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PRESS RELEASE

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Coface announces good turnover resistance, a turnaround in its profits and a new credit insurance approach

The years 2008 and 2009 will remain those of the fifth global credit crisis, the most serious since the Second World War. World growth went from 4.2% in 2007 to 2.1% in 2008 and then to -1.9% in 2009, for an unprecedented growth drop of 6 points.

In this context, Coface's business in 2009 was marked by:

- **An increase in turnover of 3.8%.**
- **Profits that followed the three phases of the crisis: positive in the first three quarters of 2008, then posting losses in the next three quarters, finally showing solid improvement in the second half of 2009 with a positive profit in the fourth quarter of 2009.**
- **Strong support from its shareholder: two capital increases that strengthened Coface's financial solidity far beyond what it was before the crisis.**

(in € millions)	2008	2009	Change (current structure)	Change (constant structure)
Consolidated turnover	1,506	1,563	3.8%	3.2%
⇨ Insurance (earned)	1,136	1,185	4.3%	5.0%
⇨ Services	270	276	2.2%	-1.2%
⇨ Factoring	100	102	2.2%	-4.4%
Operating profit	43	-249		
Net profit	41	-163		

Solid turnover

Coface turnover has resisted well. After growing by 5.6% in 2008, turnover continued to grow by +3.8% in 2009 and by +3.2% at constant structure and exchange rates, still driven by strong growth from non-European countries: +22.9% and +19.3% at constant structure and exchange rates.

Insurance growth remains very strong at +4.3%. The scope effects account for the growth of Services as well as Factoring (the acquisition of the credit management firm TKB in the Netherlands and the integration of Factoring and Services activities in Poland in the consolidation perimeter). The decline of -1.2% in Services at constant structure mainly mirrors that of marketing information budget at a time of crisis. The decline of Factoring at constant structure (after it experienced a 26.3% average growth over the past 5 years) is a result of the toughened underwriting policy and the decrease in clients invoicing.

Claim expenses and profits in line with the three phases of the crisis

The economic crisis went through three distinct phases: during the first three quarters of 2008, the limited impact of the financial crisis on the real economy and the targeted measures Coface took on the affected countries beginning in January 2008, substantially limited the repercussions on technical income. During the second phase (after the bankruptcy of Lehman), in the last quarter of 2008 and the first half of 2009, the sharp worsening of the crisis substantially deteriorated Coface’s technical balances. From the end of the first half of 2009, the decline of the crisis and the efficiency of the Coface’s second plan enabled a sharp rebound of its earnings.

The claim expenses and therefore profits followed these developments. The half year loss ratios were 55% then 89% in 2008, and 116% in the first half of 2009. The loss ratio comes back to 94% in the third quarter of 2009 and to 63% in the fourth quarter. Quarterly profits experienced the same deterioration and then the same rapid improvement: -€37 million in Q1, -€80 million in Q2, -€49 million in Q3, back to a profitable level with +€ 3 million in Q4.

In 2009, operating profit showed a loss of €249 million, after a profit of €43 million in 2008 and €201 million in 2007. This was Coface’s first operating loss since its creation. The positive results in Factoring i.e. €22 million (after €37 million in 2008) and in Services i.e. €36 million (after €39 million in 2008) did not balance the operating loss in Credit Insurance of €320 million (after -€61 million in 2008 and +€109 million in 2007).

Net profits in 2009 show a loss of €163 million, after a profit of €41 million in 2008 and €164 million in 2007.

Crisis management that places priority on supporting its clients

After implementing an initial action plan as of the beginning of January 2008 to cope with the credit crisis, a tougher plan (Crisis, Act 2) was implemented in 2009, integrating the crisis’ worsening after the bankruptcy of Lehman.

This plan aims at conciliating the contra-cyclical role of credit insurance, and as such the support that it provides to its insureds and to the economy, with a quick rebound in the quality of the risk portfolio.

- Support to the insureds and the economy has resulted in a total guaranteed exposure that has been stable between the end of 2007 and the end of 2009, at €370 billion euros (the only major credit insurer to deliver such a stability).

- The rebound in the portfolio has resulted in a 30% decrease for the same period in the total guaranteed exposure weighted by the quality of the risks.

This was obtained by targeted actions on debtors that have the highest risk of non-payment, by reinforcing the quality and the freshness of the information purchased or collected, and also by reinforcing the declarative measures (accelerated notifications concerning late payments).

The involvement of all Coface teams enabled the group to return to a technical balance at the end of the year with a cleaned credit insurance portfolio and substantially re-priced premiums.

Natixis confirms its strong support for Coface

Through two successive capital increases, Natixis, 100% shareholder of Coface, marked its support for Coface's turnaround.

- A first increase of €50 million was decided in June and completed in July 2009. It reflected Coface commitment vis-à-vis its partners (clients, brokers and reinsurers) to maintain throughout the crisis an excess in solvency margin close to its level before the crisis, i.e. approximately €400 million.

- A second increase of €175 million was decided by Natixis' Board in December and will take place in March 2010. In addition with the first increase, it fully compensates the direct impact on Coface balance sheet of the 2009 pre-tax loss (-€223 million). The pro forma excess in solvency margin at the end of 2009, based on this increase, reaches €575 million, i.e. 27% more than at 31 December 2007 along with risk weighted exposures which on the contrary are less than 30%.

A process has been initiated by Natixis with Coface management for analyzing the best shareholding structure for Coface without any a priori: status quo, the sale of a minority or a majority position to one or different shareholders, or through a listing on the Stock Exchange. During this process which could last between 3 and 9 months, Coface will still benefit from the total support of Natixis.

Improvement in 2010 in spite of areas of weakness; towards a new credit insurance model

The year 2010 should see a recovery in the world economy, according to the general consensus. Coface estimates world growth at 2.7%, after -1.9% in 2009, including 5.3% in emerging countries, 1.8% in the United States and only 0.9% in the Euro zone.
This signals the end of the global credit crisis, in the sense of a widespread increase in business failures, far beyond their normal level. However, there will still be zones of weakness (sectoral or geographical); some countries (Spain, Portugal, Ireland, Hungary, Baltic countries, etc.) should once again experience negative growth and therefore more bankruptcies in 2010 than in 2009.

In this context, Coface plans to improve its various operating parameters.
The loss experience should remain at a favourable level at year-end, or very close to favourable.
Turnover growth, after the drop in the fourth quarter of 2009, should stabilise at the beginning of the year before starting to grow again under the double effect of the repricing of premium rates (in Credit Insurance) and the upturn in business (in all lines).

As part of its strategic plan, which aims for €250 million of profit in 2012, Coface continues to consolidate its world factoring network and to develop its rating business.
In 2010, Coface intends to revise the traditional credit insurance model in-depth, in order to provide an increased service to its clients and the whole economy, through three innovations:

- free access for its 30,000 insured companies to the scores of all of their customers: thus a strengthened service for them and better managed risks for Coface;
- the constant measurement of the main service provided (the insurance covers), so it remains in line with the premiums paid: thus greater security for the insured companies and for Coface;
- and A la carte cover for the less good risks: for the client this offers the ability to adjust its coverages to the level of premium he is willing to pay, for Coface this is an opportunity to develop new and profitable revenues, and for the companies "refused" heretofore by traditional credit insurance, this improves their access to financing.

"This historic crisis should lead all the players to deeply review their model and that is what we intend to do for credit insurance by relying, in particular, on our expertise in rating," underlines Jérôme Cazes, Coface CEO.

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About Coface
Coface's mission is to facilitate global business-to-business trade by offering its 130,000 customers four business lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, ratings and business information and receivables management. 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.
Coface is a subsidiary of Natixis whose share capital (Tier 1) was 13.4 billion euros end June 2009.
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