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.

Pro forma IFRS 17results

Conference Call Transcription

Paris, 27 April 2023

Presentation

Moderator

Ladies and gentlemen, welcome to the conference call for the presentation of Coface's Pro forma IFRS 17 results. As a reminder, this conference call is being recorded. Your hosts for today's call will be Phalla Gervais, CFO.

Phalla GERVAIS, Group CFO and Risk Director

Good afternoon, everybody. Today, we're going to provide you with an overview of our pro forma IFRS 17 full-year 2022 results.

Before we start, I just want to highlight a couple of things. The first one is of course as everybody knows IFRS 17 went live on 1 January 2023, which means that the next time we talk to discuss our Q1 2023 results, they will be presented under this new accounting standard. The numbers that are presented today are the so-called pro forma numbers, which is the full-year 2022 results with the retroactive application of this new standard.

I hope that it will provide you with some useful reference for your modelling and that's one of the purposes of the call. We have already presented the first-time application with our year-end results in February, which is the opening balance sheet under IFRS 17 as of 1 January 2022. Please note that this has been reviewed by our external auditors now with no changes. The pro forma data that we will go through today, which is some quarterly numbers and more importantly the full year 2022 P&L as well as the closing balance sheet as of 31 December 2022 under IFRS 17, are as we speak under review by our external auditors. I also want to highlight the fact that we have moved since 1 January 2023 from IAS 39 to IFRS 9, which is related to the investment portfolio accounting classification. However, IFRS 9 doesn't require us to have a pro forma set of accounts for the previous year and Coface has chosen not to do so.

What you will see during this presentation is a couple of comments that will be developed during the course of today's presentation. The 2022 pro forma numbers need to be analysed in conjunction with the first-time application. 2022 obviously was a transition year and during this transition year you will have some short-term differences from one norm to the other.

You will see that the profit recognition pace is different under IFRS 4 and IFRS 17, however, given the short-term nature of our business, in the mid-term shareholders equity, earnings and cash flow will converge under the two norms.

More importantly, under IFRS 17, Coface will continue to report and to rely on the same KPIs but with very limited definition changes that we will go through.

If we move to the next page which is page 5, I think this page has already been presented in February but it's good also to be reminded. Our strategy remains unchanged and non-impacted by the implementation of IFRS 17. So, what was our state of mind when implementing IFRS 17? In terms of principle, I would remind you that the short-term nature of our business allows us to apply a simplified approach which is the Premium Allocation Approach. We have no Contractual Service Margin (no CSM). This is a principle. We have ensured or tried to ensure the same KPIs, the continuity of KPIs in terms of premium, combined ratio and return on average tangible equity. We're not adding any new KPIs and we're not replacing any of the existing ones. We stayed very coherent in terms of reserving principle, and we'll see that later on. The first-time application on 1 January 2022 has been presented. And last but not least we have leveraged our existing Solvency II processes, which means that the best estimate that we are using under IFRS 17 is exactly the same one as we're using for our Solvency II calculation.

The first thing that comes out of this implementation is that the reserving philosophy remains broadly unchanged. This is apparent when we talk to you about the level of reserves on the new vintage for the opening year and the positive or negative prior year developments. We're applying the same philosophy. Coface's strategy is unchanged. The Build to Lead assumptions and the through the cycle targets remain unchanged – a combined ratio around 80%, return on average tangible equity above 9.5% and pay-out ratio above 80%.

Cash flows over the lifetime of the policy are unchanged. However, the new rules tend to accelerate profit recognition and there will be some volatility especially from one quarter to the next. Financial leverage is unchanged from what we saw in the first-time application as of 1 January 2022. Shareholders' equity has slightly increased compared to IFRS 4 by €91m net of tax, net of reinsurance which represents €0.60 per share.

So, let's go to the heart of the presentation. Going forward, you will see all the pages where there is an impact due to IFRS 17. On page 7, turnover, if you look at the chart, on the left hand side you have IFRS 4 and on the right hand side you have IFRS 17. Of course we are only looking at the full year 2022. Turnover changes slightly. The difference is less than 1% and this impacts only the earned premiums which is the insurance business, whereas fees and other revenue stay unchanged. Gross earned premiums changed from €1,527m to €1,516m. This change is close to €11m, which is nothing, however, you have two components. The first one is a reclassification from the OpEx line and this is related to the inward commissions, which are the commissions that we are paying on our fronting reinsurance business. Under IFRS 17, this is deducted from our gross earned premiums so it's just a reclassification from OpEx to premiums. Then, because of the duration of a policy, which in terms of premiums is approximately 17 months and is obviously longer than 12 months, under IFRS 17 we have to recognise a coverage period extension, which is a timing difference, and we have introduced this mechanism in our premium recognition. This goes on top of the gross earned premiums as of full-year 2022. The bottom line here is that gross earned premiums have slightly decreased compared to IFRS 4. Less than 1%.

On the next page you will see the same changes in terms of turnover across the regions. You can see that the only region where we have a more significant impact is Asia Pacific and this is because of the nature of our business in Asia, where we have the most insurance fronting business, and of course we're moving from €151m to €131m. We have deducted the inward commissions of this fronting business. Just showing you on a geographical point of view where the inward commissions have an impact.

Now let's move to page 9, which is probably the most interesting page for us in terms of changes. I will start with the chart on the top left-hand side, where you have the gross loss ratio before reinsurance and after claims handling costs by quarter and for the full year. On the right-hand side, you have the same gross loss ratio under IFRS 17 pro forma. So, on a full-year basis under IFRS 4, the gross loss ratio last year was at 31.2% while it would have been 35.5% under IFRS 17. To see what drives these differences, let's look at the chart on the bottom right-hand side. Again, you have the two views with IFRS 4 and IFRS 17 and of course here we're looking at the 12-month 2022 figures only. You are already familiar with this chart which has the opening year and the prior year development. I will start with the opening year – that's the dark blue bar. Under IFRS 4 you can see that at the end of last year, we opened the new vintage at 80.2%. Under IFRS 17, we would have opened a new vintage at 80.5%, but the difference between 80.5% and 77.3% is due to the fact that under IFRS 17 we have a discount. We have to discount the reserves. So, to compare apples to apples, you can see that the new vintage would be very similar in terms of reserving philosophy with the opening new vintage around 80%. So, on the other side which is the prior year development, you can see that the prior year development – the releases that we recognised in 2022 under IFRS 4 – represent a 51.6% reserve release, while under IFRS 17 it was 44.2%. When we said that we have a different pace in terms of profit recognition, this is what you see here. Under IFRS 17 the prior year developments are recognised faster than under IFRS 4, and the way that we have recognised it faster was through the first-time application, which is the opening balance sheet. You may recall that we have a first-time application impact of €91m net of tax, net of reinsurance. And then we go back to the chart above where you can clearly see the change. So the IFRS 4 full-year 2022 loss ratio was at 31.2%, then if we add the first-time application, which is the faster recognition of the prior year developments under IFRS 17, you are adding 5.5%. Then you have -1.9%, which is the discounting effect under IFRS 17, the methodology differences and timing. And then of course you have the impact of the inward commissions on the ratio, and we have a lower gross earned premium under IFRS 17. This is why you really need to look at this transition year for the P&L in conjunction with what we did in the opening balance sheet during the first-time application, so you have a complete view of the transition between the two norms in 2022.

Going back to the first graph, you can see the difference between the quarters. More specifically, it tells you that under IFRS 4, of the reserve release related to the prior years, a big chunk happened in Q3 2022, while this has been recognised under IFRS 17 mainly in the first-time application and opening balance sheet.

Moving to page 10, you can see these full-year 2022 variances by region. Again, if you look at the regions, there are some slight differences from one region to another, but it also gives you an idea of where the first-time application – so the prior year development recognition under IFRS 17 in the opening balance sheet – has been recognised.

If we move to the next page which is only IFRS 17 per quarter, what we want to highlight here is the fact that between the two norms the reserving philosophy or principle was exactly the same. You'll recognise that in Q4 2022 in Latin America under IFRS 4 and IFRS 17, we booked these very large claims, specifically in Brazil. It's the same story in Central Europe where in Q1 because of the Ukrainian war we booked reserves. It's the same story under IFRS 4 and IFRS 17. In Q2, we reallocated these reserves to the region where the risk was underwritten. In Q3, we booked reserves when Russia announced the mobilisation. And in Q4, it's the same story. We reallocated those reserves to the region where the risk was underwritten. The bottom line here is that between the two norms the messaging in terms of reserving principle and philosophy remains exactly the same.

Moving to the Costs page, external and internal costs combined fall from €851m to €819m. Internal costs stay unchanged and you can see this reclassification related to the inward commissions. €31m from OpEx to gross earned premiums that has been netted off this inward commission. Mechanically the gross cost ratio decreased between the two norms.

If we move to the reinsurance page, again pretty much the same story on the reinsurance side. Premium cession rates remain almost the same as this is just the adjustment on the gross earned premium. The claims cession rate is higher under IFRS 17. This is due to the fact that we released more reserves under IFRS 4 during the full year 2022 P&L and of course this benefits reinsurance as well.

The net combined ratio stands at 67.6%. Same story and same explanation here as we provided for the gross loss ratio. Under IFRS 4, for full-year 2022, the net combined ratio was 64.9%. Under this first-time application, positive prior year developments are recognised faster in the IFRS 17 opening balance sheet and this time it's net of reinsurance. The impact is 3.8%, and we also have the impact of the inward commissions, not only on the loss ratio but also on the cost ratio.

Moving to page 15, net income of €240.4m, and in the first time application net equity increased by €91m net of tax, net of reinsurance.

The next page provides you with the change in equity under IFRS 17. The opening position was €2,229m. This is the opening balance sheet which is €91m higher than under IFRS 4. In terms of cash flow, I think the €224m in dividends is the one that has been approved. We are adding on -€264.9m in pro forma full-year 2022 net income. This is the mark to market so the unrealised loss related to the interest rate increase is mainly on our investment portfolio. This number is exactly the same as we have recognised under IFRS 4. Then you have the Others column. Part of that is exactly the same numbers that we recognised under IFRS 4, leading to a closing equity position of €2,018m.

If we look at the change in return on average tangible equity under the two norms, it was 15.6% under IFRS 4 at year-end 2022. There is an equity impact, as equity under IFRS 17 is higher than under IFRS 4, and we have the net income impact. This leads to a pro forma return on average tangible equity under IFRS 17 of 12.7%.

Moving now to the balance sheet on page 18. The balance sheet variances between the two accounting standards at year-end 2022, so here we're talking about 31 December. Couple of things here. We have already presented that, in the opening balance sheet, the principle is the same. So total assets and total liabilities under IFRS 4 were at €8.451 billion and have dropped to €7.586 billion under IFRS 17. You might recall that under IFRS 17 there is a lot of netting between reserves, other assets and other liabilities. Of course, goodwill, insurance investments, factoring assets, factoring liabilities and hybrid debt don't change, as they are not impacted by the IFRS 17 changes. What needs to be noticed is the difference in shareholders' equity. In the closing balance sheet, it's the difference between €1,960m and €2,019m, i.e., €59m compared to the €91m in the opening balance sheet.

So, what would it look like if we had Build to Lead targets through a cycle with an IFRS 17 lens, pro forma for sure. Well with what we said, the combined ratio would have been 67.6%, which is still below the Build to Lead target of 80%, the pay-out ratio would have been 94% which is above the 80% target. Return on average tangible equity at 12.7% is above the 9.5% target, and there's no reason the solvency ratio would have changed. As I said we're leveraging the same best estimate under IFRS 17 as for my Solvency II calculation.

So, the key takeaways of this overview are that Coface's strategy remains unaffected by IFRS 17. You can see that the reserving philosophy remains broadly unchanged. We have an almost identical opening year if we disregard the discount effect for the new vintage. The Build to Lead assumptions and through the cycle targets remain valid and, more importantly, I think we just have faster prior year development recognition under IFRS 17 than under IFRS 4. However, given that our business cycle is two years, I think that in two years' time our figures under the two norms will converge. Coface will continue to report and rely on the same KPIs with very limited definition changes. You can see that on the gross earned premium. I hope that you have seen that the pro forma 2022 P&L needs to be analysed in conjunction with the first-time application. It just illustrates the faster recognition of the prior year development under IFRS 17. We started to converge during 2022 and, more importantly, I think the Build to Lead and through the cycle objectives remain completely valid under IFRS 17.

Q & A session

Michael HUTTNER (Berenberg) Hi there, thank you so much. Really clear and you're the first of my companies to report. I'm really delighted with this and also you provided the Excel spreadsheet. Two questions. So, €91m is the net of tax, net of reinsurance impact on the opening balance sheet and I think €59m, a portion has already been used. I don't know how much exactly but a portion and there's still a portion left so I'm just wondering when will that portion affect earnings? Is it all in 2023? So really my question is does that mean that consensus should come down and by how much? I think it's €32m or something. And the second question is very simple. Is there any change in the asset allocation? I noticed you said the unrealised gains impact on the balance sheet is the same, but I think under IFRS 9 that there are some changes in profit recognition for assets, so I just wondered whether that would affect your philosophy.

Phalla GERVAIS (CFO and Risk Director, Coface) So, on the first question, indeed we started to converge in 2022 as you've seen, and of course what has been taken will not be taken again. It will depend on the development. We still have policies that are under development, so this would be taken into account in 2023 I believe for the vintage related to 2021 and 2022. It really depends on how our claims develop.

On the second one which is related to IFRS 9, so a couple of things, and you're totally right to highlight this and we presented it in February. As I said, we have no pro forma related to IFRS 9 in 2022, however, if you go back to the full-year 2022 presentation, we have shown that we know that IFRS 9 will lead to some volatility in the P&L. This is a matter of fact that we already reduced our equity exposure for instance at the end of last year, equity represents 3%, and this will go into equity in terms of mark to market. What remains volatile in our P&L would be investment funds in real estate and we have approximately 7% only. That might drive some volatility in our P&L. Real estate funds need to be looked at based on a mid-term or long-term view. So this might create some volatility in the P&L in 2023. This is why you don't see it in the end balance sheet because at the end of 2022 we were still applying as IAS 39. Does that make sense?

Michael HUTTNER (Berenberg) Yes, and how much would it be?

Phalla GERVAIS (CFO and Risk Director, Coface) What do you mean how much will it be?

Michael HUTTNER (Berenberg) The difference between IAS 39 and IFRS 9.

Phalla GERVAIS (CFO and Risk Director, Coface) Well we haven't calculated the P&L impact. We only have the opening balance sheet view.

Benoit VALLEAUX (ODDO BHF) Yes, good evening, thank you for this presentation. One question on my side is regarding your reserving policy. I understand that the reserve releases in 2022 were mostly related to the first-time application, but I just wonder if going forward you think that you will still be able to manage or smooth the volatility of earnings. And when I look at slide 18 on your balance sheet. Do you have in your €1,433m in reserves, do you still have some buffer that is a best estimate, just to understand the gap between what you had under the previous accounting norms. I'm not sure if under IFRS 17 you are reducing your amount of reserves by roughly €600m so I just wanted to understand if you had some buffer within that or not. And related to this, you mentioned that your strategy is unchanged of course but can it lead you to change your reinsurance programme a little bit going forward or not?

Phalla GERVAIS (CFO and Risk Director, Coface) In terms of the difference between the two norms, you're right, under IFRS 17 we are now calculating our reserves based on a best estimate and risk adjustment. The total amount that you're seeing is the total of the two items. Did I answer your question? Within the €1.4 billion, or a little bit more, we have premium reserves and claims reserves. It's a little bit misleading. And the claims reserves are made up of the best estimate and risk adjustment.

Benoit VALLEAUX (ODDO BHF) And you don't disclose the amount of the risk adjustment?

Phalla GERVAIS (CFO and Risk Director, Coface) Well it will be disclosed when we present our Q1 results but what we can tell you is the percentage that we have retained for risk adjustments is about 85%.

Benoit VALLEAUX (ODDO BHF) Thank you.

Phalla GERVAIS (CFO and Risk Director, Coface) Going back to your second question related to the reinsurance, I would say that so far there's no reason to change any structure in our reinsurance.

Benoit VALLEAUX (ODDO BHF) On the reserving policy, do you still believe that you'll have some buffer when needed and maybe release some reserves also as you have in the past.

Phalla GERVAIS (CFO and Risk Director, Coface) Well, the reserve release is really related to the development that we see over the course of the quarters. This is why I have highlighted the level of the new vintage opening reserves. Under IFRS 17 and IFRS 4, we can see that for full-year 2022 it is pretty similar, and then in 2023 onwards we will see how the vintage develops.

Benoit VALLEAUX (ODDO BHF) OK. Thank you very much.

Michael HUTTNER (Berenberg) Thank you, thanks for the second opportunity. Two extra questions. So, the profit is lower in 2022 and I guess also in 2023 because only part of the €91m difference in the opening adjustment has been booked. And the pay-out ratio in 2022 would have been 94% under the new accounting standard rather than the 80% minimum target that you have. So my question is should I also cut my dividend given that my understanding of your pay-out policy is that because of strong growth and inflation and all these other factors you need to keep a little bit more of earnings back? So, if earnings are lower and I apply 80% then my dividend would be lower. And then the second one is you said that the volatility would be higher, and I just wondered if you could explain that a little bit. Many of your peers have said the same but I don't understand why.

Phalla GERVAIS (CFO and Risk Director, Coface) OK a couple of things in terms of the 2023 dividend, we're sticking to our target which is 80% pay-out. This is what we have promised the market. It doesn't just depend on the earnings per share, it's also the solvency ratio. You can see our solvency is pretty high, and what we're paying out or what we're coming up with in a dividend proposal also needs to be looked at through this lens.

Then if we look at the volatility, of course the volatility is really coming from the fact that we now have to discount our reserves. You're using a yield curve that is completely independent from your business and this will drive volatility from one quarter to another.

Michael HUTTNER (Berenberg) Can you explain that in as much detail as you can? This is really a mystery to me because I've seen so many presentations now on this topic and they're all different. My understanding is that you have two mechanisms. The first is you discount the back book reserves, so your opening balance sheet, and the second is you discount the new reserves, the 80% or whatever. And so I understand from what you said is if the interest rate changes, the discounting of the new reserves changes, so if rates go up it's no longer 77 it might be 76 or 75 or whatever, but what happens to the original discounting that you did in the opening balance sheet with the original interest rate? Do you have to re-measure that and where does that difference go?

Phalla GERVAIS (CFO and Risk Director, Coface) Yes, you have to re-measure it at mark to market, the old vintage as well.

Michael HUTTNER (Berenberg) And where does that difference on the mark to market discount go? Does it go to OCI?

Phalla GERVAIS (CFO and Risk Director, Coface) Part of that would go to OCI and part of that would go to the P&L and it's the P&L side of course that would drive volatility.

Michael HUTTNER (Berenberg) And how do I know how much goes to P&L and how much to OCI?

Phalla GERVAIS (CFO and Risk Director, Coface) I think you will see that disclosed in our P&L in Q1. Of course, you have a line which is an interest component, a discounting component. But it's not in the loss line, it would be in the financial income line, so it's not even booked at the same level.

Michael HUTTNER (Berenberg) OK, thank you. That helps, thank you.

Thomas FOSSARD (HSBC) Good evening, everyone. Couple of questions from my side. The first one would be on the quarterly results. Apart from volatility, would you highlight any seasonality impact due to the way you are renewing your book, which is very much geared towards the first quarter of the year. So does it create any seasonality in terms of quarterly numbers in terms of modelling? The second question is related to your mark to market of the real estate funds through the P&L. You've got approximately €200m of exposure to real estate. Given that real estate funds went down by roughly 20-25% in the past six months, should I take €40m out of the expected results for 2023?

Phalla GERVAIS (CFO and Risk Director, Coface) I hope not. We have a pretty good portfolio in terms of real estate funds. When we look at real estate investments, we look at which sector and region they are in. We hold many investments in prime real estate.

Thomas FOSSARD (HSBC) But if I'm looking at listed real estate firms, for example, if I'm looking at REITs which are listed, they are all significantly down. I understand there is a significant discount to their NAV but if you're invested in listed funds which are heavily down, should it not be reflected in negative mark to market adjustments in your P&L account?

Phalla GERVAIS (CFO and Risk Director, Coface) Well, it will but the mark to market will be in my P&L account, so this will be recognised going forward, but again I think that we have good quality in terms of investments.

Thomas FOSSARD (HSBC) OK, and on the seasonality impact, due to the way you're renewing your book, they're skewed toward…

Phalla GERVAIS (CFO and Risk Director, Coface) I think it's a little bit early to say but in terms of seasonality I would say that it's almost already the case today under IFRS 4 so I'm not sure why it would change much under IFRS 17.

Thomas FOSSARD (HSBC) OK, and on the quarterly figures you reported on slide 9 under IFRS 17, you've indicated that some of the volatility was due to this first-time application, so would that mean that stripping out the first time application which will not be recurring in 2023 and 2024, would that imply that actually volatility would be lower than what you're showing on a quarterly basis for 2022?

Phalla GERVAIS (CFO and Risk Director, Coface) I would put it the other way round. I think going forward in 2023 our reserving will of course reflect the level of claims that we're seeing in our real portfolio. So, the volatility would come partly from the fact that this interest rate discount effect will slightly change from one quarter to another, but the underlying business and the claims will really be reflected. If you look at page 9, you can see that Q3 is when we booked reserves on Russia. This is the peak that we see. Same in Q4, where we booked reserves on large claims in Latin America. What it tells you is that in Q3 under IFRS 4, the reserve release, which is the ten points, has happened there, but you have two movements. The book-up is the same on both sides, and then under IFRS 4 you have the reserve release related to prior years that has probably taken more in Q3 than in the other quarters. That's all it says. So, in terms of volatility there's no particular reason for it to change between the two standards.

Thomas FOSSARD (HSBC) OK, but still on a quarterly basis the incurred claims for the quarter are a bit higher under IFRS 17. The timing of it when you incur the claims.

Phalla GERVAIS (CFO and Risk Director, Coface) Yes.

Thomas FOSSARD (HSBC) Last question for me. In your preliminary comments, you're indicating on slide 4 that profit is recognised faster under IFRS 17.

Phalla GERVAIS (CFO and Risk Director, Coface) Exactly.

Thomas FOSSARD (HSBC) So, does that mean that everything being equal, the 2023 and 2024 numbers should be higher than what we were expecting under IFRS 4, if there is faster recognition of the profit. If the margin recognition is more frontloaded under IFRS 17 than under IFRS 4 that should imply that actually our number should go up.

Phalla GERVAIS (CFO and Risk Director, Coface) Well I cannot tell you what will happen in 2023 because it all depends on the prior year developments, but what we can say is that yes there will be a faster recognition of positive or negative prior year developments under IFRS 17. So, since we're already using IFRS 17 for 2023, it would be very difficult for me to say what we will do in 2023 under IFRS 4. It doesn't exist anymore. But from what we've seen in this presentation, and this is why we have this first-time application, is that for the prior year development pattern under IFRS 17, we would have recognised the reserve release earlier than under IFRS 4.

Thomas FOSSARD (HSBC) Exactly. And to your comment that this is the first-time recognition of the profit.

Phalla GERVAIS (CFO and Risk Director, Coface) Yes.

Thomas FOSSARD (HSBC) OK, thank you.

Michael HUTTNER (Berenberg) Thank you very much. This is my last question. You very kindly just talked about the impact from the geographical loss ratio in slides 10 and 11 and I'm afraid I got confused. I just wondered if you could explain on one of them – maybe Central Europe which seems to vary a bit – can you explain a little bit more what happened quarter by quarter. I think you mentioned it with the Russian reserve releases, but I got a bit confused.

Phalla GERVAIS (CFO and Risk Director, Coface) OK, let's go to the Russian case on page 11. I just wanted this to illustrate the fact that we have exactly the same pattern in terms of reserving under both IFRS 17 and IFRS 4. Under IFRS 4 we had exactly the same story on Central Europe. In Q1, we booked reserves when the war broke out and you can see that we also booked reserves under IFRS 17. We released reserves related to Russia in Q2 and we reallocated them back to the region where the risk was underwritten. I think in Q2 it was much more in Northern Europe or Med and Africa. Then in Q3, we booked reserves again, I think on 29 September, when Russia announced the partial mobilisation. We booked reserves under IFRS 4 and you can see the same trend under IFRS 17 with some reserves in Central Europe. And then in Q4 we had time to reallocate back to the region where the risk was underwritten. This page is just illustrating that the philosophy is the same, the way that we're reserving in the region is the same under the two standards. That's all.

Michael HUTTNER (Berenberg) That's really clear and just one final question, you show in one of the slides how the reinsurance result changes. I think it's on slide 13. So, the reinsurers under IFRS 4 got €146m and under IFRS 17 they get €138m. Is that real money? Do they get less under IFRS 17?

Phalla GERVAIS (CFO and Risk Director, Coface) No, again this is just illustrating the fact that under IFRS 4 as we're releasing more reserves, mechanically it benefits the reinsurers. But if you look at page 14 on the net combined ratio, again the same way we have taken the FTA impact the net of reinsurance side. So what they don't get in the P&L, they get it through the opening balance sheet.

Michael HUTTNER (Berenberg) I understand, OK, so it's just an allocation between periods. OK thank you.

Benoit VALLEAUX (ODDO BHF) Just a confirmation please, about the fact that you add a seasonality effect regarding revenue and result coming from business services. Is this still the case under IFRS 17 or could there be some change in seasonality effect?

Phalla GERVAIS (CFO and Risk Director, Coface) On services?

Benoit VALLEAUX (ODDO BHF) On service businesses yes. On your amount of fees in Q1 and Q2 at the beginning of the year, and the follow-up contribution in the subsequent quarters?

Phalla GERVAIS (CFO and Risk Director, Coface) Well, the business information business is not at all impacted by IFRS 17, is that your question? Which is why I was a little bit surprised by your question.

Benoit VALLEAUX (ODDO BHF) I was thinking in terms of recoveries, all these kinds of businesses when you've got fees. I imagine in the past you've already explained that when you have positive seasonality at the beginning of the year. Just wondered if it is the case under IFRS 17 or not.

Phalla GERVAIS (CFO and Risk Director, Coface) You mean the insurance fees, or the non-insurance fees?

Benoit VALLEAUX (ODDO BHF) I mean on recoveries for example and this kind of thing.

Phalla GERVAIS (CFO and Risk Director, Coface) In terms of fees, revenue recognition is not impacted by IFRS 17. The underlying business is not impacted either. I'm sorry, I might need your question again.

Benoit VALLEAUX (ODDO BHF) OK, thank you.

Phalla GERVAIS (CFO and Risk Director, Coface) So, if we don't have any further questions, I really thank you for attending this call. I hope it was clear and it will help you in your modelling processes. Thank you all. Have a nice evening and talk to you soon in three weeks' time.

End of transcript

CONTACTS

ANALYSTS / INVESTORS
Thomas JACQUET: +33 1 49 02 12 58 – thomas.jacquet@coface.com
Benoît CHASTEL: +33 1 49 02 22 28 – benoit.chastel@coface.com

MEDIA RELATIONS
Saphia GAOUAOUI: +33 1 49 02 14 91 – saphia.gaouaoui@coface.com
Corentin HENRY: +33 1 49 02 23 94 – corentin.henry@coface.com

FINANCIAL CALENDAR 2023
(subject to change)
Annual General Shareholders' Meeting 2022: 16 May 2023
Q1-2023 results: 25 May 2023 (after market close)
H1-2023 results: 10 August 2023 (after market close)
9M-2023 results: 14 November 2023 (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 H1-2022 and our 2021 Universal Registration Document (see part 3.7 "Key financial performance indicators").

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COFACE: FOR TRADE
With more than 75 years of experience and the most extensive international network, Coface is one of the leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2022, Coface employed ~4,721 people and registered a turnover of €1.81 billion.

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COFACE SA is quoted in Compartment A of Euronext Paris
Code ISIN: FR0010667147 / Mnémonique : COFA

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