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 results and reports" section.

9M-2018 Results

Conference Call Transcription

Paris, 24 October 2018

Presentation

Moderator

Ladies and gentlemen, welcome to the conference call for the presentation of Coface's results for the period ending September 2018. All participants are currently in a listen-only mode. We will follow on with a questions and answers 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 Madame Carine Pichon, Group CFO and Risk Director.

I would like to turn the call over to Mr Xavier Durand. Sir, you may begin.

Xavier DURAND, CEO, Coface

Thank you and good evening everyone. This evening we are presenting our results for the third quarter 2018. As you may have seen, Coface has delivered a very solid quarter, despite a more volatile environment. In my mind, these results fully confirm the validity of our strategy and our ability to execute.

Page 4 of the presentation shows that our turnover reached EUR 1,0357 million year-to-date; which is up by 4% at constant FX and perimeter. Q3 was strong, with 8% growth year-on-year and 4.7% excluding one-offs. This growth reflects the growth in the insured turnover of our clients, a record level of client retention and controlled new business in commercial underwriting.

On the loss side, the net loss ratio for the first nine months of the year is down by 9.4 points versus last year, at 45%. This brings the net combined ratio to 79%. Our net loss ratio for Q3 stands at 48.5% (which actually represents 44.4% when excluding a one-time FX impact, which I will explain a little later). This is driven by the strict monitoring of our portfolio and continued strong recoveries from the past. The net cost ratio for the first nine months of 2018 is down by 1.4% from last year, at 34%. This continues to reflect the tight cost-controls we have been implementing over the last couple of years, as well as the increase in turnover of the business. Our net combined ratio comes in at 82.8% for the third quarter. This reflects the progressively normalising risk environment which we have been highlighting over the last few quarters.

Our net income share for the Group comes in at EUR 98.2 million, of which EUR 35.4 million was during the third quarter. This includes a positive net-net FX impact of EUR 5 million and continued favourable recoveries. This brings our total return on average tangible equity to 8.2% for the year-to-date. We feel confident in the strength of our balance sheet. As you know, we have completed our EUR 30 million share buyback programme. These shares will be cancelled and we have decided to launch an additional share buyback programme of EUR 15 million, before the end of February 2019. This is in line with the second pillar of our strategic Fit to Win plan.

Finally, we are executing on our plan more than ever and you may have seen a number of announcements over the last few weeks. We signed an agreement to acquire PKZ, the market leader for credit insurance in Slovenia. We also announced a partnership with Tradeshift, to develop digital activities through their online trading platform. Our partial internal model efforts are progressing as we expected; and, at the same time we are continuing to monitor any potential changes to the standard formula calculation. I have to say that, on this front, there has been absolutely no news lately. I think the ball is still in the regulator's court. We have received an 'A' rating (Excellent) from AM Best, for our business in North America. This is an important feature for us as a counterparty in the region and confirms the strength of our balance sheet. We have been putting a lot of effort into our ESG space and we have been awarded the 'Prime' status by ISS-Oekom, for our sustainability rating. This puts us in the top 10% of the 140 insurance companies rated by ISS-oekom. This is another sign of Coface's strength and its commitment to these important aspects.

Before we go into the usual numbers, I would like to talk about the slide on page 5 which relates to the implementation of our Fit to Win plan. As I said, there is no question that, after the trough of 2017, the risk environment is normalising. We have been forecasting this for about a year. Within this context, being agile is more important than ever and this is the focus of our strategic plan. The three operating topics we identified in our plan - risk, service and growth - are key and we are working them hard. There are some points on this slide that I would like to take you through.

On the left hand side of the chart, you can see that we are continuing to actively monitor our risk portfolio. Throughout the last few months, we have been working non-stop on implementing risk measures in key countries, such as the UK with Brexit, Turkey, Argentina and Italy. We are taking actions on key sectors and large exposures in the spaces of commodities, metals and distribution, pretty much around the world. There are two small charts on the bottom left of the page. On the left, the blue line shows the acceptance rate of requests made by our clients for new limits. You can see that this has been fairly stable over the last couple of years. The green line shows the weighted average quality of our exposure book. This has actually been increasing over time, so the book is increasing in quality. On the chart on the right, the green line shows the increase in the overall amount of exposure we have been carrying. This has been growing in line with the turnover of our clients. The blue line shows the difference between the risk exposure and the value of the contracts we have in the portfolio. You can see that after a trough period in 2017, where this grew, it has now actually stabilised and has been reducing over the last year. This shows that we are actually getting better prices for the amount of exposure we are granting to our clients.

On the service and efficiency part, we show the efforts we have been driving to save costs. Year-to-date we are at EUR 27 million, so we will clearly beat our target of EUR 30 million for 2018. Over the last few months, we have a launched a Group-wide sales force effectiveness programme focussing on the mid-market, which is a very important segment for us. We really want to take the sales execution in each one of the markets to the next level and I think we are starting to see some benefits from this. We are continuing to drive client satisfaction and there is a lot to do in this space. We are monitoring key indicators for service throughout the business and I think it is very important that we continue to enhance our value proposition to clients.

An then, you are aware of some of the events we have announced in terms of continuing to drive selective growth. We signed an agreement to acquire PKZ, which is the market leader in Slovenia. We will integrate the business in 2019, after we receive regulatory approval to proceed with the acquisition. This has a positive impact, albeit small, on our 2019 EPS and it will be neutral impact on our solvency ratio. It fits right in with the bolt-on acquisition strategy that I have been outlining over the last few quarters.

We have also announced a strategic partnership with Tradeshift, which is an important online trading platform. We will be making available to their clients, in a very simple format, some of our products and capabilities for evaluating the quality of their counterparties. At a later stage, they will be able to purchase our insurance products through the web.

So, you can see that at the same time, we are saving money in the business and continuing to invest in things that are strategic for us going forward.

Page 7, which describes our growth, shows that our total revenue was up by 4% from last year. What is interesting is that the trade credit insurance business underlying this 4% is growing at 4.8% at constant FX in the first nine months - so we are seeing a good trend here. This is driven by client activity and prices which are under control. Other revenues are down by 3.9%. As we highlighted in previous quarters, this is driven by factoring where we are adjusting our underwriting to new regulatory capital requirements and a more volatile environment. Our ratio of fees to gross earned premium is stable, so the fees are growing very much in line with the premiums in the business.

Moving to page 8, which looks at the geographies of growth, we like the way this looks, as it reflects the Fit to Win plan we have put together. You can see that all the mature regions are now actually growing. Western Europe is up by 1.5% at constant FX. Northern Europe is slightly down, but if you strip out the factoring business, it actually grew by close to 2% during the first nine months. Central Europe and Mediterranean and Africa are growing at above 8% at constant FX.

North America is picking up a bit of steam, with some large policies and large single risk policies in particular. At the same time Asia Pacific and Latin America are flattish, reflecting our prudent and thoughtful underwriting in the regions. As you know, over the last couple of years, we have been cleaning our portfolio in these geographies.

Page 9 looks at the growth components and you can see that over the first nine months, new production is down from last year. However, although we actually started with a slower than expected first quarter, it has been picking up since then and for the last two quarters we have actually been very much on par with prior years. The retention rate has been at a record level for the last four or five years - and this is true for most regions of the world. Our pricing has also been improving over the last four years. I think this reflects our ability to control price decreases in the mature markets, as well as to drive re-pricing in some of the riskier markets around the world. The usual suspects are all part of this. Finally, we are being carried by the growth in the underlying turnover of our clients - which at 4.8% since the beginning of the year is pretty high and this is supporting us.

Going to page 10, on the risk side, our loss ratio before reinsurance and including claims handling comes in at 43.8% for the first nine months of the year. The quarterly sequence shows Q3 to be a little bit higher at 46.5%. There are a couple of things we need to explain when it comes to this loss ratio for the quarter. It has been particularly impacted by FX and this is linked to the very strong depreciation we have seen in a couple of the markets –particularly Turkey and Argentina. Devaluations in the peso and the Turkish lira have led us to revaluate the assets and the liabilities on the balance sheet. This not only increases the loss reserves, but also the assets we have on the books. We will see the corresponding gain in financial income. When we restate the loss ratio for the quarter for this FX impact, it would actually come in at 43.6% for the third quarter 2018. This is a good performance driven in a more volatile environment and supported by past recoveries, at 33.2%. Part of this is actually a rewrite of old files into this new year, which accounts for around 3 points of these recoveries. There is a corresponding increase in new business reserves, so the 74.5% in terms of reserves for new vintage would be about 70% if we restated for that effect. This is very much in line with prior quarters and with the prior year in Q3 when we correct that for the rewrite of the business.

Page 11 looks at loss ratio before reinsurance and including claims handling split by geographies - but it's probably easier to comment on page 23, as it shows the quarterly split and not the cumulated performance for the first nine months of the year. When you look at this page you can see that all the key regions, presented at the bottom page, are performing pretty well, with Central Europe at 47%, Western Europe at 27.1%, Northern Europe coming down at 41.5% and Mediterranean & Africa below 50%, at 46.9% - so a good performance. A region that has been causing us a little bit of volatility is North America, which is at almost 66%. Once again, part of this is driven by facultative reinsured business, where the risk goes to a third-party on a deal-by-deal basis. When you correct it from this aspect, it comes in at 47.1%. Asia Pacific is climbing up after a very strong recovery, but still below 40%. Latin America is the real hotspot, with a headline figure of 94.1%. If this is corrected for the FX impact I mentioned, we would be at about 70%. Obviously this is driven by Argentina and the specific situation we are facing there. That sums up the overall story on risk.

Page 12 covers cost topics and you can see that costs are up by 6.7% for the quarter. There are two elements to this. One is that internal costs have been flat over the last three quarters. As you know, we are being very disciplined about making savings. So far, we have delivered EUR 27 million of savings through our Fit to Win efforts, which means that we will exceed the EUR 30 million commitment we made for 2018. At the same time, our external costs are up significantly, driven by two things. One is the growth in our turnover. As you may remember, we had an 8% headline for the quarter. The fact that this growth is happening in geographies where we have more intermediation means that costs are going up. Net-net though, if you look at the cost ratio before reinsurance, it is down from the 37.4% we had last year, to 37%. Furthermore, the gross cost ratio comes in lower than last year, down by about 1%, at 35.8%, compared to 36.7%.

With that, Carine Pichon will take us through the rest of the slides.

Carine PICHON, Group CFO and Risk Director

Thank you, Xavier. Good evening, everybody. The reinsurance results for the last quarter reflect a low loss ratio, with a reinsurance result of around EUR 37 million. This also reflects growing accounting cession rates. As you may remember, we increased our cession quota share for the underwriting years of 2017 and 2018. This is clearly reflected in the accounting numbers. We have ceded a little less than 29% of premiums and around 27% of claims.

Page 14 shows our net combined ratio which, at 79%, is down by 10.8 percentage points compared to the first nine months of 2017. The loss ratio and the cost ratio are improving. The loss ratio over the year benefited from strong underwriting policies. The cost ratio is down by 1.4 percentage points, as investments are fully financed by cost savings. As already discussed, we have been looking for cost savings to finance our investments. On a quarterly basis, the combined ratio stands at 82.8%, with a loss ratio that remains under control in a normalising risk environment. And even despite the negative FX impact, the combined ratio for Q3 2018 is below the cycle target of around 83%.

As regards to our financial portfolio, we have been able to stabilise the yield despite the very low rates which remain prevalent, particularly in Europe where the majority of our portfolio is located. The accounting yield, excluding gains on sales, stands at 1.2%. This is exactly the same as for the first nine months of 2017. We have also reported a EUR 9.5 million gain in our financial results, linked to FX effects, which are compensated by a similar decrease in technical resources of EUR 8.8 million. As mentioned by Xavier, the revaluation of our assets is booked within our financial income. We have a devaluation of liabilities, in technical resources, particularly in the loss ratio.

Page 16 shows that our net income was EUR 98.2 million. I will begin by commenting on the current operating income, which shows a very strong performance, with an increase of around 65% compared to last year. Restructuring charges are at minus EUR 4.2 million and we expect them to be a little lower than previously planned, thanks to good execution. Tax rates for the first nine months are 35%, above this quarter (at 40%), mainly due to tax reserves that we booked in some geographies. All in all, we have a net profit for the quarter of EUR 35.4 million, benefiting from a positive FX impact of EUR 5 million. The chart below shows we have EUR 18 million in FX results in this quarter, EUR 10 million in technical results and after tax there is around EUR 5 million of net-net impact on net results.

Page 17. This performance leads to a return on average tangible equity above 8%, at 8.2% on an annualised basis - up from 5.3% last year. Clearly the technical result and the improvement on the combined ratio have driven this improvement. The financial result has a positive impact of 0.1 percentage points and tax and others declined it by 2.3% percentage points.

Xavier DURAND

To wrap this up before we move on to the Q&A session, we would qualify this as a very solid quarter. As we said, the environment is normalising and I think it is pretty clear from the news flow here that it is becoming more volatile. Within this more volatile environment, I am more than ever convinced that we have the right plan and the right strategy. Clearly agility is the key here and we are executing on the plan. We have more top line growth, as we have seen before. Our cost control efforts are driven the cost ratio down by over a point from last year. The risk ratios are good at this stage and I think that the net income of EUR 98.2 million and the 8.2% return on tangible equity are numbers that reflect the execution of our plan.

Our partial internal model project is progressing as we expected. There have been no recent evolutions in the standard formula. We feel confident in the strength of our balance sheet. I would just like to remind everybody here that our solvency ratio, for the middle of the year, was above 160%, at 163% precisely. This has risen by over 20 points during the last couple of years. As a result of this, we have decided to launch an additional share buyback programme of EUR 15 million, from now until the end of February 2019. As I have said before, our financial strength continues to be recognised, most recently by AM Best. This is a key rating for us to have in the North American market and we have obtained an A (Excellent) rating evaluation.

Looking forward, we are continuing more than ever to focus on the execution of our plan, continuing risk actions in key regions and sectors. As things develop, the challenge is being ready for whatever is going to present itself. We are continuing with tight cost controls combined with disciplined investments. We are going to exceed our cost savings target for this year and we are reinvesting in the business, deliberately and thoughtfully. I have explained how, over the last couple of years, we have been making investments in risk, efficiency, digital, selective growth and innovation. I highlighted the PKZ acquisition –which I think is the first for Coface in 10 years-, which will consolidate our presence in this part of the world. We will also continue to allocate resources to innovation and to work on the digital front, for things that will matter in the future and help us bring our value proposition to new parts of the market –as we have done with Tradeshift.

With this summary, we will now open the call to the Q&A session.

Questions and Answers

Moderator

Ladies and gentlemen, if you wish to ask a question please press zero one on your telephone keypad.

We have a first question from Guilhem Horvath, Exane BNP Paribas.

Guilhem HORVATH, Exane BNP Paribas

Thank you. I have three questions from my side. The first is on the balance sheet confidence you mentioned and the fact that you launched a new EUR 15 million buyback programme today. If I look at your balance sheet, you are benefitting quite a lot from an improvement on the best estimates from earlier this year and this seems to be quite pro-cyclical. Is there a risk that you actually have a decrease in solvency due to the fact that risks are normalising around the world? Then, you have got this standard formula risk, which you said you have no updates, but it is still a risk and you mentioned early it was potentially 15 points of solvency. Would it mean that you are willing to continue buying back shares even if you are within the optimal range of between 140% and 160%? Or is it something you do not want to do unless you are well above the 160% ratio? Also, can you please update us on the timeframe for the partial internal model discussions, because I think it is due to be submitted to the regulator in the first half of 2019? Do you have an update in terms of whether it is possible that you could actually sign it earlier? The third question is probably a detail, but you mentioned that PKZ would have a small positive impact on the 2019 EPS. Could you please elaborate on the size of this impact in terms of growth and profitability for 2019, and onwards?

Xavier DURAND

Let me start with the partial internal model. There is no change to what we said. We said that we would submit it by the middle of next year and, at this stage, I do not have any reason to believe it will be any different. That is all we can say. The project is progressing but there is no news on that front.

In terms of PKZ, it is important for that part of the world, but in the larger scale of Coface it only represents 1% of our premium, so it is not going to rock the boat one way or another. The increase in EPS is really marginal. I am just trying to say that it is a positive impact. So while it is a small acquisition, it is not a dilutive purchase. I should also mention that there is no goodwill attached to this business.

On the question of the balance sheet, as you know, the solvency ratio came in at 163% for the middle of the year. This was clearly much higher than our comfort zone, which is 140% to 160%. At this stage, we think that the programme we are proposing of EUR 15 million is about one point of solvency –so again this is not something that is going to materially alter our ability to do this or that. I think it is also a way for us to confirm the view that we have, that our balance sheet is strong. Also, clearly as the stock price is pretty low, it is an opportunity for us to buy shares at lower than par value.

Guilhem HORVATH, Exane BNP Paribas

If I can just follow up on the two elements, which were first the pro-cyclicity of the ratio and the fact that the best estimate can actually be lower in this environment? Secondly, what would happen if you had a solvency of between 140% and 160% -would you still continue to buy back shares?

Carine PICHON

Guilhem, I have to mention that we have not changed our capital management policy at all. It is clear that the decision we have taken [to launch an additional buyback programme] is not for a huge amount in terms of points of cover; and, it also takes into account our forecasts for the years to come. To be clear, as long as we have between 140% and 160% [of solvency ratio] and as well as we deliver a dividend pay-out ratio of 60%, there will be no change in our capital management policy. This particular buyback, which I would say is not very material, does not change that.

Guilhem HORVATH, Exane BNP Paribas

Ok, thank you.

Moderator

The next question comes from Thomas Fossard, HSBC.

Thomas FOSSARD, HSBC

A quick question on the monitoring of risks. Clearly the market is probably focusing on the pretty tricky economic environment at the moment and the disconnection of different economies –particularly in terms of FX rates, which could have some significant disturbance effects on emerging economies. Could you tell us a bit more about the monitoring of these risks? And, also tell us if you have actually taken any preventive measures so far? Is there anything you would like to add further to light us on regarding this environment? Second question concerns growth. As growth is coming back, does it change your view on the structure of your reinsurance programme for next year? It may be too early, but we are already close to November/December, so you may have some thoughts on this. What do you expect to tell us about this please?

Xavier DURAND

I think I was trying to address your question on page 5, because it gives a historical look at our book. The graphs presented show that we have been taking actions on a variety of topics over the last two years; including all the usual suspects you can think of, such as Turkey, Argentina, Italy, metals, distribution and others. These are topics that are being actively monitored and on which we have taken proactive measures. The results are shown in the summary graphs. The first one shows that the average quality of the portfolio has actually been increasing, despite the environment becoming more volatile. And the second, shows that we are constantly watching the amount of exposure we have and the amount of premium we get for this exposure. So that the risks we take are aligned with the returns we can expect from the policies. In answer to your question, this is an ongoing activity and we are making some pretty significant movements on risk management in different hotspots. It is not an across the board thing. As we said at the beginning of Fit to Win, we are being very clear here that we want to take targeted actions. That is the value we bring to the business and how we can help our clients. We target areas from a combined point of view: from our economic research, the information we get from our own business indicators (which collect all the claims activity on a weekly basis) and any insights we get from our clients and the other people we are in contact with. We combine all of this information to come up with views and proactive action plans which try to anticipate, or at least concur with, the different waves of risk we see spreading through the economy. We are absolutely focused on this and it is what we do on a daily basis.

On the reinsurance programme, I do not think we see a major change at this stage. Obviously we are still going through the discussions, or just beginning them, so it is a bit early to talk about it. I do not anticipate a major change in the shape of the reinsurance programme, at least in principle.

Thomas FOSSARD, HSBC

Thank you Xavier. So, if I now link the two questions, one on the risk monitoring side and the other on the protection side, what you are actually telling us today is that we should not expect too much volatility on your net loss ratios over the coming quarters? Do you believe that you have taken the necessary steps to prevent any hiccup?

Xavier DURAND

I will let you own that comment. Clearly, nobody knows what the environment holds. In the end we are driven by the economy, one way or the other. What I am telling you is that we are watching and constantly monitoring it. There will be events that we may be able to see develop gradually, where we will take action. There will be others that come completely out of the blue and which are very hard to predict and obviously harder to pre-empt. I think what we are saying here is that we absolutely applying the principles we have elaborated in terms of putting the Fit to Win plan together, in terms of agility, focus on risk, resources, processes and quality of people. The environment is the environment and we cannot predict what it will hold in the future.

Thomas FOSSARD, HSBC

Ok, thank you Xavier.

Moderator

The next question comes from Michael HUTTNER, JP Morgan.

Michael HUTTNER, JP Morgan

I am really sorry, I am on a plane, so I will be really quick. First question, if we had not had the FX, would you have reported a combined ratio of around 78%? The second question is on the money given to reinsurers in the quarter, is it about the same, as the normal run rate? Finally, you have mentioned Argentina in the second quarter. Is it something we should expect to continue?

Xavier DURAND

On the first question, I think the answer is yes. You have to take out the FX impact in the combined ratio.

Xavier DURAND

I am not sure I understood the second question. Can you repeat it again, please? On Argentina, as you know, there are two things. There has been a shock in the Argentinian market and we have clearly been impacted by it. Given what we do, it would be hard not to be. As you know, when something like this happens in our book, it takes some time for us to go through the shockwave. There are actions we take, the contractual delays we have with our clients and grace periods. Then there is the time it takes for all of this to develop through the book. What we do not know, is what is going to happen next in Argentina and I think that is the element that the Argentinian government and the IMF would probably know more about than I do. From that standpoint, it is a bit hard to answer that question.

Michael HUTTNER, JP Morgan

Ok, thank you.

Moderator

The next question comes from Benoit PETRARQUE, Kepler Cheuvreux.

Benoit PETRARQUE, Kepler Cheuvreux

My first question is on the around 78% combined ratio, ex FX. It is pretty low and actually includes quite a few recoveries again this quarter. Could you maybe clarify how many recoveries you are looking for and other exceptional recoveries you see this quarter? I was a bit surprised to see how many recoveries you have to date, so I was wondering where these are coming from and what we can expect in the coming quarters? On the reinsurance side, do you have any plans to increase the cession rate at this stage of the cycle? On the action plan, you have been talking about exposure and Argentina. Are there any new action plans you have taken more recently –around Brazil or Italy, for example? Are there new countries or exposures that you are starting to watch a little bit more carefully than in the past? We are almost in November, so how do you see the outlook for 2019? Will it be in line with the pro-cyclical average, a little worse, or a little better?

Xavier DURAND

I will start with the exposures, because I think I have probably answered that one. We are clearly watching everything we can and as I said earlier, we have been working on Italy. We are watching every region of the world and we are ready to act. As you know, the key in our business is that we cannot act before an event, because I do not think we would be justified to do that. Nevertheless, we cannot wait too long to act once an event has developed. That is the whole key. It is like when you go to the dentist. You cannot start screaming before he touches your teeth. We have been working on Italy and Turkey for the best part of two years. We have obviously been working intensively on Argentina this year. The sectors I mentioned, such as commodities and metal, have been going on for a couple of years. I could also talk about distribution, which I think is a major trend all over the world and is touching every economy I know about. So yes, we continue to focus on all of these things at the same time.

In terms of cession rate, I do not see any change to our reinsurance programmes. I think they are obviously profitable for the reinsurers and I think we have increased it over the last couple of years. At this stage, there is no major plan to change. However, it is early stage in the negotiations. Carine, do you want to talk about the combined ratio?

Carine PICHON

I confirm that the combined ratio is 78.8% without FX. I think this is what you calculated, which includes the loss ratio of 44.4%, excluding FX, that we have already commented on. Within this, we have a good level of recoveries that reflects our strict monitoring of new claims.

Xavier DURAND

And then, it is too early to talk about 2019 and we will discuss this in more during the next call. All I will tell you is that I think at the end of 2017 we were seeing the world as being particularly benign. I think what we had forecast, which is normalisation, if you will, of volatility, is pretty much happening. It is very hard to predict exactly where this is going, but we are seeing risk and volatility return to every sort of market. You are very well aware of what that means, whether emerging markets, dollars, exchange rate, trade discussion, or trade wars between the US and other partners. It is happening. I would just say that in the medium-term, I think it is a good thing for us. If there is no volatility, we really do not have a business. Enough volatility is good. Too much is obviously not as good. In the whole scheme of things, this is really what our business is all about, managing this increasing volatility in the world.

Benoit PETRARQUE, Kepler Cheuvreux

Thank you very much.

Moderator

The next follow-up question comes from Thomas Fossard, HSBC.

Thomas FOSSARD, HSBC

I just wanted to come back on your growth rate and top line growth. Just to catch up with what you said Xavier, I would have actually expected, in this kind of environment, that you would be a bit more supportive of your new business. More uncertainty should trigger more buying from your existing clients, but also maybe new clients? This does not seem to be showing up yet in new business - so are you confident about that? Does this come with a lag, which is usual in your business? Does it mean that you may be suffering somewhere? Could you maybe talk a bit more about what we can expect next year, especially if the pressure on prices will ease somewhat during the coming quarters?

Xavier DURAND

I will say a few things about this. Clearly, there is usually more demand, as you rightly point out, when things get riskier, because people are more willing to insure. The question is whether we are seeing terms and conditions that match the risk that they are asking us to take. In today's environment while things are normalising, the overall level of insolvencies remains very much controlled around the world. This means that most of our clients are still experiencing pretty good results on their policies. If you take the UK and Brexit, we see more UK companies willing to insure, but the terms and conditions they want may not necessarily be those that we think will lead to great returns for us.

As I said from the beginning, we are being thoughtful about what we want to take on and what we do not. The goal is not to drive the top line for the sake of driving it. It is to take good quality business that is appropriately priced and will return a good income through the cycle. I think that is what you are seeing. The other thing is that obviously it does take some time for things to turnaround and I do not think a market shifts its focus, or changes its mind about pricing or risk levels overnight. These would be the two elements I would bring to your attention.

Monitor

Thank you. We currently have no further questions.

Xavier DURAND

Thank you very much everybody for logging in and spending the time with us. We will meet again on 11 February 2019 for the total 2018 year report. Thank you everyone.

(End of transcript)

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FINANCIAL CALENDAR 2019 (subject to change)

FY-18 results: 11 February 2019 (after market close)

Q1-2019 results: 24 April 2019 (after market close)

Annual General Shareholders' Meeting 2018: 16 May 2019

H1-2019 results: 25 July 2019 (after market close)

9M-2019 results: 23 October 2019 (after market close)

FINANCIAL INFORMATION

This press release, 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 Interim Financial Report for H1-2018 and our 2017 Registration Document.

Coface: for trade - Building business together

70 years of experience and the most finely meshed network have made Coface a reference in credit insurance, risk management and the global economy. With the ambition to become the most agile, global trade credit insurance partner in the industry, Coface's experts work to the beat of the world economy, supporting 50,000 clients in building successful, growing and dynamic businesses. The Group's services and solutions protect and help companies take credit decisions to improve their ability to sell on both their domestic and export markets. In 2017, Coface employed ~4,100 people in 100 countries and registered turnover of €1.4 billion.

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