

COFACE SA

And Core Subsidiaries

Full Rating Report

Ratings

COFACE SA

Long-Term Foreign-Currency IDR A+
Short-Term Insurer Financial Strength Rating F1

Compagnie française d'assurance pour le commerce extérieur

Insurer Financial Strength Rating AA-
Long-Term Foreign-Currency IDR A+

Short-Term Insurer Financial Strength Rating F1+

See page 14 for subsidiaries' ratings

Sovereign Risk

Long-Term Foreign-Currency IDR AA
Long-Term Local-Currency IDR AA

Outlooks

Insurer Financial Strength Rating Stable
Long-Term Foreign-Currency IDR Stable

Sovereign Long-Term IDRs Stable

Financial Data

COFACE SA

(EURbn)	2015	2014
Total assets	6.56	6.26
Total equity	1.77	1.72
Gross written premiums	1.27	1.24
Net combined ratio (%)	83.1	79.7
Net profit (EURm)	126.2	125.0
Solvency II margin ^a (x)	1.47	1.44

^a 2015: Standard formula; 2014: Economic capital

Source: Coface accounts

Key Rating Drivers

Leading Business Position, Limited Size: Compagnie française d'assurance pour le commerce extérieur, the main operating entity of the Coface group (Coface), is the third-largest credit insurer worldwide. The group holds an estimated 20% market share in the credit insurance industry, and operates in 67 countries and in multiple economic sectors. Despite its leading position, Coface has limited product diversification.

Solvency Supportive of Ratings: Fitch Ratings considers Coface's capitalisation to be supportive of its ratings. At end-2015, Coface's Solvency II ratio based on the standard formula was 147%, significantly below its Solvency I ratio (650%). The difference is explained by higher loadings for non-life underwriting risk. Fitch also takes a positive view of the EUR100m contingent equity line (CEL) that Coface put in place in February 2016 to protect its Solvency I ratio in the event of extreme adverse events.

Moderate Financial Leverage, High TFC: At end-2015, the financial leverage ratio (FLR) was 18%, in line with 2014. FLR is in line with the Fitch 'AA' category IFS median and Fitch does not expect Coface to raise additional financial debt in the near future. The total financing and commitment (TFC) ratio - a measure of debt and debt-like obligations - was 1.6x (2014: 1.5x), higher than the peer average. Debt is used mostly to fund the group's factoring operations.

Strong Underwriting Performance: In 2015, Coface's underwriting performance deteriorated but was relatively resilient as the group reduced underwriting limits to certain countries exposed to high frequency claims. Coface's combined ratio was 83.1% (2014: 79.7%) (a level below 100% indicates an underwriting profit). This result is strong and commensurate with Coface's ratings. Fitch expects Coface's underwriting performance to remain good albeit pressurised in 2016.

Solid Earnings: In 2015, Coface reported net income of EUR126m (2014: EUR125m) and the Fitch-calculated return on equity (ROE) was 7.3%, in line with 2014. Despite the volatility inherent in credit insurers' business, Coface has a stable earnings profile. Fitch expects Coface's net profitability in 2016 to be in line with 2015 as the group's stricter underwriting guidelines will offset pricing pressure.

Adequate Financial Flexibility: Fitch considers Coface to have adequate access to external funding. This is in the form of operating debt, commitments received from banks and the CEL.

Effective Reinsurance Programme: Fitch considers Coface's reinsurance programme to be effective as it serves to reduce earnings volatility in times of financial disturbance.

Rating Sensitivities

Lower Capital, Higher Leverage: The ratings could be downgraded if Coface's net premiums written-to-equity ratio increases to 1.1x (2015: 0.6x) or its financial leverage ratio increases to 25%.

Deterioration of Underwriting Profitability: The ratings could also be downgraded if the group's combined ratio, as calculated by Fitch, increases to above 100% over a sustained period.

Upgrade Unlikely: A rating upgrade is unlikely in the medium term, given Coface's limited size and product range compared to larger, higher rated insurers.

Analysts

Federico Faccio
+44 20 3530 1394
federico.faccio@fitchratings.com

Willem Loots
+44 20 3530 1808
willem.loots@fitchratings.com

Risk Exposure by Country

Country	(%)	Rating
Germany	15.4	AAA
France	10.1	AA
United States	9.1	AAA
Italy	8.9	BBB+
UK	6.3	AAA
Spain	4.8	BBB+
Netherlands	3.1	AAA
Poland	2.3	A
Japan	2.2	AAA
Belgium	1.9	AA+
Others	35.8	n.a.
Total	100	n.a.

Source: Coface, Fitch

Market Position and Size/Scale

Market-Leading Credit Insurer

- Strong presence worldwide
- Focus on credit insurance
- Niche player but well diversified by sector and geography
- Short-tail business, flexible policies

Strong Presence Worldwide

With over EUR1.3bn of gross written premiums (GWP) in 2015, Coface is the third-largest credit insurer worldwide, accounting for an estimated 20% market share within this business line. It operates predominantly in France, Italy, Germany and North America. The company has a strong presence in 67 countries and employs over 4,000 staff.

Focus on Credit Insurance

Since 2012, Coface’s strategy has focused on its core credit insurance activities, which account for over 80% of total revenue. The group has retained certain other activities, including credit information, debt collection and factoring (notably in Germany and Poland), but only those that add value to its core business.

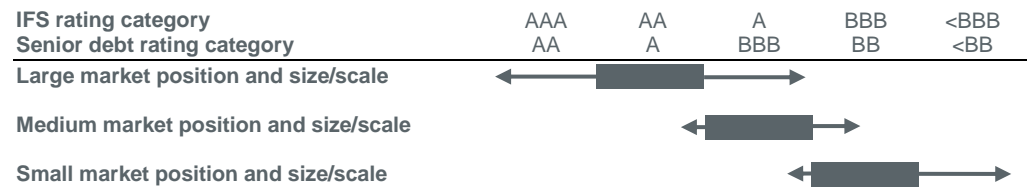
Niche Player but Well Diversified by Sector and Geography

Despite being a niche player, Coface is well diversified by sector and geography, with no particular concentrations. The company operates through a direct sales network in 67 markets – and 100 markets including partnerships. Product distribution channels vary according to the country of operation. In 2015, direct sales networks and tied agents represented 33% of Coface’s total salesforce, but more than half of its business is introduced by brokers.

Short-Tail Business, Flexible Policies

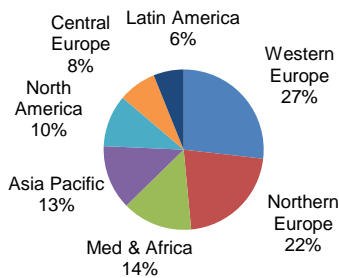
Coface’s underwriting portfolio consists mainly of short-tail business where the risk is borne by the insurer for up to 180 days. Coface benefits from the flexibility to promptly adjust the terms and conditions of its policies and to impose stricter underwriting conditions, which enabled the group to recover quickly following the financial crisis in 2008-2009.

Ratings Range Based on Market Position and Size/Scale



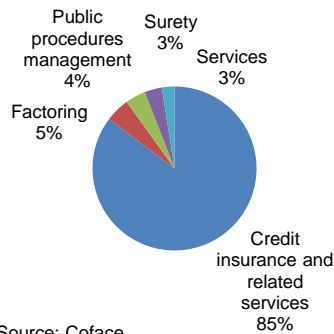
Source: Fitch

Group’s Debtor Outstandings by Geographies



Source: Coface

Revenue by Business Line 2015



Source: Coface

Related Criteria

[Insurance Rating Methodology \(May 2016\)](#)

Corporate Governance and Management

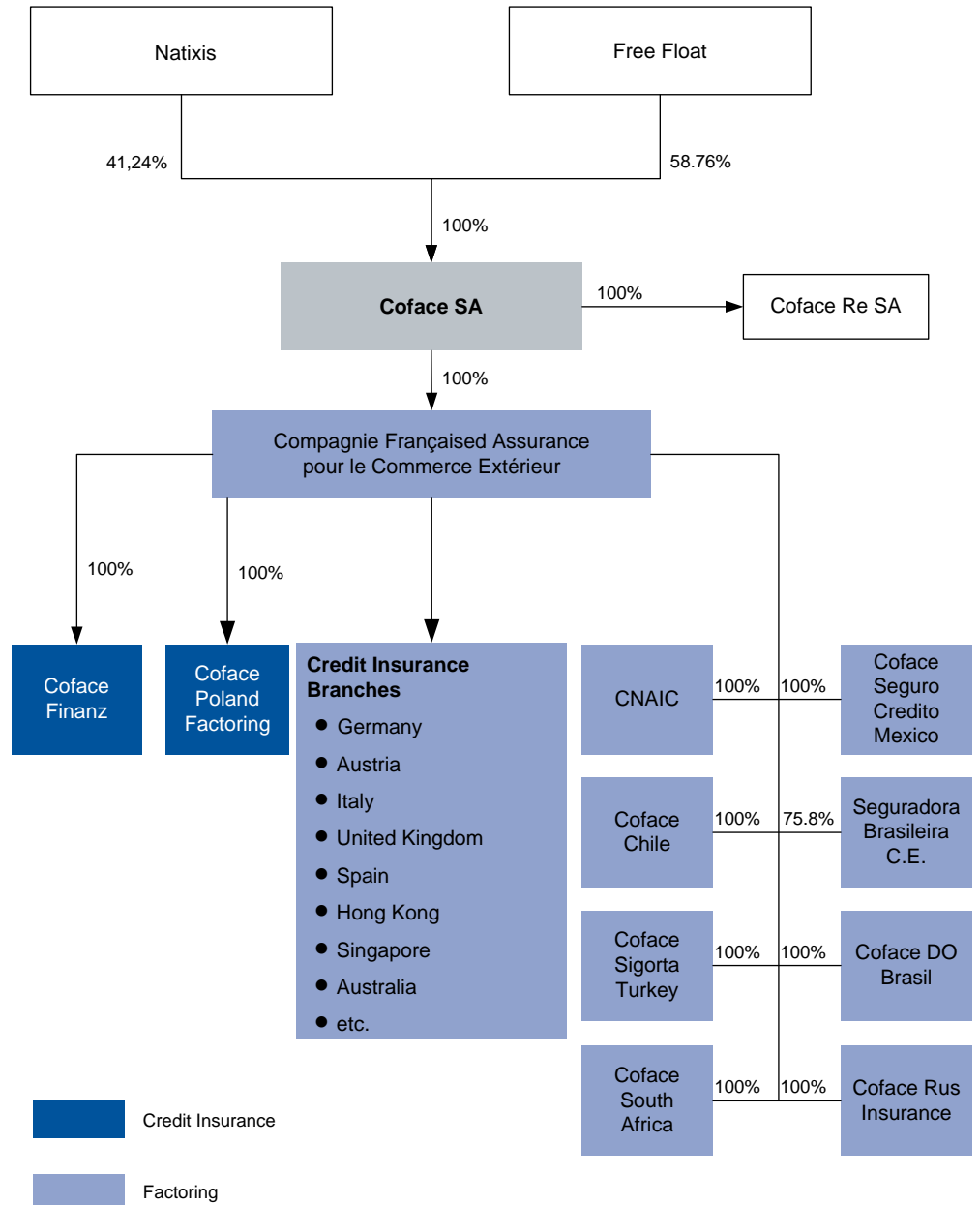
- Fitch considers corporate governance and management adequate and neutral to the rating.
- KPMG and Deloitte are Coface's auditors. The opinion for 2015 was unqualified. Coface reports under the IFRS framework.
- Coface's supervisory board has 11 members and the managing board has 14 members. The company is governed by the French insurance code. The Autorité de Contrôle Prudentiel et de Résolution (ACPR) is its main regulator as the company is headquartered in France.

Ownership is Neutral to Rating

Since June 2014, Coface has been listed on the French regulated market, Euronext Paris. At 31 March 2016, public shareholders, Natixis and Coface employees owned 58.52%, 41.24% and 0.24% of the company respectively. Fitch does not expect any material change in the group's ownership structure in the near term.

The Coface group legal structure (diagram below) shows the group's key operating subsidiaries (excluding sub-holdings).

Simplified Group Structure Diagram



Source: Coface

Sovereign and Country-Related Constraints

- Fitch rates France 'AA' with a Stable Outlook, and the Country Ceiling is 'AAA'. The ratings of French insurance organisations and other corporate issuers are not directly constrained by sovereign or macroeconomic risks.

Industry Profile and Operating Environment

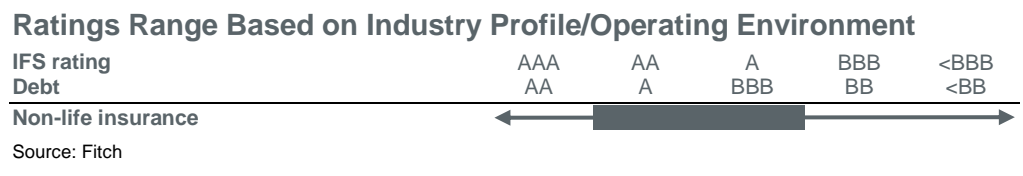
Large Capacity, but Competitive Operating Environment

Underwriting is challenging in the credit insurance industry because of risk selection and pricing. Continued downward pressure on prices is driven by high levels of available capacity, a benign claims environment and fierce competition, especially in more mature markets.

Total insured exposure covered by trade credit insurance increased by 12% to EUR2.21trn at end-2014 from EUR1.97trn at end-2013. Demand for credit insurance cover increased slightly to EUR6.02bn at end-2014 from EUR5.98bn at end-2013, according to the International Credit Insurance and Surety Association (ICISA).

The high level of competition in the credit insurance market – particularly from government export credit agencies and new capacity in the London market – has kept prices low. Claims paid for the credit insurance sector decreased by 1% to EUR2.85bn at end-2014 from EUR2.88bn at end-2013. The claims ratio improved to 46.9% (2013:48.8%).

In 2015, the demand for trade credit insurance is expected to have increased especially in Asia, the Middle East and North Africa and to a lesser extent in sub-Saharan Africa for single risk transactions.



Peer Analysis

A Dominant Player in the Credit Insurance Market

Three major European groups – Euler Hermes, Atradius and Coface – dominate the market internationally, with an estimated combined market share in 2014 of 80%. Credit insurers face soft market conditions and fierce competition and their underwriting performance can be volatile. Even so, Fitch considers their earnings remain solid.

Coface's financial performance is in line with peers', as shown in the table below.

World's Largest Credit Insurers

(EURm)	Euler Hermes (NR)			Atradius (NR)			Coface (IFS: AA-) ^a		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Total turnover	2,486	2,527	2,638	1,578	1,627	1,718	1,440	1,441	1,490
Gross earned premiums	2,079	2,126	2,205	1,412	1,458	1,537	1,129	1,133	1,186
- % of turnover	84	84	84	89	90	89	78	79	80
Other revenues (services income)	407	401	433	166	169	181	312	308	304
- % of turnover	16	16	16	11	10	11	22	21	20
Retention rate (%)	69	70	70	54	55	56	74	79	79
Net earned premiums	1,436	1,482	1,549	770	815	862	888	964	1,001
Net loss ratio (%)	61	62	53	46	43	42	49	45	48
Net expense ratio (%)	25	27	27	37	36	36	49	39	39
Combined ratio (%)	75	75	81	84	78	78	98	84	87
- Average last 3 years (2013-2015; %)		81			80			90	
Consolidated net income	300	314	304	117	135	178	127	125	126

^a Fitch calculations: net loss ratio = net claims incurred/net earned premiums; net expense ratio = premium refunds + acquisition costs + administrative expenses + reinsurance commission and profit participation + other underwriting related (costs) income /net premiums written

Combined ratio = (net claims incurred/NEP) + ((premium refunds + acquisition costs + reinsurance commission and profit participation + administrative expenses + other underwriting related costs)/NWP)

Since 2008, Atradius has included CyC; Coface excludes Natixis Factor

Source: Fitch and annual reports of Euler Hermes, Atradius and Coface

Capitalisation and Leverage

(x)	2011	2012	2013	2014	2015	Fitch's expectation
Regulatory capital ratio (Solvency I)	5.9	6.8	8.3	7.1	6.5	Fitch expects Coface to have maintained strong capital levels in 2015 and does not expect a material change in the FLR and TFC ratios in the near future.
Net premium written/equity	0.5	0.5	0.5	0.6	0.6	
Net leverage ^a	1.2	1.2	1.1	1.2	1.2	
Gross leverage ^b	1.7	1.5	1.5	1.6	1.6	
Financial leverage (%)	3	1	1	18	18	
Total financing & commitments ratio	2.1	1.2	1.2	1.5	1.6	

^a The ratio is calculated by dividing the sum of net premiums written and insurance liabilities, less any ceded reserves, by equity

^b The ratio is calculated by dividing the sum of direct and assumed premiums written and total gross liabilities by equity

Source: Fitch, Coface

Capitalisation Supportive of Ratings, Moderate Leverage

- Solvency margin sensitive to underwriting risk
- Limited use factors protect capital
- Moderate financial leverage
- Relatively high TFC ratio

Solvency Margin Sensitive to Underwriting Risk

Fitch considers Coface group's capitalisation to be supportive of its ratings. At end-2015 Coface's regulatory Solvency I margin was 6.5x the minimum requirement and its Solvency II ratio was 147% (calculated according to the standard formula). Operating leverage (net premium written to equity) was also strong at 0.6x.

The lower Solvency II position compared with Solvency I is explained by higher loadings for non-life underwriting risk (around EUR1bn before diversification by product and geography compared with EUR1.3bn GWP).

In February 2016, Coface put in place a CEL to protect its solvency in the event of extreme scenarios. The CEL represents a contingent capital increase if certain triggers are hit. Fitch views the CEL positively from a capital perspective.

Coface indicates that a 1:20 stress event (loss ratio of 95%) would reduce the Solvency II coverage to 126%. A loss ratio equivalent to the level observed during the 2008/2009 economic downturn would reduce the coverage to 112%. At that point, though, the CEL would be triggered, adding six percentage points to the ratio (118%). Positively, sensitivity to market shocks is limited.

Limited Use Factors Protect Capital

Limits granted by Coface are not fully used by its clients; there is an average use factor of no more than 30%, which contributes to capital protection. Indemnification is usually capped at 85%-90% of the loss, and each policy has a maximum limit of liability.

Moderate Financial Leverage

At end-2015, the financial leverage ratio (FLR) was 18%, in line with 2014, due to the issue of subordinated notes in March 2014. The FLR is in line with the Fitch 'AA' category IFS median and Fitch does not expect Coface to raise additional financial debt in the near future.

Relatively High TFC Ratio

In 2015, the group's total financing and commitments (TFC) ratio, a measure of debt and debt-like obligations, was 1.6x (2014: 1.5x), higher than the peer average. Debt was used mostly to fund the group's factoring operations.

Fitch believes that the liquidity needs of the factoring business are well managed and does not expect the TFC ratio to decrease in the near future, given that Coface will maintain its factoring activities in Germany and Poland.

Debt Service Capabilities and Financial Flexibility

(x)	2011	2012	2013	2014	2015	Fitch's expectation
Fixed-charge coverage ratio (excluding realised and unrealised capital gains)	26	68	53	13	10	Fitch expects Coface's fixed-charge coverage ratio to remain above 7x ('A' category) in 2016.

Source: Coface, Fitch

Holding Company Liquidity/Bank Facilities

At end-2015, the group had EUR600m undrawn committed facilities to back up its commercial paper programme.

These back-up credit lines were provided by high-credit-quality banks including: Société Générale (A/Stable), Crédit Agricole (A/Positive), Natixis (A/Stable), HSBC (AA-/Stable), BNP Paribas (A+/Stable) and BRED Banque Populaire (A/Stable).

Coface also had EUR1bn commitments given to Coface Finanz (German factoring) and Coface Factoring Poland (mainly surety bonds).

Strong Fixed-Charge Coverage, Adequate Financial Flexibility

- Strong fixed-charge coverage ratio
- Adequate financial flexibility

Strong Fixed-Charge Coverage Ratio

Coface's fixed-charge coverage ratio, as calculated by Fitch, was 10x at end-2015 (2014: 13x). Interest payments mainly relate to the EUR380m subordinated notes issued in March 2014. Despite the inherent volatility of Coface's earnings, Fitch expects Coface's coverage ratio to remain commensurate with the ratings. The total amount of interest should be stable as the group does not plan to increase financing debt, and Fitch expects the coverage ratio to remain above 7x ('A' category) in 2016.

Adequate Financial Flexibility

Fitch considers Coface to have adequate access to external funding. This is in the form of operating debt, commitments received by banks and the EUR100m CEL.

The funding of the factoring business is well diversified by source (securitisation, commercial paper and credit lines), financial institution (eight banks), term (53% short term, 47% medium term) and concentration (maximum 20% financed by a single bank).

Coface issued EUR380m of subordinated notes in March 2014 before its IPO in June 2014.

Financial Performance and Earnings

(%)	2011	2012	2013	2014	2015	Fitch's expectation
Net income (EURm)	63.6	124.1	127.4	125.0	126.2	Fitch expects Coface to maintain a good underwriting performance in 2016 with a combined ratio below 90% resulting from the group's stricter underwriting guidelines and manageable claims development.
Net income return on equity	4.2	7.3	7.2	7.1	7.3	
Pre-tax operating profit return on equity	9.3	11.9	9.1	11.1	10.9	
Net combined ratio	82.7	79.7	82.5	79.7	83.1	
Net loss ratio	56.9	53.3	53.8	50.4	52.5	

Source: Coface, Fitch

Solid Earnings, Potentially Volatile

- Good profitability
- Strong underwriting performance
- Selective risk acceptance

Good Profitability

In 2015, Coface reported net income of EUR126m (2014: EUR125m) and ROE of 7.3%, in line with 2014. Volatility is inherent in credit insurers' business and this can affect their profitability. However, despite this volatility, Coface has a stable earnings profile.

Fitch expects Coface's net profitability in 2016 to be in line with 2015, with the group's stricter underwriting guidelines offsetting pricing pressure. The factoring business should continue to contribute favourably to Coface's result.

Strong Underwriting Performance

In 2015, Coface's underwriting performance marginally deteriorated but remained relatively resilient as it gained from the group's risk underwriting organisation, with more risk underwriting centres and a full revision of the group's risk portfolios. The group is reducing underwriting limits to certain countries exposed to high frequency claims.

Coface's net combined ratio was 83.1% in 2015 (2014: 79.7%) (a level below 100% indicates an underwriting profit). This result is commensurate with Coface's ratings. Fitch expects Coface's underwriting performance to remain good albeit pressurised in 2016. The reported combined ratio in 1Q16 was 87% (1Q15: 77.5%).

Selective Risk Acceptance

Fitch considers Coface's exposure to risk to be adequate, with 89% focused on highly rated risks, as measured by Coface's internal risk assessment system. The risk acceptance rate used by the company does not exceed 18% for the non-investment grade category.

Investment, Asset Risk and Liquidity Management

(%)	2011	2012	2013	2014	2015	Fitch's expectation
Risky assets ^a /equity	7.0	9.4	24.6	41.0	38.0	Fitch does not expect any material change in Coface's investment strategy, which is focused on fixed-income assets.
Unaffiliated common stocks/equity	6.0	7.7	11.3	18.0	19.3	
Non-investment grade bonds/equity	-	0.8	12.3	21.9	17.5	
Investments in affiliates/equity	1.0	0.9	1.0	1.1	1.1	
Liquid assets/technical reserves	197	204	228	244	266	

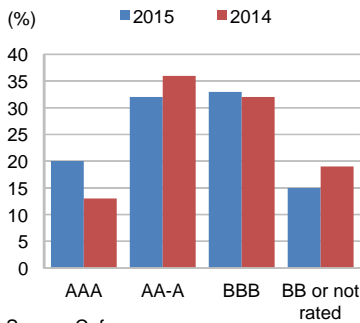
^a Risky assets include sub-investment-grade bonds, equities and affiliates (excluding factoring receivables)

Source: Coface, Fitch

Diversified Investment Strategy, High Portion of Factoring Receivables

- Diversified investment portfolio
- FX risk covered by asset-liability matching
- Moderate quality of factoring receivables
- Strong liquidity

Coface Bond Portfolio Ratings 2015



Source: Coface

Diversified Investment Portfolio

Coface has a diversified investment strategy and is predominantly invested in fixed income instruments (67% of total invested assets), with an average rating of 'A-', and loans (20%) of similar credit quality. The bond portfolio is well diversified by geography, with eurozone and North America accounting for the largest exposure, as a result of Coface's business mix, and equally split between sovereign and non-sovereign. However, 15% of the bond portfolio was invested in below-investment-grade bonds at end-2015 (19% in 2014).

Equities represented 9% of investments, 40% of which is hedged, and real estate 4%. The risky assets to equity ratio, as calculated by Fitch, is low.

Since 2013 Coface has reorganised and centralised its investment policy. The company outsources administrative services such as middle- and back-office management, reporting to Amundi, a leading European asset manager, through an international platform. Coface remains in charge of its overall asset allocation.

FX Risk Covered by Asset-Liability Matching

An important proportion of Coface's revenue is earned outside the euro area, and is hence exposed to FX risk. However, there is a good currency match between assets and liabilities. In cases where FX exposure departs from the matching principle, the position is covered by hedging.

Moderate Quality of Factoring Receivables

In 2015, Coface's factoring receivables accounted for 34% of total assets (2014: 36%). These receivables, arising mainly from corporates, are viewed as moderate quality by Fitch. Coface has developed an internal scoring system to assess debtor and ceding risks.

The part of receivables due and not yet recovered was 25% (2014: 21%) of total receivables of which 11% (14%) were over 90 days past due (non-performing). Fitch considers Coface's exposure to factoring receivables as manageable.

Strong Liquidity

Fitch considers Coface's liquidity to be strong as reflected by its high liquidity ratio. Coface's liquidity is also supported by the good quality and short duration (around three years) of its investment portfolio.

Reserve Adequacy

(%)	2011	2012	2013	2014	2015	Fitch's expectation
Loss reserves/current-year incurred losses	1.9	2.0	1.9	1.9	1.8	Fitch expects Coface to maintain adequate reserve levels. The agency expects prior-year reserve releases to support profits reported.
Loss reserves/equity	0.6	0.5	0.5	0.5	0.5	
Current-year paid losses/incurred losses	0.8	1.1	1.0	1.0	0.9	
Change in loss reserves/earned premium	8.8	-10.1	0.5	-6.6	0.0	
One-year reserve development/prior-year equity	-10.9	-11.9	-9.0	-11.8	-11.4	
One-year reserve development/prior-year loss reserves	-19.4	-21.5	-18.5	-25.4	-23.4	

Source: Coface, Fitch

Adequate Reserving

- Consistently favourable claims development

Consistently Favourable Claims Development

Coface's reserving practices have proved favourable since 2003 (excluding underwriting year 2008). Over the four years, 2012-2015, the average gross loss ratio for prior years was a positive 25%.

Fitch does not expect material changes in reserving practices and believes that the group's conservative reserve levels will support profitability through reserve releases in the coming years.

Reinsurance, Risk Management and Catastrophe Risk

(%)	2011	2012	2013	2014	2015 Fitch's expectation
Net premiums written/gross premiums written	70.7	74.3	73.9	79.1	78.9
Reinsurance recoverables/equity	26.7	21.6	19.3	18.9	21.7

Fitch expects Coface to maintain a ceding ratio at current levels and to continue to purchase prudent reinsurance protection.

Source: Coface, Fitch

Conservative Reinsurance Programme

- High reinsurance utilisation smoothing profitability through the cycle
- Centralised reinsurance at group level via Coface Re
- Conservative level of reinsurance programmes
- High quality of reinsurance providers

High Reinsurance Utilisation Smoothing Profitability Through the Cycle

Fitch views positively Coface's active use of reinsurance, with 21% of GWP ceded to reinsurers in 2015 (21% in 2014), as it serves to smooth profitability in times of financial disturbance.

Centralised Reinsurance at Group Level via Coface Re

Since January 2015, Coface Re, the captive reinsurance company of Coface group, has provided internal reinsurance to Coface (including its branches) and its subsidiaries globally and manages the group's external reinsurance arrangements.

Coface's reinsurance policy has been centralised at the group level since 2003, with a view to mitigating aggregated losses through a quota-share treaty and excess-of-loss cover, and protecting individual subsidiaries through internal stop-loss programmes. This provides a global view of the entire group, enabling appropriate measures to be taken quickly.

Conservative Level of Reinsurance Programmes

In 2015, Coface added a stop-loss treaty to its reinsurance programme that covers the retention. Coface has a quota-share treaty at 20% to cover attrition claims and two excess-of-loss treaties, one per risk and another per country for single risk. The deductibles are adjusted annually in relation to both the group's net assets and the net annual probable maximum loss, taking into account internal sharing mechanisms (at a 99% confidence level).

Reinsurance programmes are structured so that no more than 3% of the group's total adjusted equity is at risk (net of taxes), which Fitch views as conservative.

High Quality of Reinsurance Providers

The quality of the reinsurance panel is satisfactory: core providers are in the 'AA' and 'A' rating categories. The group's main reinsurance providers are: Hannover Rueck SE (IFS rating: AA-/Stable); SCOR S.E. (IFS rating: AA-/Stable); Partner Reinsurance Company Ltd (IFS rating: AA-/Stable); and Munich Re (IFS rating: AA-/Stable).

Key Non-Insurance Operations/Exposure

(%)	2011	2012	2013	2014	2015 Fitch's expectation
Factoring business/total revenues	8	5	5	5	5 Fitch expects other activities to remain at current
Debt collection and services/total revenues	8	7	7	7	7 levels, consistent with Coface's intention to focus on its credit insurance activity.

Source: Coface, Fitch

Complementary Non-Insurance Activities Neutral to Ratings

- Stable factoring
- Debt collection and information services

Stable Factoring

In 2015, factoring was at 5% of total revenue in line with 2014. Fitch expects the contribution of factoring business to total revenue to remain around current levels, in line with Coface's strategy to focus on its credit insurance business.

Debt Collection and Information Services

To leverage group expertise, Coface is active in the complementary businesses of financial information and the recovery of trade receivables. Revenue from the group's services activity was stable at 7% in 2015. Central Europe accounts for the bulk of the debt collection and information services.

The non-insurance operations are neutral to Coface's ratings.

Complete Ratings List

- Coface**
Long-Term Foreign-Currency IDR
'A+'/Stable
IFS Rating 'AA-'/Stable
Short-Term IFS Rating 'F1+'
COFACE S.A. (holding co)
Long-Term Foreign-Currency IDR
'A+'/Stable
Short-Term Foreign-Currency IDR 'F1'
Commercial paper 'F1'
Subordinated debt 'A-'
Coface North America Insurance Company (CNAIC)
IFS Rating 'AA-'/Stable
Coface Finanz GmbH
Long-Term Foreign-Currency IDR
'A+'/Stable
Coface Re SA
IFS Rating 'AA-'/Stable

Appendix: Other Ratings Considerations

Below is a summary of additional ratings considerations of a “technical” nature that are part of Fitch’s ratings criteria.

Group IFS Rating Approach

Coface is rated on a group approach, with its main subsidiaries being considered ‘Core’. Therefore, the main subsidiaries’ ratings have been aligned with those of Coface itself.

Notching

For notching purposes, the regulatory environment of France is assessed by Fitch as being Effective, and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings	A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS “anchor” rating to the implied operating company IDR.
Operating Company Debt	Not applicable.
Holding Company IDR	Standard notching was applied between the implied insurance operating company and holding company IDRs for a group solvency regulatory environment.
Holding Company Debt	Not applicable.
Hybrids	For the EUR380m subordinated debt issued by Coface SA and taking into account the irrevocable and unconditional subordinated guarantee of Coface, a baseline recovery assumption of ‘Below Average’ and a non-performance risk assessment of ‘Moderate’ were used. Notching of minus 2 was applied relative to the IDR, which was based on minus 1 for recovery and minus 1 for non-performance risk. Source: Fitch

Short-Term Ratings

Coface’s Short-Term IFS Rating is ‘F1+’, which is standard when the Long-Term IFS rating is ‘AA-’.

The short-term debt rating of the EUR600m commercial paper issued by COFACE S.A. is ‘F1’, which is standard when the Long-Term IDR is ‘A+’. The issue is entirely backed by five credit lines.

Hybrids – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Initial amount	FBM ^a Fitch (%)	FBM ^a reg. override (%)	FLR ^b debt (%)
Coface S.A. Subordinated debt	EUR380m	0	100	100

^a FBM: Prism factor-based capital model
^b FLR: financial leverage ratio. For FLR, % tells portion of hybrid value included as debt in numerator of leverage ratio
Source: Fitch

Exceptions to Criteria/Ratings Limitations

None.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2016 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.