T R A N S C R I P T

Conference Call Transcript

Q1 2015 Results

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Operator (Audio begins in progress)

Ladies and gentlemen, welcome to the Coface results conference call. I now hand over to Mr. Jean-Marc PILLU, CEO of Coface. Sir, please go ahead.

Jean-Marc PILLU, CEO, Coface

Thank you very much. Good evening everybody. It is my pleasure to welcome you to our first quarter analyst call. We begin 2015 with robust results: +5.3% growth in total turnover and a net profit of 40 million euros. These results are satisfactory, especially if you consider that they have been obtained in a still mixed economic environment.

If you could please look at page 3, you will see that there is a pick-up in the global economy. Firstly, it's a slight one and secondly, the situation is quite different from one region, or one sector, to another. The growth momentum of the Eurozone is improving, boosted by the depreciation of the euro and the collapse in oil prices. You can see in the figures that we forecast a growth of 1.3% in 2015 for the Eurozone, compared to the 0.9% growth in 2014 and the decrease in 2013. The rebound in the US economy is confirmed, in our view, despite the weak Q1 performance (but this was exactly the same a year ago). Winter time is difficult in the US, but we don't consider it will change anything in our forecast of acceleration in growth up to 2.9% in the US, as compared to 2.4% last year. Nevertheless, a certain number of emerging economies are still struggling to get back on track.

So, in this mixed economic situation, our results, as you can see on page 4, are quite good. Top line growth shows that total turnover grew by 5.3% in current terms and by 2.3% after FX change, pro forma. The Earned Premium grew at a pace of 6.8% (2.9% at constant scope and FX rate).

The net combined ratio is improving as well – at 77.5% which is 0.2 points down compared to Q1-2014 and a decrease of 2.2 points when compared to the 79.7% recorded for the full year 2014.

As regards the net income, I already mentioned 40 million or 45 million if you exclude the usual restated items we already mentioned at the IPO. This corresponds to a double-digit growth of 10.7% over one year.

These are the global Q1-2015 results. I give the floor to Carine PICHON, our CFO, who will go into more detail.

T R A N S C R I P T

Carine PICHON, Chief Financial Officer, Coface

Thank you, Jean-Marc. Good evening everybody. Let's start by explaining where the growth in premium just mentioned (of 2.9% at constant scope and specifically FX) comes from.

Firstly, new production remains at a sustainable level. We have included here all the trends from 2012 to 2015. Production is still well orientated.

Client loyalty remains strong, at 91.8%.

On prices - and I assume it's not a surprise for you either - it's clear that when you have improved profitability (as has been the case during the past two years) and experienced increased competitive pressure, prices decline. This is shown by the -2.5%. In terms of activity (the volume of activity given to us by clients), you can see that it is gradually regaining, in line with the global recovery and the slight pickup of the macro environment we mentioned earlier.

That covers the components of the growth in premiums.

If we now go to page 6, maybe just a word on earned fees. This is very important for us in terms of profitability because it is risk-free revenue. You can see that we have been able to post earned fees on premiums of 13.1% for this quarter.

That is the global picture at group level. Now, let's look at where this growth comes from in terms of regions. On page 7 we have more or less the same picture than we had during the last quarter. Clearly our growth is benefitting from the push from emerging countries. If you look at the Mediterranean and Africa it is +11%, Asia, more or less +18%, North America +5% and Latin America +15%. So, we are benefitting from our positioning and global footprint in emerging markets. This is clearly a key driver in the growth of Coface.

As concerns the two other mature markets, we've already mentioned the fact that we are in the process of implementing (or finalising according to the countries) our new commercial reorganisation. The results of this reorganisation do not yet show in the turnover figures for this quarter.

That is the picture in terms of revenue.

In terms of loss ratio: the loss ratio is still controlled, despite the still uncertain environment we discussed before. We posted a loss ratio of 49.8% for this quarter, which is a slight increase compared to the previous quarter, but globally under control. You can see the split of this loss ratio between the loss ratio of the current year and the run off (the positive release from the previous year). We opened 2015 at 72.6%, which is close to what we saw for the end of last year. Release of provision, at 25 points, is a little lower compared to the fourth quarter of 2014 and before.

Costs are also under control. On the left hand side of the slide, on page 9, you can see that we had a 5.3% growth in global costs, of which 2.6% for internal costs, including FX change. If we exclude FX change (as shown in pink), you can see that our internal costs grew by 1.2% - which is lower than the 2.9% growth in premiums. This is in line with what we previously said, that we would continue to have a slower growth in internal costs than the growth in premiums. External acquisition costs, which are the commissions we pay to brokers or intermediaries, have increased. This is clearly because the growth mentioned in some markets is more dependent on the use of intermediaries. We thus have here the corresponding costs we paid to these intermediaries.

Based on these results, you have, on page 10, the reinsurance results. For the same quarter in 2014, the reinsurance results were -24 million euros. This quarter they are -13 million. The costs of reinsurance are lower this quarter due to two main impacts. The first is that the premiums we ceded to reinsurers are lower this quarter than in the previous quarter. We already mentioned that, at the beginning of 2014, we decided to decrease cession rates to reinsurers. As we retain more premiums, we benefitted here. Secondly, we ceded a higher proportion of claims this quarter (23%). This is less than the first quarter of 2014 because we had less claims provision releases than 12 months ago. So the results have been positive in terms of ceded claims to reinsurers.

All in all, we have lower reinsurance costs. These good technical results have also been confirmed by reinsurers for 2015. We have improved the reinsurance conditions for the 2015 renewals, which has enabled us to extend excess cover. We will continue to have the same cession rates for 2015 as for 2014.

On page 11, you have the change in terms of net combined ratio. For this quarter it is 77.5% compared with 77.7 (-0.2) for the same quarter in 2014 and also better than the 79.7% recorded for the full year 2014. You see that the net loss ratio has improved, lowering by -2.5%. We have a loss ratio of 49.8% and a cost ratio which a little higher than the previous quarter, mainly due to acquisition costs and in any case, it is lower than for the full year 2014.

That covers the improvement in the technical results.

In terms of investment income, on page 12, we have a net investment income of 13 million euros. This is higher than for Q1-2014, mainly because we are now clearly benefitting from the fact that we have centralised our financial portfolio management and we have been able to achieve an economic yield of 2.1% for this quarter, compared with 1.2% in the first quarter of 2014. We are continuing the same mix between risk and yield and there is no change in terms of asset management policy from this perspective.

This also makes a positive impact in terms of results. As you can see on page 13, we have a Return on Average Tangible Equity of 10.4% for this Q1-2015, compared to last year's 8.7%. You can see that this growth in return comes mainly from an improvement in technical results - higher turnover and a lower net combined ratio, a little higher financial result and a little lower change in effective tax rate. That is why we have this return of 10.4% for Q1-2015.

I suggest that I stop now with the global presentation. Maybe we can start the Q&A session.

I suggest now that maybe I will stop for the global presentation. Maybe we can start the Q&A session.

Operator

Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have the first question.

We have a first question from Benoit PETRARQUE, Kepler Cheuvreux. Sir, please go ahead.

Benoit PETRARQUE, Kepler Cheuvreux

Good evening. Thanks for taking my questions. A couple of questions on my side. The first one will be on the French public procedure management business. I think the press rumoured that the business could go to the *Banque Publique d'Investissement*. Do you have any insight, could you confirm that this business is indeed at risk? Also, how much compensation could you get if you actually lose the business? Compensation from the state, obviously. Finally, could you give us a little bit of colour on the profitability of the business? I think you've disclosed a turnover of 60 million, but a little bit more detail on the cost side would be useful.

Then, the second question is on the risk price adequacy. I think your competitor said that they actually see a downside to the combined ratio, leading to price pressure going forward, linked to the risk insured. How do you see the market going on, on that subject? Linked to that, I see a gross loss ratio up year on year. I think that's on slide 8. You see a gross loss ratio up year on year, a little bit up as well quarter on quarter. But do you see a higher frequency here? Could you detail a little bit on that one.

Finally, you've seen ceded claims up in percentage of total claims, which is obviously good. I think it was 23%. What is the sustainable level going forward? Thank you very much.

Jean-Marc PILLU, CEO, Coface

Maybe I'll start with question one and then I'll give the floor to Carine for the remaining questions. Starting with the question about the French public guarantees, I remind you Benoit, that in a statement (it's not a question of rumour) issued on February 23rd this year, the French government indicated that it was studying the possibility of transferring the management of public guarantees currently managed by Coface, to the BPI France group. Since then, discussions have been engaged between Coface and the French state regarding the conditions under which such a transfer could be realised, notably with a view to ensuring the continuity and the quality of services provided to clients and exporters. At this stage, these discussions are ongoing. The timetable would aim, should such a decision to transfer be taken, to define a target scheme by the end of 2015 with swift implementation. I fear that's all I can say today. We have not been informed of any decision for transfer taken by the French state and the discussions on the conditions of such a transfer, should it take place, are not defined.

Benoit PETRARQUE, Kepler Cheuvreux

How much are we talking about in a worst case scenario in terms of net contribution for Coface, for this business?

Jean-Marc PILLU, CEO, Coface

I am not able to tell you more today. As you mentioned, the only figure which is published is the turnover concerned (59.9 million euros in 2014, which corresponds to 4% of our global group turnover). But today, you can understand that I cannot say more concerning the potential modalities, whatever their components, cost concerns and indemnifications. Here again, I insist on the fact that no decision of a transfer has been made. We have not been informed of any decision of a transfer during our discussions with the state.

Carine PICHON, Chief Financial Officer, Coface

For the other question, on ceded claims, you're right that we are at 23%. I will say that on a long-term basis, when we say that we cede 20% of our claims to the reinsurance of premiums, there is no reason why at a certain point we don't go to 20%. Now the question is, what will be the trajectory of this 20%? Really, it depends on the assessment of each loss ratio per underwriting year. So it can depend from one underwriting year to another. I will say that 20% is the nominative target, but it is difficult to say how it will be done specifically, quarter per quarter.

Jean-Marc PILLU, CEO, Coface

I'll take the floor for the question on loss ratio. During the call on the Q4-2014 results, I already mentioned areas of fragility around the world. I mentioned some examples. To be more specific on the subject, as I said at the beginning of the call, some emerging countries are struggling to get back on track and are being hurt by different difficult situations. We can distinguish two kinds of countries. Countries which are weak internally and vulnerable externally. Among these countries, we could mention Russia, some LatAm countries (especially Brazil) and South Africa. I remember last quarter, I also mentioned Turkey.
With regards to these countries and their debtors, we are monitoring the limits granted to our policy holders on a daily basis. We do this everywhere, every day, all over the world, but more specifically in these countries.

There is then another category of countries in which some, but not all, sectors are facing difficulties for specific reasons. I don't want to enter into too many details, but it could be because of structural weaknesses in these sectors. It could be because of an imbalance between offer and demand. It could be because of external impacts, or for reasons of political reorientation and reshuffling. One good example I can take for many countries is steel and metals. This sector is suffering for some of these reasons and sometimes a combination of these reasons. This is the case in China and in some LatAm countries, such as Chile and Brazil. Here again, we are monitoring the risks for these sectors in these countries. We mentioned in our former discussions the positive impact of oil price decreases for some countries, especially in the Eurozone. However it also has an impact on sectors such as shale gas and the solar industry in some countries – and we are also monitoring these risks. Globally, we could bear in mind that raw material exporters are suffering from the slowdown in China. There is reshuffling at work in China between exports, investment sectors and sectors more in line with domestic household consumption. This creates some disturbances, for example in building and construction, metals and copper. This is a global way to answer your question. There is nothing special. What you see for Q1 is in line with what we saw in Q4. We are monitoring this. It creates some claims, but we are well organised and quite efficient in the way we monitor our risks.

You had a question about Q4 and Q1 loss ratios being slightly higher, but really this is very slightly (1 point higher than the previous quarters). This is a consequence of what I have just been talking about.

Benoit PETRARQUE, Kepler Cheuvreux

Is there any reason to be a little bit more cautious, maybe on the close to 75% combined ratio target, given maybe the uncertainty and also some of the price pressure?

Jean-Marc PILLU, CEO, Coface

I remind you that this target was for next year. We are at the beginning of this year, so there is no reason today to reconsider this.

Carine PICHON, Chief Financial Officer, Coface

There was a last question on risk price adequacy and price pressure. I think you asked about what we do in terms of exposure. It's clear that there is a need to have a good balance between price and exposure, but I will say that we monitor our exposure on a day to day basis, based on the situation of each country and each sector we are looking at. As a reminder, exposure monitoring is done every day, every minute and price discussions are only once a year. We have price adequacy because once a year we discuss contracts with our clients – and this is an important part of the profitability of the contract. Most important, however, is our capacity to monitor our risk exposure on a day to day basis. I can tell you that for all countries we have already discussed today that exposure has clearly decreased. We will continue to decrease it. To be clear, levels are monitored on a daily basis.

Benoit PETRARQUE, Kepler Cheuvreux

Ok. Great. Thank you very much.

Operator

Thank you. We have a next question from Mr. Guilhem HORVATH, Exane BNP Paribas. Sir, please go ahead.

Guilhem HORVATH, Exane BNP Paribas

Good evening. I have two questions on my side. The first is about growth. I think it's quite a good result in terms of growth. How do you expect this to evolve in H2? I think you were expecting this growth to very much pick up during H2. You also mentioned some economies in emerging markets which are struggling a bit to get back on track. Is this worrying in terms of Coface business? Does it put the long-term growth target of Coface at risk?

My second question is about new production. If you take slide 5, it shows the new production trend. If I compare this with Q1-2014, it's a decrease. It's now at the level of Q1-2013. Is there any reason why Q1-2014 was that high, or should I take it as a simple decrease compared to last year? Thank you very much.

Carine PICHON, Chief Financial Officer, Coface

Let's start with the growth. Growth is higher this quarter on a constant basis, at 2.3 compared with 1.6 last year. You're right; our growth is higher which shows that our commercial strategy is robust. We are on track in terms of growth.

Maybe I can also answer your question on new production. You're right that the trend is positive in new production. That's what I comment on page 5. Q1-2014, as you can see when comparing it with other quarters, was clearly an extraordinary quarter. We were very happy with that and we have benefitted from it. Q1-2015 is less extraordinary, but as I said, it remains at a sustainable level in terms of new production. In any case, it doesn't mean that we should review our commercial strategy, as it is strong enough to allow us to post the growth of 2.3 we mentioned.

Jean-Marc PILLU, CEO, Coface

A comment on the assumption you are making on a potential impact of the emerging countries' difficult situations on our activities. We are in a business where we are not at risk from selling policies. We are at risk from granting limits on bad debtors. But for us, there are no bad policyholders. The rule of the game is to sell policies to any company or corporate and to attract, especially in these emerging countries, additional corporates from self-insurance or non-insurance to credit insurance. And then, as Carine nicely said, we manage the risks through the various tools you know, such as decreasing limits, cancellation of limits and lower acceptance rates. In terms of pricing, we adapt the pricing for each country and each sector to which the policyholder belongs – and specifically to the situations faced by the country and the sector.

We will go on benefitting from the better growth in these countries, as compared to the Eurozone. If you come back to page 3, even if the Eurozone is picking up at 1.3%, it's much lower than the slowing 4.2% of emerging countries. Here again, we are keeping a balanced approach. On one side we are growing the business everywhere, for the sake of our top line growth. On the other side, we are monitoring our risks, so that wherever our policyholders are, the debtors with whom they work are monitored correctly, to ensure that growth is profitable at the end of the year and the quarter. So, for us, there is no negative impact because of the situation in the countries I mentioned.

Guilhem HORVATH, Exane BNP Paribas

Ok. Thank you very much.

Operator

Thank you very much. The next question is from Thomas FOSSARD, HSBC. Please, go ahead.

Thomas FOSSARD, HSBC

Good evening. I've got two questions. The first one will be related to (sorry about that) the state guarantees activities. Could you maybe answer this in a different way? In case these activities are transferred, would it lead to a need for a restatement of the business plan you provided us with at the time of the company listing?

The second question, related to this one, is: would you be able to quantify the negative impact on your franchise of losing these activities? Do you expect any negative implications from potentially losing these historical activities associated with Coface in the past? Obviously, these have given the name of *crédit Coface* and things like that. Obviously, it's very associated with your name. So would that trigger some questioning about your franchise and maybe international clients?

The second question is more related to the growth you're showing in Q2 in North America, which on a constant fixed basis looks surprisingly weak. I think that for the full year last year (2014), you were cruising at around 13% to 14%. If I'm right, let's say 15%. And in Q1, it's just 5%. I was just wondering if you could give a bit of granularity around that. Thank you very much.

Jean-Marc PILLU, CEO, Coface

Thank you, Thomas. I'll start with your first question and Carine will answer the second one. I'm afraid I'm going to disappoint you. I cannot be more precise than I've been when I answered Benoit's question. You have understood that we are in a situation where we cannot tell you today that the decision has been taken - because it is not the case. Secondly, we cannot give you the impact, as the modalities of this transfer (if it did finally happen), such as costs, indemnifications or any other parameter you might have in mind, have not been defined. It really is too soon today to answer this question. I understand that you would prefer to reduce this degree of uncertainty on the subject, but I'm sorry, I cannot tell you more.

Concerning the franchise, I can be very clear. If it were to happen, it would not hurt in any way our remaining activities all over the world, especially in France. I'm talking about the 96% of the remaining turnover. I think we benefitted at the very beginning of the history of Coface from this activity. Private credit insurance has been progressively built up thanks to the experience we acquired in the public business. But now, we are a world leader in short-term credit insurance and in every country, including France, we are known as a player in this activity. Any decision, whatever it is, concerning public guarantees will have no impact on the remaining business. I can say so, as we are talking about nearly 100% of what we are selling.
I have no fear at all in this respect.

Carine PICHON, Chief Financial Officer, Coface

For North America, it's true that last year growth was higher (13%). It's still 5%, so it's not too low. We are continuing our strategy on the US because we think it's a good one. As we told you last year, we have increased by 50% the number of agents we have in the US. We are continuing to organise our distribution network in the US because we consider that there is room to grow in this market in this respect..

Operator

Thank you. We have no more questions for the moment. Ladies and gentlemen, I remind you that if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding for the next questions.

The next question is from Guilhem HORVATH, Exane BNP Paribas. Sir, please go ahead.

Guilhem HORVATH, Exane BNP Paribas

Two follow-up questions from my side. The first one is about the last question on the US. Do you see a pick-up in penetration here? Can you quantify that?

The other one is about pricing. Still on slide 5, I guess. We see that pricing is deteriorating quite a lot compared with Q1-14 and even to the full year 2014. Can you give us a bit of flavour on what you expect for the future? Do you assume it's going to continue in the future? How much? Thanks.

Jean-Marc PILLU, CEO, Coface

Maybe I'll take the floor for the second question. We anticipated a price decrease for this year. So, there is nothing new. And we already commented, before last year's results, on this question. Why were we anticipating this decrease? It's because we knew, as Carine said, that the profitability of some contracts had improved in 2014, compared to 2013. And in 2013, the profitability was better than in 2012. We know the kind of mechanical effect this has on price renegotiations with our clients. We knew that in 2014 we would face some price decreases. And we knew very well that these price decreases would accelerate because of the improvement in profitability during the last year compared with the previous year. So, it's not a surprise for us. We monitor this closely and we think that it should be compensated. We'll see if it will be partially, or totally, compensated by additional activities from our clients. It's too soon to say and the variety of our clients and of the countries concerned is too wide to assess this for the rest of the year.
Answering your question about what it could be for the full year, the only thing I can tell you is that the 2.5% does correspond to Q1 renegotiations. But in Q1, we renegotiated 50% of our portfolio. So, statistically, you could consider it's a good indicator of what could happen for the whole year. But I cannot give you more than this, I must admit rather weak, statistical reasoning.

Carine PICHON, Chief Financial Officer, Coface

For the US, your question was: Do you think credit insurance has greater penetration than before? This is difficult because we don't have last year's full picture of all credit- insurers in the US. But when you look at our turnover growth for this region last year, it is 11% [in current terms] and 13% [at constant scope and FX]. Our competitors also posted good growth in turnover. Now if you compare this with GDP growth, you can see it's higher. At the moment it's too early, because figures on whether the credit insurance market is higher in the US are not public. But in any case, it is a growing market for most credit insurers, which does give you some answer.

Guilhem HORVATH, Exane BNP Paribas

Ok. Thanks.

Operator

Thank you. The next question is from Hadley COHEN, Deutsche Bank. Please, go ahead.

Hadley COHEN, Deutsche Banks

Two very quick questions. Firstly, just to confirm what you're saying in the previous question: the level of pricing that you're seeing in the first quarter is in line with your expectations when you set the 75% combined ratio for the end of next year?

Secondly, on slide 7, just looking at your growth in Northern Europe and Western Europe, from memory, you were saying that last year, you saw declines in growth, to a large extent, from the restructuring that you were doing in Germany, France, etc and we should expect that to improve in 2015. Could you explain why we haven't seen that yet? Should we expect to see it later in the year? Thanks.

Jean-Marc PILLU, CEO, Coface

It was very difficult to understand you, especially for the second question, but I hope we've been able to catch it. On your first question, you know the tradition is that we don't make any forecasts but I gave you some ways to make your own prognostic about the evolution of prices for the remainder of the year. I'm sorry, but I cannot tell you more. We'll renegotiate the contracts to come in the same way as we did during the first quarter.

Hadley COHEN, Deutsche Banks

Apologies, maybe if I ask it slightly differently. You said that you were anticipating price declines in 2015 because profitability has improved. Was it the level of price declines that you anticipated that we are seeing? Is that consistent with when you were setting the 75% combined ratio target?

Carine PICHON, Chief Financial Officer, Coface

Ok. The answer is that we are not so surprised by the level. It's quite common to have this kind of result.

Hadley COHEN, Deutsche Banks

Ok. Thank you.

Jean-Marc PILLU, CEO, Coface

The second question was about Northern Europe and Western Europe. We told you one quarter ago that we were still in a reengineering process in Western Europe, especially in France and then in Northern Europe, especially in Germany. The process started a little sooner, as I already explained, in France than in Germany. We can see internally, that things are improving, but it will take time. Secondly, the visibility of this improvement could be deteriorate from one quarter to another by a base effect. Especially, if you are considering one quarter – for example, you have a good illustration of this in Central Europe. The -0.9% growth, or decrease, is not representative of the trend we see at work in this region because of the base effect. I confirm that things are improving progressively in these two countries. It's a structural process, so it's a slow one. But we are progressively seeing the results. That's all I can tell you. If you look at the evolution of the activity in factoring in Germany, on the figure we post, if I remember, it's 11% growth. We said before that we have been going through a reengineering process, being more accurate in the way we monitor factoring, in addition to credit insurance in Germany. Apparently, we are progressively seeing the positive results of this reengineering. There is no doubt we'll see the same for credit insurance in these two countries, but it will take time.

Hadley COHEN, Deutsche Banks

Thank you very much.

Operator

Thank you. The next question is from Frank KOPFINGER, Commerzbank. Please, go ahead.

Frank KOPFINGER, Commerzbank

Thank you. Good evening, everybody. My first question is on the impact of reinsurance on your gross and net loss ratio. Could you please explain why we see no impact from the reinsurance, which means that the gross and the net loss ratio are at the same level this quarter?

My second question is on the geographies. It looks like the Mediterranean and Africa segment is a significant contributor to this quarterly result. Could you elaborate a little bit on the drivers of this segment especially?

Carine PICHON, Chief Financial Officer, Coface

On reinsurance, it's true that the net loss ratio and the gross loss ratio are the same: both 49.8%, you're right. Your remark is correct. We ceded 22% of our premium and 23% of our claims, so at the end, when you divide the ratio premium and claims by the same percentage, you have exactly the same loss ratio before and after reinsurance. It's the mathematical effect of that.

For the Mediterranean and Africa you're right, it's a good contributor. It was also a good contributor for growth last year. It is not only Italy, which has continued to be positive. We are also continuing to have good growth in other countries of this region, such as Turkey - where we are number one on the market. It is a fast growing region with mixed country growth. This leads to the fact that, for this region, we posted 11% growth for Q1-15.

Frank KOPFINGER, Commerzbank

Would you say this is a sustainable earnings level for this segment, or are there any exceptionals?

Carine PICHON, Chief Financial Officer, Coface

There are no exceptionals. We'll see next quarter, and the following ones, if it's sustainable. There is nothing exceptional to be mentioned.

Frank KOPFINGER, Commerzbank

Ok. Thanks.

Operator

Thank you. The next question is from Michael HAFNER, JP Morgan. Please, go ahead.

Michael HUTTNER, JP Morgan

Hi. I'm really sorry, I'm standing outside, so it's a bit noisy. I'll be very quick because I know it's the end of the call. Thank you very much. The first question is: if I think in terms of a 10.4 return on tangible equity which is a lovely number, is there anything today which makes you think that this number has got "unusuals" or different trends emerging that might be worth pointing out?

The second question is on the 25% which I think from memory is run off ratio. Is that roughly the trajectory that you had thought about when you originally looked at this? Because you've got these excess reserves and the old years running off. Is that roughly the right pace, or are we a little bit ahead or behind? Thank you.

Carine PICHON, Chief Financial Officer, Coface

On your first question, if I captured it well, on Return on Average Tangible Equity, 10.4 – 10.1, there is no specific item. Between the 10.4 and 10.1, there is just the fact that we have a non-recurring cost of around 2 million euros which we restated for this quarter – due to the fact that we decided to review the commercial strategy, as I mentioned, of the agents in the US. But that's the only difference between the 10.4 and the 10.1.

I don't think we heard your last question correctly.

Michael HUTTNER, JP Morgan

You know, the 25% reserve release, or run off profit, which is linked to the idea that as you move further away from 2008, the actuaries can be a little bit more realistic. Is that roughly the right pace, or are we behind or early?

Carine PICHON, Chief Financial Officer, Coface

You are referring to page 8, if I am right. I understand it now. You can see that we opened the first quarter 2014 at 73%. Here, we have opened 2015 at 72.6%. We have benefitted, from a certain point of view, from the fact that the weight of 2008 is lower. Now, we are at the beginning of the year, so we still need to see what the end of the year will bring in terms of loss ratio. So, we are still prudent in the first quarter because we don't have too much information. Release of provision is slightly lower this quarter but it was 27% in 2014 and 24% in 2013; so we are more or less in the same range.

Michael HUTTNER, JP Morgan

Excellent. Lovely. Thank you so much.

Jean-Marc PILLU, CEO, Coface

It's now almost 7, so if there is one last question, and after, we will close the call.

Operator

Thank you sir. The last question is from Thomas FOSSARD, HSBC. Please, go ahead, sir.

Thomas FOSSARD, HSBC

This will be a very quick question related to slide 12 for Carine. On the investment income and the yield you're currently getting on the portfolio, I think that on a full year basis last year, you indicated 1.9%. If I were to analyse Q1, it would show a return investment which is higher than that. It seems to be that in the 14.6, you're already taking out the FX impact. I was wondering what has been the reason for what seems to be a nice pick-up in yields in Q1. Thank you.

Carine PICHON, Chief Financial Officer, Coface

The increase of net income in Q1-2015 has nothing to do with foreign exchange results. I can tell you that there are two main reasons. Firstly, we had higher gains in sales. We decided to sell some equities at the beginning of this year, so we have benefitted from this. Then, as I mentioned before, last year, on January 3rd 2014, even though we had our new centralised platform in terms of financial asset management, we were not at the level we wanted to be in terms of allocation, because it has been progressive. For Q1-2014, we didn't benefit from the full effect of this new organisation and allocation. Now, in Q1-2015, we're on track. That's why the yield is a little lower in that respect. Just be careful, as we have had some gains on sale on equities for this quarter.

Thomas FOSSARD, HSBC

Ok. Thank you.

Jean-Marc PILLU, CEO, Coface

I think it's time to close the call. I would like to thank you very much for attending and also, as usual, for the quality of your questions. We'll be very happy to hear from you, or see you soon in any case for our Q2 results. Have a nice evening.

T R A N S C R I P T

Carine PICHON, Chief Financial Officer, Coface

Good bye.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.

(End of Conference Call)

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FINANCIAL CALENDAR 2015

18 May 2015 : Annual General Meeting of Shareholders

29 July 2015 : publication of H1 2015 results

FINANCIAL INFORMATION

This transcript, as well as Coface SA's integral regulatory information, consolidated accounts and Q1 analyst presentation, can be found on the Group's website: http://www.coface.com/Investors

About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2014, the Group, supported by its 4,406 staff, posted a consolidated turnover of €1.441 billion. Present directly or indirectly in 98 countries, it secures transactions of 40,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.
In France, Coface manages export public guarantees on behalf of the French State.

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T R A N S C R I P T

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Please refer to the section 2.4 "Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures" as well as chapter 5 "Main risk factors and their management within the Group" of the Coface Group's 2014 Registration Document in order to obtain a description of certain major factors, risks and uncertainties likely to influence the Coface Group's businesses. The Coface Group disclaims any intention or obligation to publish an update of these forecasts, or provide new information on future events or any other circumstance.

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