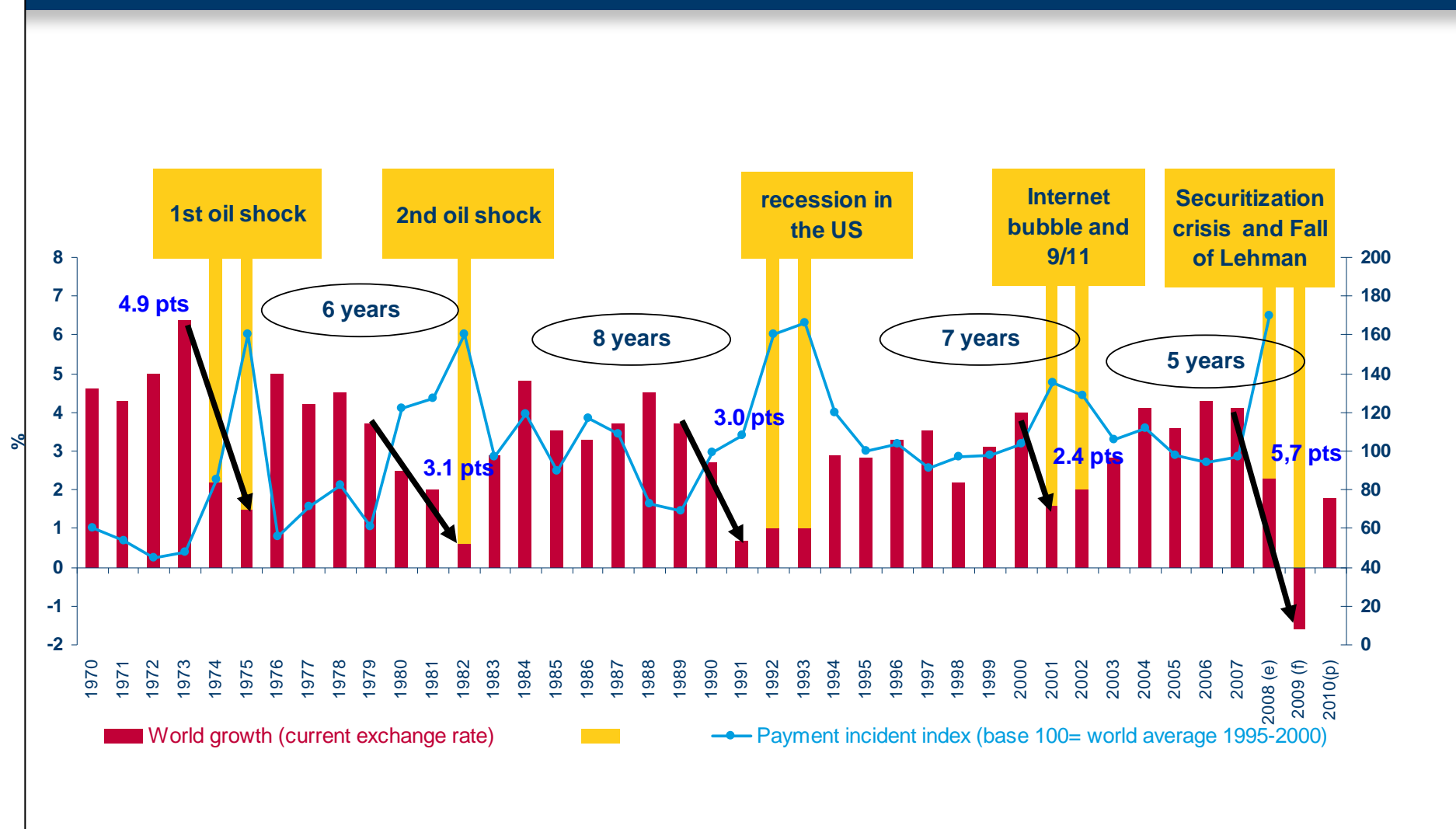




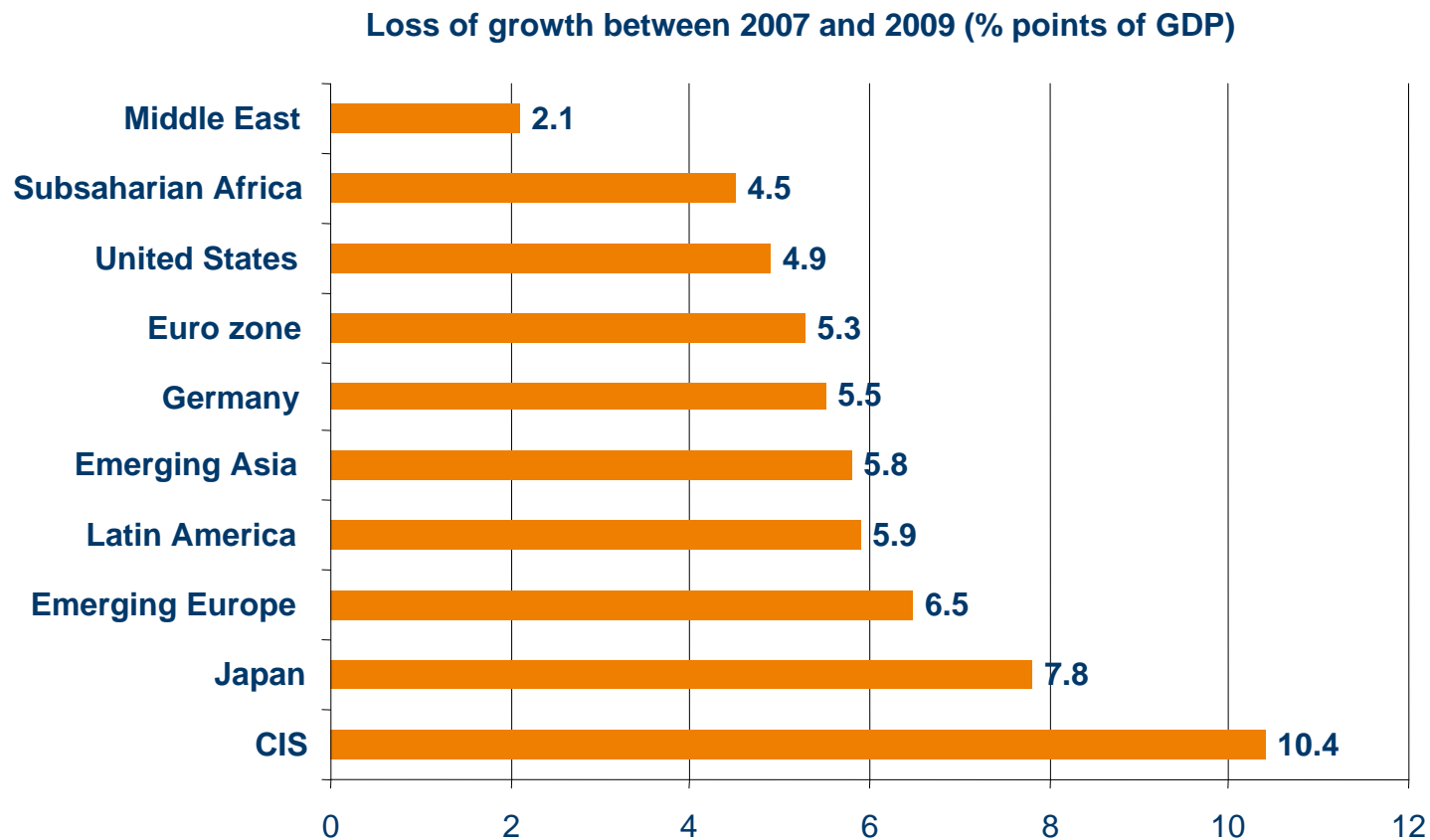
Corporate credit risk. How to restore trust ? Jérôme Cazes

14 | 05 | 2009

The 5th Credit crisis: The worst since the second World War

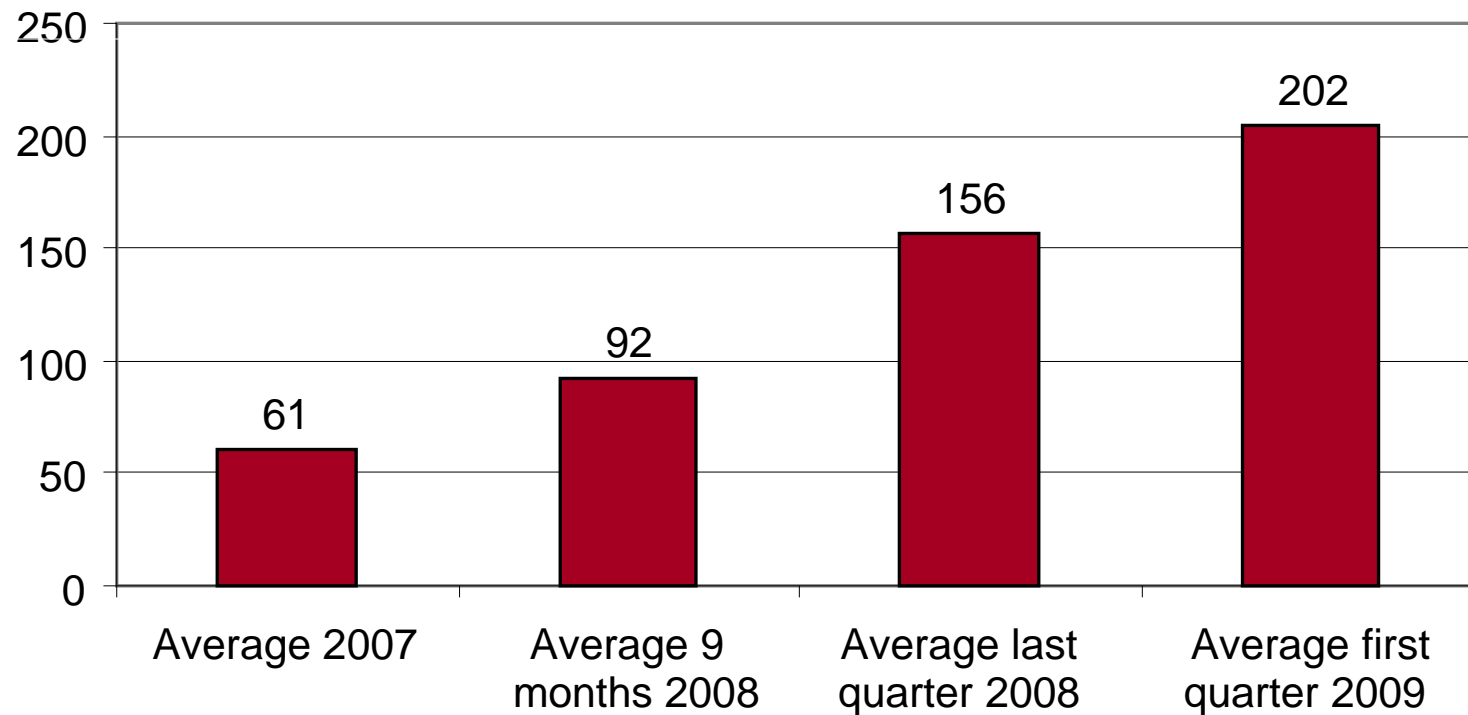


A major shock between 2007 and 2009



Coface claims notifications

New monthly notifications in gross €M



A new European regulation on rating agencies (1)

- Until now, only American regulations have been applied by default, which have clearly demonstrated their limits
- Europe has just adopted regulations that should contribute to bringing trust between corporates back
- Major progress has been made with this text, but there is a room for improvement :
 - CESR becomes the single point of entry for registering and supervising rating agencies – but registration and supervisory power left to 27 countries
 - A distinguish mark is imposed (*) on scores for structured products, which are by fare at the source of the crisis – but the text did not retain the principle of approval category by category
 - Reliability : the text organises a centralised and unified publication concerning the past performance of the agencies, pertaining to the quality of their scores – but no external quality control of performance

A new European regulation on rating agencies (2)

- Competition :
 - proposal from the Parliament called for encouraging new rating agencies along with the Big 3
 - The text requests a report from the Commission on the means of encouraging this competition and favour the entry of new players.
- Coface confirms its intent to solicit approval as a rating agency
- The commercial launch of the Coface financial rating offering is scheduled for June after several months of successful testing in Germany, France, the United Kingdom, China and Dubai.

Coface commitment to build confidence

Coface is aware of its responsibility to build / rebuild confidence in present crisis environment.

We base our credit risk underwriting on a « best effort commitments » in our risk analysis,

- For our small risks, we underwrite 2.5mns corporates at a single time (450,000 in Germany) through our exclusive @rating score, developed in partnership in Germany with Creditreform, and our exclusive @rating credit opinion : we just decided to make this whole process transparent through our Transparency Charter
- For our main exposures, we underwrite the top 18.000 corporations worldwide (4,000 in Germany) through an exclusive financial rating: we just decided to make it available to interested parties.

Transparency charter

Coface commits to:

1. Inform all Coface clients (12,500 in Germany) or their customers (450,000 in Germany) of their own Coface rating and their credit rating (all free of charge and on simple request) transparency@coface.de
2. Transmit any reassessment of their Coface ratings or credit opinions (free of charge)
3. Check with companies the veracity and severity of any payment incidents concerning them and of which Coface is aware, prior to making any decisions
4. Analyse in a fully confidential manner all financial information that a company sends to Coface before such information becomes public and to inform the company of any impact that such information might have on their ratings prior to making any decisions

Coface financial rating: press advertisement



Coface, a rating agency with an original business model

- We only rate on that which our reliability has been demonstrated: the 18,000 companies (4,000 in Germany) that we monitor on a daily basis because our credit insurance customers have asked us to cover substantial exposures over them.
- From June, these companies in a first list of countries will be able to have access to this rating and use it in their financial or trade partnership: confidentially or through a public rating.
- This business model answers present criticism against rating
 - It guarantees a low cost (an average of €10K compared to €60 to €100K for the 3 traditional agencies) since most of the rating cost has already been paid by Coface
 - It makes us more independent and more responsible: when we are wrong, we have to indemnify 100 or 1000 times our rating fee