12,413**	**2,328**
Reclassified to income		*0*	*0*
Recognised in equity		*12,413*	*2,328*
Fair value adjustments on available-for-sale financial assets	6; 15; 21	**20,727**	**-13,901**
Reclassified to income – gross		*1,906*	*-4,490*
Reclassified to income – tax effect		*-1,328*	*1,525*
Recognised in equity – reclassifiable to income – gross		*29,751*	*-9,465*
Recognised in equity – reclassifiable to income – tax effect		*-9,602*	*-1,471*
Fair value adjustments on employee benefit obligations	15; 17; 21	**-5,378**	**3,978**
Recognised in equity – not reclassifiable to income – gross		*-7,811*	*5,890*
Recognised in equity – not reclassifiable to income – tax effect		*2,433*	*-1,912*
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**27,762**	**-7,595**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69,816**	**119,532**
■ attributable to owners of the parent		69,654	119,910
■ attributable to non-controlling interests		162	-378

4.1.4 STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	NOTES	SHARE CAPITAL	PREMIUMS	CONSOLIDATED RESERVES	TREASURY SHARES
EQUITY AT DECEMBER 31, 2014 RESTATED IFRIC 21		**786,241**	**422,831**	**319,208**	**-709**
2014 net income to be appropriated				125,025	
Payment of 2014 dividends in 2015			-75,460		
Total transactions with owners		**0**	**-75,460**	**125,025**	**0**
December 31, 2015 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					-1,934
Free share plans expenses				641	
Transactions with shareholders					
EQUITY AT DECEMBER 31, 2015		**786,241**	**347,371**	**444,874**	**-2,643**
Reduction of the value of shares		-471,745	471,745		
2015 net income to be appropriated				126,239	
Payment of 2015 dividends in 2016			-8,696	-66,616	
Total transactions with owners		**-471,745**	**463,049**	**59,623**	**0**
December 31, 2016 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity	6; 15; 17; 21				
Fair value adjustments on available-for-sale financial assets reclassified to income	6; 15; 17; 21				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					-327
Free share plans expenses				207	
Transactions with shareholders					
EQUITY AT DECEMBER 31, 2016		**314,496**	**810,420**	**504,704**	**-2,970**

OTHER COMPREHENSIVE INCOME						
FOREIGN CURRENCY TRANSLATION RESERVE	RECLASSIFIABLE REVALUATION RESERVES	NON-RECLASSIFIABLE REVALUATION RESERVES	NET INCOME FOR THE PERIOD	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
-20,681	**107,264**	**-21,382**	**125,025**	**1,717,797**	**6,737**	**1,724,534**
			-125,025	0		0
				-75,460	-697	-76,157
0	**0**	**0**	**-125,025**	**-75,460**	**-697**	**-76,157**
			126,239	126,239	888	127,127
	-10,164			-10,164	-771	-10,935
	-2,822			-2,822	-144	-2,966
		3,978		3,978		3,978
2,679				2,679	-351	2,328
				-1,934		-1,934
				641		641
					411	411
-18,002	**94,278**	**-17,404**	**126,239**	**1,760,954**	**6,073**	**1,767,027**
				0		0
			-126,239			0
				-75,312	-771	-76,083
0	**0**	**0**	**-126,239**	**-75,312**	**-771**	**-76,083**
			41,531	41,531	523	42,054
	20,745			20,745	-596	20,149
	578			578		578
		-5,378		-5,378		-5,378
12,179				12,179	234	12,413
				-327		-327
				207		207
					27	27
-5,823	**115,601**	**-22,782**	**41,531**	**1,755,177**	**5,490**	**1,760,667**

4.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Net income for the period	34	**41,531**	**126,239**
Non-controlling interests		523	888
Income tax expense		48,124	48,837
+/- Share in net income of associates	8	5,838	-2,157
Finance costs		18,373	18,491
Operating income (A)		**114,389**	**192,298**
+/- Depreciation, amortisation and impairment losses	5; 6.1; 9; 16	51,148	21,030
+/- Net additions to/reversals from technical provisions	19	140,474	23,452
+ Dividends received from associates	8	1,008	900
+/- Unrealised foreign exchange income / loss		8,340	41,095
+/- Non-cash items		37 896	37 840
Total non-cash items (B)		***238 866***	***124 317***
Gross cash flows from operations (C) = (A) + (B)		***353 255***	***316 614***
Change in operating receivables and payables		-60 418	12 616
Net taxes paid		-89 060	-73 228
Net cash related to operating activities (D)		***-149 478***	***-60 612***
Increase (decrease) in receivables arising from factoring operations		-117 473	-127 615
Increase (decrease) in payables arising from factoring operations		-59 736	100 207
Increase (decrease) in factoring liabilities		106 219	52 281
Net cash generated from banking and factoring operations (E)	7 - 20	***-70 990***	***24 873***
NET CASH GENERATED FROM OPERATING ACTIVITIES (F) = (C+D+E)		**132 787**	**280 875**
Acquisitions of investments	6	-1 608 009	-2 027 373
Disposals of investments	6	1 510 745	1 976 835
Net cash used in movements in investments (G)		***-97 264***	***-50 538***
Acquisitions of consolidated subsidiaries, net of cash acquired			
Disposals of consolidated companies, net of cash transferred			
Net cash used in changes in scope of consolidation (H)			
Disposals of property, plant and equipment and intangible assets	5; 9	-8 210	-7 931
Acquisitions of property, plant and equipment and intangible assets	5; 9	250	2 253
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***-7 960***	***-5 678***

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
NET CASH USED IN INVESTING ACTIVITIES (J) = (G+H+I)		**-105,224**	**-56,216**
Proceeds from the issue of equity instruments			
Treasury share transactions		-327	-1,781
Dividends paid to owners of the parent		-75,312	-75,460
Dividends paid to non-controlling interests		-771	-697
Cash flows related to transactions with owners		***-76,410***	***-77,938***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments	18	-2,882	-2,759
Interests paid		-17,911	-18,048
Cash flows related to the financing of Group operations		***-20,793***	***-20,807***
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES (K)		**-97,203**	**-98,745**
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (L)		**4,874**	**-7,702**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)		**-64,766**	**+118,213**
Net cash generated from operating activities (F)		132,787	280,875
Net cash used in investing activities (J)		-105,224	-56,216
Net cash generated from (used in) financing activities (K)		-97,203	-98,745
Impact of changes in exchange rates on cash and cash equivalents (L)		4,874	-7,702
Cash and cash equivalents at beginning of period	12	**396,837**	**278,624**
Cash and cash equivalents at end of period	12	**332,071**	**396,837**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**-64,766**	**+118,213**

4.2 Notes to the consolidated financial statements

BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as at December 31, 2016 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union [(1)]. They are detailed in the Note 3 "Applicable Accounting Standards" of the present consolidated financial statements as at December 31, 2016.

They are presented with comparative financial information at December 31, 2015.

These IFRS consolidated financial statements for the year ended December 31, 2016 have been reviewed by the Coface Group's Board of Directors on February 8, 2017 subject to the approval of the Shareholders' Meeting of May 17, 2017.

/ NOTE 1 / Significant events

Governance evolution

Coface's Board of Directors held a meeting on January 15, 2016, under the chairmanship of Laurent Mignon, and appointed Xavier Durand as new Chief Executive Officer (CEO). This appointment took effect after the Board's meeting of February 9, 2016, which validates the financial statements for the year-end 2015. Mr. Jean-Marc Pillu stayed as Coface's CEO until that date.

The severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors of January 15, 2016, amounts to €2,612 thousand and it is recorded on the financial statements of the year-end 2016.

New organisation in Europe

Coface Group's Executive Committee decided to adjust the regional structure in Europe in order to rebalance the regions and give them greater geographic coherence.

The regional structure of Coface Group is adjusted as follows:

- Spain and Portugal, previously included in Western Europe region now are managed by Mediterranean and Africa region;
- Russia, previously included in Northern Europe region joined Central Europe region.

Contingent capital [(2)]

Coface established with BNP Paribas Arbitrage, on February 9, 2016, a contingent capital line of €100 million, for a period of three years (that can be reduced to two years at the discretion of COFACE), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

This contingent capital line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to strengthen its financial robustness to protect its business against extreme risks.

Management of State export credit guarantees

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on December 31, 2016. The teams and IT systems dedicated to this activity were transferred to Bpifrance as of January 2, 2017.

Management of French State export guarantees – or public guarantees – was a service that Coface carried out on behalf of the French State. In 2016, the activity represented 4% of Coface's consolidated revenue.

In consideration for this transfer, Coface received an indemnity payment corresponding to a non-recurring gain of a pre-tax amount of €75 million recognised in the accounts of the year 2016.

Financial strength affirmed by rating agencies

Moody's and Fitch reaffirmed the financial strength ratings (IFS) of the Group, AA- and A2 respectively (stable outlook), on September 29, and November 28, 2016.

Referendum of June 23, 2016: Brexit

The vote that took place on June 23, 2016 in favour of the United Kingdom leaving the European Union had the immediate consequence of a fall in the exchange rate of the pound sterling and a rise in uncertainties and volatility on the financial markets.

In the short term, the Group anticipates that these increased risks weaken certain sectors in particular and took many adjustment measures of its exposures (construction, importers, intermediaries, recruitment).

The Group also took adjustment measures of its exposures to financial risks.

In the medium term, Coface considers that the consequences of the referendum, in particular the negotiation of the trade agreement between the United Kingdom and the European Union, will determine the future evolution of the risks; Coface adjusts its monitoring of the risks accordingly.

Reduction in the value of shares

The Board of Directors' meeting of July 27, 2016 decided to reduce the par value of the share to €2 from €5.

(1) *The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.*

(2) *See also press realease published on February 9, 2016, and available online on the company's website www.coface.com.*

The purpose of this operation is to redefine the value of the share and bring it to a level comparable to that of most peer companies.

Accordingly, the share capital is reduced by €471,744,696 and has dropped from €786,241,160 to €314,496,464. The ammount of capital reduction is allocated to sub-account "share premium" and is not available. This decision does not change the number of shares comprising the share capital, namely 157,248,232 shares.

◆ *Fit to Win* strategic plan

The Group presented its new strategic plan called *Fit to Win* during its first Investor Day organised in London on September 22, 2016. *Fit to Win* aims at positioning Coface as the most agile global trade-credit partner in the industry, while evolving to a more capital efficient business model.

With a 3-year horizon, *Fit to Win* aims to restore Coface financial performance through three operational transformation drivers:

(a) reinforcing our risk management expertise and infrastructure – especially in emerging markets;

(b) driving operational efficiency under a client-centric business model; and

(c) differentiating our approach to growth in each one of the markets we are operating in, prioritising value creation over growth.

Once fully implemented, *Fit to Win* is aiming to position Coface to deliver a return on average tangible equity of above 9% across the cycle.

This objective is based on (i) a combined ratio of 83% through the cycle and (ii) cost savings of €30 million in 2018, to compensate the loss of the public guarantees activity. It also aims to pursue an attractive dividend policy for Coface's shareholders of at least 60% of its net income. This policy shall be supported by a robust financial situation characterised by (i) a solvency ratio between 140% -160%; and, (ii) a minimum A rating by Fitch and Moody's.

The impacts of the *Fit to Win* strategic plan on the financial statements are presented in Note 30 "Other operating income and expenses" and in Note 16 "Provisions for liabilities and charges".

/ NOTE 2 / Scope of consolidation

Change in the scope of consolidation in 2016

First-time consolidation

Fonds Lausanne 2 *Bis* mutual fund (*fonds communs de placement* or FCP) owned by Coface Re has been created during the 3rd quarter 2016.

Exit from consolidation scope

Fonds Colombes 6 *Bis* mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe has been sold during the 4th quarter 2016.

Moreover, some changes in the affectation by geographical zone have been made by the Coface Group Executive Committee during 2016 financial year: (Cf. Note 1 "Significant events"):

- Coface Russia Insurance Company, a subsidiary held by Compagnie française d'assurance pour le commerce extérieur, has been transferred from the Northern Europe region to the Central Europe region;
- Coface Iberica and Coface Portugal, both branches of Compagnie française d'assurance pour le commerce extérieur as well as the Services entity Coface Servicios España have been also transferred from the Western Europe region to the Mediterranean and Africa region.

Special purpose entities

SPEs used for the credit insurance business

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

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

SPEs used for financing operations

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

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

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

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

SPEs used for investing operations

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

Coface Group entities (and only Coface Group entities) now subscribe to units in these funds, *via* Compagnie française d'assurance pour le commerce extérieur, instead of having their own respective investment portfolios, which have been liquidated. Once a year the entities concerned receive a share of the comprehensive income generated by the funds in proportion to their net contribution to the management platform.

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

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

◆ Scope of consolidation

All of Coface entities are consolidated by the full integration method, except Cofacrédit, which is consolidated by the equity method.

			PERCENTAGE			
COUNTRY	ENTITY	CONSOLIDATION METHOD	CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Northern Europe						
Germany	Coface Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 5 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Gmbh Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg Hauptstr. 131-137 65260 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation) 41, rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 P.O. Box 3377 4800 DJ Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark Nygade 111 7430 Ikast	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Western Europe						
France	COFACE SA 1, place Costes et Bellonte 92270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacredit Tour facto 18, rue Hoche 92988 Puteaux	Equity method	36.00%	36.00%	36.00%	36.00%
France	Cofinpar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 ter 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 bis 90, boulevard Pasteur 75015 Paris	Sold	NA	NA	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Belgium	Coface Belgium Services Holding 100, Boulevard du Souverain 1170 Bruxelles	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium 100, Boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Suisse Rue Belle-Fontaine 18; CP 431 1001 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Re Rue Belle-Fontaine 18; CP 431 1001 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 Bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	NA	NA
Switzerland	Fonds Lausanne 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Holding 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Road Watford, Hertfordshire WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Irlande 67 B Upper George's Street Dun Laoghaire Co Dublin	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Central Europe						
Austria	Coface Austria Services Stubenring 24 1011 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europ Holding Stubenring 24-2 A 1010 Vienna	Full	74.99%	74.99%	74.99%	74.99%
Austria	Coface Austria (formerly – Coface Austria Holding AG) Stubenring 24 1011 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Coface Hungary Insurance Tűzoltó u. 57, H-1094 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Poland	Coface Poland CMS Al.Jerozolimskie 136 PL-02-305 / Warszawa	Full	100.00%	74.99%	100.00%	74.99%
Poland	Coface Poland Factoring Al.Jerozolimskie 136 PL-02-305 / Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Insurance Al. Jerozolimskie 136, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Czech Republic	Coface Czech Insurance I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Calea Floreasca 39, Et. 3 Sect.1 Bucharest	Full	100.00%	74.99%	100.00%	74.99%
Romania	Coface Romania Insurance Calea Floreasca 39, Et. 3 Sect.1, 014453, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Coface Slovakia Insurance Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuanie	LEID (Lithuania) Vilniaus str. 23 01402 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Coface Bulgaria Insurance 85/87, T. Alexandrov blvd 1303 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	Coface Russia Insurance Company Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str. 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	Business Data Information Coface (BDI Coface) 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE CONTROL DEC. 31, 2016	PERCENTAGE INTEREST DEC. 31, 2016	PERCENTAGE CONTROL DEC. 31, 2015	PERCENTAGE INTEREST DEC. 31, 2015
South Africa	Coface South Africa Services Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B – 7º Piso, Fracção B.1 Edifício Europa 1070 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumers Road, Suite 910 Toronto – On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 México City, D.F	Full	100.00%	100.00%	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE CONTROL DEC. 31, 2016	PERCENTAGE INTEREST DEC. 31, 2016	PERCENTAGE CONTROL DEC. 31, 2015	PERCENTAGE INTEREST DEC. 31, 2015
Brazil	Coface Do Brasil Seguros De Credito Interno SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 – 12º Andar Brooklin Novo – Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile Nueva Tajamar 555. P17. Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Chile	Coface Chile SA Nueva Tajamar 555. Torre Costanera	Full	100.00%	100.00%	100.00%	100.00%
Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia Level 10, 68 York Street Sydney NSW 2000 GPO Box 129 Sydney NSW 2001	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong-Kong	Coface Hong Kong 29th Floor, No.169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japon Atago Green Hills MORI Tower 38F, 2-5-1 Atago, Minato-ku Tokyo 105-6238	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Singapore	Coface Singapour 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Taiwan	Coface Taiwan Room A5, 6F, N°16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

/ NOTE 3 / Accounting principles

3.1 Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union [1]. The same accounting principles and policies have been used for the financial statements of the year ended December 31, 2015 – apart from the following amendments applicable for the first time on or after January 1, 2016:

Legislation applicable since January 1, 2016

- the amendment to IAS 19 "Employee benefits" entitled "Defined Benefit Plans: Employee Contributions" adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment applies to the contributions paid by staff members or by third parties to defined benefit plans. The goal is to clarify and simplify the recognition of contributions that are independent of the employee's years of service (*e.g.*: the contributions of staff members that are calculated by a fixed percentage of wages) which can be recognised as a reduction in cost of services provided for the period when the service is rendered, instead of being allocated to the services periods;
- the amendment "Annual Improvements to IFRS 2010 – 2012 Cycle", adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 2 "Share-based payment", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IAS 16 "Property, plant and equipment", IAS 38 "Intangible assets" and IAS 24 "Related-party disclosures" and IFRS 13 "Fair value measurement";
- the amendment to IFRS 11 "Joint arrangements" entitled "Accounting for acquisitions of interests in joint operation" adopted by the European Commission on November 24, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarifies how to account for the acquisition of an interest in a joint operation that constitutes a business as defined under IFRS 3 "Business combination";
- the amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" entitled "Clarification of acceptable methods of depreciation and amortisation" adopted by the European Commission on December 2, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and is from now on forbidden for the tangible assets and intangible assets;
- the amendment "Annual Improvements to IFRS 2012 – 2014 Cycle", adopted by the European Commission on December 15, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 5 "Non-current Assets held for sale and discontinued operations", IFRS 7 "Financial instruments: disclosures", IAS 19 "Employee benefits" and IAS 34 "Interim financial reporting";
- the amendment to IAS 1 "Presentation of financial statements" entitled "Initiative to improve presentation and disclosure in financial reports" adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment is mainly designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements;
- the amendment to IAS 27 "Consolidated and separate financial statements" entitled "Equity method in separate financial statements" adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment reinstates the equity method, described in IAS 28 "Investments in associates", as an accounting option for investments in subsidiaries, joint ventures and associate's in an entity's separate financial statements;
- the amendment to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities", IAS 28 "Investments in associates", entitled "Investment entities: applying the consolidation exception" adopted by the European Commission on September 22, 2016 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. These amendments clarify how to account for consolidation of investment entities and equity associates.

Coface did not proceed to the early application of the texts adopted by the European Union at December 31, 2016 but not yet in force on that date. These include:

IFRS 15

The new standard IFRS 15 "Revenue from contracts with customers" adopted by the European Commission on September 22, 2016 and of mandatory application on or

(1) *The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm*

after January 1, 2018 according to transitional arrangements. IFRS 15 provides a framework that replaces existing revenue recognition guidance in IFRS. Under IFRS 15, an entity recognises revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 applies to all contracts with customers except for, in particular, leases within the scope of IAS 17 "Leases", insurance contracts within the scope of IFRS 4 "Insurance contracts", and financial instruments within the scope of IFRS 9 "Financial instruments". If specific requirements regarding revenue or contract costs are provided by another standard, this one should be applied first. By default, IFRS 15 framework is to be applied. The IFRS 15 standard does not concern the insurance activity so it should have few impacts on the Group financial statements. The insurance activity will be impacted by the future standard IFRS 17.

IFRS 9

IFRS 9 "Financial instruments", was adopted by the European Commission on the November 22, 2016 with mandatory application on the January 1, 2018.

This new standard includes:

- for financial assets, a new approach of classification and assessment that reflects the economic model of management of the assets and the contractual cash flow characteristics. The standard provides three major financial asset classes: those measured at amortised cost, those measured at fair value through other components of comprehensive income and those measured at fair value through profit and loss. It removes the categories of IAS 39 (held-to-maturity, loans and receivables, and available-for-sale);
- for debt instruments, the standard revises the distinction Amortised Cost / Fair Value using a logical approach driven by the business model and the contractual cash flow characteristics. The business model depends on way Coface manages its assets in order to generate cash flows and create value. Thus, only basic instruments which give rise, in specified dates, to the only flows of repayment of principal and payment of interests on the outstanding are eligible to the category amortised cost (if they are managed in a hold to collect contractual flows, or fair value through other comprehensive income (OCI) if they are managed with the double aim of collecting contractual flows and selling. The reserve of OCI is later recyclable in the income statement;
- for equity instruments, fair value through profit or loss becomes the classification by default. A classification in fair value through other comprehensive income remains possible on option and under certain conditions. The reserve of OCI is not recyclable in the income statement;
- a unique forward-looking impairment model, based, not on the occurred credit losses as under IAS 39, but on the expected credit losses (ECL) calculated on all the debt portfolios recorded at amortised cost or on the fair value by other comprehensive income (OCI recyclable). Within this new model, it will no longer be necessary to identify an incurred defect to book an impairment. Generally, IFRS 9 standard requires booking expected losses over one year, and then secondly, if the credit risk increases significantly since the initial recognition, lifetime expected credit losses. Thirdly, if the credit risk downgrades to the point that the debt payment is threatened, expected losses are determined as the difference between the gross book value of the receivable and the future cash flows estimated discounted at the effective interest of origin of the asset.

Considering the importance of the changes brought by IFRS 9 standard, Coface leads works on implementation within a project organisation bringing in all the businesses and the support functions concerned.

Works of analysis, conception and IT development have started in 2016, and should end during the year 2017. The end of the year 2017 then will be dedicated mainly to acceptance testing, finalisation of models calibration, completion of documentation and adaptation of the processes required by the implementation of this new standard within the change management.

On the basis of the works led on the Classification and Measurement, it arises at this stage that the main part of the financial assets which were classified among the available-for-sale category or among assets at fair value through profit or loss under IAS 39 will continue to be measured at fair value under IFRS 9. Also, financial assets which were booked at amortised cost under IAS 39 will continue to satisfy the conditions for a booking at amortised cost under IFRS 9.

The identified reclassifications, considering works led at this stage are the followings:

For portfolios of securities, reclassifications should concern mainly:

- debt securities held within the liquidity reserve, which were booked under IAS 39 in assets available for sale, and which, being managed within the economic model of collect and sale will be reclassified to assets at the fair value through recyclable OCI;
- parts of UCITS (Undertaking for Collective Investment in Transferable Securities) qualified as equity instruments under IAS 39 and classified in the category of assets available for sale, that are analysed under IFRS 9 as debt instruments without basic characteristics , will be booked as financial assets at fair value through profit or loss;
- equity shares recorded among assets available for sale under IAS 39, that, as allowed by IFRS 9 standard, will be, on individualised option, either recorded as assets at fair value through profit or loss, or as assets at fair value though non recyclable OCI.

Reclassification between categories of financial assets at the amortised cost and financial assets at fair value should have a net impact on the consolidated equity of Coface, because of the difference of measurement method of these assets. Calculations of impacts are being performed.

Regarding the new requirements on impairments:

Coface will use an impairment model based on the credit risk degradation measurement. Works on the implementation of the new process are being performed.

At the publication of Coface accounts at December 31, 2017, information on the first application of the standard will be known or reasonably estimated and can be precisely communicated and detailed.

In addition, information in appendices will respect IFRS 7 requirements amended by IFRS 9.

In application of the option allowed by IFRS 9, Coface does not plan to communicate comparative information for its financial statements.

IFRS 16

IFRS 16 "Leases" will supersede IAS 17 and currently existing leases guidance in IFRS. It is retrospectively effective for annual periods beginning on or after January 1, 2019 according to transitional arrangements, subject to its adoption by the European Commission.

Under IFRS 16, the lease agreements definition implies identifying an asset on the one hand, and the lessee's right to control the use of an identified asset on the other.

From the lessor's point of view, the accounting remains substantially unchanged as compared with IAS 17.

For the lessee, the standard requires recognition of the right-of-use lease asset at initial cost and the lease liability at present value of lease payments to be paid during the lease agreement period. The right-of-use asset is to be depreciated and the lease liability is to be remeasured by discounting over the lease term. Interest on the lease liability is to be recognised in profit and loss and shown in "Interest expense", whereas depreciation of the right-of-use asset is to be recorded in "Expenses from other activities". In contrast, under current IAS 17, properties acquired under operating leases are not included in assets and associated lease payments are shown in "Expenses from other activities".

The standard provides for optional exceptions for short-term contracts or those on low value items. The Group did not take a decision at this stage about its possible use of optional exceptions.

Estimate of the initial value of the right-of-use lease asset is currently underway. Coface expects a material impact on the item "Other property, plant and equipment" and as a counterpart in the liabilities.

3.2 Consolidation methods used

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

The consolidation methods applied are as follows:

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

All the entities of the Coface Group scope are fully consolidated except Cofacrédit, which is consolidated by the equity method.

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

Intercompany transactions

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

3.3 Non-current assets held for sale and discontinued operations

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

A sale is deemed to be highly probable if:

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

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

If the disposal does not take place within 12 months of an asset being classified as "Non-current assets held for sale", the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface's control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- the component represents a separate major line of business or geographical area of operations;

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

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

As of December 31, 2016, none of these activities were present in the Group's consolidated financial statements.

3.4 Year-end and accounting period

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

3.5 Foreign currency translation

Translation of foreign currency transactions

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

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

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

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

3.6 General principles

The insurance business

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

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

However, IFRS 4:

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

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IAS 18 "Revenue".

In accordance with IAS 18, revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

The factoring business

Companies engaged in the factoring business are directly impacted by IAS 39 "Financial instruments: recognition and measurement": a financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

In application of IAS 39, Application Guidance 26, trade receivables are classified within the "Loans and receivables" category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

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

Breakdown by function of insurance company expenses

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

Public credit insurance procedures management

Until December 31, 2016, Compagnie française d'assurance pour le commerce extérieur managed the public credit insurance procedures for the French government. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the compensation received from the French government is reported under "Revenue or income from other activities". The corresponding costs are analysed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie française d'assurance pour le commerce extérieur in connection with its private market insurance activities.

Until June 30, 2014, SBCE, a Brazilian insurance company, performed the same type of activity for the Brazilian government. This agreement which was entered into by the government of Brazil and SBCE was not renewed as at June 30, 2014. Since July 1, 2014, SBCE continues its export credit risk insurance business for short-term operations.

Factoring companies

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

Other companies outside the insurance business and factoring business

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

◆ Revenue

Consolidated revenue includes:

- for the insurance business, earned premiums, net of cancellation, and premium refunds for direct business and inward reinsurance transactions, as well as fees for insurance-related services. This latter category covers fee and commission income for policies issued as well as fees for other services offered by insurance companies;
- the compensation received by Compagnie française d'assurance pour le commerce extérieur from the French government for its management of public credit insurance procedures. The terms and procedures applicable to the compensation paid by the French government are set out in the "Financial Agreement" signed between the French government and Compagnie française d'assurance pour le commerce extérieur. This agreement was terminated on December 31, 2016 (see Note 1 "Significant events");
- sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing customer access to credit and marketing information and debt collection services;
- factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and dispute management fees.

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

◆ Insurance operations

Premiums

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

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

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

The Group also receives fee and commission income, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to customers and partners.

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

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

Reserves for unearned premiums

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

Deferred acquisition costs

Policy acquisition costs, including commissions and internal expenses related to contract preparation, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred that corresponds to policy acquisition costs relating to the period between the year-end and the next premium payment date is included in the Balance Sheet assets under "Acquisition costs".

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. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

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

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

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

Subrogation and salvage

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

The subrogation and salvage includes a provision for debt collection costs.

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

◆ Reinsurance operations

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

Inward reinsurance

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

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

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

Ceded reinsurance

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

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

Funds received from reinsurers are reported under liabilities.

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

◆ Other operating income and expenses

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

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

◆ Goodwill

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

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

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

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

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

Impairment tests on goodwill and intangible assets

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

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

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

The seven groups of CGUs are as follows:

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

Measuring groups of CGUs and performing goodwill impairment tests

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

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

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

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

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

Method used for measuring the value of Coface entities

Value in use: Discounted cash flow method

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

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

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

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

Fair value

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

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

Intangible assets: IT development costs

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

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

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

Property, plant and equipment: property assets

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

Coface has identified the following components of property assets:

LAND	NOT DEPRECIATED
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

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

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

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

◆ Financial assets

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

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

Available-for-sale financial assets (AFS)

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

Financial assets held for trading

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

Held-to-maturity investments (HTM)

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

Fair value

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

Impairment test

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

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

Impairment indicators include the following:

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

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

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

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

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

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

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

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

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

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

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

Financing liabilities

This item mainly includes the subordinated debt and liabilities relating to financing agreements (finance leases).

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

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

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

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

Accounting treatment of debt issuance costs

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

Transaction costs include:

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

Transaction costs do not include:

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

Payables arising from banking sector activities

This item includes:

- amounts due to banking sector companies: corresponds to bank credit lines. They represent the refinancing of the credit extended to factoring clients;
- amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;

- debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

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

Receivables arising from factoring operations

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax. When it appears probable that all or part of the amount receivable will not be collected, a provision is recorded by way of a charge to the income statement (under "Cost of risk"). The receivables shown in the balance sheet are stated net of provisions.

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

Cash and cash equivalents

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

Provisions for liabilities and charges

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

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

The provisions for liabilities and charges include the provisions for fiscal risks, for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

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

Employee benefits

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

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

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

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

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

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

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

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

Stock options

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

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

In connection with its stock market listing, the Coface Group awarded to certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (cf. Note 14).

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

◆ Income tax

Income tax expense includes both current taxes and deferred taxes.

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

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

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

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

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

◆ Receivables and payables denominated in foreign currencies

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

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

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

◆ Segment information

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

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

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

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

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

◆ Related parties

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

Estimates

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

ESTIMATES	NOTES	TYPE OF INFORMATION REQUIRED
Goodwill impairment	4	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. 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	19	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	19; 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	19; 25	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	19; 25; 44	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	19; 25; 44	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	17	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

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

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

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

NOTE TO THE CONSOLIDATION BALANCE SHEET

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

/ NOTE 4 / Goodwill

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

Breakdown of goodwill by region:

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,397	8,402
Mediterranean & Africa	22,371	22,050
North America	6,598	6,407
Latin America	1,117	939
TOTAL	**156,214**	**155,467**

The change in goodwill amounted to €747 thousand due to the fluctuation of the exchange rate.

Impairment testing methods

In compliance with IAS 36 "Impairment of assets", goodwill and other non-financial assets were tested for impairment losses at December 31, 2016. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU.

This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

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

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2016:

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Cost of capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4	152.5

The assumptions used in 2015 were as follows:

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Cost of capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	480.8	861.7	158.2	75.8	55.9	54.0	129.3

The variation of the contribution to consolidated net assets per region between 2015 and 2016 is due to the new regional organisation:

- Spain and Portugal were part of the Western Europe region; these countries are part of the Mediterranean and Africa region as of December 31, 2016;
- Russia was part of the Northern Europe region; this country is part of the Central Europe region as of December 31, 2016.

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2016;
- 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, 2016;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2020 and 2021): 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, 2016.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table:

Outcome of impairment tests

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4	152.5
Sensitivity: Long-term growth rate -0.5 point	681.9	759.6	233.3	392.1	43.7	89.5	2.1
Sensitivity: WACC +0.5 point	673.9	747.9	230.0	386.2	42.0	87.7	2.2
Sensitivity: *Loss Ratio* 2020 +1 point	696.5	783.6	237.6	398.1	43.5	91.2	-1.5
Sensitivity: *Loss Ratio* 2020 +2 points	690.2	775.6	233.5	389.4	37.8	87.8	-5.6
Sensitivity: *Cost Ratio* 2020 +1 point	690.2	776.2	234.7	390.2	41.4	89.7	-4.9
Sensitivity: *Cost Ratio* 2020 +1 point	677.5	761.0	227.6	373.6	34.3	85.0	-12.5

The amounts presented in the table above represent the total amount after changes in assumptions.

/ NOTE 5 / Other intangible assets

(in thousands of euros)	DEC. 31, 2016 NET VALUE	DEC. 31, 2015 NET VALUE
Development costs and software	56,336	65,270
Purchased goodwill	2,738	2,980
Other intangible assets	420	590
TOTAL	**59,494**	**68,840**

	DEC. 31, 2016		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Development costs and software	183,821	-127,485	56,336
Purchased goodwill	8,608	-5,870	2,738
Other intangible assets	2,676	-2,256	420
TOTAL	**195,105**	**-135,611**	**59,494**

(in thousands of euros)	DEC. 31, 2015 COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Development costs and software	184,790	-119,520	65,270
Purchased goodwill	8,367	-5,387	2,980
Other intangible assets	3,191	-2,601	590
TOTAL	**196,348**	**-127,508**	**68,840**

Change in the gross amount of intangible assets

(in thousands of euros)	DEC. 31, 2015	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Development costs and software	184,790	6,255	-8,383	1,159	183,821
Purchased goodwill	8,367			241	8,608
Other intangible assets	3,191	44	-177	-382	2,676
TOTAL	**196,348**	**6,299**	**-8,560**	**1,018**	**195,105**

(in thousands of euros)	DEC. 31,2014	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Development costs and software	194,762	3,950	-15,337	1,415	184,790
Purchased goodwill	7,717			650	8,367
Other intangible assets	2,754	353	-25	109	3,191
TOTAL	**205,233**	**4,303**	**-15,362**	**2,174**	**196,348**

4

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Accumulated amortisation – development costs and software	-119,307	-10,192	6,490	-1,139	-124,148
Accumulated impairment – development costs and software	-213	-3,337		213	-3,337
Total amortisation and impairment – development costs and software	**-119,520**	**-13,529**	**6,490**	**-926**	**-127,485**
Accumulated amortisation – purchased goodwill	-5,387	-313		-170	-5,870
Accumulated impairment – purchased goodwill					
Total amortisation and impairment – purchased goodwill	**-5,387**	**-313**		**-170**	**-5,870**
Accumulated amortisation – other intangible assets	-2,581	-78	175	248	-2,236
Accumulated impairment – other intangible assets	-20				-20
Total amortisation and impairment – other intangible assets	**-2,601**	**-78**	**175**	**248**	**-2,256**
TOTAL	**-127,508**	**-13,920**	**6,665**	**-848**	**-135,611**

/ NOTE 6 / Insurance business investments

6.1 Analysis by category

At December 31, 2016, the carrying amount of available-for-sale (AFS) securities totaled €2,593,953 thousand, securities held for trading ("trading securities") came to €69,696 thousand and held-to-maturity (HTM) securities was €2,740 thousand.

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

The distribution of the bonds portfolio by rating at December 31, 2016 was as follows:

- Bonds rated "AAA" 20%;
- Bonds rated "AA" and "A" 37%;
- Bonds rated "BBB" 32%;
- Bonds rated "BB" and lower 11%.

	DEC. 31, 2016					DEC. 31, 2015				
(in thousands of euros)	AMORTISED COST	REVALUATION	NET VALUE	FAIR VALUE	UNREALISED GAINS AND LOSSES	AMORTISED COST	REVALUATION	NET VALUE	FAIR VALUE	UNREALISED GAINS AND LOSSES
AFS securities	**2,459,575**	**134,378**	**2,593,953**	**2,593,953**		**2,406,577**	**105,948**	**2,512,526**	**2,512,526**	
Equities and other variable-income securities	140,734	106,714	247,448	247,448		236,296	104,373	340,669	340,669	
Bonds and government securities	2,183,369	25,997	2,209,366	2,209,366		2,059,275	1,659	2,060,934	2,060,934	
o/w direct investments in securities	*1,768,986*	*24,414*	*1,793,400*	*1,793,400*		*1,675,626*	*4,595*	*1,680,221*	*1,680,221*	
o/w investments in UCITS	*414,383*	*1,583*	*415,966*	*415,966*		*383,649*	*-2,936*	*380,714*	*380,714*	
Shares in non-trading property companies	135,472	1,667	137,139	137,139		111,006	-84	110,922	110,922	
HTM securities										
Bonds	2,740		2,740	3,460	720	3,721		3,721	4,374	653
Fair value through income – trading securities										
Money market funds (UCITS)	69,696		69,696	69,696		55,468		55,468	55,468	
Derivatives (positive fair value)		**2,975**	**2,975**	**2,975**			**6,123**	**6,123**	**6,123**	
(derivatives negative fair value for information)		*-7,508*	*-7,508*	*-7,508*			*-6,752*	*-6,752*	*-6,752*	
Loans and receivables	**80,940**		**80,940**	**80,940**		**69,481**		**69,481**	**69,481**	
Investment property	**716**	**71**	**787**	**787**		**716**	**84**	**800**	**800**	
TOTAL	**2,613,667**	**137,424**	**2,751,091**	**2,751,811**	**720**	**2,535,964**	**112,155**	**2,648,119**	**2,648,772**	**653**

Amortised cost reflects the nominal value, i.e., historical cost, as well as other components such as accrued interest not yet due, premiums and discounts, net of impairment and excluding the revaluation reserve.

(in thousands of euros)	GROSS DEC. 31, 2016	IMPAIRMENT	NET DEC. 31, 2016	NET DEC. 31, 2015
AFS securities	**2,624,463**	**-30,510**	**2,593,953**	**2,512,526**
Equities and other variable-income securities	276,859	-29,411	247,448	340,669
Bonds and government securities	2,210,457	-1,091	2,209,366	2,060,934
o/w direct investments in securities	*1,793,400*		*1,793,400*	*1,680,221*
o/w investments in UCITS	*417,057*	*-1,091*	*415,966*	*380,714*
Shares in non-trading property companies	137,147	-8	137,139	110,922
HTM securities				
Bond	2,740		2,740	3,721
Fair value through income – trading securities				
Money market funds (UCITS)	69,696		69,696	55,468
Derivatives (positive fair value)	**2,975**		**2,975**	**6,123**
(for information, derivatives with a negative fair value)	*-7,508*		*-7,508*	*-6,752*
Loans and receivables	**80,940**		**80,940**	**69,481**
Investment property	**787**		**787**	**800**
TOTAL	**2,781,601**	**-30,510**	**2,751,091**	**2,648,119**

Impairments

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE EFFECTS AND OTHER	DEC. 31, 2016
AFS securities	**29,696**	**3422**	**-2520**	**-88**	**30,510**
Equities and other variable-income securities	29,688	2,331	-2,520	-88	29,411
Bonds and government securities		1,091			1,091
Shares in non-trading property companies	8				8
TOTAL	**29,696**	**3,422**	**-2,520**	**-88**	**30,510**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	DEC. 31, 2016						
	CARRYING AMOUNT	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	OTHER MOVEMENTS	CARRYING AMOUNT
AFS securities	**2,512,526**	**899,171**	**-837,626**	**31,658**	**-902**	**-10,874**	**2,593,953**
Equities and other variable-income securities	340,669	42,920	-138,391	5,599	189	-3,538	247,448
Bonds and government securities	2,060,934	812,690	-682,177	24,309	-1091	-5,299	2,209,366
Shares in non-trading property companies	110,922	43,561	-17,058	1,751		-2,037	137,139
HTM securities							
Bonds	3,721		-981				2,740
Fair value through income – trading securities	**55,468**	**651,150**	**-636,922**	**0**		**0**	**69,696**
Loans, receivables and other financial investments	**76,404**	**53,567**	**-36,302**	**-7,863**		**-1,105**	**84,702**
TOTAL	**2,648,119**	**1,603,888**	**-1,511,831**	**23,796**	**-902**	**-11,979**	**2,751,091**

◆ Derivatives

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

During 2016, 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 subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

Several one-off interest rate hedges were also set up during the year for money-market securities.

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

Derivatives also include, from the first quarter of 2016, the fair value of the contingent capital instrument. This fair value corresponds to the fees due. This asset is shown in level 3.

6.2 Financial instruments recognised at fair value

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

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

Securities classified as level 1 represent 87% of the Group's portfolio. They correspond to:

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

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

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

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

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

Securities classified as level 3 represent 10% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Breakdown of financial instrument fair value measurements as at December 31, 2016 by level in the fair value hierarchy

(in thousands of euros)	CARRYING AMOUNT	FAIR VALUE	LEVEL 1 FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS	LEVEL 2 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS	LEVEL 3 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS
AFS securities	**2,593,953**	**2,593,953**	**2,324,335**	**23**	**269,595**
Equities and other variable-income securities	247,448	247,448	114,969	23	132,456
Bonds and government securities	2,209,366	2,209,366	2,209,366	0	
Shares in non-trading property companies	137,139	137,139			137,139
HTM securities					
Bonds	2,740	3,460	3,460		
Fair value through income – trading securities					
Money market funds (UCITS)	69,696	69,696	69,696		
Derivatives	**2,975**	**2,975**	**993**	**860**	**1,122**
Loans and receivables	**80,940**	**80,940**		**80,940**	
Investment property	**787**	**787**			**787**
TOTAL	**2,751,091**	**2,751,811**	**2,398,484**	**81,823**	**271,504**

The analysis of the breakdown of the portfolio by level allowed to detect that bonds and Government securities classified in level 2 on December 31, 2015 were under the definition of level 1.

This reclassification from level 2 to level 1 has been realised during the 1st half-year 2016.

Movements in Level 3 securities as at December 31, 2016

(in thousands of euros)	AT DEC. 31, 2015	GAINS AND LOSSES RECOGNISED IN THE PERIOD IN INCOME	 DIRECTLY IN EQUITY	TRANSACTIONS FOR THE PERIOD PUR-CHASES/ ISSUES	 SALES/ REDEMPTIONS	EXCHANGE RATE EFFECTS	AT DEC. 31, 2016
AFS securities	**240,219**	**445**	**5,178**	**46,411**	**-17,058**	**-5,600**	**269,595**
Equities and other variable-income securities	129,297	445	3,427	2,850		-3,563	132,456
Shares in non-trading property companies	110,922		1,751	43,561	-17,058	-2,037	137,139
Derivatives				1,122			1,122
Investment property	**800**	**-13**					**787**
TOTAL	**241,019**	**432**	**5,178**	**47,533**	**-17,058**	**-5,600**	**271,504**

Breakdown of financial instrument fair value measurements as at December 31, 2015 by level in the fair value hierarchy

(in thousands of euros)	CARRYING AMOUNT	FAIR VALUE	LEVEL 1 FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS	LEVEL 2 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS	LEVEL 3 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS
AFS securities	**2,512,526**	**2,512,526**	**2,096,980**	**175,326**	**240,219**
Equities and other variable-income securities	340,669	340,669	211,349	23	129,297
Bonds and government securities	2,060,934	2,060,934	1,885,631	175,303	
Shares in non-trading property companies	110,922	110,922			110,922
HTM securities					
Bonds	3,721	4,374	4,374		
Fair value through income – trading securities					
Money market funds (UCITS)	55,468	55,468	55,468		
Derivatives	**6,123**	**6,123**		**6,123**	
Loans and receivables	**69,481**	**69,481**		**69,481**	
Investment property	**800**	**800**			**800**
TOTAL	**2,648,119**	**2,648,772**	**2,156,822**	**250,930**	**241,019**

Movements in Level 3 securities as at December 31, 2015

(in thousands of euros)	AT DEC. 31, 2014	GAINS AND LOSSES RECOGNISED IN THE PERIOD		TRANSACTIONS FOR THE PERIOD		EXCHANGE RATE EFFECTS	AT DEC. 31, 2015
		IN INCOME	DIRECTLY IN EQUITY	PUR-CHASES/ ISSUES	SALES/ REDEMPTIONS		
AFS securities	**155,470**	**1,526**	**806**	**83,894**		**-1,478**	**240,219**
Equities and other variable-income securities	125,469	1,526	890	2,718		-1,307	129,297
Shares in non-trading property companies	30,001		-84	81,176		-171	110,922
Investment property	**923**	**-123**					**800**
TOTAL	**156,393**	**1,403**	**806**	**83,894**	**0**	**-1,478**	**241,019**

/ NOTE 7 / Receivables arising from banking and other activities

Breakdown by nature

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Receivables arising from banking and other activities	2,412,543	2,312,352
Non-performing receivables arising from banking and other activities	86,579	78,961
Allowances for receivables arising from banking and other activities	-17,597	-20,411
TOTAL	**2,481,525**	**2,370,902**

Breakdown by age

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

They are recognised at cost within assets. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

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

	DEC. 31, 2016					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
Receivables arising from banking and other activities	1,895,174	517,369				2,412,543
Non-performing receivables arising from banking and other activities			10,285	64,474	11,820	86,579
Allowances for receivables arising from banking and other activities			-2,674	-3,165	-11,758	-17,597
Total receivables arising from banking and other activities	**1,895,174**	**517,369**	**7,611**	**61,309**	**62**	**2,481,525**
Claims reserves to cover factoring receivables			-7,611	-61,309	-62	-68,982
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,895,174**	**517,369**	**0**	**0**	**0**	**2,412,543**

	DEC. 31, 2015					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
Receivables arising from banking and other activities	1,781,588	530,764				2,312,352
Non-performing receivables arising from banking and other activities			5,004	57,350	16,607	78,961
Allowances for receivables arising from banking and other activities			-2,069	-10,645	-7,697	-20,411
Total receivables arising from banking and other activities	**1,781,588**	**530,764**	**2,935**	**46,705**	**8,910**	**2,370,902**
Claims reserves to cover factoring receivables			-1,732	-43,329	-7,670	-52,731
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,781,588**	**530,764**	**1,203**	**3,376**	**1,240**	**2,318,171**

/ NOTE 8 / Investments in associates

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Investments in associates at January 1	20,258	19,001
Dividends paid	-1,009	-900
Share in net income of associates	-5,838	2,157
TOTAL INVESTMENTS IN ASSOCIATES	**13,411**	**20,258**

The Company accounted for by the equity method is Cofacredit, entities owned for 36%. Investment in associates fell by €6,847 thousand during the year 2016. This amount corresponds to the share of income from Cofacredit net of dividend payments. The result of the Company is in sharp decline during the year 2016 because of a provision following the identification of significant risks.

/ NOTE 9 / Tangible assets

	DEC. 31, 2016	DEC. 31, 2015
(in thousands of euros)	NET VALUE	NET VALUE
Buildings used in the business	38,528	40,756
Other property, plant and equipment	18,956	24,351
TOTAL	**57,484**	**65,107**

The buildings used in the business are the head offices of Coface Deutschland and Coface Italia. The head office of Coface Deutschland was acquired under a finance lease.

	DEC. 31, 2016		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Buildings used in the business	109,016	-70,488	38,528
Other property, plant and equipment	57,434	-38,478	18,956
TOTAL	**166,450**	**-108,966**	**57,484**

	DEC. 31, 2015		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Buildings used in the business	108,988	-68,232	40,756
Other property, plant and equipment	59,377	-35,026	24,351
TOTAL	**168,365**	**-103,258**	**65,107**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	DEC. 31, 2015	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Land used in the business	14,010				14,010
Buildings used in the business	94,978	28			95,006
Total buildings used in the business	**108,988**	**28**	**0**	**0**	**109,016**
Operating guarantees and deposits	5,202	19	-31	57	5,247
Other property, plant and equipment	54,175	1,864	-3,758	-94	52,187
Total other property, plant and equipment	**59,377**	**1,883**	**-3,789**	**-37**	**57,434**
TOTAL	**168,365**	**1,911**	**-3,789**	**-37**	**166,450**

(in thousands of euros)	DEC. 31, 2014	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Land used in the business	14,010				14,010
Buildings used in the business	95,157		-1	-178	94,978
Total buildings used in the business	**109,167**	**0**	**-1**	**-178**	**108,988**
Operating guarantees and deposits	5,319	37	-256	102	5,202
Other property, plant and equipment	58,661	3,595	-9,154	1,073	54,175
Total other property, plant and equipment	**63,980**	**3,632**	**-9,410**	**1,175**	**59,377**
TOTAL	**173,147**	**3,632**	**-9,411**	**997**	**168,365**

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

(in thousand of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Accumulated depreciation – Buildings used in the business	-68,232	-2,256			-70,488
Accumulated impairment – Buildings used in the business					
Buildings used in the business	**-68,232**	**-2,256**	**0**	**0**	**-70,488**
Accumulated depreciation other property, plant & equipment	-34,858	-3,496	2,209	114	-36,031
Accumulated impairment other property, plant & equipment	-168	-2,233	-1	-45	-2,447
Other property, plant and equipment	**-35,026**	**-5,729**	**2,208**	**69**	**-38,478**
TOTAL	**-103,258**	**-7,985**	**2,208**	**69**	**-108,966**

(in thousand of euros)	DEC. 31, 2014	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Accumulated depreciation – Buildings used in the business	-66,153	-2,250		171	-68,232
Accumulated impairment – Buildings used in the business					
Buildings used in the business	**-66,153**	**-2,250**	**0**	**171**	**-68,232**
Accumulated depreciation other property, plant & equipment	-36,553	-3,870	9,226	-3,661	-34,858
Accumulated impairment other property, plant & equipment	-2,733	-20		2,585	-168
Other property, plant and equipment	**-39,286**	**-3,890**	**9,226**	**-1,076**	**-35,026**
TOTAL	**-105,439**	**-6,140**	**9,226**	**-905**	**-103,258**

Market value of buildings used in the business

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Carrying amount	38,528	40,756
Market value	60,383	73,095
UNREALISED GAIN	**21,855**	**32,339**

The buildings held by the Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2016.

/ NOTE 10 / Receivables arising from insurance and reinsurance operations

Breakdown by nature

	DEC. 31, 2016			DEC. 31, 2015		
(in thousands of euros)	GROSS	PROVISION	NET	GROSS	PROVISION	NET
Receivables from policyholders and agents	323,460	-31,114	292,346	312,999	-30,298	282,701
Earned premiums not written	127,962		127,962	123,003		123,003
Receivables arising from reinsurance operations, net	111,133	-3,168	107,965	113,548	-282	113,266
TOTAL	**562,555**	**-34,282**	**528,273**	**549,550**	**-30,580**	**518,970**

Breakdown by age

	DEC. 31, 2016					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**385,919**	**68,846**	**55,268**	**12,035**	**6,205**	**528,273**

	DEC. 31, 2015					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**376,754**	**81,856**	**44,345**	**10,857**	**5,158**	**518,970**

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

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

/ NOTE 11 / Other assets

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Deferred acquisition costs	46,393	44,043
Trade receivables arising from other activities	14,849	14,238
Current tax receivbales	69,126	68,937
Other receivables	138,246	125,288
TOTAL	**268,614**	**252,506**

/ NOTE 12 / Cash and cash equivalents

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Cash at bank and in hand	289,434	358,326
Cash equivalents	42,637	38,511
TOTAL	**332,071**	**396,837**

The management of the operational cash flow was optimised over the year 2016, leading to a decrease of the cash amounts and an increase in long term investments.

/ NOTE 13 / Share capital

ORDINARY SHARES	NUMBER OF SHARES	PAR VALUE	SHARE CAPITAL *(in €)*
At December 31, 2015	157,248,232	5	786,241,160
Nominal value decrease		-3	-471,744,696
At December 31, 2016	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	-334,010	2	-688,020
AT DECEMBER 31, 2016 (EXCLUDING TREASURY SHARES)	**156,904,222**	**2**	**313,808,444**

SHAREHOLDERS	DEC. 31, 2016		DEC. 31, 2015	
	NUMBER OF SHARES	%	NUMBER OF SHARES	%
Natixis	64,853,881	41.33%	64,853,870	41.32%
Public	92,050,341	58.67%	92,097,771	58.68%
TOTAL EXCLUDING TREASURY SHARES	**156,904,222**	**100.00%**	**156,951,641**	**100.00%**

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.

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

/ NOTE 14 / Share-based payments

◆ Ongoing free share plans

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

PLAN	ALLOCATION DATE	NUMBER OF SHARES GRANTED	ACQUISITION PERIOD	ACQUISITION DATE	AVAILABILITY DATE	FAIR VALUE OF THE SHARE AT THE ALLOCATION DATE	NET EXPENSE FOR THE YEAR *(in €k)*
Allocation of exceptional free shares	June 26, 2014	43,269	2 years	July 1, 2016	July 1, 2018	10.4	-320
Long-Term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	222
Long-Term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	347
Long-Term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2021	5.5	89

◆ Change in the number of free shares

PLAN	NUMBER OF FREE SHARES AT DEC. 31, 2015	NUMBER OF NEW FREE SHARE GRANTS IN 2016	NUMBER OF FREE SHARES CANCELLED IN 2016	NUMBER OF FREE SHARES ACQUIRED IN 2016	NUMBER OF SHARES TO BE ACQUIRED AT DEC. 31, 2016
Allocation of exceptional free shares	43,269			-43,269	
Long-Term Incentive Plan 2014	78,842				78,842
Long-Term Incentive Plan 2015	106,800				106,800
Long-Term Incentive Plan 2016		302,196			302,196

The total number of shares allocated to the Long-Term Incentive Plan 2016 amounts to 399,932 shares; only 330,591 shares were allocated nominatively to beneficiaries including 302,196 shares and 28,395 performance units.

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

The settlement of the exceptional bonus shares is contingent on a presence requirement.

Thereby, the effect of the settlement of the exceptional bonus shares following the departure of Mr. Jean-Marc Pillu amounts to €320 thousand in the income statement at December 31, 2016.

The vesting of free shares under the Long-Term Incentive Plan is contingent on a presence requirement and achieving of objectives.

◆ Measurement of free shares

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

The plans were measured on the assumptions below:

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

Based on these assumptions, a total of €338 thousand was expensed under the implemented plans at December 31, 2016.

/ NOTE 15 / Revaluation reserves

(in thousands of euros)	INVESTMENT INSTRUMENTS	RESERVES - GAINS AND LOSSES NOT RECLASSIFIABLE TO INCOME (IAS 19R)	INCOME TAX	REVALUATION RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	REVALUATION RESERVES
At January 1, 2016	**107,435**	**-25,294**	**-5,267**	**76,874**	**3,009**	**79,883**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,906		-1,328	578		578
Fair value adjustments on available-for-sale financial assets recognised in equity	30,345		-9,601	20,744	-594	20,150
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		-7,811	2,433	-5,378		-5,378
AT DECEMBER 31, 2016	**139,686**	**-33,105**	**-13,763**	**92,818**	**2,415**	**95,233**

(in thousands of euros)	INVESTMENT INSTRUMENTS	RESERVES - GAINS AND LOSSES NOT RECLASSIFIABLE TO INCOME (IAS 19R)	INCOME TAX	REVALUATION RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	REVALUATION RESERVES
At January 1, 2015	**120,329**	**-31,184**	**-3,409**	**85,736**	**3,924**	**89,660**
Fair value adjustments on available-for-sale financial assets reclassified to income	-4,347		1,525	-2,822	-144	-2,966
Fair value adjustments on available-for-sale financial assets recognised in equity	-8,693		-1,471	-10,164	-771	-10,935
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		5,890	-1,912	3,978		3,978
Transactions with shareholders	146			146		146
AT DECEMBER 31, 2015	**107,435**	**-25,294**	**-5,267**	**76,874**	**3,009**	**79,883**

/ NOTE 16 / Provisions for liabilities and charges

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Provisions for disputes	9,683	10,966
Provisions for pension and other post-employment benefit obligations	71,798	84,855
Other provisions for liabilities and charges	69,593	18,413
TOTAL	**151,074**	**114,234**

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS (UTILISED)	REVERSALS (SURPLUS)	RECLASSI-FICATIONS	CHANGES IN OCI	EXCHANGE RATE EFFECTS	DEC. 31, 2016
Provisions for tax disputes	3,525			-177	-3,346		-2	
Provisions for employee	5,683	4,059	-2,334	-423			20	7,005
Provisions for other disputes	1,758	728	-200	-11	-1		404	2,678
Provisions for disputes	**10,966**	**4,787**	**-2,534**	**-611**	**-3,347**		**422**	**9,683**
Provisions for pension	**84,855**	**9,220**	**-4,736**	**-25,414**	**1**	**7,815**	**57**	**71,798**
Provisions for liabilities	13,999	1,596		-164			357	15,788
Provisions for restructuring	888	42,277	-220	-42			3	42,906
Provisions for taxes (excl. income taxes)		1,600			3,346		-15	4,931
Other provisions for liabilities	3,527	2,580			-125		-14	5,968
Other provisions for liabilities and charges	**18,413**	**48,053**	**-220**	**-206**	**3,221**		**332**	**69,593**
TOTAL	**114,234**	**62,060**	**-7,490**	**-26,231**	**-125**	**7,815**	**811**	**151,074**

(in thousands of euros)	DEC. 31, 2014	ADDITIONS	REVERSALS (UTILISED)	REVERSALS (SURPLUS)	RECLASSI-FICATIONS	CHANGES IN OCI	EXCHANGE RATE EFFECTS	DEC. 31, 2015
Provisions for tax disputes	361	3,200					-36	3,525
Provisions for employee	5,225	2,345	-483	-1,348	-10		-46	5,683
Provisions for other disputes	2,038	200			1		-481	1,758
Provisions for disputes	**7,624**	**5,745**	**-483**	**-1,348**	**-9**		**-563**	**10,966**
Provisions for pension	**93,752**	**6,169**	**-3,783**	**-1,034**	**-4,528**	**-5,893**	**172**	**84,855**
Provisions for liabilities	13,724	549		-1,248			974	13,999
Provisions for restructuring	1,263	236	-76	-535				888
Other provisions for liabilities	1,429	1,523		-3,625	4,202		-3	3,526
Other provisions for liabilities and charges	**16,416**	**2,308**	**-76**	**-5,408**	**4,202**		**971**	**18,413**
TOTAL	**117,792**	**14,222**	**-4,342**	**-7,790**	**-335**	**-5,893**	**580**	**114,234**

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

The increase in the provisions for restructuring for €42.3 million relates to the implementation of *Fit to Win* strategic plan for €36.3 million and a provision for vacant properties following the transfer of the State export guarantees for €6.0 million.

◆ Implementation of *Fit to Win* strategic plan

French entities recognised provisions for restructuring to €13.6 million:

- €7.2 million in provisions for the early retirement under a plan presented to the employees representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties and redevelopment of properties for €0.8 million.

German entities recognised provision for restructuring to €19.0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employees representative bodies on November 30, 2016.

The decrease in provisions for pension and other post-employment benefit obligation is mainly due to a recovery of €19.2 million caused by denunciation of Coface specific clauses in social agreements linked to alignment with market agreements.

/ NOTE 17 / Employee benefits

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Present value of benefit obligation at January 1	***86,784***	***95,449***
Current service cost *	-18,665	5,280
Interest cost	1,408	1,442
Actuarial (gains)/losses	9,219	-6,862
Benefits paid	-4,949	-4,974
Other	67	-3,551
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**73,864**	**86,784**
Change in plan assets		
Fair value of plan assets at January 1	***1,929***	***1,696***
Revaluation adjustments – Return on plan assets	135	42
Employee contributions	110	
Employer contributions	140	118
Benefits paid	-249	-158
Other		231
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**2,065**	**1,929**
Reconciliation		
Present value of benefit obligation at December 31	***73,864***	***86,784***
Fair value of plan assets	2,065	1,929
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-71,799**	**-84,855**
Income statement		
Current service cost	6,532	5,480
Past service cost		-198
Benefits paid including amounts paid in respect of settlements		
Interest cost	1,408	1,303
Interest income	-38	-32
Revaluation adjustments on other long-term benefits	1,306	-980
Other	13	598
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**9,221**	**6,171**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	7,815	-5,890
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**7,815**	**-5,890**

* *The reversal of provisions for retirement benefits and long-service awards related to the transfer of the staff assigned to the activity of State export guarantees amounted €4.8 million.*

	DEC. 31, 2016					
(in thousands of euros)	FRANCE	GERMANY	AUSTRIA	ITALY	OTHER	TOTAL
Present value of benefit obligation at January 1	***38,208***	***25,111***	***18,458***	***2,436***	***2,570***	***86,783***
Current service cost	-22,379	2,017	264	1,011	422	-18,665
Interest cost	570	459	339	41		1,408
Actuarial (gains)/losses	3,475	3,617	1,757	349	20	9,219
Benefits paid	-1,543	-2,103	-1,065	-171	-66	-4,949
Other	-2	-1	4		65	66
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**18,329**	**29,099**	**19,757**	**3,666**	**3,011**	**73,863**
Change in plan assets						
Fair value of plan assets at January 1		***1,201***	***909***		***-181***	***1,929***
Revaluation adjustments – Return on plan assets		128	7			135
Employee contributions		16	94			110
Employer contributions		139	1			140
Benefits paid		-145	-103			-249
Other						
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31		**1,339**	**907**		**-181**	**2,065**
Reconciliation						
Present value of benefit obligation at December 31	***18,329***	***29,099***	***19,757***	***3,666***	***3,011***	***73,862***
Fair value of plan assets		1,339	907		-181	2,065
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-18,329**	**-27,761**	**-18,850**	**-3,666**	**-3,192**	**-71,798**
Income statement						
Current service cost	2,818	2,017	264	1,011	422	6,532
Past service cost						
Benefits paid including amounts paid in respect of settlements						
Interest cost	570	459	339	41		1,408
Interest income		-20	-18			-38
Revaluation adjustments on other long-term benefits	-37	1,263	-12	91		1,306
Other			5		8	13
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**3,351**	**3,718**	**578**	**1,143**	**430**	**9,220**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	3,511	2,247	1,780	258	19	7,815
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**3,511**	**2,247**	**1,780**	**258**	**19**	**7,815**

	DEC. 31, 2015					
(in thousands of euros)	FRANCE	GERMANY	AUSTRIA	ITALY	OTHER	TOTAL
Present value of benefit obligation at January 1	***41,652***	***25,443***	***19,913***	***6,361***	***2,080***	***95,449***
Current service cost	1,736	2,151	309	649	435	5,280
Interest cost	620	440	347	35		1,442
Actuarial (gains)/losses	-4,429	-1,252	-786	-395		-6,862
Benefits paid	-1,355	-1,694	-1,236	-586	-103	-4,974
Other	-16	23	-89	-3,628	159	-3,551
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**38,208**	**25,111**	**18,458**	**2,436**	**2,571**	**86,784**
Change in plan assets						
Fair value of plan assets at January 1		***861***	***1,016***		***-181***	***1,696***
Revaluation adjustments – Return on plan assets		11	31			42
Employer contributions		26	92			118
Benefits paid		-34	-124			-158
Other		337	-106			231
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31		**1,201**	**909**		**-181**	**1,929**
Reconciliation						
Present value of benefit obligation at December 31	***38,208***	***25,111***	***18,458***	***2,436***	***2,571***	***86,784***
Fair value of plan assets		1,201	909		-181	1,929
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-38,208**	**-23,910**	**-17,549**	**-2,436**	**-2,752**	**-84,855**
Income statement						
Current service cost	1,736	2,354	290	665	435	5,480
Past service cost		-202	20	-16		-198
Benefits paid including amounts paid in respect of settlements						
Interest cost	620	433	215	35		1,303
Interest income		-15	-17			-32
Revaluation adjustments on other long-term benefits	-110	-858	-12			-980
Other	4	11	9	574		598
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**2,250**	**1,723**	**505**	**1,258**	**435**	**6,171**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	-4,317	-394	-784	-395		-5,890
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**-4,317**	**-394**	**-784**	**-395**		**-5,890**

Actuarial assumptions

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

	DEC. 31, 2016			
	FRANCE	GERMANY	AUSTRIA	ITALY
Inflation rate	1.60%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*0.85%*	*0.85%*	*0.85%*
Statutory retirement benefits	*0.75%*	*N/A*	*0.85%*	*0.85%*
Long-service awards	*0.45%*	*0.85%*	*0.85%*	*N/A*
Other benefits	*1.55%*	*0.85%*	*N/A*	*0.85%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.90%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*7.28*	*7.11*	*11.37*
Statutory retirement benefits	*15.68*	*N/A*	*8.42*	*13.37*
Long-service awards	*15.68*	*18.52*	*14.61*	*14.70*
Other benefits	*1.00*	*3.72*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.16*	*11.49*	*12.57*	*18.19*
Statutory retirement benefits	*10.40*	*N/A*	*8.31*	*9.98*
Long-service awards	*7.95*	*11.65*	*8.01*	*11.04*
Other benefits	*N/A*	*1.94*	*N/A*	*N/A*

	DEC. 31, 2015			
	FRANCE	GERMANY	AUSTRIA	ITALY
Inflation rate	1.70%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	0.45%	1.90%	1.90%	1.90%
Statutory retirement benefits	1.40%	N/A	1.90%	1.90%
Long-service awards	1.00%	1.90%	1.90%	N/A
Other benefits	2.15%	1.90%	N/A	1.90%
Rate of salary increases (including inflation)	2.00%	2.40%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	4.20%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	0.00	5.40	8.72	11.37
Statutory retirement benefits	15.60	N/A	9.97	13.37
Long-service awards	8.14	19.33	15.48	14.70
Other benefits	15.60	2.92	N/A	20.15
Term (years)				
Supplementary retirement and other plans	28.59	11.15	12.02	18.00
Statutory retirement benefits	10.64	N/A	8.79	9.88
Long-service awards	7.69	11.57	6.65	10.93
Other benefits	N/A	1.95	N/A	0.00

Sensitivity tests on the defined benefit obligation

	DEC. 31, 2016			
	POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS		OTHER LONG-TERM BENEFITS	
	SUPPLEMENTARY RETIREMENT AND OTHER PLANS	STATUTORY RETIREMENT BENEFITS	LONG-SERVICE AWARDS	OTHER BENEFITS
1% increase in the discount rate	-12.27%	-9.56%	-9.49%	-1.52%
-1% increase in the discount rate	15.20%	11.32%	11.17%	1.57%
1% increase in the inflation rate	1.30%	11.04%	11.53%	1.01%
-1% increase in the inflation rate	-1.17%	-9.49%	-10.31%	-1.00%
1% increase in rate of increase in medical costs	8.78%	8.52%	0.00%	1.01%
-1% increase in rate of increase in medical costs	-7.22%	-7.31%	0.00%	-1.00%
1% decrease in rate of salary increase (including inflation)	16.74%	0.00%	0.00%	0.00%
-1% decrease in rate of salary increase (including inflation)	-13.82%	0.00%	0.00%	0.00%

	DEC. 31, 2015			
	POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS		OTHER LONG-TERM BENEFITS	
	SUPPLEMENTARY RETIREMENT AND OTHER PLANS	STATUTORY RETIREMENT BENEFITS	LONG-SERVICE AWARDS	OTHER BENEFITS
1% increase in the discount rate	-16.18%	-8.98%	-9.01%	-1.66%
-1% increase in the discount rate	21.76%	10.60%	10.59%	1.71%
1% increase in the inflation rate	2.08%	10.37%	10.98%	1.16%
-1% increase in the inflation rate	-1.92%	-8.96%	-9.58%	-1.15%
1% increase in rate of increase in medical costs	17.61%	8.22%	0.00%	1.16%
-1% increase in rate of increase in medical costs	-12.97%	-7.09%	0.00%	-1.15%
1% decrease in rate of salary increase (including inflation)	32.44%	0.00%	0.00%	15.12%
-1% decrease in rate of salary increase (including inflation)	-23.17%	0.00%	0.00%	-11.90%

/ NOTE 18 / Financing liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Subordinated debt	387,753	387,292
Obligations under finance leases	2,291	5,202
Bank overdrafts and other borrowings		100
TOTAL	**390,044**	**392,594**

Due dates of financing liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31,2015
Due within one year		
Obligations under finance leases	2,291	3,010
Bank overdrafts and other borrowings		
TOTAL	**2,291**	**3,010**
Due between one and five years		
Obligations under finance leases		2,292
TOTAL		**2,292**
Due beyond five years		
Subordinated debt	387,753	387,292
TOTAL	**387,753**	**387,292**
TOTAL	**390,044**	**392,594**

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

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

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

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

As at December 31, 2016, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €387,753 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €4,003 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income at December 31, 2016 mainly includes the interest related to the period for €16,136 thousand.

/ NOTE 19 / Liabilities relating to insurance contracts

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Provisions for unearned premiums	275,860	285,410
Claims reserves	1,275,230	1,122,211
Provisions for premium refunds	127,159	107,241
Liabilities relating to insurance contracts	**1,678,249**	**1,514,862**
Provisions for unearned premiums	-47,986	-57,558
Claims reserves	-266,756	-247,147
Provisions for premium refunds	-26,605	-23,281
Reinsurers' share of technical insurance liabilities	**-341,347**	**-327,986**
Net technical provisions	**1,336,902**	**1,186,876**

/ NOTE 20 / Payables arising from banking sector activities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Amounts due to banking sector companies	452,144	352,379
Amounts due to customers of banking sector companies	366,363	404,218
Debt securities	1,591,184	1,613,065
TOTAL	**2,409,691**	**2,369,662**

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

/ NOTE 21 / Deferred tax

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Deferred tax assets	-71,973	-57,538
Deferred tax liabilities	104,500	144,266
NET DEFERRED TAX ASSETS – LIABILITIES	**32,527**	**86,728**
Temporary differences	-23,510	13,295
Provisions for pensions and other employment benefit obligations	-14,452	-17,367
Tax loss carry forwards	-9,348	-1,609
Cancellation of the claims equalisation provision	79,837	92,409
NET DEFERRED TAX ASSETS – LIABILITIES	**32,527**	**86,728**

The deferred tax rate retained is the one in force in each country. It is 34.43% for French entities.

In France, the Finance Act of 2017 provided for a lowering of the current tax rate from 34.43% to 28% progressively between 2017 and 2020 according to the size of the companies. This change of rate applies from 2020 for the French Coface Group entities. The Group continued the assessment of the taxes at the rate of 34.43% in France because they have mainly a maturity before 2020. The update of the taxes at the rate of 28% would have an impact of less than €100 thousand.

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

◆ Changes in deferred tax balances by region

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

(in thousands of euros)	DEC. 31, 2015 *	CHANGE THROUGH INCOME	REVALUATION ADJUSTMENT ON AFS INVESTMENTS	CHANGE IN CURRENCY IMPACT	OTHER MOVEMENTS	DEC. 31, 2016
Northern Europe	114,897	-46,115	44		-706	68,120
Western Europe	-16,193	-1,925	9,824	48	-1,210	-9,456
Central Europe	-480	1,002	-29	115	-445	164
Mediterranean & Africa	-5,587	-5,120		-23	-72	-10,802
North America	902	-3,625	-116	-40		-2,880
Latin America	803	-4,432	1,209	-1,422		-3,842
Asia-Pacific	-7,614	-674		-489		-8,777
TOTAL	**86,728**	**-60,889**	**10,932**	**-1,811**	**-2,433**	**32,527**

* *Restated according to the new regional organisation (see Note 1 "Significant events").*

(in thousands of euros)	DEC. 31, 2014	CHANGE THROUGH INCOME	REVALUATION ADJUSTMENT ON AFS INVESTMENTS	CHANGE IN CURRENCY IMPACT	OTHER MOVEMENTS	DEC. 31, 2015
Northern Europe	113,008	3,862	-2,358	216	124	114,852
Western Europe	2,189	-7,337	-5,320	369	1,298	-8,801
Central Europe	-361	-253		-19	197	-435
Mediterranean & Africa	-8,954	-4,192		59	108	-12,979
North America	225	739	-155	93		902
Latin America	-6,679	-1,229	7,787	924		803
Asia-Pacific	-4,905	-2,170	-11	-528		-7,614
TOTAL	**94,524**	**-10,580**	**-57**	**1,114**	**1,727**	**86,728**

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

/ NOTE 22 / Payables arising from insurance and reinsurance

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Guarantee deposits received from policyholders and other	3,461	3,376
Amounts due to policyholders and agents	112,786	125,008
Payables arising from insurance and inward reinsurance operations	**116,247**	**128,384**
Amounts due to reinsurers	71,350	94,065
Deposits received from reinsurers	4,314	18,890
Payable arising from ceded reinsurance operations	**75,664**	**112,955**
TOTAL	**191,911**	**241,339**

/ NOTE 23 / Other liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Current tax payables	**110,847**	**111,527**
Derivatives and related liabilities	**7,508**	**6,752**
Accrued personnel costs	47,538	57,190
Sundry payables	171,023	135,550
Deferred income	7,908	7,740
Other accruals	30,537	19,787
Other payables	**257,006**	**220,267**
TOTAL	**375,361**	**338,546**

NOTE TO THE CONSOLIDATION PROFIT AND LOSS

/ NOTE 24 / Consolidated revenue

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
a) By business line		
Premiums – direct business	1,120,765	1,178,162
Premiums – inward reinsurance	81,675	90,920
Premium Refunds	-92,876	-81,497
Provisions for unearned premiums	5,576	-1,650
EARNED PREMIUMS NET OF CANCELLATIONS c)	**1,115,140**	**1,185,935**
FEES AND COMMISSION INCOME	**128,795**	**125,550**
NET INCOME FROM BANKING ACTIVITIES d)	**70,619**	**70,599**
Other insurance-related services	5,882	10,129
Remuneration of public procedures management services	53,361	59,969
Business information and other services	25,170	25,262
Receivables management	12,330	12,086
REVENUE OR INCOME FROM OTHER ACTIVITIES	**96,743**	**107,446**
CONSOLIDATED REVENUE	**1,411,297**	**1,489,530**

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015*
b) By region of invoicing		
Northern Europe	307,320	324,740
Western Europe	327,176	363,342
Central Europe	121,259	125,054
Mediterranean & Africa	331,864	340,253
North America	136,119	131,317
Latin America	77,743	83,484
Asia-Pacific	109,816	121,340
CONSOLIDATED REVENUE	**1,411,297**	**1,489,530**

* *The consolidated turnover at December 31, 2015 has been restated according to the new regional organisation (see Note 1 “Significant events”).*

Geographic segmentation by billing location does not necessarily match the debtor’s location.

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
c) Insurance revenue by type of insurance		
Credit insurance	1,039,916	1,103,152
Guarantees	50,773	50,668
Single risk	24,451	32,115
TOTAL INSURANCE REVENUE	**1,115,140**	**1,185,935**

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
d) Net income from banking activities		
Financing fees	35,545	34,153
Factoring fees	35,557	36,831
Other	-483	-385
TOTAL NET INCOME FROM BANKING ACTIVITIES	**70,619**	**70,599**

/ NOTE 25 / Claim expenses

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Paid claims, net of recoveries	-535,995	-548,609
Claims handling expenses	-25,139	-26,460
Change in claims reserves	-144,521	-30,275
TOTAL	**-705,655**	**-605,344**

Claims expenses by period of occurrence

	DEC. 31, 2016			DEC. 31, 2015		
(in thousands of euros)	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses – current year	-782,164	167,717	-614,447	-814,974	165,188	-649,786
Claims expenses – prior years	76,509	-23,514	52,995	209,630	-43,387	166,243
TOTAL	**-705,655**	**144,203**	**-561,452**	**-605,344**	**121,801**	**-483,543**

/ NOTE 26 / Expenses from banking activities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Charges to allowances for receivables	-15,129	-1,845
Reversal of allowances for receivables	10,965	4,700
Losses on receivables not covered by allowances	-58	-2,851
Losses on receivables covered by allowances		-4,700
Cost of risk	**-4,222**	**-4,696**
Operating expenses	**-13,193**	**-14,094**
TOTAL EXPENSES FROM BANKING ACTIVITIES	**-17,415**	**-18,790**

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

/ NOTE 27 / Overheads by function

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Commissions	-153,357	-162,016
Other acquisition costs	-101,932	-112,032
TOTAL ACQUISITION COSTS	**-255,289**	**-274,048**
Administrative costs	**-275,095**	**-269,956**
Other current operating expenses	**-83,004**	**-81,652**
Investment management expenses	**-2,659**	**-2,124**
Claims handling expenses	**-25,139**	**-26,460**
TOTAL	**-641,186**	**-654,240**
of which employee profit-sharing	*-5,118*	*-7,439*

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Acquisition, administration costs and other current operating expenses	-641,186	-654,240
Expenses from banking activities, excluding cost of risk	-13,193	-14,094
Expenses from other activities	-44,379	-44,892
TOTAL	**-698,758**	**-713,226**

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. It came out at €698,758 thousand at December 31, 2016 versus €713,226 thousand at December 31, 2015.

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

/ NOTE 28 / Income and expenses from ceded reinsurance

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Ceded claims	124,553	123,389
Change in claims provisions net of recoveries	19,649	-1,588
Commissions paid by reinsurers	95,738	92,499
Income from ceded reinsurance	**239,940**	**214,300**
Ceded premiums	-249,702	-267,863
Change in unearned premiums provisions	-7,837	2,153
Expenses from ceded reinsurance	**-257,539**	**-265,710**
TOTAL	**-17,599**	**-51,410**

/ NOTE 29 / Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Investment income	43,780	51,421
Change in financial instruments at fair value though income	-7,850	-41,095
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds (1)	*-7,032*	*-40,158*
Net gains on disposals	1,105	2,846
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds (1)	*-63*	*-417*
Additions to/(reversals from) impairment	-2,294	54
Net foreign exchange gains	16,472	42,569
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*2,584*	*39,830*
Investment management expenses	-3,180	-2,704
TOTAL	**48,032**	**53,091**

(1) The change of the EUR/USD and the EUR/GBP caused significant impacts on the accounts, despite the hedge of investments by foreign exchange derivatives. The net impact after hedge was +€6,270 thousand.

◆ Investment income by class

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Property	4,424	2,265
Equities	1,610	14,240
Fixed income	37,462	33,435
Derivatives	-10,202	-43,730
Sub-total	**33,294**	**6,210**
Management expenses	-3,180	-2,704
Net foreign exchange gains/(losses)	16,472	42,569
Dividends	4,192	4,887
Additions to provisions for investments in non-consolidated companies	-2,662	975
Net gains/(losses) on investments in non-consolidated companies	-83	1,154
TOTAL	**48,032**	**53,091**

/ NOTE 30 / Other operating income and expenses

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
State export guarantees management transfer	-13,693	
Fit to Win restructuring charges	-38,626	
Provision for the compensation of American agents	-1,678	-1,889
Stamp duty – Coface Re		-326
Other operating expenses	-948	-3,275
Total other operating expenses	**-54,945**	**-5,490**
Gain on State export guarantees management transfer	77,200	
Transfer of liabilities related to State export guarantees management	11,450	
Gain linked to alignment of social benefits with market standards	19,209	
Other operating income	582	1,258
Total other operating income	**108,441**	**1,258**
TOTAL	**53,496**	**-4,232**

Other operating income and expenses include, over the year 2016, the transfer of the State export guarantees to BPI and other impacts which are mainly related to the strategic plan *Fit to Win*.

The transfer of State export guarantees generates a one-off gain of about €75 million before taxes, on the Group net income. It is divided into:

- compensation of €77.2 million and recovery of social liabilities to €11.4 million on transferred employees (reversal of provisions of retirement allowances, paid leave provisions); these amounts are classified as other operating income;
- expenses of €13.6 million caused by the activity transfer classified in other operating expenses. These expenses include depreciations of assets partially or totally dedicated to the activity and provisions on the vacant properties.

The other impacts are mainly related to the implementation of the strategic plan *Fit to Win*:

- reversal of €19.2 million of provisions caused by the denunciation of the Coface specific clause in social agreements linked to alignment with market agreements (including €14.1 million in gross impact and €5.1 million of variation of the actuarial rate);
- increase of other operating expenses of restructuring to €38.6 million mainly in France and in Germany.

French entities recognised provisions for restructuring to €13.6 million:

- €7.2 million in provisions for early retirement under a plan presented to the employee representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties and redevelopment of properties for €0.8 million.

German entities recognised provision for restructuring to €19.0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employee representative bodies on November 30, 2016.

The line *Fit to Win* restructuring charges is detailed as below:

(in thousands of euros)	EXPENSES - COST ALREADY INCURRED	EXPENSES - RESTRUCTURING PROVISIONS	TOTAL
France	-2,328	-13,583	-15,911
Germany		-18,968	-18,968
Austria		-1,418	-1,418
Italy		-806	-806
Other countries	-32	-1,491	-1,523
TOTAL *FIT TO WIN* RESTRUCTURING CHARGES	**-2,360**	**-36,266**	**-38,626**

The previous year, the other operating income and expenses concerned mainly the compensations paid to sales representatives within the framework of the plan of restructuration and densification of the distribution network led in the United States.

/ NOTE 31 / Share in net income of associates

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Cofacredit	-5,838	2,157
TOTAL	**-5,838**	**2,157**

The share of Coface in Cofacredit is a loss of €5,838 thousand. The decrease in the share in net income of associates in 2016 is due to a provision recorded following significant risks identification.

/ NOTE 32 / Income tax expense

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Income tax	-109,123	-59,762
Deferred tax	60,999	10,926
TOTAL	**-48,124**	**-48,836**

Tax proof

(in thousands of euros)	DEC. 31, 2016		DEC. 31, 2015	
Net income for the year	**41,531**		**126,239**	
Non-controlling interests	-523		-888	
Income tax expense for the year	-48,124		-48,836	
Share of net income of associates	-5,838		2,157	
Pre-tax income for the year and share in net income of associates	**96,016**		**173,806**	
Tax rate		34,43%		34,43%
Theoretical tax	-33,058		-59,841	
Income tax expense for the year	-48,124	50,12%	-48,836	28,10%
Difference	**15,066**	**15,69%**	**-11,005**	**-6,33%**
Impact of differences between Group tax rates and local tax rates	8,663	9,02%	11,601	6,67%
Specific local taxes	-3,167	-3,30%	-3,882	-2,23%
o/w French corporate value added tax (CVAE)	*-2,132*	*-2,22%*	*-1,996*	*-1,15%*
Tax reassessments	-14,065	-14,65%	-5,028	-2,89%
Tax losses for which no deferred tax assets have been recognised	681	0,71%	2,493	1,43%
Utilisation of previously unrecognised tax loss carryforwards	-466	-0,49%	-1,488	-0,86%
Dividends paid in France non deductible for tax purposes (5%)	-1,999	-2,08%		
Other differences	-4,713	-4,91%	7,309	4,21%

The effective income tax rate increased from 28.1% at December 31, 2015 to 50.1% at December 31, 2016.

This variation of 22% is mainly driven by:

- the increase of unrecognised potential deferred tax assets for 12.5 points;
- a one-off adjustment of the deferred tax assets in Italy in 2015 for 6.4 points;
- other items varying the rate of 3.1 points including a 3% tax on dividend distribution in 2016 in France for 2.1 points.

OTHER INFORMATION

/ NOTE 33 / Breakdown of net income by segment

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

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

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

◆ Analysis of December 31, 2016 net income by segment

(in thousands of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE
Revenue	**303,075**	**330,682**	**124,228**
o/w earned premium	*196,940*	*235,849*	*95,820*
o/w factoring	*61,619*		*9,000*
o/w other insurance-related services	*44,516*	*94,833*	*19,408*
Claims-related expenses (including claims handling costs)	-115,260	-90,754	-48,175
Cost of risk	-4,040		-183
Commissions	-20,970	-34,469	-6,198
Other internal general expenses	-118,426	-134,123	-40,212
UNDERWRITING INCOME BEFORE REINSURANCE*	**44,379**	**71,337**	**29,459**
Income/(loss) on ceded reinsurance	5,479	-33,052	-2,860
Other operating income and expenses	-20,208	78,069	-1,718
Net financial income excluding finance costs	7,859	17,275	5,071
Finance costs	-458	555	-175
OPERATING INCOME INCLUDING FINANCE COSTS	**37,051**	**134,184**	**29,778**
Share in net income of associates		-5,838	
NET INCOME BEFORE TAX	**37,051**	**128,345**	**29,778**
Income tax expense	-12,212	-47,740	-5,848
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**24,839**	**80,605**	**23,930**
Non-controlling interests		-3	-474
NET INCOME FOR THE PERIOD	**24,838**	**80,602**	**23,456**

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

MEDITER-RANEAN & AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA - PACIFIC	GROUP REINSURANCE	COGERI	HOLDING COMPANY COSTS	INTER-ZONE	GROUP TOTAL
334,044	**136,119**	**77,743**	**109,801**	**955,662**	**27,421**		**-987,479**	**1,411,297**
282,146	*122,911*	*74,812*	*106,647*	*955,662*			*-955,647*	*1,115,140*
								70,619
51,899	*13,207*	*2,931*	*3,154*		*27,421*		*-31,832*	*225,538*
-140,409	-104,473	-45,067	-156,576	-660,657		-3,404	659,122	-705,655
								-4,222
-34,350	-30,423	-8,573	-22,755	-263,984			268,318	-153,404
-97,951	-30,553	-21,506	-31,964		-27,654	-45,359	30,192	-517,557
61,333	**-29,331**	**2,597**	**-101,495**	**31,020**	**-232**	**-48,763**	**-29,847**	**30,459**
-2,924	718	-3,109	17,512	-30,368			31,005	-17,599
-302	-1,678	-668						53,496
8,997	737	7,670	2,451		157	-1,043	-1,141	48,032
-407	-1,029	-337	-207		-162	-16,136	-17	-18,373
66,697	**-30,583**	**6,154**	**-81,739**	**653**	**-237**	**-65,942**		**96,014**
								-5,838
66,697	**-30,583**	**6,154**	**-81,739**	**653**	**-237**	**-65,940**		**90,178**
-20,985	10,086	725	3,803	-225	82	22,703	1,488	-48,124
45,712	**-20,497**	**6,878**	**-77,935**	**428**	**-155**	**-43,237**	**1,488**	**42,054**
-2	1	-47	4					-523
45,710	**-20,497**	**6,831**	**-77,933**	**428**	**-155**	**-43,237**	**1,488**	**41,531**

Analysis of December 31, 2015 net income by segment restated according to the new regional organisation

(in thousands of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE
Revenue	**319,888**	**367,181**	**130,592**
o/w earned premium	*212,864*	*265,193*	*99,257*
o/w factoring	*62,163*		*8,436*
o/w other insurance-related services	*44,861*	*101,988*	*22,899*
Claims-related expenses (including claims handling costs)	-84,790	-88,741	-56,987
Cost of risk	-4,480		-216
Commissions	-22,201	-40,771	-5,271
Other internal general expenses	-121,471	-143,038	-40,582
UNDERWRITING INCOME BEFORE REINSURANCE*	**86,946**	**94,631**	**27,536**
Income/(loss) on ceded reinsurance	-5,523	-20,283	-2,519
Other operating income and expenses	-24	-2,380	-239
Net financial income excluding finance costs	14,952	9,141	7,567
Finance costs	-642	1,658	-70
OPERATING INCOME INCLUDING FINANCE COSTS	**95,709**	**82,766**	**32,275**
Share in net income of associates		2,157	
NET INCOME BEFORE TAX	**95,709**	**84,923**	**32,275**
Income tax expense	-29,963	-27,942	-6,410
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**65,747**	**56,981**	**25,865**
Non-controlling interests	-3	1	-832
NET INCOME FOR THE PERIOD	**65,744**	**56,982**	**25,033**

* *Le résultat technique avant réassurance est un indicateur financier clé utilisé par le Groupe Coface afin d'analyser la performance de ses activités. Le résultat technique avant réassurance correspond à la somme du chiffre d'affaires, des charges de prestations des contrats, des charges d'exploitation bancaire, du coût du risque, des frais d'acquisition des contrats, des frais d'administration et des autres charges opérationnelles courantes et des charges des autres activités.*

MEDITER-RANEAN & AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC	GROUP REINSURANCE	COGERI	HOLDING COMPANY COSTS	INTER-ZONE	GROUP TOTAL
342,347	**131,317**	**83,481**	**121,130**	**738,935**	**27,877**		**-773,216**	**1,489,531**
292,986	*116,915*	*80,210*	*118,643*	*738,935*			*-739,067*	*1,185,936*
								70,599
49,360	*14,402*	*3,270*	*2,487*		*27,877*		*-34,149*	*232,997*
-95,355	-65,800	-90,996	-119,341	-514,081		-3,779	514,525	-605,344
								-4,696
-36,393	-28,943	-9,256	-24,473	-196,509			201,802	-162,016
-99,428	-29,736	-22,966	-30,828		-27,343	-36,476	29,240	-522,627
111,171	**6,838**	**-39,736**	**-53,512**	**28,344**	**534**	**-40,255**	**-27,649**	**194,848**
-23,470	19	4,749	3,874	-36,601			28,344	-51,410
-78	-1,886	558	9		-36		-156	-4,232
12,004	2,225	13,130	-6,883		1,453	-1,148	648	53,091
-488	-846	-212	-313		-273	-16,117	-1,187	-18,491
99,139	**6,350**	**-21,511**	**-56,824**	**-8,256**	**1,678**	**-57,520**		**173,806**
								2,157
99,139	**6,350**	**-21,511**	**-56,824**	**-8,256**	**1,678**	**-57,520**		**175,963**
-19,179	-1,991	3,815	4,675	2,843	-578	19,804	6,090	-48,837
79,960	**4,359**	**-17,697**	**-52,149**	**-5,414**	**1,100**	**-37,716**	**6,090**	**127,127**
-4		-51	2					-888
79,956	**4,359**	**-17,748**	**-52,147**	**-5,414**	**1,100**	**-37,716**	**6,090**	**126,239**

/ NOTE 34 / Earnings per share

	DEC. 31, 2016		
	AVERAGE NUMBER OF SHARES	NET INCOME FOR THE PERIOD *(in €k)*	EARNINGS PER SHARE *(in €)*
Basic earnings per share	156,927,932	41,531	0.26
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,927,932**	**41,531**	**0.26**

	DEC. 31, 2015		
	AVERAGE NUMBER OF SHARES	NET INCOME FOR THE PERIOD *(in €k)*	EARNINGS PER SHARE *(in €)*
Basic earnings per share	157,059,527	126,238	0.80
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**157,059,527**	**126,238**	**0.80**

/ NOTE 35 / Group's headcount

(in full time equivalent)	DEC. 31, 2016	DEC. 31, 2015*
Northern Europe	686	711
Western Europe	1,160	1,158
Central Europe	468	487
Mediterranean & Africa	607	593
North America	113	116
Latin America	217	229
Asia-Pacific	127	117
TOTAL	**3,378**	**3,410**

* *The Group's headcount per region at December 31, 2015 have been restated according to the new regional organisation (see Note 1 "Significant events").*

At December 31, 2016, the number of employees of fully consolidated companies was 3,378 full-time equivalents versus 3,410 at December 31, 2015, down -0.94% (-32 FTEs) year-on-year.

/ NOTE 36 / Related parties

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

	NUMBER OF SHARES	%
Natixis	64,853,881	41.33%
Public	92,050,341	58.67%
TOTAL	**156,904,222**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

CURRENT OPERATING INCOME	DEC. 31, 2016		
(in thousands of euros)	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE
Revenue (net banking income, after cost of risk)	-2,220		
Claims expenses		3	
Expenses from other activities			-175
Policy acquisition costs	1	25	
Administrative costs	-24	13	
Other current operating income and expenses		9	
OPERATING INCOME/(LOSS)	**-2,243**	**50**	**-175**

RELATED-PARTY RECEIVABLES AND PAYABLES	DEC. 31, 2016			
(in thousands of euros)	BPCE GROUP	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE
Financial investments	**11,667**	**70,056**		
Other assets			**56**	
Cash and cash equivalents		**1,102**		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		127,014		
Other liabilities		**60**		**45**

The €127,014 thousand in financing liabilities due to banking sector companies, at the end of December 2016, corresponds to borrowings taken out with Natixis to finance the factoring business.

CURRENT OPERATING INCOME	DEC. 31, 2015			
(in thousands of euros)	NATIXIS GROUP	NATIXIS FACTOR	ELLISPHÈRE	ALTUS GTS INC.
Revenue (net banking income, after cost of risk)	-2,511	1	-2	
Claims expenses	-11	6	-16	-31
Expenses from other activities			-137	-4
Policy acquisition costs	-90	48	-125	
Administrative costs	-53	27	-112	114
Other current operating income and expenses	-29	15	-40	
CURRENT OPERATING INCOME/(LOSS)	**-2,694**	**97**	**-432**	**79**

RELATED-PARTY RECEIVABLES AND PAYABLES	DEC. 31, 2015					
(in thousands of euros)	BPCE GROUP	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE	KOMPASS INTERNATIONAL	ALTUS GTS INC.
Financial investments	**34,757**	**20,576**				
Other assets			**56**		**175**	**82**
Cash and cash equivalents		**668**				
Liabilities relating to insurance contracts						**85**
Payables arising from banking sector activities		119,869				
Other liabilities		**60**		**93**		

The €119,869 thousand in financing liabilities due to banking sector companies, at the end of December 2015, corresponds to borrowings taken out with Natixis to finance the factoring business.

◆ Off balance sheet commitments – related parties

(in thousands of euros)	DEC. 31, 2016 NATIXIS GROUP	DEC. 31, 2015 NATIXIS GROUP
Commitments given	**152,196**	**151,753**
Endorsements and letters of credit	152,196	151,753
Commitments received	**210,102**	**203,119**
Endorsements and letters of credit	66,660	55,507
Credit lines linked to commercial paper	143,442	147,612

/ NOTE 37 / Key management compensation

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Short-term benefits	3,249	3,041
(gross salaries and wages, incentives, benefits in kind and annual bonus)		
Post-employment benefits		
Other long-term benefits	738	735
Statutory termination benefits	1,979	
Share-based payment	266	
TOTAL	**6,232**	**3,776**

The Group Management Committee is composed of seven members at December 31, 2016.

The line "Other long-term benefits" corresponds to the distribution of free performance shares to the seven members of the Group Management Committee at the allocation date (no pro-rata calculation).

The line "Statutory termination benefits" corresponds to the severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors on January 15, 2016.

A total of €241.8 thousand was paid out in directors' fees to the members of the Board of Directors in 2016.

/ NOTE 38 / Breakdown of audit fees

	KPMG				DELOITTE				TOTAL			
	2016	%	2015	%	2016	%	2015	%	2016	%	2015	%
Auditor services												
COFACE SA	204	15%	239	18%	204	12%	239	14%	408	13%	478	16%
Subsidiaries	957	68%	980	74%	1,459	86%	1,137	67%	2,416	78%	2,117	70%
Services directly related to the Statutory Auditors' assignment												
COFACE SA	24	2%	38	3%					24	1%	38	1%
Subsidiaries			20	2%			314	19%			334	11%
TOTAL AUDIT FEES	**1,185**	**85%**	**1,277**	**96%**	**1,663**	**98%**	**1,690**	**100%**	**2,848**	**92%**	**2,967**	**98%**
Legal, tax, social advice												
COFACE SA												
Subsidiaries	175	12%	17	1%					175	6%	17	1%
Other services												
COFACE SA												
Subsidiaries	41	3%	32	2%	30	2%			71	2%	32	1%
TOTAL OTHER SERVICES AND ADVICE	**216**	**15%**	**49**	**4%**	**30**	**2%**			**246**	**8%**	**49**	**2%**
TOTAL	**1,401**	**100%**	**1,326**	**100%**	**1,693**	**100%**	**1,690**	**100%**	**3,094**	**100%**	**3,016**	**100%**

Other services and advice in 2016 are mainly related to the tax litigation services for German entity Coface Deutschland.

The important amount of services directly related to the Statutory Auditor's assignment in 2015 are mainly related to the independent review of the internal model for Solvency 2.

/ NOTE 39 / Off-balance sheet commitments

(in thousands of euros)	DEC. 31, 2016		
	TOTAL	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**955,126**	**944,303**	**10,823**
Endorsements and letters of credit	944,303	944,303	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	3,323		3,323
Commitments received	**1,370,697**	**886,936**	**383,761**
Endorsements and letters of credit	136,964		136,964
Guarantees	143,997		143,997
Credit lines linked to commercial paper	600,000	600,000	
Credit lines linked to factoring	286,936	286,936	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,800		2,800
Guarantees received	**302,893**		**302,893**
Securities lodged as collateral by reinsurers	302,893		302,893
Financial market transactions	**58,533**		**58,533**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes investors (10 year maturity);
- a joint guarantee of €554,762 thousand given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €191,138 thousand and Compagnie française pour le commerce extérieur for €111,755 thousand.

(in thousands of euros)	DEC. 31, 2015			
	TOTAL	RELATED TO SCOPE OF ENTITIES	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**924,417**	**5,569**	**911,348**	**7,500**
Endorsements and letters of credit	909,853		909,853	
Property guarantees	7,500			7,500
Financial commitments in respect of equity interests	5,569	5,569		
Obligations under finance leases	1,495		1,495	
Commitments received	**1,228,810**	**2,776**	**958,900**	**267,134**
Endorsements and letters of credit	121,146			121,146
Guarantees	145,989			145,989
Credit lines linked to commercial paper	600,000		600,000	
Credit lines linked to factoring	358,900		358,900	
Financial commitments in respect of equity interests	2,776	2,776		
Guarantees received	**409,216**			**409,216**
Securities lodged as collateral by reinsurers	409,216			409,216
Financial market transactions	**55,699**			**55,699**

/ NOTE 40 / Operating leases

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

(in thousands of euros)	DEC. 31, 2016
Less than 1 year	23,557
Between 1 and 5 years	75,724
More than 5 years	408
TOTAL	**99,689**

/ NOTE 41 / Relationship between parent company and subsidiaries

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

The main flows between COFACE SA, the listed parent company, and Compagnie française d'assurance pour le commerce extérieur are as follows:

- Financing:
  - COFACE SA and Compagnie française d'assurance pour le commerce extérieur have granted each other two ten-year loans;
  - in net terms, COFACE SA finances Compagnie française d'assurance pour le commerce extérieur;
  - Compagnie française d'assurance pour le commerce extérieur stands as surety for the bond issue floated by COFACE SA;
  - a two-way cash flow agreement exists between COFACE SA and Compagnie française d'assurance pour le commerce extérieur;
  - COFACE SA delegates to Compagnie française d'assurance pour le commerce extérieur management of its commercial paper programme and of its cash management.
- Dividends:
  - Compagnie française d'assurance pour le commerce extérieur pays dividends to COFACE SA.
- Tax consolidation:
  - Compagnie française d'assurance pour le commerce extérieur forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of Compagnie française d'assurance pour le commerce extérieur and its principal financial flows at December 31, 2016:

(in thousands of euros)	LISTED COMPANY	COMPAGNIE FRANÇAISE POUR LE COMMERCE EXTÉRIEUR (INCLUDING BRANCHES)	OTHER ENTITIES	ELIMINATIONS	TOTAL
Revenue	1,549	1,459,919	952,056	-1,002,227	1,411,297
Total current income and expenses	11,076	42,277	59,026	-51,486	60,893
Net income	-8,342	1,697	48,176		41,531
Fixed assets	1,820,345	3,722,648	957,551	-3,476,261	3,024,283
Indebtedness outside the Group	387,753	-	2,291		390,044
Cash and cash equivalent	194	224,891	106,986		332,071
Net cash generated from operting activities	3,962	33,645	95,180		132,787
Dividends paid to the quoted company	-	87,020	-		87,020

/ NOTE 42 / Operations carried out on behalf of the French government

Some Coface operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code *(Code des assurances).*

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on December 31, 2016 (see Note 1 "Significant events").

This essentially concerns the following activities, which are aimed at supporting and developing French export trade:

- credit insurance, providing coverage for an exporter or its bank against the risk of non-repayment of an export loan;
- foreign investment insurance, protecting against political risk, ownership risk and inability to collect the income generated by investments abroad;
- foreign exchange insurance, against the risk of depreciation in export billing currencies;
- prospecting insurance, which protects SMEs against the risk of their prospecting activities in foreign markets failing to produce results;
- exporter risk insurance, which protects banks against the insolvency of an exporter for which they have issued guarantees (such as for the reimbursement of advance payments) or to which they have granted a prefinancing loan.

The risks associated with these operations are fully and irrevocably covered by the French government.

Consequently:

- these operations do not have to be recognised in Coface's balance sheet or income statement: only the related management fees received are recognised in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government;
- Coface keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Coface and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more Statutory Auditors;
- without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Coface other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of January 25, 1985 relating to the court-ordered sequestration and liquidation of companies, (ii) Act 84-148 of March 1, 1984 relating to the prevention and out-of-court settlement of companies' financial difficulties, or (iii) Articles L.310-25 and L.326-2 to L.327-6 of the French Insurance Code.

/ NOTE 43 / Events after the reporting period

Compagnie française d'assurance pour le commerce extérieur received a notice of a tax review, dated January 10, 2017 issued by the *Direction des vérifications nationales et internationales.* The review will cover fiscal years 2014 and 2015.

/ NOTE 44 / Risk management

The sections forming an integral part of the Group's financial statements that relate to risk management are presented in the sections in Chapter 2, paragraph 2.4.2.