

## Coface continues to play its role, supporting companies despite the crisis

The aggravation of the credit crisis, starting in the fourth quarter of 2008, has dug into Coface's claims rate and has substantially affected its net profit, standing at a loss of €103m over the first half year of 2009. Coface\* has nevertheless managed over this half year to

- maintain the global volume of cover for its customers (+3% since the beginning of the crisis),
- develop its turnover (+3.2% on a comparable basis, +5,8% in credit insurance),
- improve its risk profile (weighted exposure down 22%), and curbing the growth of new claims (dropping since the first quarter),
- retain very solid solvency (capital excess of €382m).

(in millions of euros)	FH 2008	FH 2009	Change (current structure)	Change (constant structure)
<b>Consolidated turnover</b>	<b>838</b>	<b>873</b>	<b>4,1%</b>	<b>3,2%</b>
⇒ Insurance	588	624	6,1%	5,8%
⇒ Services	137	143	4,4%	3,0%
⇒ Factoring	113	106	-6,6%	-9,7%
⇒ France (Natixis Factor)	68	58	-15,4%	-15,4%
⇒ Other (worldwide)	45	48	+6,5%	-1,6%
<b>Operating profit</b>	<b>139</b>	<b>-155</b>		
<b>Net profit</b>	<b>95</b>	<b>-103</b>		

\*Coface refers, throughout the press release, to Coface Holding (company that wholly owns Coface and Natixis Factor, and corresponding to the Natixis Trade Receivables Line).

## **Maintaining the volume of cover for its customers and turnover holding out well.**

- Coface has maintained the cover that benefits its customers (through credit insurance and factoring), on their own customers. Total of this cover at the end of June stands at €64b, which is 3% above the level before the crisis (€54b at 1 January 2008). Coface is the only major credit insurer to have maintained up until now the global volume of its cover throughout the crisis.
- This resolute commitment has made it possible to sustain turnover for the first half year, despite the drop in customer activity. This stands at €73m, representing growth of 4.1% at current structure, and 3.2% at constant structure and exchange rates.
  - Credit insurance has recorded growth of 6.1% including 7.8% for domestic credit insurance and 4.8% for export credit insurance. The demand has been high and prices have begun to rise after 5 years of decrease.
  - Factoring in France, carried by Natixis Factor, is down 15.4%, penalised by the drop in activity concerning French companies and falling rates.
  - Factoring out of France is up 6.5% following the consolidation of Midt Factoring, acquired in 2008. At constant structure, it is down slightly (-1.6%); the gain in new customers is offsetting the drop in the activity of existing customers.
  - Services (ratings and business information, trade receivables management, public guarantees) are up 4.4%. Trade receivables management activities are pulling growth up while the business information activity, marketing in particular, is falling.

## **A substantial yet controlled loss ratio**

- The loss ratio reached 116% in the first half year, which is a 27 point increase compared to the previous half year and 60 points compared to the first half year of 2008. Over the 18 months of the crisis, the ratio is 88%.

This degradation in the loss ratio is historical and exceeds that which was estimated at the beginning of the year, but the crisis is also much more profound. The main determinant of credit risk on companies is the worldwide growth differential. The sharp drop in worldwide growth between 2007 and 2009 was estimated at 4.5 points at the beginning of 2009; Coface's estimate today is 6.2 points, which is now the highest drop since the war.

Backed by the quality of its ratings, Coface has significantly improved its risk profile over the half year, commencing in January 2009, when it appeared that the extent of the crisis had been underestimated, a second plan (Crisis, Act 2) supplementing the one launched in January 2008 (Act on the Crisis).

- Coface's teams have improved the evaluation of the credit-insurance exposure: non-rated risks have recorded an 80% drop in exposure, changing from €48.9b at 1 January 2009, to €9.6b at 31 July 2009.
  - The teams have also reduced exposure on the most fragile debtors: risks classified as "speculative" have seen their exposure drop 28%, changing to €2.9b at 1 January 2009 and to €45.0b at 31 July 2009.
  - Thanks to these measures, Coface exposure weighted by the quality of the risk has gone down 22% since 1 January 2009, despite the average degradation in the quality of credit of companies.
- These targeted measures have started to bear fruit: the monthly rate in notification of new claims has changed from a peak of €202m in the first quarter of 2009, to €166m in the second quarter, at €136m in July.

## Despite a half year with a loss, solvency remains very solid

- Costs remain under control, since management costs are increasing 1.5% at constant structure and exchange rates, for growth in consolidated turnover of 3.2%.
- Net profit is sharply impacted by the claims and has recorded a loss of €103m over the first half year, after a result of -€2m in the second half year of 2008, and +€95m in the first half year of 2008.
- Coface's solvency nevertheless remains extremely solid, with a capital excess (with regards to the regulations that apply in terms of solvency for insurance companies) of €382m at the end of June, with proforma of the €50m increase in capital that was performed in July. This excess has been stable at about €400m since 2006. In order to mark this strong commitment of Coface's shareholder – Natixis and the BPCE group – in confirming its solvency through the crisis, the Shareholders' Meeting of Coface of 26 June authorised the Board, in the event of need, to increase the capital again up to €100m.

## A more positive outlook

Coface is confirming its analysis that the low point in the worldwide crisis was reached in the middle of the year, that worldwide growth should then be very low, and that, the more vigorous this growth is, the more likely it will be that it falls again. Coface is therefore expecting an improvement in claims in the second half year, but remains ready to react to this risk of a new fall, which could have a strong impact on the solidity of companies.

In an highly uncertain environment, Coface, on 1 September, set up a more detailed follow-up concerning the arrival of potential claims, on a weekly and country by country basis, that allows, according to case, to tighten (Brazil) or loosen (China, Japan), the plan that was decided in January. Coface indeed wants to continue improving its risk profile, while still providing its customers with support in the recovery, as soon as this starts to occur, country by country.

Beyond that, Coface is preparing for the "post crisis" and has just defined an ambitious strategic plan for 2010-2012, which is aiming for a return to high profitability (€250m aimed in 2012) and the number one position worldwide in the Trade Receivables Line in 2015, thanks to differentiating its offering:

- a business information offer incorporating its strong culture of credit risk, and of which its recent positioning as a rating agency is the symbol;
- the most international factoring offer, with the top network worldwide in term of geographical coverage (29 countries);
- and the top "post crisis" credit insurance offer, incorporating the criticism that was addressed to credit insurance during the crisis. Companies want to know all of our ratings, discuss these ratings and understand the impact they have on our subscription: this is the Transparency commitment taken by Coface in November 2008, and this commitment is going to be reinforced.

*"Companies want even more transparency in our risk management; they also are willing to pay a little more on the more difficult risks, in order to retain their cover: that is the offer that Coface is preparing for the beginning of 2010"* concludes Jérôme Cazes, CEO of Coface.

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### About Coface Holding

Coface Holding, Natixis' Trade Receivables Line, brings together Coface and Natixis Factor. Coface Holding offers its 130,000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, business information and ratings, receivables management and factoring. Abroad, Coface Holding is present through Coface's network of specialized brokers and local partners within the CreditAlliance Network. Thanks to the worldwide local service delivered by 7,000 staff in 67 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.