



# IFRS 17 PRO FORMA

## PRESENTATION TO FINANCIAL ANALYSTS

27 APRIL 2023

# IFRS 17 PRO FORMA NUMBERS

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# PART 1

## IFRS 17 PRO FORMA HIGHLIGHTS

# TODAY'S HIGHLIGHTS

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## **IFRS 17 has been implemented by Coface since 1<sup>st</sup> January 2023**

- › Q1-2023 will see the first live application of the new norm
- › Numbers presented today result from the retroactive application of IFRS 17 norms to 2022 business (pro forma)
- › This is providing some useful references for modelling
- › First time application has been reviewed by the external auditors
- › All pro forma data (including quarterly & FY-2022 P&L, year-end 2022 balance sheet) are under review by the auditors
- › IFRS 9 is also applied since 1<sup>st</sup> January 2023 but there will be no pro forma set of accounts

## **2022 pro forma numbers have to be analysed in conjunction with first time application (FTA)**

- › The transition from one norm to another creates some short term differences
- › Profit recognition pace are different between IFRS 4 and IFRS 17
- › In the mid term, shareholders' equity and earnings converge between the two norms

**Coface will continue to report and to rely on the same KPIs with very limited definition changes**

# COFACE'S STRATEGY REMAINS UNAFFECTED BY IFRS 17

## OUR STATE OF MIND WHEN IMPLEMENTING IFRS 17

- Apply simplified Premium Allocation Approach to reflect short term nature of business with consequently no Contractual Service Margin
- Ensure continuity of KPIs: premiums, combined ratio, RoATE
- Stay coherent with current reserving principles
- Apply first time application (FTA) as of 1<sup>st</sup> January 2022
- Leverage existing Solvency II processes



## OUTCOME

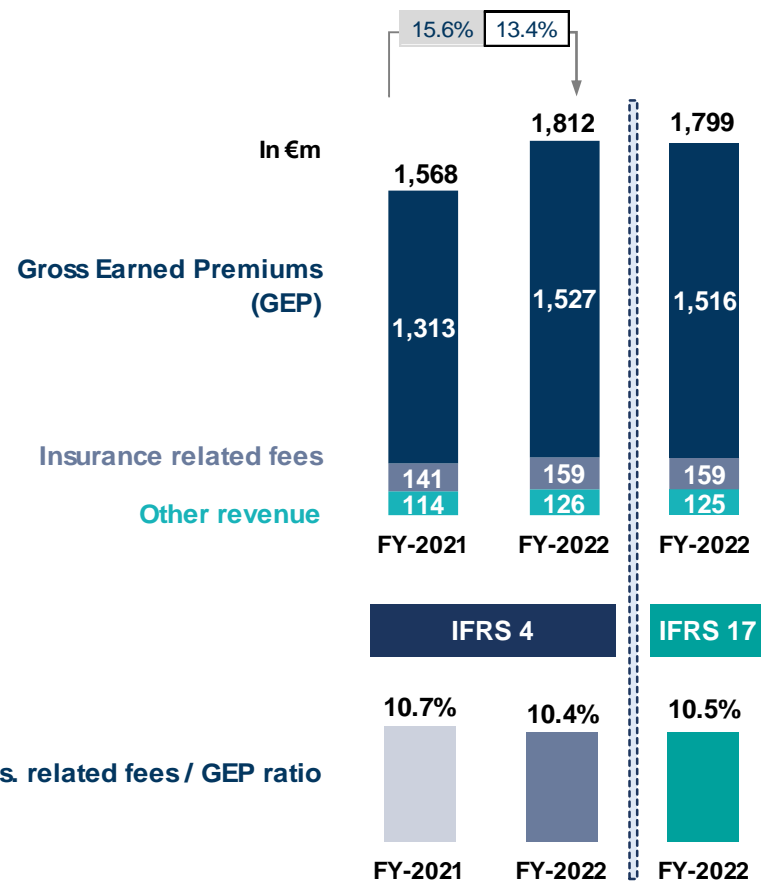
- Reserving philosophy remains broadly unchanged
- Unchanged strategy: Build to Lead assumptions and through the cycle targets remain for the current business plan:
  - < 80% combined ratio
  - > 9.5% RoATE
  - > 80% pay-out ratio
- Cash flows over the lifetime of the policy are unchanged. New rules tend to accelerate profit recognition and increase volatility
- Financial leverage unchanged
- Shareholders' equity slightly increased on FTA 01.01.22 (+€91m, 0.6EUR per share equivalent to 4.3%)



# PART 2

## IFRS 17 PRO FORMA RESULTS

# LESS THAN 1% DIFFERENCE ON TURNOVER



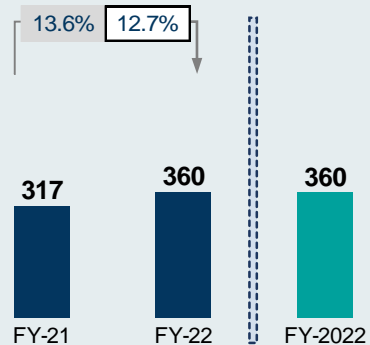
## Total revenue under IFRS 17 are at €1,799m

- › Differences are limited to two main effects
  - › Netting of inward commissions reducing revenues by €31m
  - › Coverage period extension increasing revenues by €21m
- › Gross earned premiums are €11m lower
- › Proportion of fees to turnover is not materially changed

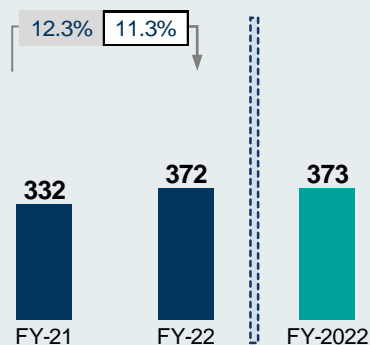
V% V% ex. FX

# MAIN DIFFERENCE IS IN ASIA PACIFIC DUE TO FRONTING BUSINESS

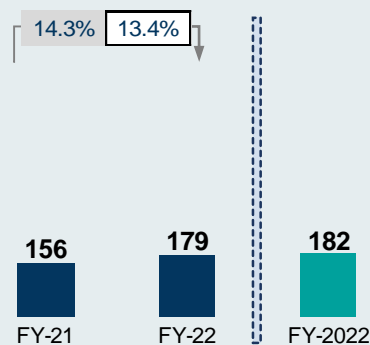
## Western Europe



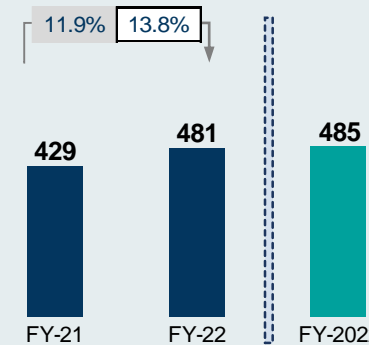
## Northern Europe



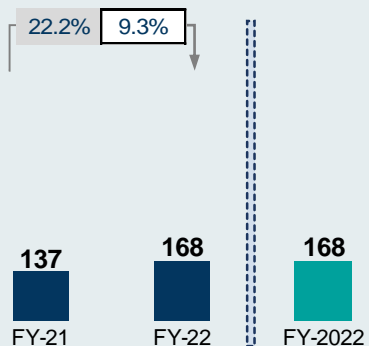
## Central Europe



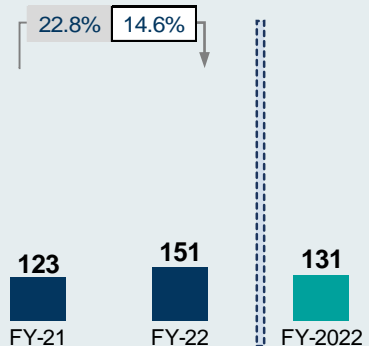
## Mediterranean & Africa



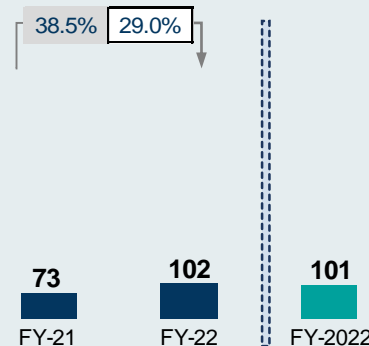
## North America



## Asia Pacific



## Latin America



IFRS 4 IFRS 17

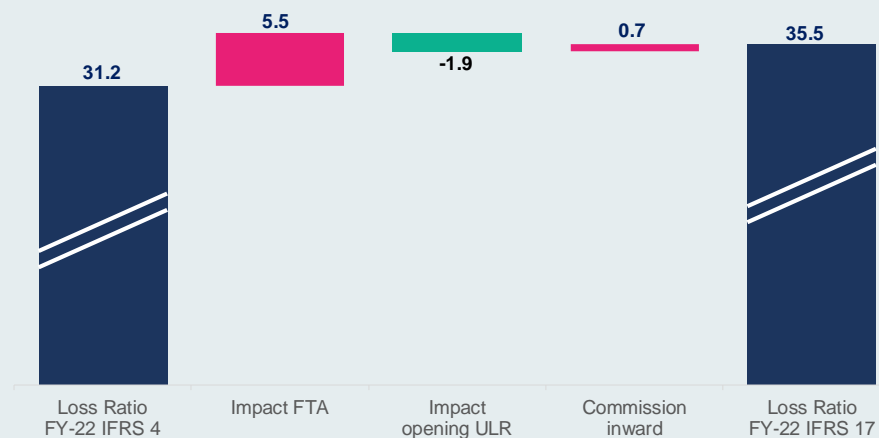
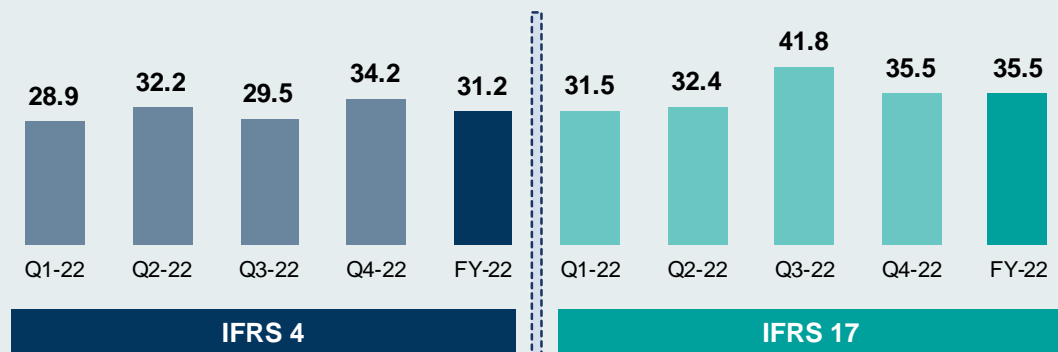
V% V% ex. FX

Total revenue by region, in €m



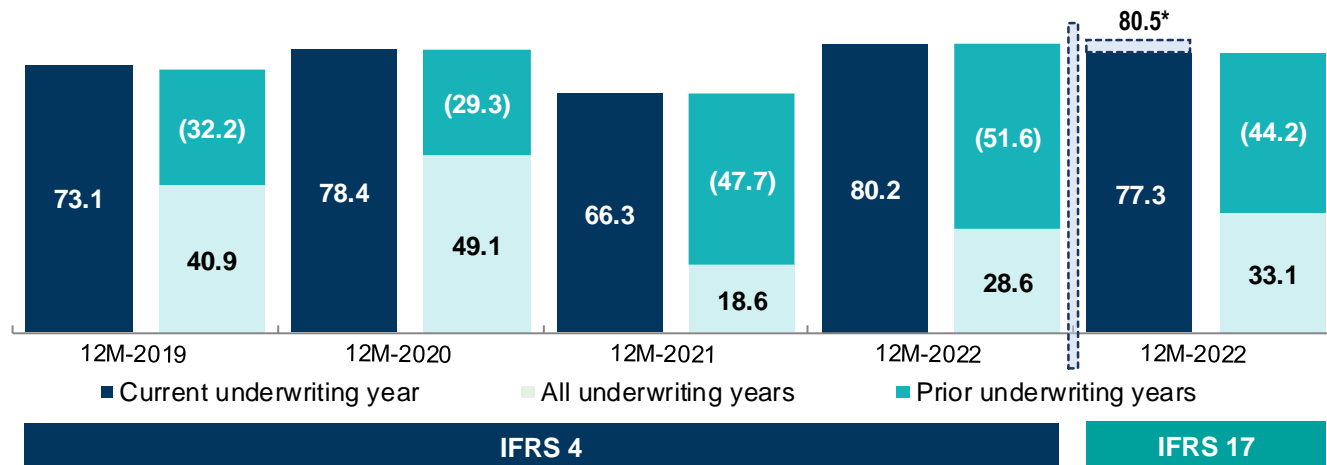
# 2022 ANNUAL GROSS LOSS RATIO AT 35.5%

Loss ratio before reinsurance and including claims handling expenses, in %



- › In 2022, IFRS 17 pro forma gross loss ratio is higher by 4.3 pts incl. claims handling expenses
- › Larger impact is related to first time application (FTA)
- › Undiscounted current year loss ratio is at 80.5%, very close to IFRS 4 loss ratio
- › Quarterly pro forma shows higher volatility with limited economical relevance

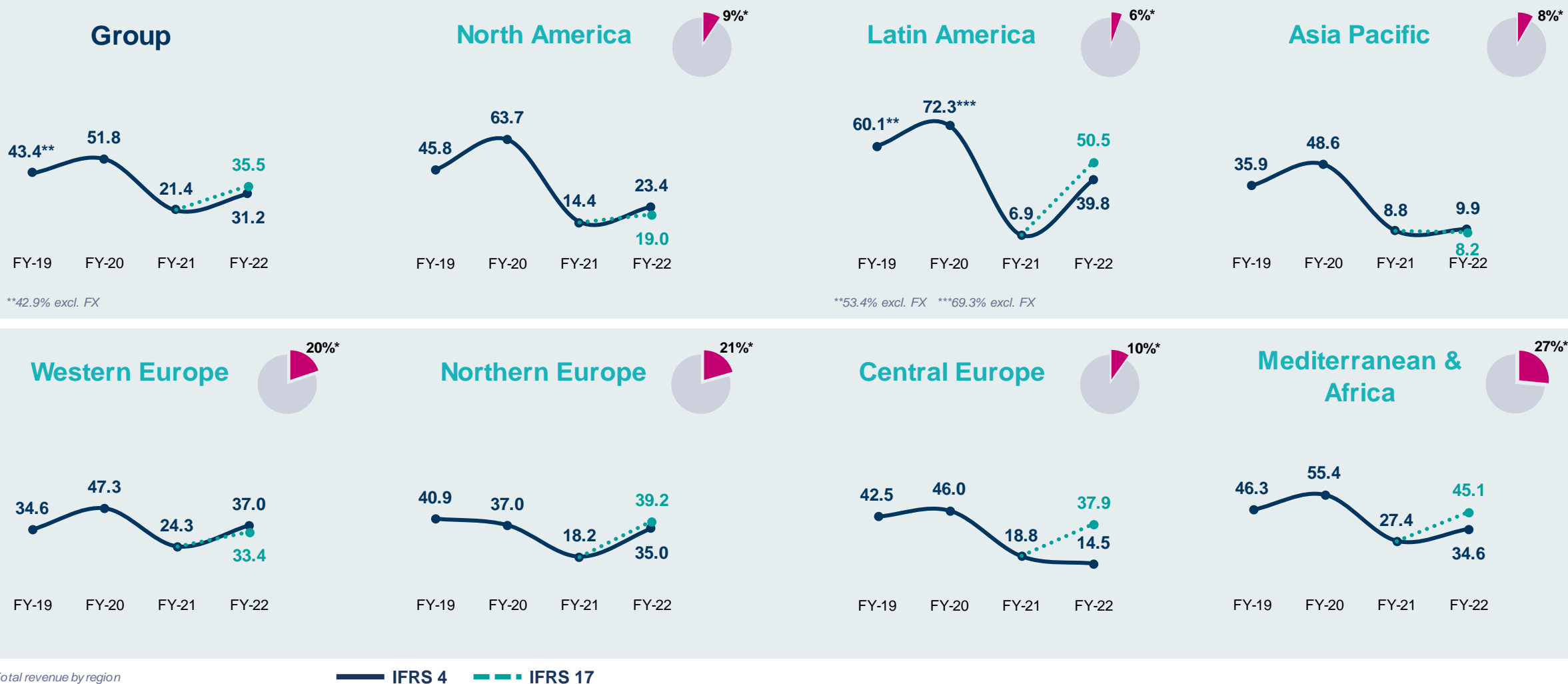
Loss ratio before reinsurance and excluding claims handling expenses, in %



\* Undiscounted

# ANNUAL REGIONAL LOSS RATIOS SHOW LIMITED DIFFERENCES

Loss ratio before reinsurance, including claims handling expenses – in %

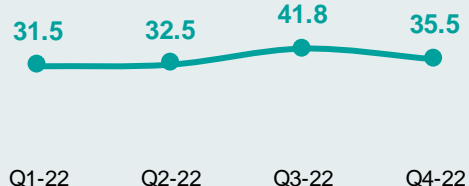


\*% of Total revenue by region

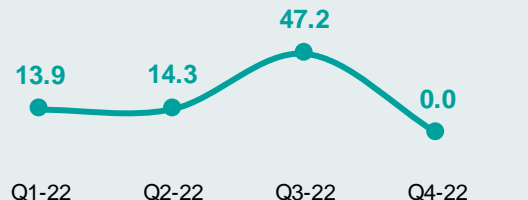
# SOME LARGE CASES AND RUSSIAN RESERVES REALLOCATION DURING Q4-22

IFRS 17 Loss ratio before reinsurance (by quarter), including claims handling expenses – in %

## Group



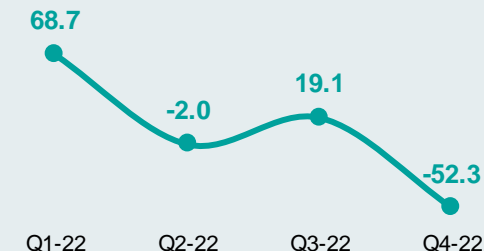
## North America



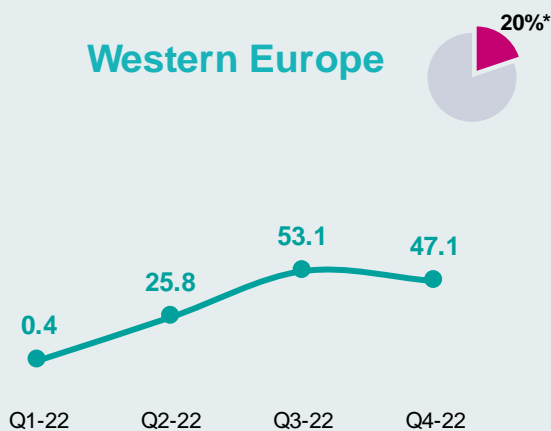
## Latin America



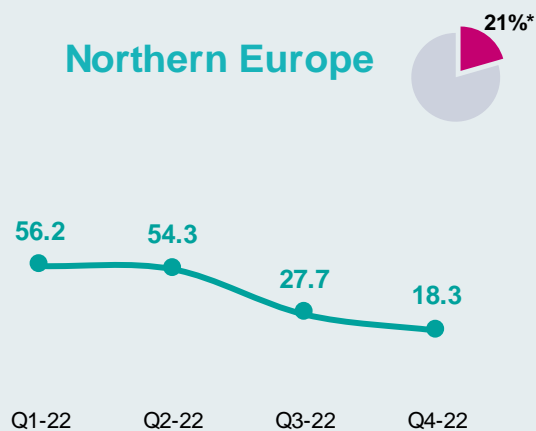
## Asia Pacific



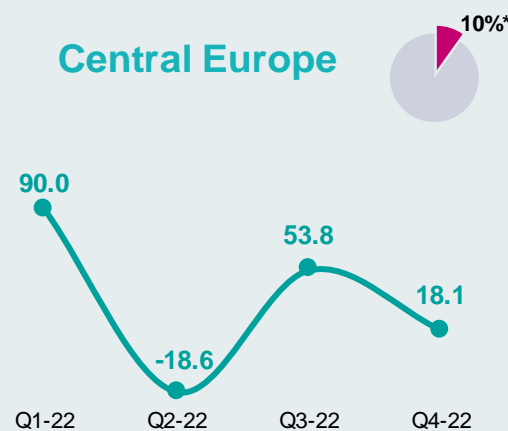
## Western Europe



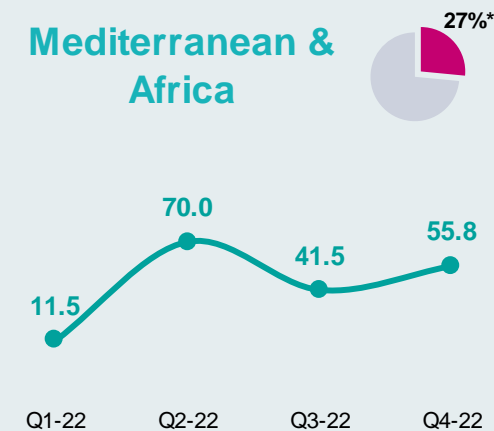
## Northern Europe



## Central Europe

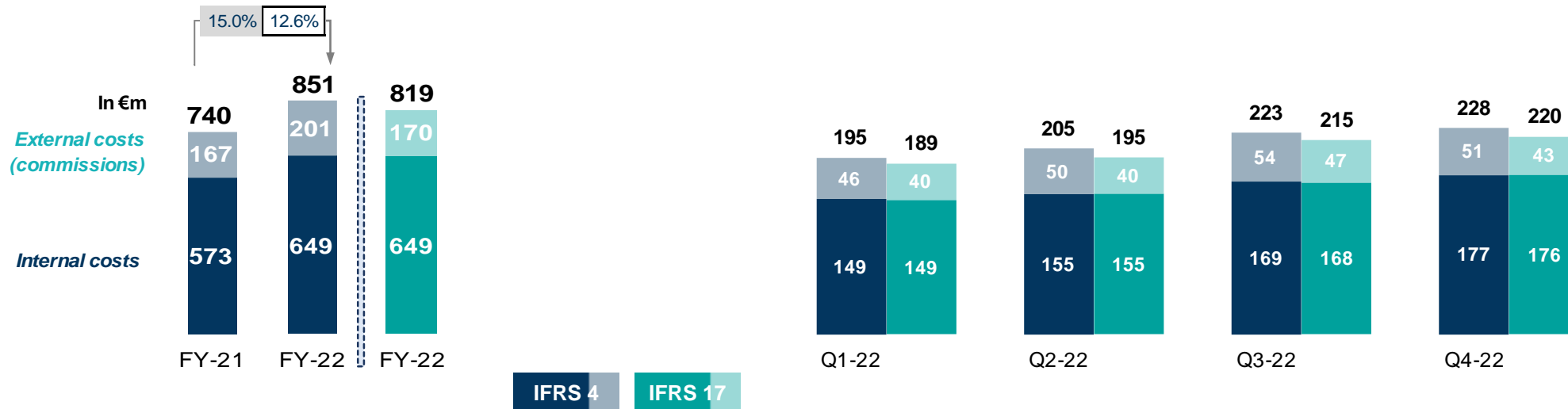


## Mediterranean & Africa



\*% of Total revenue by region

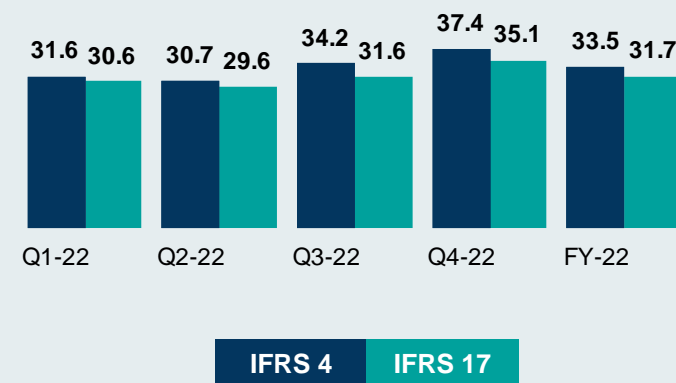
# LOWER COSTS AND COST RATIO UNDER IFRS 17



V% V% ex. FX

- › External costs are now net of inwards commissions
- › Internal costs remain similar
- › Gross cost ratio appears lower under the new framework

Gross cost ratio before reinsurance, in %



# REINSURANCE DIFFERENCES MOSTLY RELATED TO FTA IMPACT

- › Premium cession rate at 27.0%
- › Claims cession rate at 18.4%, higher than under IFRS 4
- › In future reporting focus will be on insurance result, aligning with IFRS 17 vision

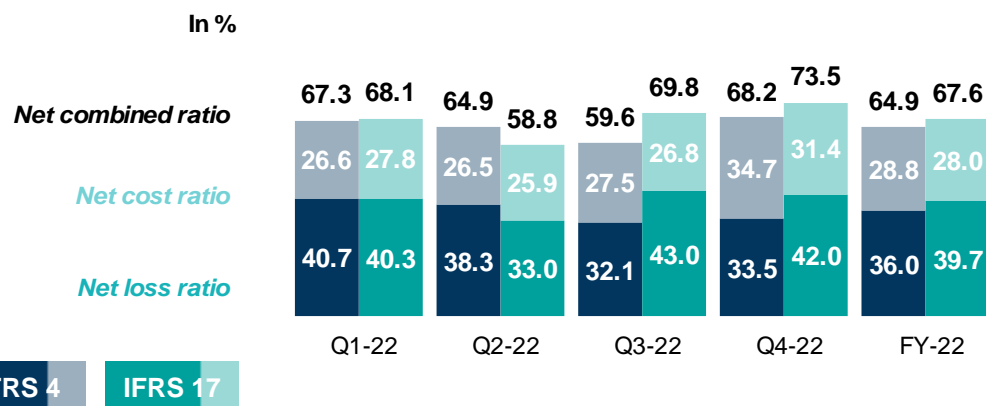
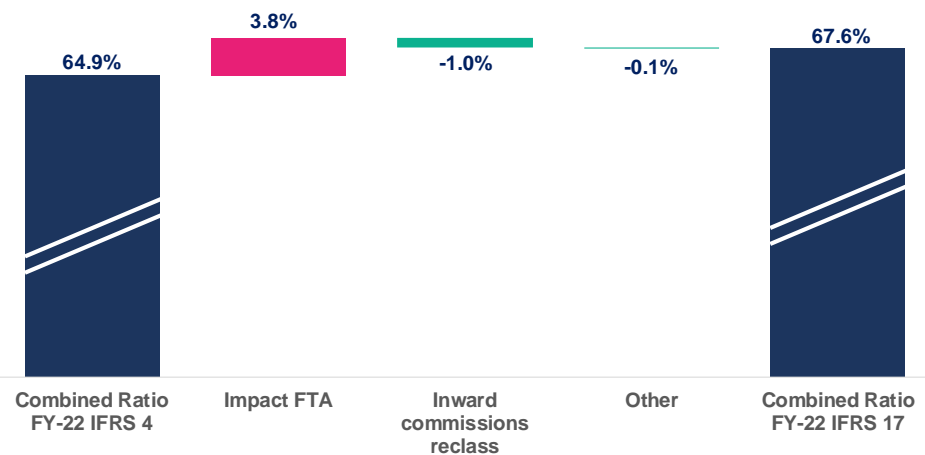
IFRS 4   IFRS 17

	12M-21	12M-22	12M-22
<b>Underwriting income before reinsurance</b>	588.2	529.1	487.3
<i>Reinsurance result</i>	(314.3)	(146.6)	(138.6)
<b>Underwriting income after reinsurance</b>	273.9	382.5	348.6

	12M-21	12M-22	12M-22
Gross earned premiums	1,312.6	1,527.5	1,515.7
Net earned premiums	800.5	1,117.1	1,106.9
<b>Premium cession rate</b>	39.0%	26.9%	27.0%
Gross claims expenses	(280.5)	(476.8)	(537.7)
Net claims expenses	(266.3)	(402.7)	(439.0)
<b>Claims cession rate</b>	5.0%	15.5%	18.4%

	12M-22
<b>Insurance result before reinsurance</b>	447.3
<i>Reinsurance result</i>	(138.6)
<b>Insurance result after reinsurance</b>	308.6

# NET COMBINED RATIO AT 67.6% UNDER IFRS 17



- › The impact of first time application (FTA) is the primary driver of different combined ratios
- › Reclassification of inward commissions reduces the ratio by 1%

- › FY-22 pro forma IFRS 17 combined ratio is very close to IFRS 4 reported number
- › Different timing in profit recognition impact quarterly cost ratio and loss ratio with very limited economic relevance

# FY-2022 NET INCOME AT €240.4M

<i>Income statement items - in €m</i>	12M-21	12M-22	12M-22
<b>Current operating income</b>	<b>316.0</b>	<b>422.6</b>	<b>366.8</b>
Other operating income and expenses	(3.2)	(9.1)	(9.5)
<b>Operating income</b>	<b>312.9</b>	<b>413.5</b>	<b>357.2</b>
Finance costs	(21.5)	(29.6)	(29.6)
Share in net income of associates	0.0	0.0	0.0
Badwill/Goodwill	0.0	0.0	0.0
Income tax	(67.5)	(100.6)	(86.9)
<i>Tax rate</i>	<i>23%</i>	<i>26%</i>	<i>27%</i>
Non-controlling interests	(0.1)	(0.2)	(0.3)
<b>Net income (group share)</b>	<b>223.8</b>	<b>283.1</b>	<b>240.4</b>

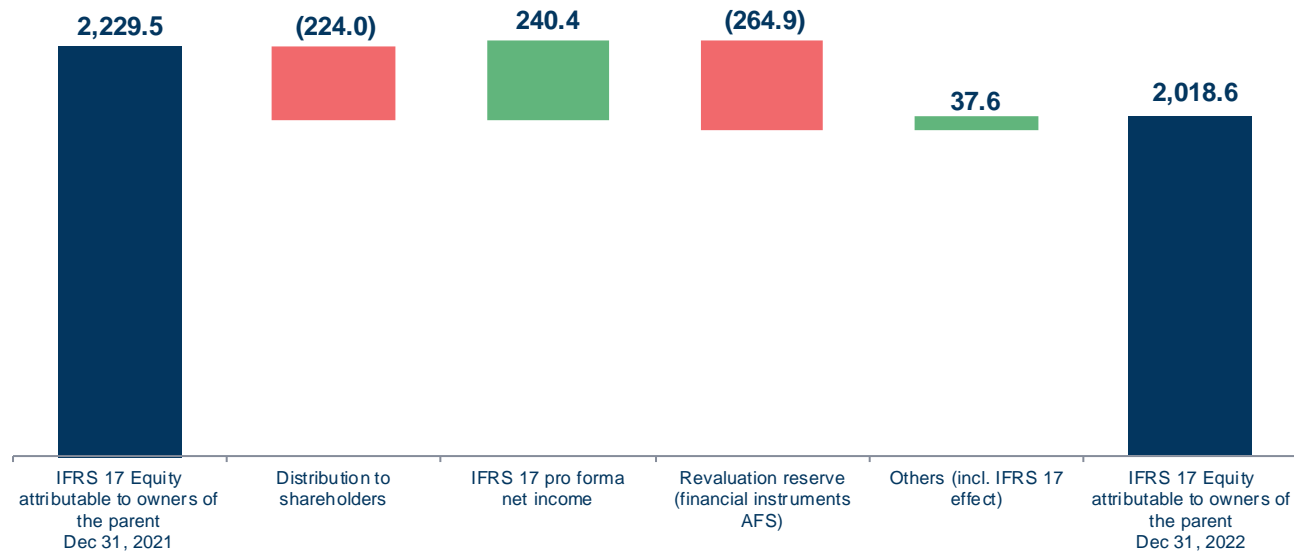
IFRS 4

IFRS 17

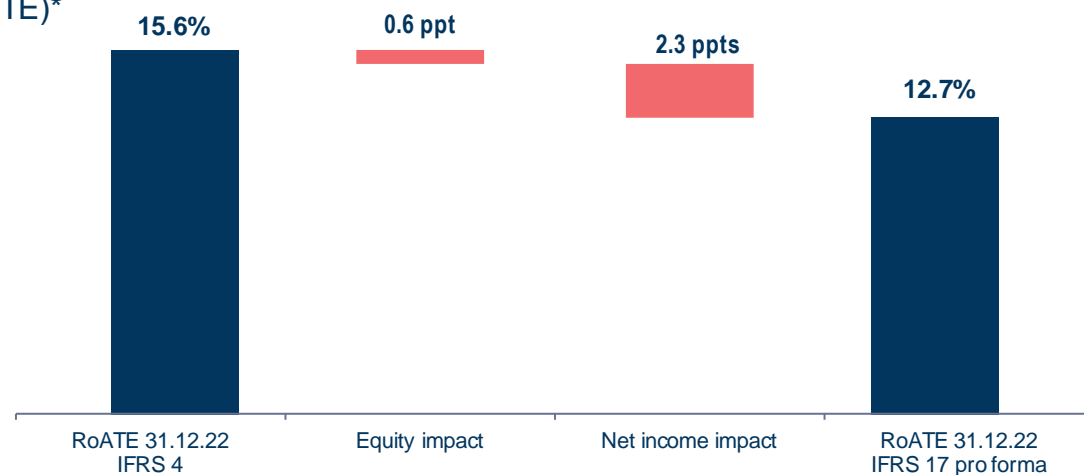
- › Lower operating income on higher cost ratio related to First Time Application leading to lower reserve releases
- › Tax rate at 27%
- › Net profit at €240.4m, earning per share at €1.60

# ROATE PRO FORMA UNDER IFRS 17 STANDS AT 12.7%

Change in equity  
In €m



Return on average tangible equity (RoATE)\*



\* Annualised RoATE



An aerial view of a city skyline at sunset. The sky is a mix of light blue and orange, with the sun low on the horizon. The city is filled with various skyscrapers and buildings, some of which are illuminated. The overall scene is a dense urban landscape.

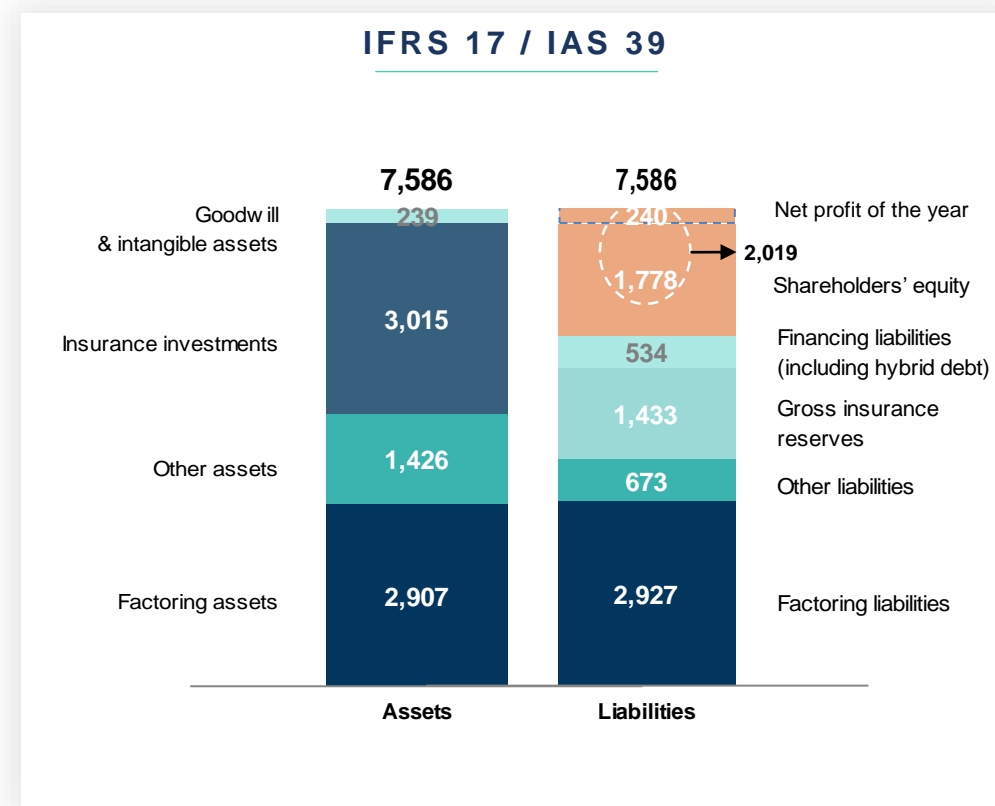
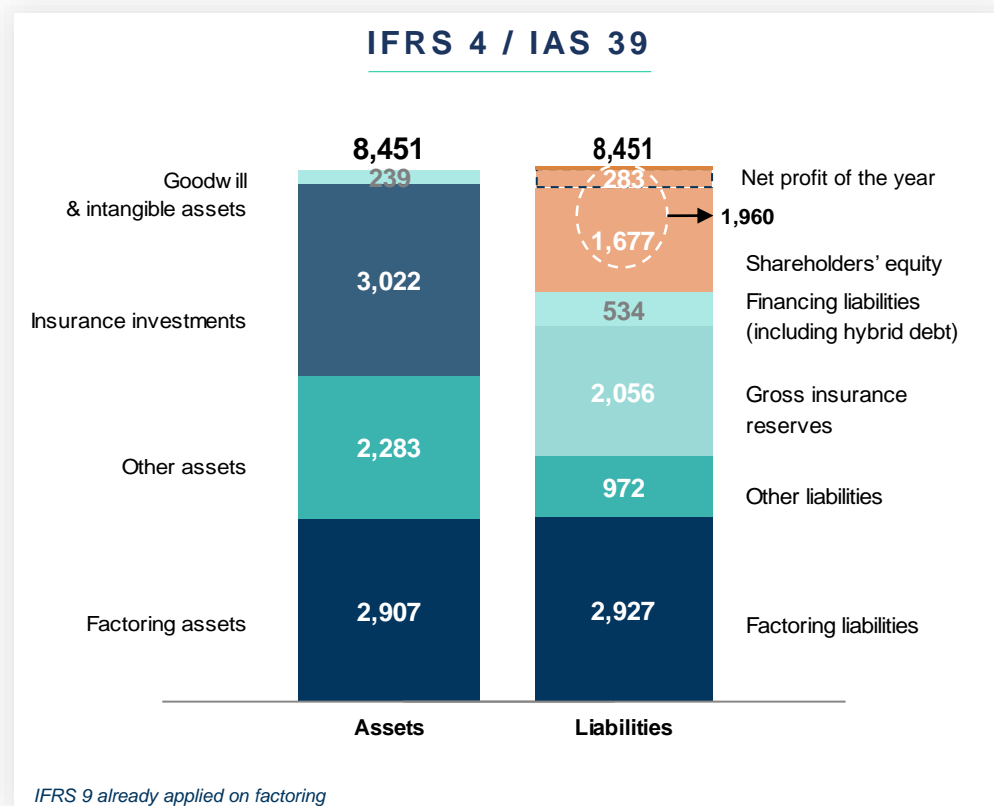
coface  
FOR TRADE

# PART 3

## CAPITAL MANAGEMENT

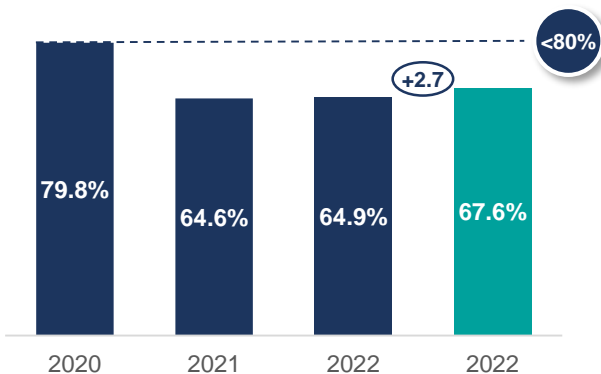
# FY-2022 BALANCE SHEET UNDER IFRS 17 / IAS 39

2022 simplified balance sheet  
In €m



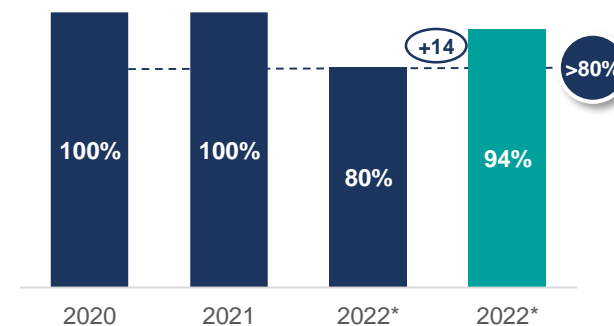
# BUILD TO LEAD – TARGETS STILL WELL ON TRACK UNDER IFRS 17

COMBINED RATIO



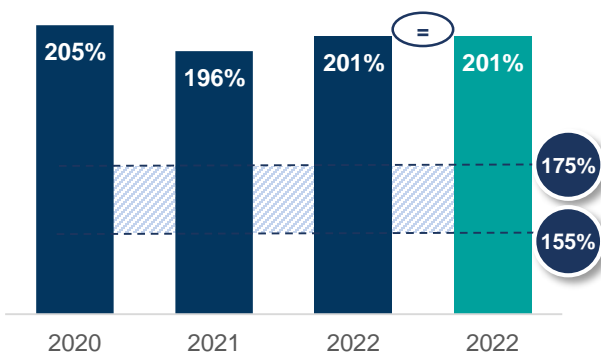
IFRS 4 IFRS 17

PAY-OUT RATIO

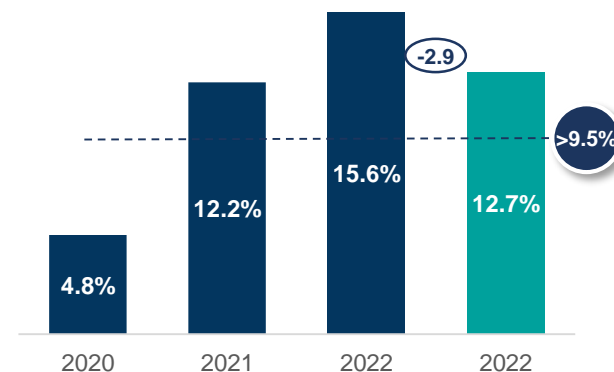


BUILD TO LEAD  
(2020-2023)

SOLVENCY RATIO



ROATE



\* The proposed distribution is subject to approval by the general shareholders meeting on 16 May 2023



# PART 5

## KEY TAKE-AWAYS

# KEY TAKE-AWAYS

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## **Coface's strategy remains unaffected by IFRS 17**

- › Reserving philosophy remains broadly unchanged
- › Undiscounted current underwriting year loss ratios are almost identical
- › Build to Lead assumptions and through the cycle targets remain
- › Faster prior year development recognition under IFRS 17

## **Coface will continue to report and to rely on the same KPIs with very limited definition changes**

- › Pro forma numbers 2022 have to be analysed in conjunction with first time application (FTA)
- › Convergence has already started during 2022

## **Build to Lead through the cycle objectives remain valid under IFRS 17**



# PART 6

## APPENDICES

# KEY FIGURES (1/2)

## QUARTERLY AND CUMULATED FIGURES

	IFRS 4				IFRS 17			
Income statement items in €m / Quarterly figures	Q1-22	Q2-22	Q3-22	Q4-22	Q1-22	Q2-22	Q3-22	Q4-22
Gross earned premiums	361.3	392.7	398.1	375.3	359.2	374.0	403.5	379.0
Services revenue	69.5	71.4	70.1	73.5	68.8	71.6	70.1	73.0
<b>REVENUE</b>	<b>430.8</b>	<b>464.1</b>	<b>468.2</b>	<b>448.9</b>	<b>428.0</b>	<b>445.6</b>	<b>473.5</b>	<b>452.0</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>84.9</b>	<b>98.1</b>	<b>112.7</b>	<b>86.8</b>	<b>82.3</b>	<b>109.5</b>	<b>84.9</b>	<b>72.0</b>
Investment income, net of management expenses	12.3	12.0	14.7	1.0	(0.3)	1.1	3.0	14.3
<b>CURRENT OPERATING INCOME</b>	<b>97.2</b>	<b>110.1</b>	<b>127.4</b>	<b>87.9</b>	<b>82.0</b>	<b>110.6</b>	<b>87.9</b>	<b>86.2</b>
Other operating income / expenses	(1.2)	(3.2)	(0.7)	(4.1)	(1.2)	(3.2)	(0.7)	(4.1)
<b>OPERATING INCOME</b>	<b>96.1</b>	<b>106.9</b>	<b>126.8</b>	<b>83.7</b>	<b>80.8</b>	<b>107.4</b>	<b>87.3</b>	<b>82.1</b>
<b>NET INCOME</b>	<b>66.2</b>	<b>78.2</b>	<b>84.0</b>	<b>54.7</b>	<b>52.3</b>	<b>82.5</b>	<b>51.0</b>	<b>54.6</b>
<i>Income tax rate</i>	<i>27.2%</i>	<i>23.0%</i>	<i>27.0%</i>	<i>27.7%</i>	<i>31.0%</i>	<i>19.3%</i>	<i>32.8%</i>	<i>25.5%</i>

	IFRS 4				IFRS 17			
Income statement items in €m / Cumulated figures	Q1-22	H1-22	9M-22	FY-22	Q1-22	H1-22	9M-22	FY-22
Gross earned premiums	361.3	754.0	1,152.1	1,527.5	359.2	733.2	1,136.6	1,515.7
Services revenue	69.5	140.9	211.0	284.5	68.8	140.4	210.4	283.4
<b>REVENUE</b>	<b>430.8</b>	<b>894.9</b>	<b>1,363.1</b>	<b>1,812.0</b>	<b>428.0</b>	<b>873.5</b>	<b>1,347.0</b>	<b>1,799.0</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>84.9</b>	<b>183.0</b>	<b>295.7</b>	<b>382.5</b>	<b>82.3</b>	<b>191.8</b>	<b>276.7</b>	<b>348.6</b>
Investment income, net of management expenses	12.3	24.4	39.1	40.1	(0.3)	0.9	3.9	18.2
<b>CURRENT OPERATING INCOME</b>	<b>97.2</b>	<b>207.3</b>	<b>334.8</b>	<b>422.6</b>	<b>82.0</b>	<b>192.6</b>	<b>280.5</b>	<b>366.8</b>
Other operating income / expenses	(1.2)	(4.3)	(5.0)	(9.1)	(1.2)	(4.3)	(5.0)	(9.1)
<b>OPERATING INCOME</b>	<b>96.1</b>	<b>203.0</b>	<b>329.8</b>	<b>413.5</b>	<b>80.8</b>	<b>188.3</b>	<b>275.5</b>	<b>357.7</b>
<b>NET INCOME</b>	<b>66.2</b>	<b>144.4</b>	<b>228.4</b>	<b>283.1</b>	<b>52.3</b>	<b>134.8</b>	<b>185.8</b>	<b>240.4</b>
<i>Income tax rate</i>	<i>27.2%</i>	<i>25.1%</i>	<i>25.8%</i>	<i>26.2%</i>	<i>31.0%</i>	<i>24.3%</i>	<i>26.8%</i>	<i>26.5%</i>

## KEY FIGURES (2/2)

### REVENUE BY REGION: QUARTERLY AND CUMULATED FIGURES

Total revenue by quarter - in €m	IFRS 4				IFRS 17			
	Q1-22	Q3-22	Q3-22	Q4-22	Q1-22	Q2-22	Q3-22	Q4-22
Northern Europe	93.0	91.9	92.4	95.0	94.6	92.9	92.6	92.9
Western Europe	80.8	93.3	96.8	88.7	79.9	86.9	103.9	88.9
Central Europe	44.6	44.1	46.8	43.0	46.9	42.6	48.5	43.9
Mediterranean & Africa	116.7	123.2	122.2	118.5	115.9	120.9	122.9	125.0
North America	38.8	44.4	41.9	42.9	36.2	43.5	43.7	45.0
Latin America	22.6	25.9	29.6	23.4	22.9	25.3	28.5	24.1
Asia Pacific	34.3	41.2	38.5	37.3	31.5	33.5	33.4	32.1
<b>Total revenue</b>	<b>430.8</b>	<b>464.1</b>	<b>468.2</b>	<b>448.8</b>	<b>428.0</b>	<b>445.6</b>	<b>473.5</b>	<b>452.0</b>

Total revenue Cumulated - in €m	IFRS 4				IFRS 17			
	Q1-22	H1-22	9M-22	FY-22	Q1-22	H1-22	9M-22	FY-22
Northern Europe	93.0	184.9	277.3	372.3	94.6	187.5	280.1	373.1
Western Europe	80.8	174.2	271.0	359.6	79.9	166.8	270.7	359.6
Central Europe	44.6	88.8	135.6	178.5	46.9	89.5	138.0	182.0
Mediterranean & Africa	116.7	239.9	362.0	480.6	115.9	236.8	359.7	484.7
North America	38.8	83.2	125.1	168.0	36.2	79.7	123.4	168.4
Latin America	22.6	48.6	78.2	101.6	22.9	48.2	76.7	100.8
Asia Pacific	34.3	75.5	114.0	151.3	31.5	65.0	98.4	130.5
<b>Total Group</b>	<b>430.8</b>	<b>894.9</b>	<b>1,363.1</b>	<b>1,812.0</b>	<b>428.0</b>	<b>873.5</b>	<b>1,347.0</b>	<b>1,799.0</b>

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# COMBINED RATIO CALCULATION

## > Combined ratio before reinsurance

$$\text{loss ratio before reinsurance } \frac{(B)}{(A)} + \text{cost ratio before reinsurance } \frac{(C)}{(A)}$$

## > Combined ratio after reinsurance

$$\text{loss ratio after reinsurance } \frac{(E)}{(D)} + \text{cost ratio after reinsurance } \frac{(F)}{(D)}$$

Ratios	FY-2021 IFRS 4	FY-2022 IFRS 4	FY-2022 IFRS17
Loss ratio before reinsurance	21.4%	31.2%	35.5%
<b>Loss ratio after reinsurance</b>	<b>33.3%</b>	<b>36.0%</b>	<b>39.7%</b>
Cost ratio before reinsurance	33.1%	33.5%	31.7%
<b>Cost ratio after reinsurance</b>	<b>31.3%</b>	<b>28.8%</b>	<b>28.0%</b>
Combined ratio before reinsurance	54.4%	64.7%	67.2%
<b>Combined ratio after reinsurance</b>	<b>64.6%</b>	<b>64.9%</b>	<b>67.6%</b>

In €k	FY-2021 IFRS 4	FY-2022 IFRS 4	FY-2022 IFRS17
<b>Earned Premiums</b>			
Gross earned premiums [A]	1,312,637	1,527,464	1,515,663
Ceded premiums	(512,098)	(410,339)	(408,812)
<b>Net earned premiums [D]</b>	<b>800,539</b>	<b>1,117,125</b>	<b>1,106,850</b>
<b>Claims expenses</b>			
Claims expenses [B]	(280,456)	(476,779)	(540,425)
Loss component	NA	NA	2,735
Ceded claims	119,395	81,935	99,313
Ceded loss component	NA	NA	(608)
Change in claims provisions	(105,272)	(7,819)	NA
<b>Net claims expenses [E]</b>	<b>(266,333)</b>	<b>(402,663)</b>	<b>(438,985)</b>
<b>Technical expenses</b>			
Operating expenses	(699,327)	(806,361)	(774,376)
Employee profit sharing and incentive plans	9,898	10,120	10,120
Other revenue	255,221	284,506	283,367
<b>Operating expenses, net of revenues from other services before reinsurance [C]</b>	<b>(434,208)</b>	<b>(511,734)</b>	<b>(480,888)</b>
Commissions received from reinsurers	183,686	189,613	171,469
<b>Operating expenses, net of revenues from other services after reinsurance [F]</b>	<b>(250,522)</b>	<b>(322,121)</b>	<b>(309,420)</b>

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# FINANCIAL CALENDAR & INVESTOR RELATIONS CONTACTS

## Calendar

Next Event	Date
2022 Annual shareholders meeting	16 May 2023
Q1-2023 Results	25 May 2023
H1-2023 Results	10 August 2023
9M-2023 Results	14 November 2023

Coface is scheduled to attend the following investor conferences

Next Event	Date
Goldman Sachs European Financials conference	13 June 2023 – Paris
Conference Portzamparc BNP Paribas	20 June 2023 – Paris
Natixis FIG Conference	28 September 2023 – Paris
BNP Paribas Exane 6 <sup>th</sup> MidCap CEO Conference	15 November 2023 – Paris

## Own shares transactions

Date	Liquidity Agreement	LTIP	Buy-back (cancellation)	Own shares transactions		
				TOTAL (in shares)	% Total of # Shares	Voting rights
31/03/2023	136,177	709,690	0	845,867	0.56%	149,333,925

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Participants should read the interim financial report for the period ending 30 June 2022 and complete this information with the Universal Registration Document for the year 2022. The Universal Registration Document for 2022 was registered by the *Autorité des marchés financiers* ("AMF") on 6 April 2023 under the number D.23-0244. These documents all together present a detailed description of the Coface Group, its business, strategy, financial condition, results of operations and risk factors.

This presentation contains certain forward-looking statements. Such forward looking statements in this presentation are for illustrative purposes only. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on

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This presentation contains certain information that has not been prepared in accordance with International Financial Reporting Standards ("IFRS"). This information has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under IFRS.

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