

2010: Financial recovery confirmed 2011: Strategic refocus on credit insurance

Continued growth in turnover
Sharp reduction in the loss ratio
Positive results dynamics restored
A reinforced financial solidity

The turnover for 2010 amounted to €1,622 million, up 3.8% from 2009. Turnover growth accelerated in the second half of the year, reaching 10% in the fourth quarter, driven by credit insurance and factoring. Net profit came to €61 million.

“After a difficult 2009, Coface’s operating profit improved by €355 million in 2010, bolstered by a 45-point improvement in the loss ratio and faster expansion in credit insurance, our core business. This very positive trend was accompanied by a significant increase in exposures provided to our clients to support their development,” commented Jean-Marc Pillu, Chief Executive Officer of Coface.

1- 2010 key figures

Coface’s financial recovery was confirmed in 2010, which saw a sharp decline in the loss ratio and an almost 4% increase in turnover.

In €M	2009	2010	Change	
			M€	%
Total turnover	1,563	1,622	59	4%
⇒ Credit insurance	1,249	1,311	61	5%
⇒ Factoring	102	121	19	19%
⇒ Services	212	190	- 22	- 10%
Claims expenses	1,040	602	- 438	- 42%
Loss ratio	98%	53%	- 45 pts	
Current operating profit	- 249	154	+ 403	
Other non-recurring expenses	0	- 48	- 48	
Operating profit	- 249	106	+ 355	
Net profit	- 163	61	+ 224	

2. Turnover

The turnover for 2010 increased by 3.8% compared with 2009. Turnover rose by 10% in the fourth quarter of 2010, as growth continued to improve steadily from its low point in the fourth quarter of 2009.

Turnover in credit insurance, Coface's core business, grew by 4.9% in 2010, driven by a substantial increase in premiums received our policyholders. Growth in the fourth quarter of 2010 reached 12%.

Earned premiums rose by 6.4% in 2010. This growth was driven by price increases introduced in 2009 and, most of all, by a strong commercial performance, mainly reflected by a high client retention rate of 86%, which offset the slight decline in clients' business activity.

Per geographical areas, all countries experienced an increase in earned premiums, with Germany and the Americas posting the sharpest growth.

In €M	2009	2010	Change %
France	238	245	2.9%
Germany	199	224	12.5%
Other European countries	396	414	4.6%
Americas	131	146	11.2%
Asia and others	102	105	3.7%
Total earned premiums	1065	1133	6.4%

Net banking income from the factoring business soared by 18.6%, due to clients' increased business activity and new contracts. Net banking income accelerated by 23% in the fourth quarter of 2010. Germany was still the major contributor, while other countries, such as Poland and the Netherlands, recorded a 17% increase in 2010.

Turnover in the services business was down by 10.2%, or 4.4% at constant structure. This business was hit by a severe downturn in debt collection activity due to the economic recovery and weak demand for information services in France.

3. Operating profit

In 2010, claims volumes returned to their pre- 2008-09 credit crisis levels. Claims from policyholders saw a sharp fall-off from the record levels reached during the crisis.

The loss ratio for 2010 stood at 53%, down from 98% in 2009. This ratio has been improving steadily quarter-on-quarter since the height of the crisis in the second quarter of 2009. Unlike 2009, the 2010 financial year benefited from liquidation surplus in respect of previous years.

Meanwhile, Coface stepped up its support to policyholders in 2010 by increasing its overall exposure by 10% and its risk-weighted exposure by 22%. To foster a transparent relationship with its clients, Coface now provides a range of new credit management tools, giving clients free and permanent access to their own customers' credit scores, as well as information about the weighted exposure of their risk portfolio.

Against this background of improving turnover, costs have also been brought under tight control and adjusted to reflect the change in revenues. Overall costs in 2010 rose by only 0.7% at constant structure and exchange rates. This trend is also contributing to the improvement in operating profit.

Net financial income, excluding exceptional items, came to €34 million, a considerable increase with the previous year. The portfolio value increased by €390 million to more than €2 billion.

The overall current operating profit, excluding non-recurring items, improved by €403 million to reach €154 million.

4. Non-recurring items

In 2010, Coface booked €48 million in non-recurring expenses as a result of its efforts to enhance productivity and strategically refocus on higher added-value businesses.

5. Net profit

Net profit amounted to €61 million, up €224 million from 2009 and fully reflecting the group's financial recovery.

6. Financial solidity

Coface's financial solidity has been reinforced by a €175 million increase in capital by Natixis, at the beginning of the year, together with the €61 million in 2010 net profit. Shareholders' equity amounted to €1.3 billion at end-December 2010, up 23% from end-December 2009.

With this restored financial solidity in the second half of the year, Coface's external ratings were upgraded from A+ evolving to AA- with stable outlook by Fitch and a confirmation of the A2 rating with stable outlook by Moody's.

7. Strategic reorientations

As announced in December 2010, Jean-Marc Pillu, Chief Executive Officer of Coface, presented a strategic reorientation plan to the Board of Directors on 15 February 2011. In line with Natixis' strategic plan, this new strategy should ultimately enable Coface to finance an autonomous, profitable and consistent development.

This development will refocus on credit insurance, Coface's core business, and will entail:

- gradual reduction in low value-added services;
- interruption of the European ratings agency project; however, as part of its credit insurance operations, Coface will continue to issue private ratings on companies, which cannot be used for regulatory purposes;

- ➔ focusing on the most profitable locations for factoring and those offering a high level of synergies with credit insurance.

“Despite the uncertainties weighing on the global economy, 2011 is unlikely to see any marked change in credit risk. Refocusing on credit insurance, continuing to support our clients and the ongoing internal rationalisation will allow Coface to further enhance its performances,” highlighted Jean-Marc Pillu, Chief Executive Officer of Coface.

Contact presse : Maria Krellenstein / 33 (0)1 49 02 16 29 / maria_krellenstein@coface.com

About Coface

Coface's mission is to facilitate global business-to-business trade by offering its 135,000 customers solutions to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, business information and receivables management. Thanks to the worldwide local service delivered by 6,600 staff in 65 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 16.8 billion Euros end December 2010.

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