Operator (Audio begins in progress)

Ladies and gentlemen, welcome to the Coface Results Conference Call. I am now handing over to Mr Jean-Marc Pillu, CEO of Coface. Sir, please go ahead.

Jean-Marc PILLU, CEO, Coface

Thank you. Good evening, everybody. It’s my pleasure to welcome you to this conference call on Coface’s nine month Financial Results. I will first take the floor to comment the first slides of our presentation, giving you a global picture of our financial performance, as well as the main underlying features explaining them. Then, I will give the floor to Carine Pichon, who will enter into more details. First general comment: our nine month results are in line with every element of our guidance given at the occasion of the IPO.

If you look at page 3, it’s the case for total turnover and premium growth. Total turnover grew at 1.8%. Premiums are growing at 1.6% in line with our guidance in a range of 1.5 - 2.5%. One remark about the net earned premium—net of reinsurance with a growth of 8.3%, coming from the fact that we decided for this year to decrease our cession rate from 25% to 20%. And, as a consequence, our net earned premium growth is growing faster.

Regarding the other very important component of our P&L, the net combined ratio, here again, we are in line with our guidance, which is to be below 80% for this financial year. Our combined ratio is at 77.4% which shows an improvement by more than 5 points as compared to the 82.6% of the equivalent period of the previous year. It’s due, first, to the loss ratio, which has largely been reduced down to 49.7% coming from 55.6% -so, almost a 6 points decrease- and, secondly, a stable cost ratio. Our costs being under control and even decreasing in current FX as Carine will show you a little later.

So those two main components of our P&L, turnover and net combined ratio, explain the nice double-digit growth we have posted up to now for our current operating income, excluding restated items—we have already mentioned at the occasion of the IPO. So the double-digit growth is at 28.2%. It’s the same for our net income’s growth, at 36.1%. And, even if we don’t take into account those restated items, we show a growth of 7.3% of our net income as compared to the previous year.

Let me come back to the top line. You remember during the IPO we stressed that we were, as a credit insurer, a tracker of the world economy: our top line grows quite in line with the growth of the GDP or international trade. We said that our view was that we will benefit from the economic rebound we see at work, starting this year and going on for the two years to come. We also said that it will be a progressive one—quite a sluggish one, being the counterpart of the long-lasting depressed situation we went through in the past three years.

So the good news tonight is that we confirm our view. Even if this growth will be maybe a little more painful than we had in mind four months ago, the macroeconomic indicators point to recovery, allowing us to confirm what we said before. It’s positive for the top line and it’s...
also positive for the loss ratio. The quicker is the growth, the better is the solvency of the debtors and so the quality of our risk and of our loss. If you look at the curves page 4, you can see that even if the growth is a little less than four months ago, the trend is the same. And the trend is positive in all regions of the world, especially in Europe. It's also the case in US and other regions, so allowing us to confirm what we said.

You remember we also said that to be a “tracker” is Okay. It's one thing. But what we would like to be, and what we are, is a “tracker plus”. We want to do more than what is brought through the growth of our policyholders, through a much more industrialised process in terms of sales.

During the past three months, it's something which we worked on quite a lot. You can read page 5 what we name internally the “commercial factory”, which starts with lead generation. In an offer-driven market, we must detect new prospects. We must contact them through an efficient lead generation process. We must organise, and we are organising our sales teams through a multichannel distribution approach.

In some countries, it's organisation. In others, especially some old ones, if I can say so, in Western Europe, France, Germany, Austria, it's more reorganisation. We have also to systematically contact prospects through a funnel approach with a strong KPI follow-up as well as we train our sales force for better efficiency.

In addition, our innovation momentum is key, in order to attract new clients, to increase the value of the wallet on existing clients, and to make our business more attractive for newcomers. As you remember, “new new” business - attracting non-insured clients - is also our priority especially in the SME segment. And you see that since last time we discussed together, we have launched EasyLiner, our SME product, in eight countries, being in line with our plan of 15 countries equipped by the end of this year.

You can see that we have launched an additional service, which is CofaMove. It allows, from now on, our clients to be mobile and to be in touch with us, wherever they are, through their mobile phone. We want to be close to the clients. We want to be close to the sales reps of our clients, allowing them to be in contact with us wherever they are.

Our top line performance as well as its main components, reflect what I just said. And you can see that on page 6. If I start with the new production, you see that we stay on a growing trend. Our new production is 8% higher than what it was last year. Last year, there was already an increase as compared to 2012. We want to keep this momentum. And, the “commercial factory” I was talking about is organised for this purpose. We have been able, up to now, to keep our clients loyal. One thing is to attract new clients; another is to keep the existing ones. And you see that at 91.9% it’s a nice retention rate. So we have to say that the partnership with our clients through the selling process is a long-lasting one, which lasts more than ten years. And it's very important to be focused on that.

Price effect. As we are in a situation of economic rebound as well as in a situation where we monitor well our loss ratio, the profitability of our contracts is increasing. So we are more under price reduction pressure. But you see that up to now we are managing this subject quite nicely by resisting to excessive price pressure, while keeping our clients, as I just said before.

Finally, volume effect is contributing to growth –growth brought by our clients through their own ones. You see that this contribution is increasing at 2.4% as compared to 1.2% last year. It was already the case one quarter before. It confirms the economic rebound we were talking about through the sample of the 37,000 clients we have all over the world.
I stop here for the global presentation of where we are and I give the floor to Carine for the following comments.

Carine PICHON, Chief Financial Officer, Coface

Good evening, everybody. In slide number 7, as already mentioned, we have a growth in turnover which comes from what it has just been said in terms of new production increasing, high retention rate and price control. Net earned premiums at 8%, is the effect of the decrease in cession rate. What is important for us to highlight is the fact that when we look at the fees, which is risk-free turnover based on growth in premiums, you see that the ratio has increased– improved from 11.9% to 12.3%. What does it mean? It means that the fees increased at a higher level than the premiums by themselves. This is something we continue to focus on because it’s important for us to improve our global margin.

On slide number 8 you have a turnover view per region. I will start by telling you that in all seven regions, we have one common feature which is that net production is increasing. What does it mean? It means that we have acquired more new clients than we have lost them. This is positive because it shows our capacity to increase our turnover whatever the situation of each of our clients, in terms of their activities. So it’s a common trend of our situation. Now when you focus more on each of our regions, you see that we have good growth in emerging countries, including North America. Around more than 10% growth in North America and Latin America; around 5% in Central Europe, Mediterranean and Africa –growth which comes mainly from the part of emerging markets we have in this region. We are in a process of commercial reengineering –deep commercial reengineering- in Northern Europe and Western Europe.

Now, loss ratio page number 9. We confirm an improvement in our loss ratio. Before reinsurance, we posted end-September 2014, 47.1% of loss ratio. If you compare it with what we have posted end of June, you see it was 48%. So it means that we have had just for this quarter a better loss ratio, which is 45.2%. And this better loss ratio, looking at the splits you have on the second part of this slide between loss ratio of the current year and run-off, you see that the loss ratio of the current year has improved. It is 71.8%, which is lower than what we posted end September 2013, which was 73.9%. We have 2.1 better loss ratio, meaning that we are able to put now in our loss ratio an improvement as for the situation on the claims side. In term of run-off, we have the same run-off as end-June with 26.8%.

Another part of our profitability is clearly costs. Costs continue to be under control at current scope and exchange rate, showing a decrease by 1.4%. If we come back to constant perimeter and exchange rate and exclude relocation costs, which were extraordinary in 2013, we posted 1.1% evolution for internal costs. This is below the growth we posted on earned premiums of 1.6%. We continue to have a growth in costs at a lower pace than the growth in premiums, which is in line with our guidance.

Reinsurers can see this improvement and they can measure it in the commission they pay us. The reinsurance commission over the premiums ceded is 35.7% by end-September –to be compared with a commission –a rate which was around 34% last year and even below 32% for 2011.

The improvements in the claims side have a positive effect also in terms of margin because we receive more profits from the reinsurers. All in all, loss ratio improvement, cost ratio under control and improvements in commission received from reinsurers enables us to show you, as of end September 2014, a net combined ratio which is 77.4%, which is below last year– end of last year 2013, even 2012, and by more than 5 points by comparison with end-
September 2013.

Maybe some words on investment income, page number 13. You know that most of our portfolio is composed of bonds because we are looking for recurring yield. This economic yield has improved at end-September 2014. That’s the last line you can see. When we take into account accounting yield plus the change in unrealised gains, we have a 2.7% economic yield on average investment portfolio, to be compared with 0.6% at end September 2013.

And on accounting yield by itself, it’s at 1.8%. Just to remind you, we were also at 1.8% at end-June. So we have the same yield in financial investment income this quarter by comparing with the two last quarters.

That improvement in loss ratio, cost ratio and investment income stabilisation is shown on page 14, on the return on average tangible equity which is at 9.6%. And, just to remind you what was our change in equity for these first nine months of the year, you can see that we had 1.7 billion end-September by comparing with 1.8 at the end of 2013.

That’s for the final presentation. We will give the floor to raise all questions you might have.

Operator
Thank you, Madame. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad and place your handset before asking your question. We have the first question from Hadley Cohen from Deutsche Bank. Sir, please go ahead.

Hadley Cohen
Hi, good evening. Thank you very much. A few quick questions please. Firstly, you used to give a very useful slide doing the transition from the gross and combined ratio to the net combined ratio. Is it possible to get that again, please?

Secondly, just looking at your third quarter expense ratio, it seems quite high at 29.1%. I’m just wondering what’s driving —if there’s anything specific driving that or is it simply a case that you’ve got slower growth in your lower cost business divisions? And if that is true, then how should we think about that going forwards in terms of your 75% target given that you are now forecasting slightly lower growth? And then finally, can you just give us an indication of what your current reinvestment rate is, please, and what you’re actually reinvesting in at the moment? Thank you.

Carine PICHON, Chief Financial Officer, Coface
I will first answer to the expense ratio in Q3. I think you are referring to the slide number 17 where we have posted –

Hadley Cohen:
Yes.

Carine PICHON, Chief Financial Officer, Coface
What we have for you here is Q3 2014. As you can see, for the combined net ratio it is 76.4%, which is even better than the two previous quarters with improvement in loss ratio. I will now answer your question on the expense ratio.

The main reason is not that the costs are not under control. When you compare the value of our expenses quarter per quarter, we have more or less the same value of expenses. The main reason is that, as you can see in our consolidated revenue, we have €348 million in
euro. And so, we have a little less turnover in euro. The expenses in euros are decreasing less than the -0.4%. So it is just-- I will say - the fact that there is at a euro perimeter and at euro FX change an effect which is negative. But having said that, the expenses by themselves have increased less in constant perimeter and constant FX rate than the consolidated revenue because, you see, we have 1.7% in consolidated revenue at constant like for like basis for this quarter, and in term of expenses, it's around 1% I can tell you.

Your question was also on current investment returns. So how do we reinvest? You know, we have a very new and fresh investment portfolio because last year, we decided to centralise the portfolio management at a group level. It means we sold our entire portfolio last year and we have been reinvesting, step-by-step I will say, at the end of last year and during the first semester of this year. So as of today, we are not facing huge issues concerning our reinvestments in terms of bonds because these bonds have just been bought during the last six months. So we won't change, as of today, the strategy in terms of allocation, knowing that the main principle of our allocation in terms of investment yield is to be proactive on yield. But backed by looking at risks with a nice balance we follow and we'll continue in term of yield on one side and risk on the other side.

Hadley Cohen
Appreciate it. So presumably, you are still reinvesting new money on an ongoing basis?

Carine PICHON, Chief Financial Officer, Coface
Yeah. It's always-.

Hadley Cohen
So-

Carine PICHON, Chief Financial Officer, Coface
I mean, yes, we are reinvesting. You are right. And whatever the proportion of the reinvesting in new money, it is not as significant as leading to the fact that it will change fundamentally the yield that you are seeing.

Hadley Cohen
Okay.

Carine PICHON, Chief Financial Officer, Coface
And your first question, if I understand well, is the link between the gross combined ratio and the net combined ratio.

Hadley Cohen
Yeah. I think it was–

Carine PICHON, Chief Financial Officer, Coface
Am I right?

Hadley Cohen
Yeah. I think it was the last slide of the half-year presentation.

Carine PICHON, Chief Financial Officer, Coface
The last slide? Okay.
Hadley Cohen
That's a very useful— it was a very useful slide to reconcile—

Carine PICHON, Chief Financial Officer, Coface
Just— just let me check the slide—

Hadley Cohen
Sure.

Carine PICHON, Chief Financial Officer, Coface
Just to be able to answer you.

Jean-Marc PILLU, CEO, Coface
I think this one.

Carine PICHON, Chief Financial Officer, Coface
Ah, because we haven’t put the last slide of this presentation or of the June presentation?

Hadley Cohen
At the— at the— of the July presentation. So the first-half presentation.

Carine PICHON, Chief Financial Officer, Coface
Okay. We haven’t put the same slide, but I think we can give it to you if it's useful for you.

Hadley Cohen
Yeah.

Carine PICHON, Chief Financial Officer, Coface
I have no problem to give it to you. We'll send to everybody this information.

Hadley Cohen
Okay, thank you.

Operator
Thank you. We have a next question of Michael Huttner from— from, sorry, J.P. Morgan. Sir, please go ahead.

Michael Huttner
Fantastic, thank you very much. Two very quick questions. And it was a very clear presentation, thank you. The first one, can you say, in terms of your claims experience in the quarter, whether you had similar one-offs to one of your peers which reported yesterday? These related, I think, to Russia, Middle East and Phone 4 you.

The second, on the reinsurance costs— so the cost of reinsurance was 52 million for nine months. It was 36 million for the six months. Is that now a fairly stable run rate we can use in our calculations?

And then, the final question is the initial loss pick – so if I try to calculate the stand alone – so
the initial loss pick, 71.8% at nine months and the 72.7% for the six months just so you know which number I’m talking about, it kind of implies – I’m very back of the envelope, here – at least third-quarter, 70%. And I’m just asking is this 70% what we can start modelling going forward? I’m asking that because it’s a nice low number. That’s it, thank you.

Carine PICHON, Chief Financial Officer, Coface
Okay. Michael, first on reinsurance costs, you’re right. The value of reinsurance resulted in higher for these nine months by comparing with the nine months of last year. But I will say it’s normal because you see that the loss ratio has improved. So when loss ratio improves, we have more margin; but we give also little more margin to our reinsurers. Just because of that – because when you see a reinsurance commission which is improving, I will say everything would have been equal in term of loss ratio. In any case, you would have had an improvement. We just based on the loss ratio. And as of today, it’s a way to answer your question. In future, we don’t plan to change our reinsurance structure. We have discussions, as of today, with our reinsurers to renegotiate, but not change – no major change is expected from our side on the reinsurance global scheme.

I’m not sure I have a good understanding of your question. The first one was on the loss ratio and the claims. And you had some concerns in Middle East, if I understand well. Just to tell you on claims that globally speaking, as well as number of value Q2/3 was in line with what we have seen in the last – in the first two quarters. And so, no specific comment we have because nothing has happened differently. If there had been something specifically, we would have told you. But it’s not the case.

Michael Huttner
Okay.

Carine PICHON, Chief Financial Officer, Coface
And the last question, I think I haven’t understood well.

Michael Huttner
Yeah, don’t worry. I was very confusing.

Carine PICHON, Chief Financial Officer, Coface
Carine Pichon: Right.

Michael Huttner
So let me state it.

Carine PICHON, Chief Financial Officer, Coface
Sorry, Michael, because I don’t get it.

Michael Huttner
No, no, no. You’re brilliant. So if you recognise the figure 71.8 which I call the initial loss pick – I don’t think you call it that. You call it something slightly different. That’s the initial loss ratio. It’s on page 9, yeah?

Carine PICHON, Chief Financial Officer, Coface
Yeah.
Michael Huttner
And at Q2, I was – at six months, that last figure was slightly higher. It was 72.7. So, kind of trying to guess what Q3 stand-alone is or would be – it would be as 70.0? That’s a guess. I – and I just wondered if 70% is a number I can use going forward.

Carine PICHON, Chief Financial Officer, Coface
Okay. So Michael, now I understand your question. I’m not sure I will answer it. But a little!
No, I mean on that point –because it’s something which is important for us. You know –I remind that we told you and we even wrote it in our guidance, that the loss ratio of the current year would be lower than the loss ratio of the same current year [at the same period] the year before. Because we know that, in the loss ratio we calculate based on the actuarial –the quite common actuarial model, based on historical data which include 2008, which was a high loss ratio but with a high volatility. And so, the further we are from 2008, the better result we continue to enter in our historical data. Now we are one quarter more with the same good result, the lower this loss ratio of the current year will be. So now, we’ll see for Q4 –for the last, end of the year. But you see there is no reason to be at minimum above this level. But we’ll see.

Michael Huttner
Excellent. Lovely. Super. Thank you very much.

Operator
Thank you. We have a next question of François Boissin from Exane BNP Paribas. Sir, please go ahead.

François Boissin
Yes. Good evening, everybody. Three questions, please. The first one is –

Operator
I’m – I’m sorry, sir. Mr Boissin, can you speak closer to your micro, please?

François Boissin
Yeah. Sorry, can you hear me okay?

Operator
I think it’s okay. Alright, thank you.

François Boissin
Three questions, please. The first one is on the positive contribution from volumes, in terms of you know, policyholder volumes +2.4%. This seems relatively high. Can you comment on where this comes from? Any particular regions or factors?

Second question would be in terms of growth outlook. You – I mean, basically, yesterday one of your peer said you know, 3-5% growth is going to be hard reach in 2015. You continue to target 3-5%. What is your take on that?

And the last question is on fees, which are relatively strong currently. Can you give us a – a bit – can you give a few details on why that is and if we can extrapolate this going forward? Thank you.
Jean-Marc PILLU, CEO, Coface

Maybe I answer the two first questions and Carine will elaborate on the third one. Contribution of the policyholders first. The contribution of each region is in line with, I’d say, the natural growth of our clients within those regions. The 2.4% I mentioned is a kind of copy-and-paste of the geographical mix of the various GDP growth or business sector growth all over the regions where we are. We don’t see anything special to say in the breakdown it just confirms the slow but still evolving growth of economies all over the world.

As regards the target, we have nothing to say in addition to what we said during the IPO. You know, the target range is 1.5-2.5 for this year. And I remind you, we said between 3 and 5 for the two following years. And today, there is no reason to be more precise inside – as regards the positioning within this range. So we confirm our guidelines both for 2014 and the two following years.

Carine PICHON, Chief Financial Officer, Coface

On fees, it was at – you’re right. Our fees have increased. They continue to increase. It was the case end-March, end-June and in the case, end-September. What we have done on the fees front is that we have ensured that fees were well included in all our contracts; That is something we have done in the last two years already, to ensure that there is a strong control on the fees and maturing on fees in commercial point of view. We also have put in place a policy of reviewing the tariffs systematically in all our countries, for all of our contracts. And we follow them at group level, at regional level, at country level, as a key indicator in terms of turnover That's the main reason why you can see this increase.

François Boissin

Okay. And going forwards, you would remain confident on the outlook?

Carine PICHON, Chief Financial Officer, Coface

I can tell you that that’s our target.

François Boissin

Okay, okay.

Carine PICHON, Chief Financial Officer, Coface

That is the target, François, we want to grow in any case.

François Boissin

Okay.

Carine PICHON, Chief Financial Officer, Coface

But we’ll see!

François Boissin

Thank you very much.

Operator

Thank you. We have a next question from Benoit Petrarque from Kepler Cheuvreux. Sir, please go ahead.

Benoit Petrarque
Yeah, good evening. I just have three questions. The first one will be on the top line, the turnover. It looks weak in Western Europe. Can you tell us where it comes from and if you see any kind of special deterioration for example, in Germany? And also, talking to Germany, I mean, are you – do you see any particularly slowdown of the activity? Maybe lower re-price levels. I think competitors are seeing that. So just on macro in Germany, do you see something special going on in the third quarter?

And then, just finally on the combined ratio, the run-off, 26.8% – you know, are you comfortable that this is sustainable for the coming quarters? Thank you.

Jean-Marc PILLU, CEO, Coface
I’ll comment and answer the two first questions in a row. As already mentioned by Carine, as we said during the IPO and in further comments for the first half of the year, within Northern Europe, there is Germany; within Western Europe – is France. And in those two countries, we are in a process – still going on - of strong reengineering of our commercial organisation and sales force.

So it explains that up to now, the results are not yet at the level where they should be and where they will be in the future. Having in mind, as we already said, that this nice credit insurance business where we are is located in a world where the equipment rate is very low. It’s not only the case in emerging countries; it’s also the case in so-called advanced countries. So it explains the evolution of the top line in Western Europe and Northern Europe. In Western Europe, and also in Northern Europe, there is an additional explanation which is that our loss ratio is good. It has been improving during the past quarters. So it increases profitability of the contracts as well as some profit sharing, rebates which are located, as you know, in the top line and which explains partly the net performance you see.

Your second question – as regards the situation in those countries globally – Western Europe and Northern Europe, France and Germany, I repeat what I already said. The loss record is a nice one. We don’t see anything special thanks to our risk monitoring. You remember it’s really at the core of our management within Coface. We want to grow the top line, but we want also to grow the bottom line at a higher speed than the top line: so that’s the reason for the double-digit target. And the situation in Germany, according to us, is improving. And we consider that there is nothing special to say about Germany.

And most probably, this growing trend we see in Germany will go on next year. There are strong fundamentals in the growth of Germany as we experience it working with German companies. Here again, even if the evolution will be slightly weaker than what we could have imagined four months ago, the arrow is upward. The arrow of growth – the target of growth is upward in Germany as well as in most of the countries within Europe. So sorry to say, but nothing – nothing really special for Q3 as regards the Q2 and H1.

Carine PICHON, Chief Financial Officer, Coface
You see, we have around 27 points of positive run-off. But we never know what can happen in the future. I will be cautious but I will say, everything else being equal, with a loss ratio indicator we have internally with all our claims at the same level, volume of claims the same level, what will happen normally – that’s what we put in the guidance – the loss ratio of the current year will decrease. And I will say we will have a symmetric effect with a certain point of time whereas the positive run-off will also decrease, but all that’s being positive. So that’s just what I can tell you at that stage and then we will see what will see what will be this number for the quarter to come.
Benoit Petrarque
Thank you.

Operator
Thank you. We have a question from Thomas Fossard of HSBC. Sir, please go ahead.

Thomas Fossard
Yes, good evening. I’ve got two remaining questions. The first one would be related to slide number 8. If you could– I’m specifically looking at Latin America. Could you just remind us what is driving the negative 4.1% in real currency, please? And what is the – the outlook for these regions? The second question will be on the investment portfolio. So on slide 13, your invested assets are estimated at 2.57 billion. It’s showing pretty significant increase compared to the end June at +9%. I know it’s mark-to-market. But 9% seems to be rather huge– so if I’m right in my calculation. So maybe you could comment on that as well.

And the last question will be on the claims environment. Could you tell us if, since the start of Q4, you’ve noticed any changes in claim patterns? Be it potentially in terms of frequency or in terms of you know severity. Not talking of large claims, but if you have detected any sign that mid-size claims could be on the rise? Thank you.

Carine PICHON, Chief Financial Officer, Coface
On the first question on Latin America, the -4.1 you were referring to, is it the current FX rate so you have an effect mainly on Brazil, Mexico and I would say Chile. So you know there was a sharp deterioration which is lower now, but it’s still deterioration by comparing with the same FX rate of last year. Also, you have a perimeter effect that I would like to mention is the fact that since the beginning of July 2014, we have disposed of an activity we have from the Brazilian state guarantee. You know, as we did for France. And so, it has been stopped at 1st July 2014. So you have your own half of this also – of the difference between -4.1 and 3.5 which comes from that effect.

On the investment portfolio, you are right. We have increased the value of our investment portfolio. Two main reasons. The first one is that we continue to have positive net results, so cash flow will continue to be positive on that perspective. The second, which is not extraordinary in terms of cash flow, is the fact that we have received €50 million coming from Natixis because now, we are now more in the tax group in France. And so, they have paid us some tax they have to pay in term of coming from the past. That’s the reason why we have no impact on P&L for this operation but the €50 million complementary cash in the portfolio.

And the last question on the claims environment ….

Jean-Marc PILLU, CEO, Coface
For the last question –claims, here again, you ask a lot of questions about that. But here again, I’m sorry to answer that for us, it’s really a seamless situation. So – what we see is totally in line with what we saw one quarter before. And the beginning of Q4 is in line with what we posted in Q3. I would say it is business as usual.

Here again, the fundamentals are positive. We still keep some countries– some sectors– under close watch, but it’s been the case for three, four years. So we don’t see anything special in terms of increase of frequency. It’s even the contrary in terms of frequency. And
in terms of size, we don’t see anything special. So, the situation helps, but also our risk monitoring, which allows me to tell you that tonight.

**Thomas Fossard**

Okay, that’s good to know. Maybe one last thing. And I think that you mentioned it already, talking about the lower top line growth in Western Europe. Looking at the accounts, we can see that policyholder rebates are up 66%, nine months 2014 compared to nine months 2013. It seems to be a pretty huge number. So I know that the profitability of your books is improving, but rebates growing 66% year on year seems to be a fairly significant number. Is there some catch up situation in this item in 2014 and should be levelling up in 2015? Or what’s the level we should have in mind guesstimating this amount for next year?

**Carine PICHON, Chief Financial Officer, Coface**

Thomas –

**Thomas Fossard**

Thank you.

**Carine PICHON, Chief Financial Officer, Coface**

Thomas, the main reason for that is that, you have mentioned in Northern Europe and Western Europe, you are right, that is where you have the more rebates. Just – we don’t put it but maybe you make the calculation. However, the loss ratio of Western Europe is lower than 40%. It’s around 36-37%; a little higher for Northern Europe. But it’s something that we have since the two last years.

So you know, the first year - the calculation - you may have two years of good results, and we really have very good results, and the most profitable region is Western Europe. That’s the reason why you have this effect. Now, for next year, it will depend on the level of the loss ratio, but it’s true that the loss ratio is very, very low as of end September for this region.

**Thomas Fossard**

Okay, thank you.

**Operator**

Thank you. We have another question from Michael Huttner of J.P. Morgan. Sir, please go ahead.

**Michael Huttner**

Thank you very much. Just two – on tax, what can you say – and it’s an open question because I haven’t worked out the tax rate for the quarter. But maybe, you can give us an idea again. You probably told us before for the full year and maybe next year.

And the other thing – I seem to remember in some of the presentations earlier this year, you mentioned work to improve claims recovery. Is there anything here which could kind of boost the numbers going forward? Or is it already in there? I can’t remember. There was some kind of ratio with the claims recovery which you have mentioned you were targeting to improve. It’s a very vague memory. Thank you.

**Carine PICHON, Chief Financial Officer, Coface**

On tax rate, I made the calculation. I think you will do it, but I give you the figures. We have a tax rate of 31.1% end of September. So not very far from the 30.5 we had just one quarter
before. On the scheme you are mentioning too, it’s too early to discuss. We are on it. We have some steps which are behind us. But we are far – we are not yet in the position to tell you on that. It’s not in the figures you have here. So it will go and be for the years to come. And you have a question on debt collection efficiency, am I right or not?

**Michael Huttner**

Yeah, yeah. No, I can understand that. Just on the tax, what was the figure? Do you give us a figure already for the full year or for years going forward?

**Carine PICHON, Chief Financial Officer, Coface**

It’s too early. What I can tell you is that you won’t have any effect of any change before the end of the year. I can tell you this won’t be the case for the Q4 at least, okay?

**Michael Huttner**

Okay.

**Carine PICHON, Chief Financial Officer, Coface**

So it will be something that will be for the years to come. So, okay, it’s just really too early to – I mean, it takes time. We have to see a lot of flows and so on. So I prefer – nothing for Q4 in any case.

**Michael Huttner**

And – and – okay. And then debt collection, you were saying there’s nothing in these numbers.

**Carine PICHON, Chief Financial Officer, Coface**

No, no.

**Michael Huttner**

So that’s the benefit you kind of –

**Carine PICHON, Chief Financial Officer, Coface**

But it’s a – it’s a – I mean, you see improvement in loss ratio, so it’s because number of claims decrease and because we continue our effort on debt collection process.

**Michael Huttner**

Okay.

**Carine PICHON, Chief Financial Officer, Coface**

It’s worked.

**Michael Huttner**

So it’s just like ongoing?

**Carine PICHON, Chief Financial Officer, Coface**

Yeah.

**Michael Huttner**

Okay, cool. Lovely. Excellent. Okay, thank you.
Operator
Thank you. There are no further questions for the moment.

Jean-Marc PILLU, CEO, Coface
So if there are no further questions, I think it's time for the conclusion. Thank you, everybody, for having participated in this Q3 conf-call. I'm sure we'll have additional opportunities in the coming weeks and months to discuss our nice business. At the latest, on February 17th, 2015 for the full year results. I wish you a good evening and tell you, goodbye.

Carine PICHON, Chief Financial Officer, Coface
Goodbye.

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

(End of Conference Call)
CONTACTS

MEDIA

Maria KRELLENSTEIN
T. +33 (0)1 49 02 16 29
maria.krellenstein@coface.com

ANALYSTS / INVESTORS

Nicolas ANDRIOPoulos
Cécile COMBEAU
T. +33 (0)1 49 02 22 94
investors@coface.com

FINANCIAL CALENDAR
February 17th, 2015: publication of the financial year 2014 results

FINANCIAL INFORMATION
The present transcript as well as the integral regulatory information of COFACE SA are available 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 2013, the Group, supported by its 4,440 staff, posted a consolidated turnover of €1.440 billion. Present directly or indirectly in 98 countries, it secures transactions of over 37,000 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.
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Readers should read the respectively 9M 2014 Financial Results and complete this information with the Prospectus relating to the initial public offering (“IPO”) of the Company. The Prospectus was approved by the Autorité des marchés financiers (“AMF”) on June 13th, 2014 under the No. 14-293, and it consists of: (i) a Base Document registered under the No. I.14-029 dated of May 6th, 2014 (only this document exists in English); (ii) a Securities Note registered under the No. 14-293 dated of June 13th, 2014; and, (iii) a summary of the prospectus (included in the Securities Note). The Prospectus presents a detailed description of the Coface Group, its business, strategy, financial condition, results of operations and risk factors.

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