ACTIVITY REPORT 2016

coface
FOR SAFER TRADE

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FOR SAFER TRADE

Contents

Coface – six key dates

1946
Founded as a French company specialising in export credit insurance

1992
International expansion and gradual development of the network in numerous countries

1994
Privatisation

2011
Refocus on credit insurance, the Group's core business

2014
Floated on the stock exchange (Euronext, Paris)

2016
Launch of *Fit to Win*, a three-year strategic plan

Profile

Global expertise serving businesses worldwide

Coface has been a world leader in the credit insurance market for more than 70 years. Our ambition is to facilitate business-to-business trade by working with customers to develop their domestic and export operations, fully assessing the financial risks they take and protecting their trade receivables against non-payment.

To do so, we provide our customers with the renowned expertise of our 4,300 employees, our assessments of the risks we have observed in different countries and sectors and the data we possess on 80 million companies worldwide. Our range of innovative products and services, is scalable to a company's needs and tailored to its size, sector and business strategy.

Our offer focuses primarily on credit insurance services, our historical core business line, and in some countries extends to factoring, corporate information, debt recovery, bonds and insurance for one-off complex operations (Single Risk).

Coface is listed on the French stock exchange (Euronext, Paris). The company has a solid financial base and excellent solvency levels. Fitch and Moody's ratings for Coface are AA-and A2 respectively, with a stable outlook in both cases.

4,300 employees

75 different nationalities

50,000 corporate customers

€1,411 million turnover

€493 billion in insured receivables

Operating directly or indirectly in **100 countries** representing around **97%** of global GDP

Data on **80** million businesses worldwide

10,000 daily risk underwriting decisions

40,000 debt recovery files processed annually

A word from Xavier Durand

CEO

We aim to make Coface the most agile global credit insurance partner in the industry.

2016, working towards the in-depth transformation of our Group

2016 was a challenging year for Coface. We had to cope with a sharp rise in risks in emerging countries and the transfer of our historical business managing French public guarantees to the French state. This prompted us to extensively review our strategy and organisation and we abandoned the goals we had set for 2016 when Coface was floated in 2014.

Despite these difficulties, upon my arrival as CEO in February, I was impressed by the Group's considerable assets: a great brand, a solid reputation, an extensive international footprint, committed customers and partners, and teams boasting deep expertise all over the world. I was soon convinced that Coface could leverage these assets to adjust to an increasingly complex, volatile and risky economic and political environment.

To assess accurately the company and its challenges for the years ahead, I launched a vast in-depth consultation exercise shortly after taking up my role as CEO. I met many of our customers and partners in over 15 countries and more than half of the Group's employees.

In September 2016, on the strength of this analysis, we launched *Fit to Win*, our new and ambitious, but realistic, three-year strategic plan which is thus the fruit of this extensive consultation. *Fit to Win* aims to make Coface the most agile global credit insurance partner in the industry, while working towards a more efficient capital model.

The plan's success hinges on the involvement of our 4,300 employees and partners worldwide, and four key values: customer focus, expertise, collaboration, and courage & accountability. *Fit to Win* is also underpinned by a proactive policy to invest in our information and risk management tools, in digitisation and process efficiency, as well as a market-differentiated growth strategy. In parallel, we have significantly strengthened our management team in order to lead change with confidence and determination.

Implementation of *Fit to Win* is now well underway and 2016 saw significant progress on the main priorities of the plan. We have strengthened our risk management and the quality of our information in emerging markets, improved our operational efficiency and customer service, implemented selective, differentiated growth strategies based on the characteristics of the markets in which we operate, and reduced our capital intensity. The full effects of the actions undertaken will materialize gradually, as work progresses.

2016 therefore marks the beginning of Coface's necessary transformation to prepare for the future. In the last quarter of the year, overall we achieved our objectives, whether in terms of operating income, or the finalisation of the sale of the French public guarantees business.

In 2017, we will continue to implement our strategic plan with rigour, while adjusting to changes in the economic and risk environments. This is a transition year, as we set Coface on the right course for the three years ahead in order to achieve our value creation goals.

Governance

as at 1st April 2017

EXTENDED GENERAL MANAGEMENT COMMITTEE

Chaired by the CEO, the role of this committee is to ensure coherency between all Group functions, by keeping members informed of project and business developments. It provides an opportunity, following discussion, for the CEO to make decisions on topics that members may have submitted. This committee consists of members of the General Management Committee and those responsible for certain key support functions:

Pierre-Emmanuel ALBERT
Director of Transformation and Processes

Pierre BEVIERRE
Chief Human Resources Officer

Monica COULL
Communications Director

Thierry CROISET
Risks Director

Didier DECHOUX
Organisation Director

Daniel GARCIA
Information Systems Director

Patrice LUSCAN
Marketing Director

Julien MARCILLY
Director of Economic Research

Frank MARZILLI
Chief Compliance Officer

GENERAL MANAGEMENT COMMITTEE

1 **Xavier DURAND**
CEO

2 **Valérie BRAMI**
Director of Operations

3 **Nicolas de BUTTET**
Deputy Underwriting Director, in charge of Risk Underwriting & Information

4 **Cyrille CHARBONNEL**
Underwriting Director

5 **Nicolas GARCIA**
Commercial Director

6 **Carole LYTTON**
General Secretary

7 **Carine PICHON**
Chief Financial & Risk Officer

8 **Thibault SURER**
Director of Strategy and Development

EXECUTIVE COMMITTEE

Chaired by the CEO, the Group Executive Committee supervises operations across the Group and deals with specific regional issues. It consists of members of the General Management Committee, and the seven Regional CEOs:

9 **Bhupesh GUPTA**
Regional CEO, Asia Pacific

10 **Katarzyna KOMPOWSKA**
Regional CEO, Central and Eastern Europe

11 **Antonio MARCHITELLI**
Regional CEO, Western Europe

12 **Fredrik MURER**
Regional CEO, North America

13 **Cécile PAILLARD**
Regional CEO, Mediterranean & Africa

14 **Bart A. PATTYN**
Regional CEO, Latin America

15 **Teva PERREAU**
Regional CEO, Northern Europe

COFACE SA BOARD OF DIRECTORS

Laurent MIGNON
Chairman of the Board of Directors

Jean ARONDEL
Chairman of the Steering and Supervisory Board, Caisse d'Épargne Loire-Centre

Jean-Paul DUMORTIER
Chairman of the Board of Directors, Banque Populaire Rives de Paris

Eric HÉMAR
Chairman and CEO, ID Logistics

Linda JACKSON
Chief Executive Officer, Citroën brand

Daniel KARYOTIS
CEO, Banque Populaire AURA (Auvergne Rhône-Alpes)

Sharon MACBEATH
Human Resources Manager, Tarkett

Martine ODILLARD
President, Gaumont Pathé Cinemas

Isabelle RODNEY
Member of the Management Board, Caisse d'Épargne Côte d'Azur

Anne SALLE-MONGAUZE
CEO, Compagnie européenne de garanties et cautions

Olivier ZARROUATI
Chairman of the Management Board, Zodiac Aerospace

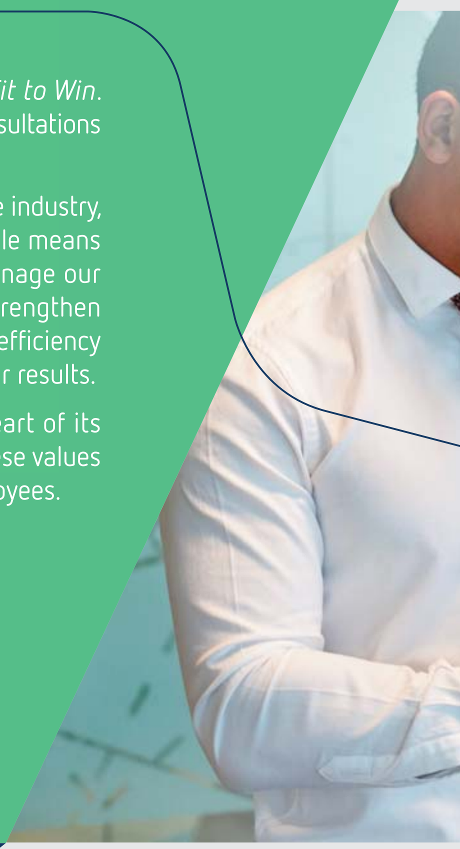
A new strategic plan

Fit to Win, one watchword: the customer

Coface launched a new three-year strategic plan in September 2016 called *Fit to Win*. This ambitious plan was developed through extensive internal and external consultations that involved 31 countries in which we operate, as well as all our key functions.

Our ambition is to become the most agile global credit insurance partner in the industry, while driving towards a more efficient capital management model. Being agile means being flexible, responsive and efficient, notably in order to develop and manage our tools and our organisation in the most optimal way. Our objectives are to strengthen risk management and the quality of our information, to improve operational efficiency and enhance customer service, while better controlling our costs and thus our results.

To support the strategic plan, Coface has placed four core values at the heart of its culture: client focus, expertise, collaboration, and courage & responsibility. These values guide the operating principles and the behaviour expected of all Coface employees.



TO BECOME THE MOST AGILE GLOBAL CREDIT INSURANCE PARTNER IN THE INDUSTRY

In a now more volatile and enmeshed economic context, agility is necessary in order to efficiently galvanize our entire network, enable our underwriting teams to serve our different customer segments, manage our risks according to each country's specificities, optimize our cost structure and selectively deploy our resources. Agility is also required to be able to innovate constantly, in order to offer our customers products and services that are tailored to their needs and to changes in international commerce. For example, we are exploring digital commercial distribution techniques and Big Data technologies, to enhance the information we hold on companies.

To become the most agile global credit insurance partner in the industry, we are strengthening our risk management, data quality and operational efficiency, and implementing a selective and profitable growth strategy.

STRENGTHEN RISK MANAGEMENT AND INFORMATION QUALITY

Evolution in our loss ratio since 2014 shows that an insufficiently differentiated risk approach across regions and customers is less and less compatible with today's credit insurance markets. While continuing to rely on the expertise we have developed for more than 70 years, we are launching numerous projects, particularly on company information, risk underwriting processes and employee skills.

In-depth risk monitoring: 38 sectors and five levels of country risk

Invest in company information

In countries where data is incomplete, such as in emerging markets, we are acquiring more company data and are improving its processing and analysis, thanks in part to the hiring of 25 new specialized analysts.

Enhance risk underwriting processes

Our risk underwriting must factor in not only buyer solvency levels but also the risk management practices and business activity of the seller that we insure. Our underwriting rules now rely on methods differentiated according to customer type and sector. In 2016, we introduced more in-depth risk monitoring defining 38 sectors and five levels of country risk.

This granularity improves our risk monitoring and ability to anticipate, and means reductions in cover prevail over cancellations whenever possible.

Consolidate employee skills

Our employees' expertise and engagement are vital if we are to offer our customers an optimal service and achieve our goals. In 2016, we began by setting up a team of senior experts to provide local underwriters and debt recovery managers with support as needed. We are driving other initiatives in 2017 to improve our underwriting methods, for example by creating "Coface business schools" specialised in risk and commercial underwriting.

IMPROVE OPERATIONAL EFFICIENCY TO ENHANCE CLIENT SERVICE

By improving our operational efficiency, we further enhance the quality of our customer service and adjust our organisation's cost structure.

We are therefore launching a series of major IT projects, and changing our organization. A €70 million investment will fund restructuring as well as technological and IT projects, such as standardizing and updating applications used for our main business processes: accounting, policy management, billing and managing debt recovery systems. We are also optimizing our procurement processes and real estate management. By implementing a lean management approach, we are freeing up resources for higher valued-added tasks that better meet our customers' needs.

€70 million

invested to improve the Group's operational efficiency

IMPLEMENT A SELECTIVE AND PROFITABLE GROWTH STRATEGY

Around the world, credit insurance markets increasingly differ from one another, so our growth strategy must adapt to a market's specific features. In some – mainly developed – markets, growth is weak and prices are under pressure. Others, in many emerging countries, are expanding but highly volatile. Political disruption is found in countries the world over. To adapt to this new state of play, we have redefined our growth strategy, with a clear focus on profitability and a targeted market- and customer-driven approach.

Credit insurance market segmentation

In "mature" markets, such as Western Europe, credit insurance penetration is high, growth potential is limited and competition is fierce. The challenge is therefore to retain customers by offering a quality service and improving management of our sales teams.

In "under-penetrated" markets, such as the US or Japan, we are developing our distribution channels and multiplying opportunities to meet our customers and prospects.

In "stable emerging" markets, such as Central and Eastern Europe, we are supporting the transition of the region's economies, responding to more intense competition due to the emergence of new players in distribution. Our strategy is therefore to gradually "industrialise" our commercial practices, stabilise our sales teams, and continue to invest in business information.

In "high-risk" markets such as the Latin America and Asia Pacific regions, we give priority to controlling risks and serving our international key accounts. Allocation of development resources depends on these markets' ability to generate profit by better targeting according to country, sector and customer. We will also continue to invest in our databases to develop the necessary expertise for profitable underwriting.

Customer segmentation

We have segmented our customers by type: key accounts (CGS), mid caps, small and medium-sized enterprises (SME) and financial institutions. For CGS and mid caps, which accounted for the majority of our business in 2016, we will continue to improve our service quality and to invest in the systems we need for major international programmes. We also aim to grow our market share in financial institutions and, via a digital offer, in the SME segment. Finally, we are driving commercial distribution of our factoring solutions in Germany and Poland, of our offers of bonds for businesses, and of our information and debt recovery services for non-insured companies.

TOWARDS A MORE EFFICIENT CAPITAL MANAGEMENT MODEL

Steering the Group towards a more efficient capital management model is a key element of *Fit to Win*. Adequate return on capital is a factor of long-term competitiveness and a major lever for generating shareholder value. The entry into force of Solvency II further focuses attention on both regulatory and economic capital.

Our capital management policy meets two main goals: that of maintaining the financial strength we offer our customers and financing profitable growth. In terms of financial strength, we aim to maintain our solvency ratio at the high end of a target 140-160% bracket with a minimum A rating.

We have recently demonstrated our ability to issue financial instruments to efficiently manage our balance sheet via subordinated debt and contingent capital. We will pursue this policy to reduce the cost of our solvency and will subsequently explore leads to improve our capital fungibility.

The approval of our partial internal model (within the meaning of the Solvency II European Regulation) is a strategic choice. However, the time horizon for such a project is too uncertain to be part of our *Fit to Win* plan. In the short term, we are therefore exploring possibilities in the reinsurance market to optimise our capital consumption.

A VISION UNDERPINNED BY SHARED VALUES

CLIENT FOCUS
- Place customer satisfaction at the heart of our concerns in terms of offers, service quality and flexibility
- Be attentive to the market, to macroeconomic changes and the competition
- Develop and maintain strong, lasting relationships with our partners (banks, brokers…)

EXPERTISE
- Consolidate and develop our long-standing expertise in risk underwriting, sales, systems and processes, and our expertise in economic sectors and geographical areas
- Reinforce our leadership and our human resources management

COOPERATION
- Strengthen cooperation between functions, divisions and countries
- Aim for full transparency in our business relationships
- Recognise and value individual contributions
- Celebrate our achievements

COURAGE & RESPONSIBILITY
- Assume responsibility for our decisions and their consequences
- Strike the right growth/risk balance
- Delegate, supervise and monitor our business lines' performance
- Give local teams more freedom of action by involving them in strategic and budget processes
- Resolve to innovate and try out new ideas

Political uncertainty: a major challenge for the global economy

ECONOMIC ANALYSIS

2016 WAS A YEAR OF MAJOR AND OFTEN UNEXPECTED POLITICAL MOVEMENTS THAT WILL IMPACT THE GLOBAL ECONOMY IN 2017. ECONOMIC ACTORS MUST THEREFORE LEARN TO OPERATE IN A VOLATILE AND UNCERTAIN ENVIRONMENT.

A multitude of political events occurred in 2016 whose effects are still unknown: the British referendum, the Spanish general election, the impeachment of President Dilma Rousseff in Brazil, an attempted coup in Turkey, the presidential elections in the US, and a referendum in Italy on constitutional reform. While their immediate causes differ in each country, these political upsurges are probably the last throes of the 2008-2009 global crisis because after a long period of weakened growth, social frustration rises and prompts political changes in both advanced and emerging countries. The political agenda will remain sensitive in 2017, particularly in Western Europe, with the presidential and general elections in France in April, May and June, and the German ballot in September. Not to mention the possibility of early elections in Italy or the UK.

EUROPE

Interaction between growth and political risk

So, as the political tempo gains speed in Europe, will growth keep up with the pace? The two indeed go hand in hand, since any deterioration in economic conditions, such as rising unemployment, inflation or income inequalities, can heighten political risk, particularly by arousing social unrest. Conversely, greater political risk can affect the economic environment in different ways: deferred investment decisions; more hesitant corporate and household spending; a downturn in equity markets and higher bond rates that penalise financing for economic actors; and even the absence of reforms and frozen public expenditure in the event of a government vacuum.

But in these times of political uncertainty in Europe, there is still some good news. Businesses are still benefitting from a highly expansionist monetary policy that favors private sector credit. The still low price of oil is helping to keep business margins relatively high. The euro's weakness, particularly against the dollar, is good for exports. Household spending is strong, and budget austerity is over, with a slight upturn even being seen in some countries. Some sectors gain more from these positive factors, such as construction and the automotive industry, thanks to robust household spending and favourable lending conditions. Despite the disparity in growth rates (close to 3% in Spain in 2016, but below 1% in Italy), corporate defaults further diminished and the trend should continue in 2017 (approximately -3% in the eurozone, after -6% in 2016 and -7% in 2015). However, they will rise in the UK, as Brexit could affect business and household confidence.

USA

Opportunities and risks of the new political order

Following Donald Trump's election as US President, the American economy will face its share of uncertainties in 2017, even if these differ from Europe's since they relate more to economic policy. Will Trump take protectionist measures? Will he roll out a vast programme of investment in infrastructure and defence? Will environmental legislation be eased?

EUROPE

+22.2%
increase in new motor vehicle registrations in 2016, Europe, excluding CIS

+1.93%
rise in average cost of credit to non-financial businesses in the eurozone (from January to November 2016)

+1.8%
increase in private sector credit, in the eurozone (annual variation) in November 2016 (vs. -0.3% in 2015)

USA

69.1%
share of consumption in GDP (2016)

EMERGING COUNTRIES

+2%
growth of the Argentinean economy in 2017 vs. -2% in 2016

+6.3%
inflation in Brazil in 2016, vs. +10.8% in 2015

Will companies and households see their taxes cut? Will this possible expansionary policy lead to higher inflation and prompt the Fed to raise its rates faster than expected? Despite these question-marks, growth in the US will, as always, depend primarily on household spending buoyed by low unemployment. However, as interest rates rise, the automotive sector will be stagnant in 2017, while real estate will continue to grow, though more slowly than in 2016.

The paradox is that such US measures could claim their first victims among the emerging countries, which have already suffered from capital outflows in the aftermath of the November election. As last year, most of these countries' growth will again be penalised in 2017 by the low price of oil, forcing many African, Middle-Eastern and CIS states, and some Latin American countries, to maintain their tight budget policies. Outside oil exporting nations, the economic situation remains challenging and is even worsening, such as in South Africa, Mexico and Turkey.

EMERGING COUNTRIES

Economic respite in Brazil and Russia

After two years of recession, economic activity should stabilise in Russia and Brazil. Inflation is slowing and gradually ceasing to erode household buying power, while the recent stabilisation of commodity prices is offering exporters some reprieve. Numerous risk sources nonetheless remain, both political (multiple corruption scandals in Brazil, conflict with Ukraine for Russia) and economic (difficult business environment, tighter credit conditions for businesses and households, overcapacity in several sectors).

Middle class expansion in many emerging countries

The high growth seen in a great many emerging countries is driven by the expansion of their middle classes. This is the case in Asia (Indonesia, Vietnam and the Philippines) and Western Africa (Ivory Coast, Ghana and Senegal) and is also true of most Central and Eastern European economies, although Poland showed signs of slackening in the second half of 2016. Latin America is expected to put recession behind it in 2017, especially Argentina where, barely more than a year after his election, Mauricio Macri's albeit unpopular reforms are beginning to deliver results.

Misleading calm in China

Lastly, for once, China was not the centre of attention in 2016. Following the episode of high equity market volatility in the summer of 2015, calm was restored in 2016, but is deceptive. Chinese businesses appear increasingly vulnerable: the metal, chemical and construction industries are still facing overcapacity, and their debt has increased considerably, particularly bank credit, but also because of an oversized shadow banking system that commands extortionate interest rates. Labor costs are rising dramatically and adversely affecting sectors such as textiles and clothing. Last but not least, businesses are up against a markedly slower pace of economic activity than at any point during the previous decade, which substantially increases banking risk. Only Chinese interventionism, via significant public investment, temporarily veiled these structural weaknesses in 2016. In 2017, it will be just as crucial to control the risks threatening China's and the global economy.

A first rate international network serving companies worldwide

INTERNATIONAL

Since the 1990s, Coface has gradually established a first rate international network by acquiring credit insurance companies, setting up subsidiaries and branches, and building a widespread network of partners. Thanks to this international presence, we operate directly or indirectly in 100 different countries, accounting for nearly 97% of global GDP.

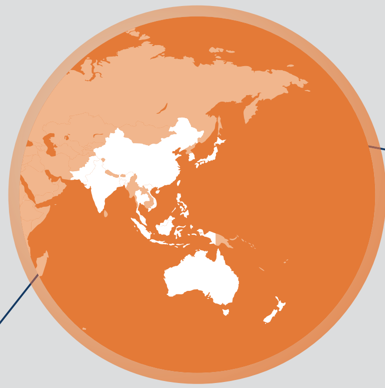
This extensive geographical footprint allows us to be close to our customers, to underwrite risk locally and to initiate debt recovery procedures within the country of non-payment itself.

LATIN AMERICA

- Argentina
- Brazil
- Chile
- Colombia
- Costa Rica
- Ecuador
- Mexico
- Panama
- Paraguay
- Peru
- Uruguay

NORTH AMERICA

- Canada
- United States



ASIA PACIFIC

- Australia
- Bangladesh
- Brunei
- China
- South Korea
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Vietnam

100 COUNTRIES WHERE COFACE OPERATES DIRECTLY OR INDIRECTLY

WESTERN EUROPE

- Belgium
- France
- Ireland
- Luxembourg
- United Kingdom
- Switzerland

CENTRAL AND EASTERN EUROPE

- Austria
- Bulgaria
- Croatia
- Estonia
- Hungary
- Kazakhstan
- Latvia
- Lithuania
- Poland
- Czech Republic
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia

NORTHERN EUROPE

- Germany
- Denmark
- Finland
- Iceland
- Liechtenstein
- Norway
- Netherlands
- Sweden

MEDITERRANEAN & AFRICA

- South Africa
- Saudi Arabia
- Albania
- Algeria
- Bahrain
- Benin
- Burkina Faso
- Cameroon
- Cyprus
- Ivory Coast
- Djibouti
- United Arab Emirates
- Egypt
- Gabon
- Gambia
- Ghana
- Greece
- Guinea
- Mauritius
- Israel
- Italy
- Jordan
- Kuwait
- Lebanon
- Libya
- Mali
- Malta
- Mauritania
- Morocco
- Niger
- Nigeria
- Oman
- Portugal
- Spain
- Uganda
- Qatar
- Senegal
- Chad
- Tunisia
- Turkey
- Yemen

COFACE PARTNER NETWORK: BRINGING PARTNERS TOGETHER

The largest credit insurance partnership network in the world, Coface Partner (www.partner.coface.com) brings together a community of companies that share the Group's ambition, have decided to diversify into credit insurance and want to share their experience and good practices. We provide each of its 68 members with our tools and our expertise to market our solutions. Buoyed by its success, Coface Partner has become a recognised quality label, which makes all the difference for its partners and their customers, differentiating them from the rest of the market.

MULTI-CHANNEL DISTRIBUTION

To market our credit insurance products and additional services worldwide, we use numerous distribution channels, which vary depending on the specificities of the local markets. We thus have a large direct sales force of more than 1,300 employees, as well as our vast network of partners: specialist brokers, exclusive agents, banks, general insurers and partner insurers who issue policies on our behalf in countries where we do not hold a licence (fronters).

It's hard to find a good broker or agent who can serve us with quick response times and that's the reason why we didn't consider credit insurance. We became aware of this product when our headquarters in Japan decided to work with Coface.

We worked closely with Coface to ensure that the credit limits are improved over time, without damaging any commercial relationships, and with their help to manage risks, we gained confidence to explore more new markets.

We would recommend Coface to all companies for their professionalism and unmatched customer service coupled with strong subject matter expertise to ensure that the right policy is put in place.

Ms Ooi SOK YEE
Senior Sales Executive / NICHIA CHEMICAL, Singapore

LATIN AMERICA

Ranked one
in the region

Bart A. PATTYN,
Regional CEO

IN FIGURES

366
Employees

€78 million
Turnover

11 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

In this region, credit insurance markets represent high risks. The Group mainly sells credit insurance policies, but also company information and debt recovery services. Credit insurance policies are sold in ten countries, primarily Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru. Company information services are available in all countries in the region where we have dedicated enhanced data management teams (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru). One of our three information management shared services centres is in Peru. Our debt recovery services are managed out of seven dedicated centres located throughout the region.

MARKETING AND STRATEGY

Our strategy in this region consists in stabilising the highest risks and developing the most profitable segments in certain countries. In 2016, we reinforced our relationships with brokers to round out our direct sales force. After leading the market for more than ten years, we are pursuing our strategy of geographic expansion via targeted business development (in specific sectors in each Latin American market, to adapt to actual sector-specific risks).

NORTH AMERICA

Ranked one
in the region

Fredrik MURER,
Regional CEO

IN FIGURES

112
Employees

€136 million
Turnover

2 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

We issue credit insurance policies directly in the US and Canada, two under-penetrated markets in terms of credit insurance. We mostly market credit insurance services, but also company information and debt recovery services for policyholders and other customers, and to a lesser extent, insurance for one-off complex operations (Single Risk).

MARKETING AND STRATEGY

Our credit insurance policies are largely sold by 65 exclusive agents (USA), as well as by brokers or by our own sales teams as part of our multi-channel strategy. Given the low penetration of credit insurance in the region, we continued to invest in our network in 2016 to step up our presence via different channels. To target profitable growth opportunities, we continued agent training and introduced a more targeted approach to the brokers market.

Although credit insurance products are still marketed by specialised networks, we are seeking to develop an additional, targeted distribution network in North America via non-traditional channels and experienced agents.

ASIA PACIFIC

Bhupesh GUPTA,
Regional CEO

IN FIGURES

377
Employees

€110 million
Turnover

17 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

This region's credit insurance markets represent high risks, except for the mature Japanese market where penetration is low. We operate directly in 13 countries: Australia, China, South Korea, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam. Most of our activity in this region involves direct and indirect sales of credit insurance policies in all the countries, as well insurance for one-off complex operations (Single Risk) managed in Singapore and the sale of company information and debt recovery services. One of the Group's three data processing centres is based in India.

MARKETING AND STRATEGY

Our products are distributed in this region either directly or via partnerships with fronters. We have licensed insurance branches in Australia, Hong Kong, Japan, Singapore and Taiwan. We also have an extensive network of partners in the region, comprising 38 members. In 2016, we rounded out this network by signing new partnerships with Axa Assurance in Singapore and PT Mandiri Axa Assurance Générale in Indonesia. As part of our multi-channel sales strategy, we also use specialised brokers and partner banks.

CENTRAL AND EASTERN EUROPE

Ranked two
in the region

Katarzyna KOMPOWSKA,
Regional CEO

IN FIGURES

721
Employees

€121 million
Turnover

15 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

Coface stands out from the region's other players as being the only supplier of integrated credit management solutions including credit insurance, business information and debt recovery services for both insured and non-insured businesses, as well as factoring in Poland.

MARKETING AND STRATEGY

With operations in 15 countries, we have the most extensive network in this regional market and the largest geographical footprint. We are continuing to expand these operations through new partnerships, such as the one implemented in Serbia at the end of 2014 with Vienna Insurance Group (VIG) to market credit insurance policies. In 2016, to enhance the efficiency of the regional structure and develop synergies between countries, the Russian market was integrated into the Group's Central European region.

Our strategy in Central and Eastern Europe is built on implementing a solid, powerful commercial organisation to provide a better service to SMEs, while developing new distribution channels via financial institutions. As these emerging markets are stable in terms of credit insurance (except for the mature Austrian market), we strive to achieve healthy growth in the countries in which we operate.

NORTHERN EUROPE

Ranked third
in the region

Téva PERREAU,
Regional General Manager

IN FIGURES

771
Employees

€307 million
Turnover

9 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

This region's countries are mature credit insurance markets where we primarily sell credit insurance services. In Germany, we also offer factoring services, bonds, insurance for one-off complex operations (Single Risk), and company information and debt recovery services.

MARKETING AND STRATEGY

We market our offer in this region directly via our own sales teams and through partners (brokers and banks).

In 2016, responsibility for managing and developing our business in Russia was assigned to the Central and Eastern European region, in order for us to focus on the mature markets of Germany and the Netherlands. As Northern European markets are mature in terms of credit insurance, our strategy in this region consists in enhancing our sales efficiency and innovating to stand out from the competition. Efforts were thus pursued in 2016 to offer customers an increasingly high standard of services, particularly by improving the organisation, processes and tools to gain in efficiency.

WESTERN EUROPE

Ranked third
in the region

Antonio MARCHITELLI,
Regional CEO

IN FIGURES

1175
Employees

€327 million
Turnover

6 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

In this region, the Group operates in mature credit insurance markets. Coface's business primarily consists of marketing credit insurance policies, although insurance for one-off complex operations (Single Risk) accounts for a large part of turnover in Switzerland, and bonds are also marketed in France.

MARKETING AND STRATEGY

In 2016, we reduced the regional scope by assigning business management and development in Spain and Portugal to the Mediterranean and Africa region. The Western Europe region can therefore step up its action in France, where we generate our highest turnover.

Our operations in Western Europe are mostly intermediated. To improve our commercial efficiency in France, we reorganised our sales force in 2016, moving from a regional organisation to an organisation specialised by business line and distribution channel (brokers, banks or direct sales). We also signed a partnership with BPCE Group, which will market our products and services to its own corporate customers.

As these are mature credit insurance markets, our regional strategy consists in improving sales efficiency and innovating to stand out from the competition.

MEDITERRANEAN AND AFRICA

Ranked third
in the region

Cécile PAILLARD,
Regional General Manager

IN FIGURES

760
Employees

€332 million
Turnover

41 countries
where Coface operates directly or indirectly

COUNTRY TYPOLOGY AND OFFER

The countries in this region are mainly stable emerging credit insurance markets, except for Spain, Italy and Portugal that are mature. In these markets, we have unique geographical coverage, with direct operations in five countries and partners in the Middle East and Africa. We develop our strategy through regional centres based in Casablanca, Dubai, Madrid and Milan that are responsible for managing and coordinating our offices and the network of partners. We market credit insurance policies and bonds, along with company information and debt recovery services.

MARKETING AND STRATEGY

Depending on the size and configuration of the markets in the region, we either sell directly or through partners (brokers, agents or banks). We use these distribution channels in South Africa, Italy, Spain, Morocco, the Gulf countries, Turkey and Israel. In Western Africa, our credit insurance services are marketed via partner banks to which we provide credit insurance policies and back-office services for their management.

In Spain, Italy and Portugal, three mature credit insurance markets, we recorded significant new production in 2016 and an exceptionally high retention rate, while gradually adjusting our insurance premiums. This performance is due to the commercial strategy launched in 2015 based on multi-channel distribution and honed customer segmentation. In 2016, in particular, we developed partnerships with banks, multiline insurers and trade associations.

OUR BUSINESS

Credit risk management: **advise, prevent, insure**

Coface's credit insurance service offers protection for the losses businesses may sustain under their commercial contracts. It also includes a significant risk prevention component, to help companies select their buyers, develop a profitable and creditworthy customer base, and optimize their customer portfolio management. This insured/insurer partnership avoids or limits claims as far as possible, in the interest of both parties.

340
underwriters


330
credit analysts

Improving risk prevention through analysis and assessment

PREVENTION

THROUGH ITS CREDIT INSURANCE SERVICES, COFACE INDEMNIFIES ALL TYPES OF BUSINESS AGAINST THE LOSSES THEY SUSTAIN UNDER THEIR COMMERCIAL CONTRACTS. WE ALSO HELP COMPANIES OPTIMIZE THEIR CUSTOMER PORTFOLIO MANAGEMENT AND THUS DEVELOP A PROFITABLE AND CREDITWORTHY CUSTOMER BASE, MEANING CLAIMS ARE KEPT TO A MINIMUM. THIS IS TO THE BENEFIT OF BOTH THE INSURER AND THE INSURED. THE CHALLENGE FOR COFACE IS FOURFOLD: TO PROVIDE EFFECTIVE COMPANY INFORMATION; TO ASSESS BUYER SOLVENCY ACCURATELY; TO BE CLOSE TO THE INSURED COMPANY AND ITS CUSTOMER; AND TO DEVELOP HIGH-QUALITY ECONOMIC ANALYSIS.

We have been cooperating with Coface since 2012. We chose them because of the quality of services provided, which corresponds to the highest standards of the MANTINGA Group. We appreciate the fact that the company offers a comprehensive package of services and innovative solutions enabling us to feel the "business pulse" of our partners. The Coface team distinguish themselves by their reactivity and their ability to find solutions in different situations, to constantly improve, and by their knowledge of business needs. We view Coface as the partner who enables us to control existing as well as prospective risks. Cooperation with them facilitates our strategic decision-making process.

Martynas MYKOLAITIS
UAB MANTINGA, Finance Director/GROUP CFO, Lithuania

Provide effective business information

In business-to-business trade, the supplier must be able to accurately assess a prospective customer's ability to meet its financial commitments, whatever its size, sector of activity or nationality. Knowing the buyer and gauging the financial risk it represents are therefore key to any business relationship.

Collecting, using and storing relevant data that is reliable, up-to-date and secure is a priority for Coface. The Group thus has a worldwide network of 50 centres dedicated to managing financial data on 80 million businesses. To facilitate information management, we use our debtor identification database (EASY), which makes communication with partners and customers easier. The data, collected primarily from external providers, is compiled in our ATLAS database, then reworked and analysed by our team of 330 credit analysts. Information is regularly updated, in particular through exchanges with policyholders, to better track changes in their debtor risk.

While offering our policyholders a reliable means to monitor their debtors' risk, we also secure the decisions made by our own risk underwriters and support our management and debt recovery operations.

Assess buyer solvency

Our credit analysts assess a debtor's ability to meet its commitments using a common scale throughout the Group (Debtor Risk Assessment or DRA). Our 340 underwriters use this assessment to decide on the level of risk we can insure. This synthetic indicator, which reflects the default risk of potential buyers on a scale from 0 (defaulting company) to 10 (best possible rating), is made available to our policyholders so that they can manage their sales growth and prevent eventual claims. With DRA, our customers can closely monitor developments in their receivables portfolios, through daily alerts, and assess the quality of a risk for any buyer in the world.

An additional assessment, verified by a third party, is important for our risk management.

For many years Coface has been our competent and professional partner. Coface credit information is an important component of our internal rating method. We use this information to assess clients as well as suppliers.

Claus BOCKSTANDT
Credit Manager for the Western Europe Region / Covestro, Germany

We have also developed a risk-tracking indicator called Weighted Assessment of Portfolio (WAP), which gives a comprehensive, quantitative vision of the average quality of the receivables portfolio for each of our policyholders. In 2016, we introduced still more granular risk monitoring, through 38 sectors and five different levels of country risk.

Close to our policyholders and their customers

The decision to guarantee a risk on a debtor is made by the underwriter based in the debtor's country. This underwriter is therefore on the ground, close to the risk and understands the country's industrial fabric, legislation, customs, business environment and economic issues. The underwriter is also in the best position to appreciate the policyholder's commercial and strategic environment.

Likewise, the measures we undertake to recover outstanding receivables when they are due are carried out close to the defaulting businesses. We provide this service by relying on the expertise of debt recovery experts and our network of 32 collection agencies and 185 law firms, spread across more than 200 countries. Thanks to this international footprint, we establish quick, direct contact with debtors and optimise the chances of recovery. Once again, the success of the measures we take benefits both partners, i.e. Coface and our policyholder.

Develop high-quality economic analysis

We have a team of 15 economists, ten of whom are based in Western Europe and five in our other regions. Tasked with monitoring macro- and microeconomic developments worldwide, our economists publish studies that are used by our underwriters, our sales teams and our claims managers. These studies are also made available to our customers and partners, as well as to journalists, academics, and banks.

Published on our website www.coface.com, our economic research is also designed to help businesses assess risks and develop their activity using the most relevant, reliable and recent information possible. In 2016, Coface published almost forty studies including indicators of changes in country and sector risks worldwide, surveys of payment behavior like the one published in August 2016 on German businesses and the overview of Africa published in June. We also provide our key account customers with "briefs" on a variety of specific news issues. In 2016, over 70 briefs addressed topics such as the consequences of Japanese Prime Minister Shinzo Abe's decision to again postpone the consumption tax hike, the reasons why OPEC's decision to cut production quotas will have little effect on global overproduction of oil, or the impacts of the Egyptian central bank's decision to let the domestic currency float freely.

Debates on major trends in the global economy

For over 20 years, Coface has been organising conferences on developments in the global economy. In 2016, many such events were for example held in Germany, Austria, Spain, the US, France, and Poland. They bring together a great number of stakeholders in international trade – corporate customers of Coface, non-client companies, bankers, economists, academics and journalists – who come to learn about and discuss current economic and geo-strategic issues.

Credit insurance: effective protection against non-payment

COMPENSATION FOR UNPAID RECEIVABLES

CREDIT INSURANCE, COFACE'S CORE BUSINESS AND LONG-STANDING AREA OF EXPERTISE, CONSISTS IN SETTLING A RECEIVABLE HELD BY A COMPANY AFTER THE DEBTOR HAS DEFAULTED. ALONGSIDE EFFECTIVE PREVENTION METHODS FOR AVERTING AND ASSESSING RISK, CREDIT INSURANCE FACILITATES ANY COMPANY'S GROWTH, BY OPTIMIZING ITS CUSTOMER PORTFOLIO MANAGEMENT.

In trade relations, to sell what it produces, a company typically gives its client a time-frame within which to pay. While this has become a regular business-to-business credit practice in recent decades, it nonetheless involves a significant risk for sellers who could see their debtor unwilling, or unable, to honour the debt when the time comes to pay. This is where credit insurance comes in: the insurer agrees to absorb this risk, in exchange for a premium.

We offer credit insurance guarantees that mostly cover the entire customer portfolio of the business we insure. However, in some cases, we may only cover a single customer. Policies are usually signed for a one-year term and are tacitly renewable.

In the framework of these policies, we approve each new debtor of the insured business and set a maximum accepted risk amount. We may be required to reduce or, exceptionally, cancel our cover for future sales of goods and services, in consultation with our policyholder who is thus informed of his debtor's financial difficulties. On a case-by-case basis and depending on their expertise, we may give policyholders more freedom to set their own credit limits, up to an amount defined in the credit insurance policy.

If the debtor defaults on payment, we handle recovery of the debt. We aim to limit all or part of the loss while relieving our policyholder of this contentious phase so our customer can continue trading with the debtor where possible. Unless the policyholder decides otherwise, we handle the negotiations and any necessary litigation, while regularly informing our customer of the progress we make.

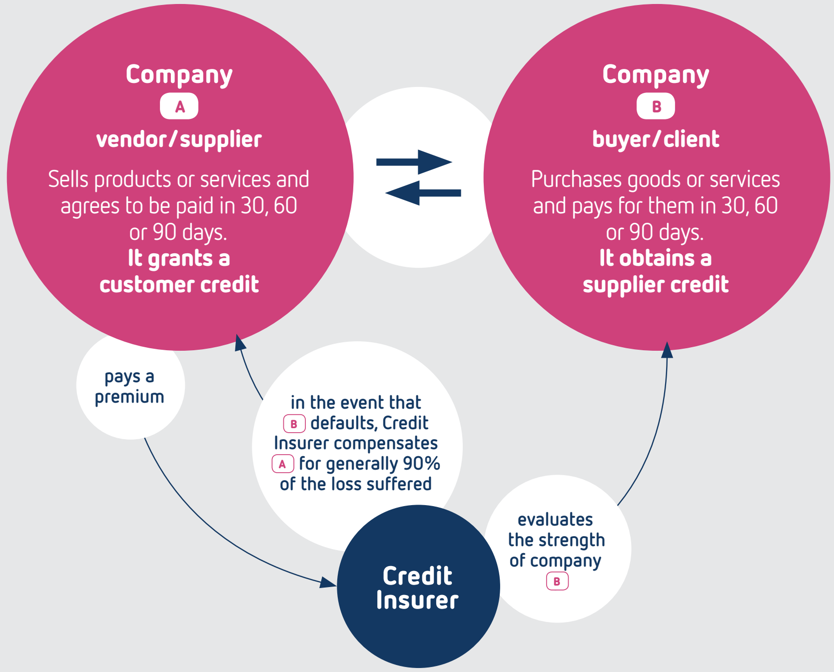
With credit insurance services, businesses secure their margins by being insured against the financial impacts of debtor default. They also benefit from our prevention and debtor solvency data tools for their credit risk monitoring, and have regular contact with our sector and country experts. Furthermore, being credit insured also makes it easier for businesses to obtain bank loans.

We have been cooperating with Coface since 1981 and I have been personally working with them since 1991. During this period several financial crises have occurred after which we can affirm that Coface is a reliable partner who has been managing the risk of more than 1,500 customers in Austria so that we can concentrate on sales. Above all, the personal relationship our key account manager has with Coface keeps the partnership strong.

Wolfgang BELL
CFO / Miele Austria

The mechanisms of credit insurance

Credit insurance covers the risk of non-payment of a debt that company A (vendor/supplier) has due from company B (buyer/client) under contractual trade relations. If the debt remains unpaid, the insured company A is compensated for the guaranteed amount. Coface's experts then intervene to recover the unpaid receivable through amicable negotiation and then, if necessary, through litigation.



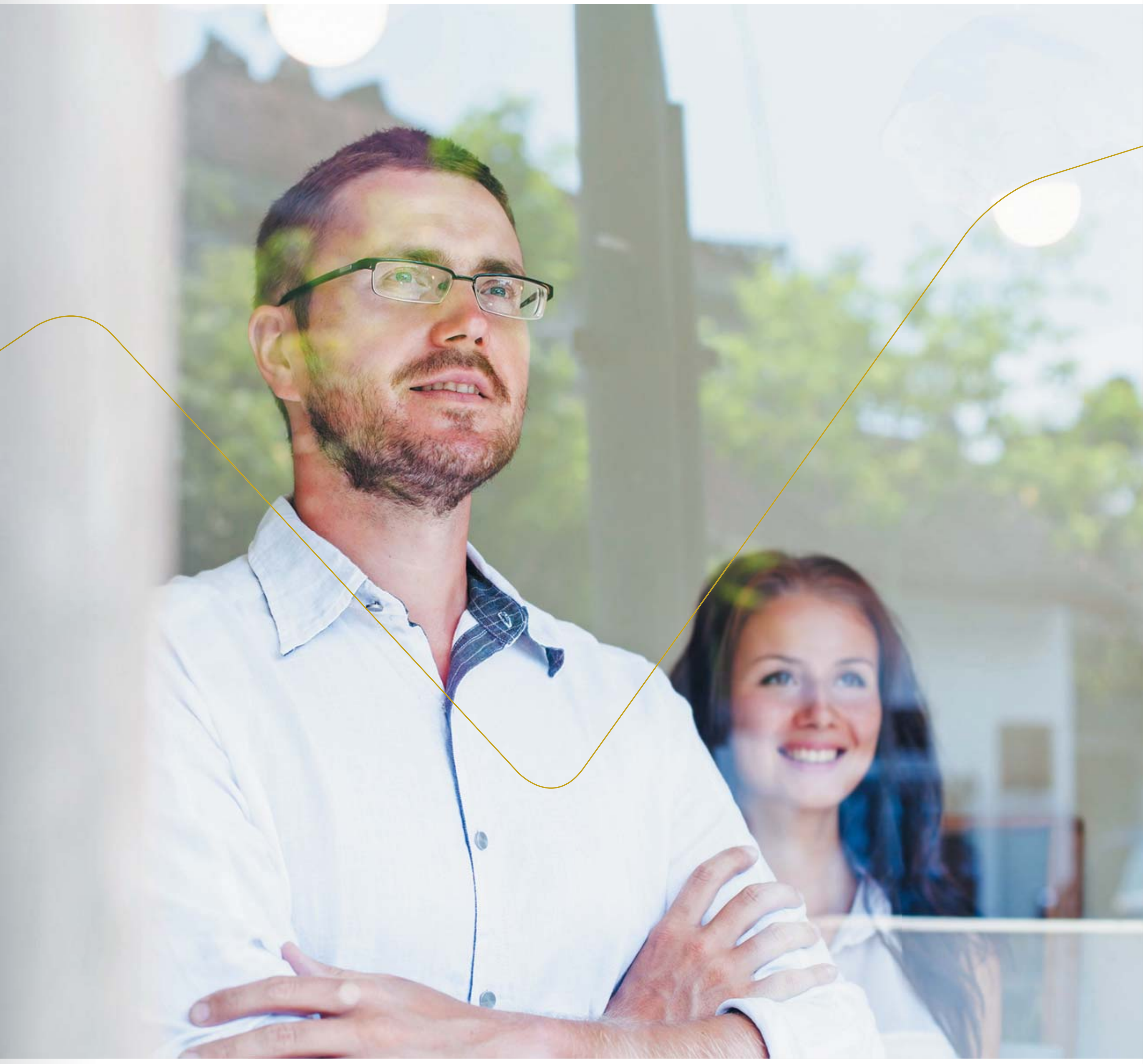
We purchased credit insurance initially to facilitate the perfection of our credit line facility. From the initial objective of providing comfort to our banks, the service added depth to our business decisions. The interaction between Coface and our companies has allowed us to better assess our clients' condition and has been a valuable tool in business development. Coface excels with their dynamic credit risk rating assessment and their willingness to consider client-sourced information. The relationship with Coface has evolved to one of partnership, allowing us to manage and accommodate our business with better awareness.

Ed BONPIN
Managing Director and CFO / APG Trade Inc - US

OUR CORPORATE CULTURE

One business, one attitude, **responsible practices**

Having signed the UN Global Compact in 2003, the Group supports, in its sphere of influence, the ten principles related to human rights, international labor standards and the fight against corruption. Aware of its responsibilities, it attaches great importance to social and societal issues and even though, as a service provider, its business has little environmental impact, it makes every possible effort to rise to sustainability challenges. These issues are an integral part of the Group's *Fit to Win* strategic plan, particularly in terms of employee engagement and developing a new corporate culture built on strong, shared values.



Strengthening employee cohesion, commitment and engagement

SOCIAL RESPONSIBILITY

THE AMBITION OF OUR *FIT TO WIN* STRATEGIC PLAN IS TO MAKE COFACE THE MOST AGILE GLOBAL CREDIT INSURANCE PARTNER IN THE INDUSTRY. TO ACHIEVE THAT VISION, THE COHESION, COMMITMENT AND ENGAGEMENT OF ALL OUR EMPLOYEES ARE KEY. OUR HUMAN RESOURCES (HR) POLICY MUST THEREFORE SUPPORT THEM AND FOSTER ACCOUNTABILITY, WHILE REINFORCING AND PERFECTING THEIR EXPERTISE.

New corporate culture around shared values

To support *Fit to Win*, in 2016 we formulated four key values for the organisation: client focus, expertise, collaboration and responsibility & courage. We expect all our employees to work to these values both internally and vis-à-vis our customers and all our other stakeholders. Our values were defined with the input of more than 2,300 employees working in 66 countries, based on their responses to an online survey. As the company's DNA, applying our values will support Coface's cultural transformation. To ensure 'values awareness' across all our teams, a Values Charter was cascaded throughout the Group.

Monitor performance

To monitor our employees' performance, we carry out an on-line annual appraisal process in 22 languages and in every country in which we operate. Annual appraisals represent a unique opportunity for each employee to assess their performance with their manager and set goals for the year ahead based on the Group's strategic ambitions. When the 2017 appraisals campaign was launched at the end of 2016, we added our key values to the evaluation rating to ensure that individual behaviours are consistent with them. Our annual campaign not only allows the Group to analyse employee performance, but also their desire for mobility, training or career development. At the same time, we carry out a people review exercise to identify key roles, high-potential employees, and to define succession plans for 271 core positions.

Adapt training to strategic challenges

Training is extremely important at Coface, ensuring we constantly refresh and enhance the expertise of our teams; their roles require specific in-depth technical knowledge to meet customers' needs, understand global and regional economic developments, and to comply with regulatory requirements in each country or geographic area. Training also enables us to identify the skills that employees must develop to work to our key values and understand the benefits of doing so.

Training is based both on conventional courses and on internal knowledge transfer via our "360 Learning" platform, so that our experts share their knowledge and expertise with their colleagues. We have introduced a Solvency II programme designed by the Group's risk management teams, and a website called Campus, developed by our Marketing teams to test and improve knowledge of the Group's business and its commercial offering. In 2016, our sales and HR teams devised a project to digitize seller training comprising more than 60 modules. This "sales business school", implemented early in 2017, helps to support the profound transformations inherent in *Fit to Win*. In 2016, we also developed a lean management approach to optimise our processes, tools and organisation, and to free up resources for higher value-added tasks in order to improve our operational efficiency while rising to business and customer challenges.

Promote diversity and fight discrimination

We set great store by achieving parity between men and women in our employee base. In 2016, 54% of our employees were female and in France, the Group's largest country in terms of turnover, women accounted for 56% of staff and held 42% of all managerial positions. In the years ahead, we will pursue our policy of promoting gender equality, particularly in terms of remuneration.

As a truly international Group, 70 different nationalities are represented in Coface's employee base. This intrinsic diversity is strengthened by the frequent integration of employees into teams in other countries. In 2016, 223 people were permanently based outside their home country. This diversity is the guarantee that the diversity of our customers and business communities is mirrored within Coface.

Measure employee satisfaction

After our last all-employee opinion survey *(Coface Opinions)*, we developed action plans and defined key initiatives for the Group. Another survey will be undertaken in 2017 to measure our employee's satisfaction and engagement, particularly with respect to the goals and first achievements of *Fit to Win*.

A strong vision of corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY

AS A CREDIT INSURER, COFACE HELPS BUSINESSES WORLDWIDE BY MAKING COMMERCIAL TRANSACTIONS SAFE. WE STRIVE TO OFFER OUR CUSTOMERS APPROPRIATE GUARANTEES, BY PROVIDING INNOVATIVE SOLUTIONS AND TOOLS AND REGULARLY MONITORING GLOBAL MACRO- AND MICROECONOMIC DEVELOPMENTS, TECHNOLOGICAL PROGRESS AND CHANGES IN INTERNATIONAL TRADE. TO BE ETHICAL AND RESPONSIBLE IN THE BUSINESS WE DO, WE HAVE MADE CORPORATE SOCIAL COMMITMENTS THAT ARE SHARED WITH ALL EMPLOYEES.

Involvement in the local community

To be as close as possible to risks, claims and the socio-economic fabric wherever we operate, we give priority to employing people from the local community, who are trained in the professions of credit insurance and have an in-depth understanding of their country's economic and business environment. We thus strengthen our expertise while at the same time enabling the development of local talent in the 66 countries in which we operate. We also seek, as one of the main focus areas of *Fit to Win*, to forge agreements with local partners to expand our sales force. This also helps improve our understanding of challenges in our various markets.

Develop social solidarity initiatives

Our local businesses are generally involved in social solidarity initiatives and action to combat climate change. In 2004, to begin federating local initiatives, we created *Coface Trade Aid*, a non-profit organisation which promotes social solidarity action aligned with our values. Projects are put forward by our employees and then run individually or undertaken in partnership with local charities. *Coface Trade Aid*'s mission is to facilitate trade, particularly between developed and emerging countries, as well as to support initiatives to promote education and employment. In 2016, employees from more than 50 countries took part in many social solidarity initiatives under the *Coface Trade Aid* umbrella. Examples of organisations that received support in 2016 include APER, for the schooling of disadvantaged children from the Mekong in Vietnam, *Les amis de JNN* in India, to help women from a slum in Mumbai re-enter the labour force, and Pachal in Bolivia, to develop rural projects in the Potosi region.

Raise employee awareness of ethical and compliance issues

In our Code of Business Ethics, we remind all employees of a number of rules, such as the need to treat all our customers fairly by, for example, avoiding conflicts of interest or pressure due to gifts of excessive value, which must be systematically declared to the appropriate Compliance Officer.

In dealing with our suppliers, we have issued a set of good buying practices and added criteria to our calls for tenders to assess bidders based on their social responsibility and environmental values. Finally, we have implemented a Code of Conduct for managing supplier relations, which embodies ethical principles, including those outlined in the United Nations Global Compact.

To combat money laundering and corruption, we have deployed tools and procedures in every one of our entities to ensure better control of all risks related to financial security, which are of relevance to all our employees and customers. All employees regularly follow an e-learning training course to help them identify fraud risk and attempted fraud, to combat money laundering and learn the necessary precautions to take whenever they are in doubt.

We fully comply with laws and regulations relating to financial security, money laundering, financial crime and the funding of terrorism, regardless of the country in which we operate. For example, we have a monitoring and surveillance system for suspicious transactions based on Know Your Customer procedures, risk classifications and computerised transaction filtering tools.

In general, procedures are implemented by our international network of Compliance Officers. To fulfil its role, the network has a secure intranet and a specialised tool for identifying, classifying and monitoring customer portfolios across all of Coface's local businesses.

Thanks to these procedures, Coface excludes any operations deemed suspect and ensures that it does not insure companies participating in the manufacture of cluster munitions and/or anti-personnel mines.

Finally, we are committed to storing all the information we hold on businesses securely and confidentially. To deliver on this commitment, we are particularly careful in our choice of service providers, and pay close attention to how they store our data on policyholders and their customers, as well as how they comply with standard data-protection regulations (ensuring that they have active and passive firewall protections, and a business continuity plan, for example).

Socially responsible investment

In 2016, we established a socially responsible investment policy. Our policy includes monitoring and analysis measures, so that investment choices are guided by investee companies' compliance with social, environmental and governance objectives.

A culture of environmental awareness

ENVIRONMENTAL RESPONSIBILITY

LIKE ANY OTHER SERVICE COMPANY, OUR ENVIRONMENTAL IMPACT IS RELATIVELY LIMITED. IT HINGES PRIMARILY ON OUR PROPERTY MANAGEMENT DECISIONS, OUR ENERGY USE AND OFFICE WASTE MANAGEMENT, AND ON THE RECYCLING OF EQUIPMENT, PARTICULARLY HARDWARE. WE NONETHELESS CONTINUE TO RAISE EMPLOYEE AWARENESS OF ENVIRONMENTAL ISSUES, BY PROMOTING BEHAVIOR THAT RESPECTS THE COMMITMENTS WE HAVE MADE IN THIS AREA.

Property management decisions to reduce our environmental footprint

To respect the environment, we seek to make property management decisions that reduce our environmental footprint. In France, for example, our headquarters are located in a building that carries both NF HQE *(Haute Qualité Environnementale* - High Environmental Quality) and BREEAM (BRE Environmental Assessment) certification. In Germany, we have obtained the "Ökoprofit" status for our head office, thanks to low energy use. Between the end of 2015 and early 2016, energy audits were conducted on our buildings and our vehicle fleet in Germany, Italy and France. After studying the energy consumption and greenhouse gas emissions of our property and our vehicles, auditors recommended measures to reduce our energy consumption and emission levels. To this end, actions were taken in France in 2016 and will be implemented in 2017 in Germany and Italy.

Measures to combat climate change

Worldwide, our local businesses implement a host of initiatives to reduce their environmental footprint, including systematic use of recyclable products in Brazil, Ecuador and Peru, and a campaign to recycle obsolete equipment in the US.

In addition to conventional measures to reduce paper consumption (double-sided printing, removal of individual printers) which have delivered highly satisfactory results, we also seek to maximise digital interaction with our customers. For example, we have established online tools such as *CofaNet* to manage credit insurance policies, *CofaMove* with which policyholders can consult their customer portfolio on their smartphones and apply for changes to their policy, and the Dashboard for multinationals, offering centralized monitoring of all trade receivables data. In 2016, we pursued this innovation policy by creating a "customer portal": all our customers are now able to centralise their credit-limit applications and consult Coface data online.

To combat climate change, we keep employee travel by plane, train and car to a minimum, giving priority to telephone and video conference calls. We are gradually introducing rules on employee vehicles in our 66 entities: these aligned with those in France, where we have limited CO_2 emissions to an average of 105 g per vehicle and brought into service new, more eco-friendly vehicles, limiting average emissions per vehicle to 94 g per kilometre.

Financial performance

2016

At the end of 2016, the start of our transformation, Coface posted turnover of €1,411 million, down 3.6% (excluding foreign exchange impact) from 2015. Our loss ratio after reinsurance was within the target range at 65.5%, and thanks to strict cost control, our cost ratio after reinsurance was 31.9%. We successfully transferred management of French public export guarantees to French public investment bank, Bpifrance, and launched our three-year strategic plan, *Fit to Win*, the implementation of which is now well underway.

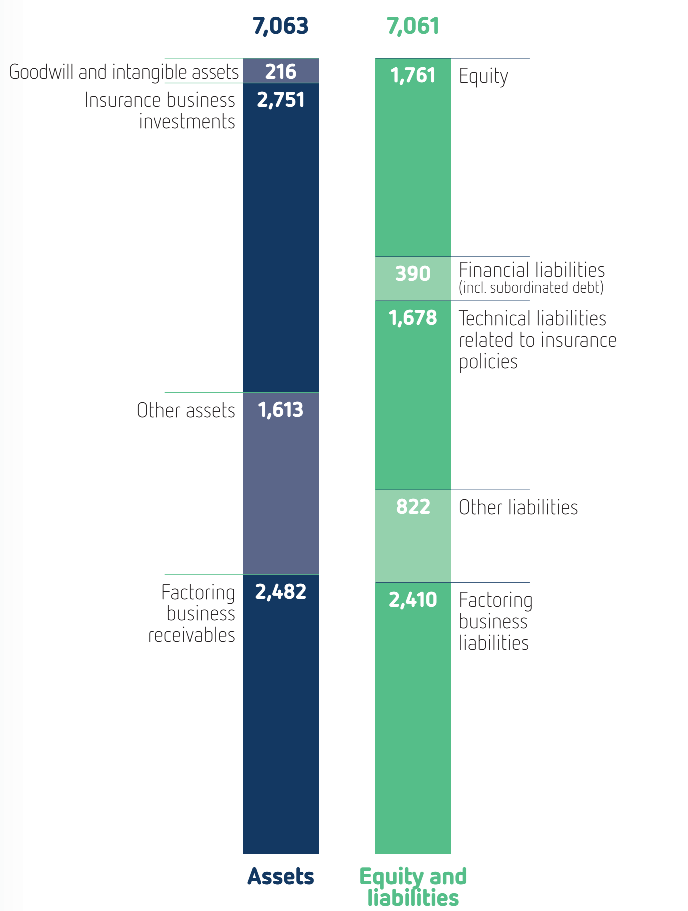
Net income (Group share) amounted to €41.5 million and included €36.5 million in non-recurring items due to the transferred management of French public guarantees and deployment of *Fit to Win*.

For 2016, COFACE SA will propose to shareholders a dividend of €0.13 per share.

Financial strength confirmed

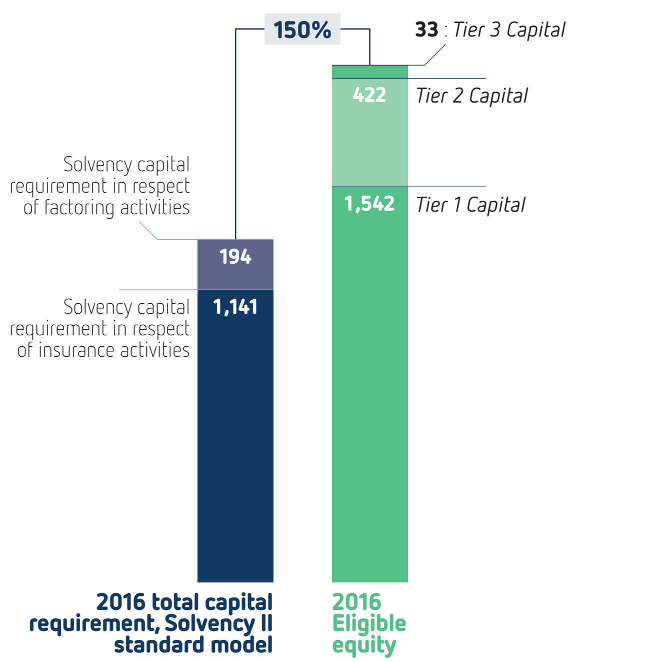
Fitch and Moody's confirmed the Group's Insurer Financial Strength (IFS) ratings, at AA- and A2 respectively (with a stable outlook in both cases). These ratings were assigned on 29 September 2016 and 28 November 2016 and reflect the good position of the Group on the global credit insurance market, its excellent solvency levels, prudent investment policy and consistent risk management discipline.

SIMPLIFIED BALANCE SHEET (IN €m)



SOLVENCY II MARGIN (IN €m) *

The new Solvency II prudential regime came into force on 1 January 2016. Calculated using the standard formula, the capital requirement necessary to cover insurance and factoring risks is still high, at approximately 150% on 31 December 2016. This level is within the target 140%-160% bracket and enables the Group to renew its commitment to distribute at least 60% of its normalised net income, as proposed this year.



* Preliminary calculation. Coface's interpretation of Solvency II (not audited)

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DCOM 13

FOR SAFER TRADE

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