

FITCH REVISES COFACE'S OUTLOOK TO EVOLVING; AFFIRMS IFS 'A+'

Fitch Ratings-London/Paris-08 April 2010: Fitch Ratings has today revised the Outlooks of the Coface group's (Coface) major insurance entities to Evolving from Stable. Their Insurer Financial Strength (IFS) ratings are affirmed at 'A+'. The Long-term Issuer Default Rating (IDR) of Coface S.A., the head entity of Coface, is affirmed at 'A+'. All the entities and their ratings are listed below.

The Evolving Outlook reflects mainly the possible effects of a change in the future ownership of Coface. Its current 100% shareholder Natixis ('A+/Stable Outlook/'F1+') has initiated a process to possibly establish a different shareholding structure. Fitch sees Coface as having limited strategic importance for Natixis although it considers that further support would be provided to Coface should the need arise. In 2009 and in the beginning of 2010 Natixis provided a total of EUR225m capital support to the company.

The Evolving Outlook suggests possible different outcomes to the ratings. It could suggest positive rating action if the new shareholding structure of Coface is supportive of stronger financial strength and if the group's financial profile remains at a strong level. At the opposite end, it could imply negative rating action if the new shareholding structure of Coface is not supportive of the group's current rating or if the group's standalone profile deteriorates.

The ratings reflect the improved standalone financial strength of Coface compared with one year ago, including a visible reduction of its risk profile. The group adopted, since 2008, extensive measures in response to the economic crisis including reduction in the most sensitive exposures, tariff increases and tightening of policies' terms and conditions. These actions began to produce tangible improvements in technical results in Q409 with Coface's loss ratio reaching 63% compared with 94% in Q309 and 109% in Q42008.

Fitch expects Coface to return to profitability in 2010 and its underwriting performance to be less dependent on the economic cycle in the short term as policies' terms and conditions have now been tightened to reduce exposure and enhance earnings.

The ratings of Coface continue to reflect its solid position in the international credit insurance industry, strong capital adequacy and the high quality of its management team, which has pursued a consistent strategy.

During the past eight years, Coface's profitability has been strong, albeit cyclical, with a Fitch-calculated loss ratio (net of reinsurance) averaging 62%. Despite the deterioration in its loss ratio in 2009, it remains within the range of its peers. Fitch considers the group's capital adequacy to be strong on a risk-adjusted basis. At end-March 2010, its capital base was almost 5x the regulatory minimum requirement.

Coface's strategy is to continue to expand in its four strategic lines of business - credit insurance, credit information, debt collection and factoring - and as such to provide a comprehensive offer in receivables management services. Fitch believes these developments are likely to increase commercial and operational efficiency over the medium term.

Coface is the third-largest international credit insurer, with an estimated 20% global market share. It holds strong positions in Europe, built both through acquisitions and organic growth. The group's competitive advantages are its strong franchise, consistent strategy and IT systems that facilitate streamlined underwriting under strict guidelines. Coface also has a strong standing in the complementary businesses of credit information, factoring and debt collection, all of them being core activities of the group. Coface is also the leading provider of credit information in France.

Coface entities and their ratings:

Coface S.A.:

IFS affirmed at 'A+'; Outlook revised to Evolving from Stable
Long-term IDR affirmed at 'A+'; Outlook revised to Evolving from Stable
Short-term IFS affirmed at 'F1+'

Coface Kreditversicherung AG:

IFS affirmed at 'A+'; Outlook revised to Evolving from Stable
Short-term IFS affirmed at 'F1+'

Coface Assicurazioni Spa:

IFS affirmed at 'A+'; Outlook revised to Evolving from Stable

Coface Austria Kreditversicherung AG:

IFS affirmed at 'A+'; Outlook revised to Evolving from Stable

Coface North America Insurance Company:

IFS affirmed at 'A+'; Outlook revised to Evolving from Stable

Coface Finanz GmbH:

Long-term IDR affirmed at 'A+'; Outlook revised to Evolving from Stable

Coface Deutschland AG (former Coface Holding AG):

Long-term IDR affirmed at 'A+'; Outlook revised to Evolving from Stable

Applicable criteria "Insurance Rating Methodology", dated 29 December 2009, "Non-Life Insurance Rating Methodology", dated 24 March 2010, and "Fitch's Approach to Rating Insurance Groups", dated 24 March 2010, are available at www.fitchratings.com:

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Additional information is available at www.fitchratings.com.

Related Research:

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493126

Non-Life Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506369

Fitch's Approach to Rating Insurance Groups

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