Please note that the conference call was accompanied by a complementary presentation in PDF format available on the Group's website: http://www.coface.com/Investors, under the "Financial reporting" section.

Q1-2017 Results

Conference Call Transcription

Paris, 26 April 2017

Welcome and Opening Remarks

Operator

Ladies and Gentlemen, welcome to the conference call for the presentation of Coface results for the period ending March 31st. At this time, all participants are in a listen-only mode. Later, we will conduct the question and answer session. As a reminder, this conference call is being recorded. Your hosts for today's conference will be **Mr. Xavier Durand, CEO of Coface** and **Ms Carine Pichon, Group CFO & Risk Director**. I would like to turn the call over to Mister Xavier Durand. Sir, you may begin.

Presentation

Xavier Durand

Good evening to all, welcome to our call. Today, we are reporting on our first quarter 2017 results. I will go through a brief summary, and then we will go through the usual information, describing the top line, the costs and risk items. I will then turn over to Carine, who will take us through the reinsurance, tax and capital items. Without further ado, let us just summarise the highlights of this quarter. We are reporting a net profit of EUR 7.3 million, which is driven by an improved net combined ratio. Our turnover for the quarter reached EUR 348 million – down by 2.2%, excluding FX and at constant perimeter versus last year. As you are aware, we have sold the French export guarantees business back to the State.

In terms of geography, mature markets are stable. North America is declining, given that some large deals that were signed in 2016 were not repeated. Emerging markets, on the other hand, are still being impacted by the effects of the risk action plans that we have put into place - as discussed during prior calls.

Our net loss ratio for the quarter comes in at 58.2% and our net combined ratio at 92%. The gross loss ratio has improved by four points, at 57.8%, versus the 61.8% that we reported in Q4 2016. This has been driven by improvements in North America and Asia - and we will go through the details of these. The net loss ratio has improved by 9.7 points compared to the last quarter of 2016. This also reflects an increased recourse to reinsurance, as we previously discussed. Our net cost ratio comes in at 33.9% for the quarter. This leads to a net income of EUR 7.3 million.

As I explained, we will also provide you with an update on Fit to Win, which is progressing as planned. We have completed the roll-out of our risk action plan, and we have been working on costs. We have achieved EUR 2 million in cost savings year to date - which is right in line with our EUR 10 million target for the year. As a reminder, the 2017 guidance we gave in the last quarter, was for a net loss ratio of less than 61% for the full year.

Looking now at the top line page 6, revenue is down by 1.3%, or 2.2% if you exclude the positive FX impact that we had during the quarter. Our revenues are still declining, but at a lower rate than last year. This is being driven by better client activity and a different geographical mix - which we will outline later. Pricing remains negative, but this is offset by improved client activity. As regards other revenues, factoring and services are up by 6% compared to the first quarter of 2016, so these are performing well. Our ratio of fees to earned premiums continues to grow – so this is also positive.

Going into more detail about the performances of each of the geographies, Western Europe actually grew during the first quarter, by 2.6% excluding FX. The region saw an improved retention rate, better client activity and good single-risk volumes. This is a significant change from previous years, when Western Europe was on the decline.

Northern Europe is a little better than last year, but still negative, with a somewhat disappointing performance, as new business is still low.

Central Europe is growing at 0.9% ex FX, with Austria, which is a mature market, now stabilising following a decline last year.

The Mediterranean and Africa region is also growing at 2.6%, with a good overall commercial performance.

In North America, our volume is down by 14.8%, and that is mainly the impact of the non-repeat of the large, one-off deals that we had in the first quarter of 2016. The underlying trend is still for a slight decline.

Asia Pacific is negative at 16.8%, obviously impacted by the risk action plans that we have been putting in place over the last 12 to 15 months.

In Latin America, on the other hand, we saw growth of 7.5% (in line with what we saw in the last quarter). Repricing is continuing and there are good commercial dynamics, within an environment which we see as improving.

Looking further into different areas of growth, new production comes in at EUR 39 million. It is actually flat in mature markets and lower in emerging markets than in previous years. Nevertheless, we have achieved good retention rates this quarter compared to prior years. These figures could still move down a little over the next quarter or so, but it is a good retention year and we are pleased with this result. Pricing was down by 1.4% in the quarter. This is still negative, but much improved from the price erosions we saw in 2015 and 2016. The volume effect, which is the growth of our clients' turnover, is positive, up by 1.3%. Again, this is much improved from what we saw in 2016, as our clients' activities are rebounding in all markets. We have also noticed an improvement in commodity prices.

Page 9, as concerns the gross loss ratio, the quarter came in at 57.8%. This is an improvement on the last three quarters. We are actually seeing the effects materialising of the risk-reduction measures that we took at the end of 2015 and throughout 2016. The loss ratio improvement is mainly driven by progress in Asia and in North America, and by stable performances in other parts of the world. You can see on the chart at the bottom of the page that we opened the year at 71.3%, so this was very much in line with what we had done last year. And you can see that the boni - which is the red part on the chart - was (15.8)% from previous vintages; it was actually lower than it was in 2015 and 2016, although it is improving from the numbers we saw in Q3 and Q4 2016.

If we go now to page 10, as regards geography, you can see a tale of two stories. The more stable, mature regions are continuing to perform, with Central Europe at 52% - close to the previous quarter. Western Europe performed well, increasing slightly or reverting slowly to the mean. Northern Europe was flat at 58% and the Mediterranean and Africa were stable again, at 51.5%.

Of the three areas that had been more volatile, Latin America came in at 54.5% - an improvement on both the total 2016 year and on prior quarters. Asia Pacific was still high at 128%, but much lower than in 2016 - particularly the third and fourth quarters of last year, which were as high as 170%. North America reported slightly above 60%, down from 85% in 2016. This is clearly an improvement and we are seeing the effects of the risk action plans that have been put in place.

Looking now at the costs side on page 11, our costs ratio comes in at 34.7%, very close to the 34.2% of 2016 (excluding the State guarantees). This is mainly driven by a slight decrease in revenues, which drives up the ratio. You see on the bottom left that the total costs of the business were flat last year, at EUR 172 million, with both a reduction in internal costs and a slight increase in external costs. The increase in external costs is driven by the increased recourse of clients to brokers - particularly in maturing markets such as Central Europe.

On the right-hand side, you can see how our internal costs have been reduced, with our Fit to Win operational efficiency programme generating EUR 2 million in savings. We have reinvested EUR 1.2 million of these savings into growth initiatives, particularly in the more mature markets. We have had EUR 3.8 million of inflation and foreign exchange effects, which have been offset by one-offs in 2016. These one-offs were not repeated in 2017, leading us to internal costs of EUR 131 million. Internal costs are very much under control and our Fit to Win programme is clearly also starting to deliver. I will now turn the presentation over to Carine, to discuss reinsurance.

Carine Pichon

Thank you, Xavier. Good evening everyone. I will comment now slide 12. The reinsurance result benefited from higher cession rates. As you may remember, we informed you that we have decided to increase the quota-share reinsurance agreement for 2017 underwriting year. We are now seeing the first effects of this change, with a higher premium cession rate, up from 23.9% to 26.3%. This effect will continue to materialize over time.

There were two impacts on claims cession rate, which explain the further increase of this ratio, from 22.5% to 25.9%. One of these factors was the specific and temporary FX gain of EUR 4.4 million - and I will come back to this point later when I comment the financial result. However, the main explanation is the fact that we have a higher cession in our quota-share. The reserves related to business underwritten in 2017 are ceded with a higher quota-share rate, versus no run-off from previous years. This is also a temporary effect. As you are aware, we receive commissions from reinsurers in exchange for the business ceded through the quota-share. This brings positive structural contributions to our net cost ratio. For this quarter, there has been a positive improvement of 0.8%, which led to a net cost ratio of 33.9%.

Page 13, the net combined ratio was mainly improved due to the better loss ratio, increased reinsurance and the FX gain. The net combined ratio for this quarter was 92%, which represents an improvement of 10.3 percentage points on the 102.3% of Q4 2016. I would just like to point out that if we had excluded these FX gains, the net loss ratio would have been 60.3%, with 94.2% for the net combined ratio.

I have some comments on the financial portfolio - page 14 - which amounted to around EUR 2.8 billion at the end of March 2017. We have been able to achieve a stable economic performance for this portfolio, despite the very low-rate environment. The income from the investment portfolio, without gains on sales, is 9.8 million for Q1 2017 - exactly the same as for Q1 2016. Nevertheless, net investment income went down from around EUR 11 million to EUR 6 million, mainly due to the FX effects.

The specific negative FX impact in this quarter comes from two main drivers. The first of these is more of a question of accounting presentation. As previously mentioned, we benefited from some positive FX gains on reinsurance result: these FX effects are linked to our internal reinsurance flows. The counterpart of this effect is not booked at the same line. One part the effect is thus accounted for in the reinsurance result and the other is here, in the financial income.

If we exclude the presentation effect, we still have EUR (4.4) million of FX result. This is mainly due to the fact that in some of our countries and entities, there is a difference between the functional currency and the operational one. There can also be some volatility, quarter by quarter – that is the second driver – and this was positive last year. When comparing the EUR 5 million for Q1 2016 to the EUR (4.4) million for Q1 2017, there is clearly some volatility and this has an effect on our P&L.

Having said that, the accounting yield is very good, in the sense that it has stabilised, considering the current environment.

If we move to slide 15 about tax: the tax rates remain high and volatile, as we already mentioned during the previous quarter. The tax rate for the full year 2016 was 50.1%, before that, it was not so far at 48.8% at the end of September, and it is 52% at the end of the first quarter 2017. The main explanation for this high tax rate continues to be because profit and losses between geographies are unevenly distributed.

Normalisation could take some time and, in the short term, tax rates could continue to be volatile. I would also like to remind you that, on 10 January 2017, we received a notification from the French tax authorities. It is too soon to give further details at this stage, as we are in preliminary discussions, but we may see some impacts in the future.

To summarise – slide 16 - the net income for Q1 2017 was EUR 7.3 million. This represents an improved operational performance compared to recent quarters. We still have a tax rate which is high, with tax amounts which are more or less flat year-on-year, even though the basis has decreased.

Profitability, based on return on average tangible equity, stands at 1.9% for this quarter, compared to the full year 2016, which was negative at (0.8)%. The improvement in loss ratio, which we previously mentioned, contributed for 2.3 points to the improvement of this figure. The financial results, taxes and minority interests are more or less compensated for and all in all, we are at 1.9% on an annualised basis for this quarter.

Xavier Durand

I would just like to say a few words before we get into the Q&A, as a summary. Our Fit to Win plan is progressing as we expected. As I mentioned, we have carried out all the risk reorganisations that we wanted to do and we are starting to see the impact on the loss line. Our costs savings plan is moving forward and, so far this year, is in line with expectations - but more will materialise throughout the rest of the year.

We are also starting to see the impact of differentiated growth strategies by market. There was better relative performance in mature markets, which are now stable, and a decline in emerging markets, where we had the most volatility in terms of the risk results. As I said, business volumes are improving, but we still have negative performances in Asia, North America and Northern Europe.

The costs are under control and as you have seen, the hotspots we have in terms of risk (Asia, North America and Latin America) are starting to improve again. As a reminder, the 2017 guidance we gave you was below 61% of net loss ratio for the full year. I would qualify this as a quarter in line with our expectations. With that, we can now move on to the Q&A session, as usual.

Questions and Answers (Q&A)

Guilhem Horvath, Exane BNP Paribas

Good evening everyone. Thanks for taking my questions. I have a few questions and the first is on the loss ratio evolution. It is starting to look quite good for Asia Pacific. I would like to know more about this, as your tone seems to have changed a lot since Q4 2016, when you gave us the guidance for a net loss ratio of below 61% for the year. You said there might be some volatility going forward. In terms of Asia Pacific and the 127% loss ratio there, should we expect this to improve during the year - or do we still risk seeing some volatility?

The second question is on growth. You had negative growth in this quarter, also due to the fact that you cancelled some large contracts in the US. Should we expect this growth to continue to be negative this year, or do you expect the top line to improve towards the end of the year, to get closer to zero.

My third question is on reinsurance. Is the 26% cession rate going to be stable this year? I guess you are undergoing some kind of ramp-up phase, to allow the quota-share to finally increase to the higher cession rate. Or should we expect you to go higher this year, more towards 28%?

The last query is on tax rates. You said we would have quite a volatile tax rate going forward, and that this would last for several quarters. However, do you expect the tax rate to normalise next year, in 2018? What do you mean by the notice from French authorities? That is a lot of questions, so if you want to answer them later in the call, you can do so.

Xavier Durand

Thanks for the questions. Carine and I will take shots at each one. I will start with the simpler one, on the reinsurance of 26%. As you know, we increased our cession rate at the end of last year, from 20 to 26%. Clearly, this is something we do on an annual basis. This is considered a first step, but it is only on an annual basis that we do it. As I said, we consider it to be a first step, but for the balance of 2017, we are going to continue with the contracts, as they are, at 26%.

Guilhem Horvath, Exane BNP Paribas

I would just like to clarify this, as you have a cession rate for the quota-share and you have a cost for the excess-of-loss treaty. This means that you have two points coming from the excess-of-loss. Does this 26% includes both? Does this mean that you have something like a 24% cession rate in the quota-share so far? Am I correct?

Carine Pichon

I think I understand what you are asking, Guilhem. You are right. In fact, we have decided to switch the quota-share from 20 to 26% - but this was based on the underwriting year of 2017. We will have the ramp up effects, as for this quarter, as a small part of our business is related to contracts we signed up for in 2017. We will have a share that increases during the year. You are right that you have to take into account the excess-of-loss, because the 26% which has been calculated for Q1 on an accounting point of view includes all premiums we ceded to reinsurers, which means stop-loss, excess-of-loss and quota-share treaties.

Guilhem Horvath

This means that at the end of the year, we should have a cession rate that is something close to 28%?

Carine Pichon

It will increase. It will depend on how much we will underwrite for 2017 - and what we have done in the past. It will progressively increase.

Xavier Durand

I am not sure if I correctly understood your question regarding losses in Asia. What I am saying is, that 127 is still high, but I think it is better than what we have seen in Q3 and Q4. It is a reflection of the improvements that we have been driving and, as I said, it will take time. The cycle of this business takes a couple of years and we are 12 to 15 months into this. We expect the effects to continue to materialise over time.

In terms of negative growth in the US, there were a couple of deals signed in Q1 of last year that were significant in terms of size. I think we highlighted this throughout our communications last year. These contracts were not repeated this year, so there is a bit of base effect from last year that impacts the performance in the US. However, at this point, we do not have underlying growth in the US book.

Guilhem Horvath

Will the full-year growth remain negative? Or should we expect something closer to zero at some point?

Xavier Durand

I do not know if we want to give forward looking, region by region forecasts here.

Guilhem Horvath

I mean at the group level.

Xavier Durand

At the group level, again, we will not make forecasts on growth. However, what I am highlighting here is that we have an improvement from last year, albeit with some negative variations still. This is in areas of the world where we have also had higher loss ratios, so I think it is consistent.

Xavier Durand

The last one is on tax, if I may ask.

Carine Pichon

On tax rates, the reason why we said we have a tax notice is because we do not know, yet, how the discussions with the authorities will develop, and I prefer informing you about this fact. Unfortunately, I cannot tell you anything further at this stage.

It could be very volatile, as it will depend on how much profit we have in each of the regions. We have results which are spread throughout countries where we are operating, so it is not a precise science. However, I will say that it will not be fully normalised until we have stabilised all of the results in all of the countries.

Michael Huttner, JP Morgan

I did not quite understand what is happening with reinsurance. There is obviously a sharp reduction in the cost of reinsurance, but is it linked to the fact that you have got very low reserve releases, or run off profits? In other words, if the run off profits were to rise, then reinsurance would become expensive again.

My other question is on the tax. It seems quite odd that the French government seems to have something against Coface. First of all, they take away your guarantees business. They are not particularly generous in the compensation, and now they are giving you a tax audit. Is there someone in the government who does not like Coface? Is there something there which we should understand? It is just a recurring theme. The government seems to be negative for towards you.

On the trends in terms of loss ratio, if I take the 60.3% corrected for the FX, which you said should be below 61% for the year, should we expect something similar to last year where you kept guiding to a figure and you actually hit it? In other words, is the loss ratio going to rise for you to achieve that 61%? Or if things really do improve, as they look to be doing, will you let it appear in the earnings, even if it is a little bit earlier than you were expecting?

Finally, can you give an update in terms of solvency and capitalisation? I imagine with the increase in reinsurance, the very sharp drop in net earned premiums and a very stable balance sheet, the ratio should be going through the roof.

Xavier Durand

I am not sure we correctly understood the first question on reinsurance.

Michael Huttner

On reinsurance, there is a sharp reduction in costs. I think the cost was EUR 20 million last year and now it is EUR 14 million, which is an improvement of EUR 6 million. If the reserve release numbers - the 15% - were to go up again, would the reinsurance costs go up again as well? Is there something we need to be aware of and normalise? It is not to say that reinsurance is positive and that is it, because it suddenly might turn around again. That was my question.

Carine Pichon

If I understand your question on reinsurance results, it concerns reserves relating to the underwriting year. What I just want to say is that we have started to cede business relating to underwriting year 2017 under the quota-share. 2017 underwriting year was open at 71.3% loss ratio, thus the fact that we increased the quota-share cession has a positive impact at the beginning. It will then normalise over time: we will release provisions as time passes and this offsets this effect. It is comparable to a kind of seasonality: we open underwriting year at a specific level of loss ratio and we anticipate some boni afterwards.

Michael Huttner

In terms of the cost of reinsurance, which was EUR 14 million, is it significant that the effect of the boni would involve a recovery of EUR 5 million by the reinsurers by year end? This is just to understand, because it seems to be a big part of the improvement.

Carine Pichon

The improvement is not only linked to a higher premium cession rate, or a higher claims cession. You are right. It is also the fact that we have increased our commissions. So there two main reasons: the first is that when we increased the basis on which commissions are calculated, from 20 to 26%, we benefited from this effect. In volume terms, we have a higher commission paid by reinsurers, which has a positive effect on reinsurance result. Secondly, when we renegotiated commissions with our reinsurers last year - they were interesting negotiations - they agreed to give credit to the fact that we may recover, and that allowed increasing commissions paid by reinsurers. This is where part of the improvement comes from.

Michael Huttner

There is a part which is sustainable, thank you. What about France and the loss ratio?

Carine Pichon

If I understand your question correctly, without the effect of some specific items, the net loss ratio is 60.3% - but what is our view for the end of the year and what is the link with the 61%? Is that correct?

Michael Huttner

Yes, because last year, you gave a range and actually, you hit the top end of this range. It is almost like you want to give as conservative and prudent a number as possible. My concern is that the 60% underlying, or the 58% you reported, will end the year at 60.99%. In other words, you will reserve the difference. That is what I am asking.

Xavier Durand

I think what we just wanted to remind you of is that we are giving a guidance. We are still early in the year and we will have better visibility in Q2. We did not want to give a new guidance at this stage, in the second quarter.

Michael Huttner

However, if results improve during this current quarter, there might be a possibility of a changed guidance?

Xavier Durand

I think we will decide at that time.

Michael Huttner

That sounds good. On France, why are you getting all these negatives from the French government? You might think it is a joke, but I promise it is not a joke.

Carine Pichon

Michael, the French government has nothing against Coface. Just to clarify, it is normal that we have a tax audit, as the last one was 3 to 4 years ago. The frequency is around 3 to 4 years for large companies in France. It could even have happened last year, so it is nothing unusual. It is normal practice.

Michael Huttner

Do you have anything on Solvency?

Carine Pichon

We disclose our Solvency ratio at each half year, so every six months. At the moment, there is nothing specific to say, we are more or less in line with what we have given at the end of '16, so we will give you an update at the end of June.

Thomas Fossard, HSBC

Good evening everyone. I have three questions, the first being on the claims notifications you have received so far. Could you specify what trends you are seeing for the year to date compared to the start of this year, or the end of last year. This question concerns both group level and Asia, as you mention that you have a long duration and that you are already pretty well into the process. However, there is still open business for claims notifications, maybe for the next 6 to 9 months. How are the claims notifications doing at the group level - and in Asia specifically?

My second question relates to slide 9 and the reserve release of 15.8 points of loss ratio. I think that we are back to pretty high numbers, in line with the first quarters of 2015 and 2016. However, on a quarterly basis, it has obviously been lower than that, and sometimes negative as well. Could you help us to better understand now whether your business is stabilising a bit on the under reserving front? What should we expect on a normalised basis? I know it could still be volatile, but any granularity would be helpful.

I have a third question. I would be interested in your view on how profitable your US book is currently and how you are positioned. The IMF came up with a message last week which was not pessimistic, but rather cautious, on the capacity of US corporates to withstand the environment of increasing interest rates - bearing in mind the pretty high leverage of the US economy. I would like to have your thoughts on this, and on whether you have taken specific measures ahead of a potential further interest rate rise in the US.

Xavier Durand

We have been reasonably, or cautiously, optimistic on the US economy. Our official economic forecast is not that it will see a buoyant year but more of a continuation of what we had last year. We see some sectors in the US under stress, and I think some of the performance in our loss line reflects that. As you know, there were tensions in the retail, oil & gas and energy sectors. We are cautious on some of these sectors in the US. There is an improvement in Latin America, which is indirectly helping our US book, but we are not completely bullish on the US economy. We have reflected this in our economic forecast, which you can find on our website.

In terms of the profitability of our business, with an 85% loss ratio last year, it was unprofitable. With 60%, it is getting better, but still not at the level that we want it to be. These are my views on the US business. In terms of reserve releases, I will let Carine complete the answer. I think at 15%, it is clearly better than it was in the final quarters of last year, but it is still lower than where we were in previous years. As you know, we have a policy of opening at a certain level, so I will let Carine explain this.

Carine Pichon

We came back to a more normalised run off, because the situation is improving - so we have the capacity to make some releases. We have taken on board the fact that we may have some delays that we saw last year in some notification. It is embarked, so that is why I say it is more normalised. Having said that, as you know, it will depend on some claims of if the situation happens to change dramatically, but for the moment, it appears to be more normalised.

Thomas Fossard

Carine, beyond that, in fact, you have been pretty secretive up to now in talking about reserve releases. Maybe you are now more willing to talk about this? How much support is the 61% net loss ratio guidance for 2016 getting from reserve releases?

Carine Pichon

It is clear that the 61% we expect to achieve integrates some reserve releases. This is a consideration we take into account for each underwriting year, in terms of the ultimate loss ratio. It is more normalised, as I said, but I cannot say any more.

Xavier Durand

Regarding your question on the claims notification, I will just repeat what we have said, which holds true. We expected our risk action plans to bear fruit over a period of quarters - and I think we are seeing that happen. That is the story, and it is consistent across the indicators that we have. We highlighted last year that this was not something that would be instantaneous, but would take some time. I can only say that there is no other news on that front in the business

Thomas Fossard

I have a final question. I have seen recent news regarding the approach of the final costs regarding Abengoa. Could you remind us how you were positioned on Abengoa? I do not think that you have significant exposure, but can you remind us of where you sit in terms of reserves? Should we potentially expect some slippage on your net exposure?

Carine Pichon

On Abengoa, you are right: our amount is very small compared to what is at stake on the market. In Q1 of 2016, we made a very specific reserve for Abengoa, which was mainly booked into the loss ratio for Northern Europe - as it was for a Dutch client. As of now, the reserve is still there. We do not see any reason why it should change, even after seeing what has been published. In any case, it is something which is manageable, as it is not a large claim.

Guilhem Horvath

I have three follow up questions. The first one is on reinsurance commissions. You said that you had very interesting negotiations with the reinsurers, before renewing your quota-share and increasing the cession rates. My question is, should we expect this level of commissions to continue to go up? This is also because you are expecting to improve your level of losses going forward. Is this a base assumption that you take into account, in terms of reaching your Fit to Win net loss ratio targets?

My second question goes back to potential capital return, related to reinsurance. It is a technical question, but do you technically need approval from the regulator to be able to pay a special dividend, or to buy back shares at some point? Or can you do it on your own, when you wish to do so?

My final question goes back to the US. It looks like Donald Trump will, at some point, be able to make his fiscal reform go live? What could the impact be for you? What is the effective tax rate you pay in the US? Any view on the positives coming from this would be helpful.

Xavier Durand

On the capital return, the answer is 'yes' to the dividend in the sense that for money out of the company, we need to have discussions with the Regulator.

Carine Pichon

We will not be able to do it without discussing it with them.

Xavier Durand

On the reinsurance commissions, I would just say that we have agreed good terms. I do not expect these to materially change. I think what we are just highlighting is that we had a good reception from the market - and this is showing in some of our numbers. I would not expect any significant changes at this stage.

Carine Pichon

On the tax rate in the US, like you, I saw that there are plans to lower taxes. If this happens, it will be positive from a cash point of view, but not necessary from an expenses point of view. This is because we have some deferred tax assets on the US portfolio, which have been calculated at the current tax rate. If there is a decrease, we will have to readjust to the deferred tax rate. In any case, it is not a significant amount and we do not anticipate for the moment that it will have a positive effect on 2017 and 2018.

Guilhem Horvath

Can you communicate on the effective tax rate you have in the US?

Carine Pichon

The effective tax rate is not disclosed, but it is not far from the official one.

Michael Huttner

I was doing some numbers while you were answering more questions. On the technical reserves in the balance sheet, the figure has gone up, net of reinsurance versus the year end. It has gone up from 1,337 to 1,359 - so by about EUR 20 million. The premiums are down. I understand the premiums are for last year, not this year, for Q1 of 2016 and not Q4. If I look at this difference of around EUR 20 million, does this mean that when you spoke of your initial loss pick being quite cautious, at 71%, does this reserve increase of EUR 20 million reflect this 71%? Is this maybe a little bit of potential run off profit to come?

Carine Pichon

To be honest, Michael, I do not think it is necessarily that. Some of this may come from FX. I do not have the precise answer, but it is not related to the fact that we are changing our reserving policy, in any case.

Michael Huttner

It is FX, not reserve policy.

Carine Pichon

I do not have the precise answer, but in any case, what I can tell you is that we have not changed anything in our reserve policy.

Xavier Durand

Thank you very much, all, for joining. Our next communication will be on 28 July. I would just like to point out, that for scheduling reasons, it will be in the morning instead of in the evening exceptionally. We will be reporting our results for the first half of 2017 on the morning of 28 July, 9.30 French time. Thank you for joining the call and have a good evening.

(End of transcript)

CONTACTS - ANALYSTS / INVESTORS

Thomas JACQUET
T. +33 (0)1 49 02 12 58
thomas.jacquet@coface.com

Cécile COMBEAU
T. +33 (0)1 49 02 18 03
cecile.combeau@coface.com

FINANCIAL CALENDAR 2017 (subject to change)

Annual General Meeting: 17 May 2017
H1-2017 results: 28 July 2017, before market opening
9M-2017 results: 25 October 2017, after market close

FINANCIAL INFORMATION

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

For regulated information on Alternative Performance Measures (APM), please refer to our 2016 Registration document.

About Coface

Coface a world-leading credit insurer, offers 50,000 companies around the globe solutions to protect them against the risk of financial default of their clients, both on their domestic and export markets. The Group, which aims to be the most agile global credit insurer in the industry, is present in 100 countries, employs 4,300 people, and posted consolidated turnover of €1.411 billion in 2016. Coface publishes quarterly country and sector risk assessments based on its unique knowledge of companies' payment behavior and on the expertise of its 660 underwriters and credit analysts located close to clients and their debtors.

www.coface.com

Coface SA. is listed on Euronext Paris – Compartment B

ISIN: FR0010667147 / Ticker: COFA