3.1 ECONOMIC ENVIRONMENT (1)

After a post-Covid rebound of 5.9% in 2021, the **global economy** slowed to 3.0% in 2022 (at market exchange rates). The trend can largely be explained by the slowdown in China resulting from its zero-Covid policy, given the country's weight in the global economy. The slowdown can also be attributed to the surge in inflation, at 8.0% in 2022 compared with 4.3% in 2021. Commodity and intermediate prices soared while supply chains failed to return to normal.

Inflation also spiked following Russia's invasion of Ukraine on February 24. The outbreak of hostilities was followed by extensive sanctions and counter-sanctions that impacted trade and financial exchanges with the two countries, along with Belarus. Russia and Ukraine play a major role in global trade in agricultural products, fertilisers, minerals and hydrocarbons.

Central banks in developed economies joined those in emerging economies having tightened their monetary policy in second-half 2021 to combat inflation and support their currencies against the dollar, the latter boosted by rising uncertainties. Governments once again intervened to mitigate the impact of galloping energy and food prices on households. As a result of this aid, and the savings accumulated during the pandemic, consumption proved resilient in the first half of the year. Companies also benefited from support measures to cope with rising production costs. But this did not prevent companies in energy-intensive sectors, such as glass, fertilisers, metallurgy, paper-cardboard, food or construction materials, from reducing or halting production at some plants as they were unable to pass on the increase in their costs. In this respect, a distinction must be made between regions with relatively cheap energy, such as the Middle East and North America, and the rest.

Despite the dip in certain commodity prices in the second half, global trade increased in value (2) by USD 32,000 billion, 13% higher than in 2021 and 27% higher than in 2019. Trade in goods came out at USD 25 trillion, up 10% and 32% respectively. At USD 7 trillion, trade in services increased 15% and 11% respectively. In volume terms (3), trade in goods rose by nearly 3% in 2022 compared with 2021, with strong momentum in the first half of the year giving way to a sharp slowdown in the second half. Trade in services, which also returned to its pre- Covid peak in the second quarter, slowed less sharply.

With growth of 2.6% in 2022 (after 5.3% in 2021), the economies of **developed countries** slowed as a whole. The trend began in the last few months of 2021, when all sectors were impacted by numerous shocks, including supply issues, an increase in energy, materials and food prices, workforce shortages, and a fresh wave of Covid-19 with the Omicron variant. However, the main cause of the trend is the outbreak of war in Ukraine at the end of February 2022, which exacerbated the rise in producer and consumer prices. With inflation impacting all products, and wages rising substantially in some countries, central banks have been forced to raise interest rates vigorously.

Growth in **Western Europe** came out at 2.6% in 2022 (after 4.5% in 2021). The figure would have been even lower if the autumn had not been mild, reducing the need for heating and easing pressure on energy prices. There were also considerable disparities in growth.

- **Portugal, Spain, Austria and Greece** (with growth of 6.5%, 5.5%, 4.8% and 4.5%, respectively) took full advantage of the strong rebound in tourism.
  - **Spain and Portugal** also benefited from a relatively lower energy price environment.
  - While **Greece** capitalised on its vital role in maritime transport.
- The **Irish** economy (11.1%) was buoyed by the strength of the pharmaceutical and IT industries, as well as the robust results of the European head offices of global groups attracted by the country's tax benefits.
- The **UK** economy (4.4%) slowed throughout the year, going as far as stagnation. Consumption and investment were negatively impacted by high inflation and tighter credit.
- Meanwhile, the **Netherlands** (4.2%), Western Europe's trade gateway, benefited from the higher value of trade.
- **Belgium, Denmark, France, Italy, Norway and Sweden** ranked in the middle with growth of between 2.5% and 3.5%.
  - The tourism industry offset industrial and energy issues in **France** and **Italy**, while Scandinavian countries benefited from their advantageous positioning in energy, electronics and pharmaceuticals.
- At the bottom of the rankings, Germany (1.8%) suffered from its dependency on mechanical and automotive exports to China.

Among other **advanced economies**:

- the **US** economy also slowed sharply, with growth of 1.9% in 2022, after 5.9% in 2021. Despite its weak trade links with Russia and Ukraine and its status as a net exporter of energy and other commodities, the US still suffered from the rise in global commodity prices. It also faced a decline in its labour force participation rate following Covid, which kept wages high. The Fed took aggressive action to deal with inflation by raising interest rates. The resulting increase in the cost of credit and the sharp drop in stock market values weighed on investment, particularly in the construction sector. Consumption held up better due to the savings accumulated during the pandemic;
- **Canada**, with growth of 3.5%, fared better than its neighbour owing to its higher share of commodity exports;

(1) Group estimates.
(2) According to UNCTAD (estimate at November 30, 2022)
(3) According to the WTO (estimates in November and December 2022).

- the **Australian** economy (3.4%) held up relatively well despite a slowdown in domestic demand driven by inflation and monetary tightening;
- **Israel** (5.0%) benefited from its autonomous gas supply, the arrival of Russian and Ukrainian immigrants, its high-tech focus, and relatively limited inflation;
- **Japan**'s economy slowed to 1.1%, a weak performance but in line with its potential. The export sector suffered from China's poor form, while its imports bill rose. In addition, consumers faced inflation exacerbated by the depreciation of the yen;
- **South Korea** (2.6%) was also negatively impacted by weaker external demand, particularly for its semiconductors.

Emerging and developing economies expanded by 3.6% in 2022 after 6.7% in 2021. However, there were wide disparities between regions and countries.

The **Middle East and North Africa** region is the only emerging or developing region that posted higher economic growth in 2022 than in 2021, with 5% after 4.4%.

- Unsurprisingly, oil- and gas-producing countries benefited from the high prices: **Algeria** (+4.5% after +3.5%), **Saudi Arabia** (+7% after +3.2%), **United Arab Emirates** (+6.0% after +3.8%), **Iraq** (+9% after +7.7%), **Oman** (+5.5% after +3%), and **Qatar** (+5.0% after +1.6%).
- **Iran** recorded modest growth (3.5%) for the third year in a row despite international sanctions.
- The **Egyptian** economy grew 6.5% (after only 3.3% due to the pandemic) over its 2021-2022 fiscal year thanks to the Suez Canal, natural gas and public investment. But activity slowed sharply in the second half of the year on high inflation, tighter credit and import restrictions.
- In contrast, growth dipped in **Morocco** (1.0% after 5.7%) owing to poor harvests caused by drought.
- Growth also declined in **Tunisia** (2.2% after 3.3%) on inflation and political and social difficulties.

With growth of 3.7% in 2022, after 7.2% in 2021, emerging Asia confirmed its resilience to external shocks:

- as the slowdown resulted from **China**'s poor health (3.0% after 8.1%) caused by its zero-Covid strategy and the tightening of regulations on real estate activity. However, the relative isolation of its food market and advantageous prices on Russian oil and gas helped contain inflation, while public investment in infrastructure boosted domestic demand;
- the **Indian** economy proved resilient (6.8% in 2022, after 8.3% in 2021) despite the impact of inflation (particularly food prices) and higher interest rates on domestic demand. The strength of its pharmaceutical exports and IT services contributed positively;
- growth in **Indonesia** rose from 3.7% in 2021 to 5.3% in 2022 on strong momentum in coal, nickel and palm oil exports. Its post-COVID reopening boosted tourism and domestic demand;
- growth in **Malaysia** (8.0% after 3%), **Vietnam** (7.9% after 2.6%) and the **Philippines** (7.1% after 5.7%) also picked up thanks to domestic demand, electronic exports and tourism.
- In **Thailand**, the improvement (from 1.6% to 3.2%) was limited by the delayed and only partial return of tourists, despite the strength of electronics and automotive exports.

Latin American growth slowed from 7.1% in 2021 to 3.6% in 2022.

- **Brazilian** growth came out at 2.9% (after 5.0% in 2021). Domestic demand held up strongly despite tighter credit and high inflation, as social transfers, tax exemptions and employment growth played their part. Mineral and agricultural exports prospered.
- In **Argentina**, growth slowed throughout 2022 to 5.1% (after 10.3% in 2021). Consumption and investment collapsed due to skyrocketing inflation and restrictions on capital movements and imports, while strong agricultural exports were offset by energy prices.
- **Colombian** growth held up well (8.0% in 2022 after 10.7% in 2021), boosted by sales of coal, oil and gold, with consumer spending underpinned by strong employment and wages.
- In **Peru**, growth slowed throughout 2022 to just 2.5% over the year, after 13.6% in 2021. This can be attributed to the impact of strikes in copper mines (the price of which has fallen) and political chaos, which dampened investment. Meanwhile, consumption held up well thanks to fiscal support measures and a new scheme allowing savers to withdraw their money from pension funds.
- In **Mexico**, growth was down from 4.8% in 2021 to 2.6% in 2022, with domestic consumption, boosted by employment, with wages and expatriate remittances proving resilient.
- In **Chile** (2.7%), domestic demand was hit by inflation, tighter credit and rising unemployment as well as a decline in Chinese demand for copper.

Sub-Saharan Africa saw its growth slow slightly from 4.6% in 2021 to 3.5% in 2022.

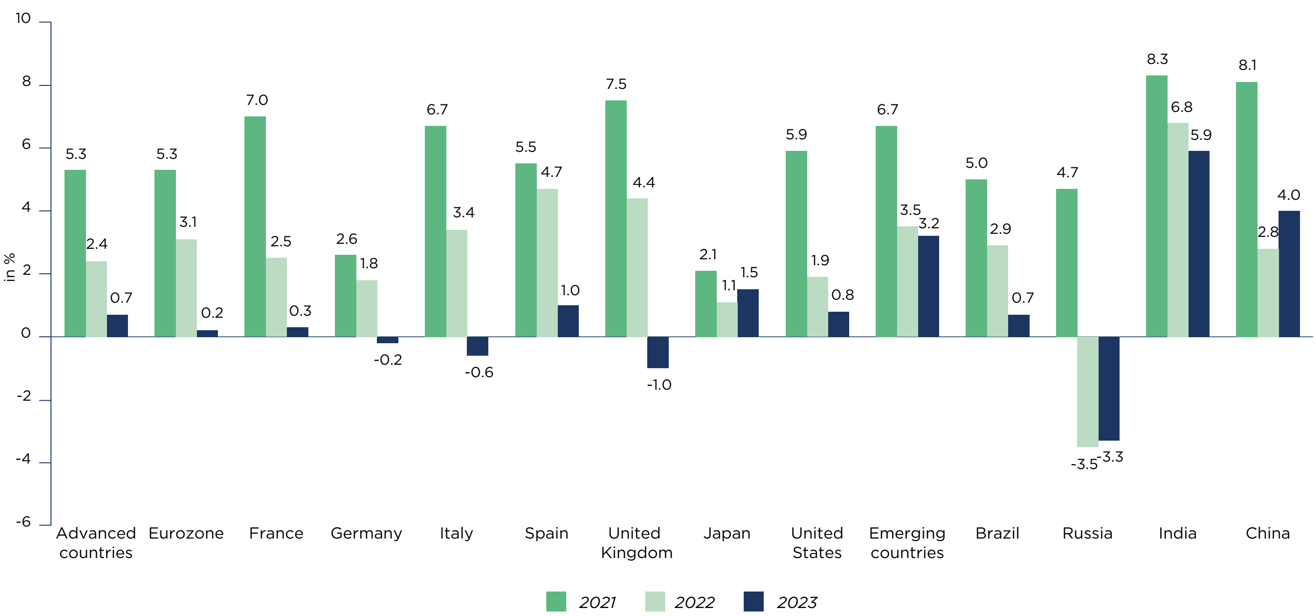
- In **Nigeria**, growth varied little (down from 3.6% in 2021 to 3.2% in 2022) and remains relatively low relative to the country's population growth. The country benefited only minimally from high oil prices as a result of operating constraints, while agriculture was impacted by insecurity and flooding.
- In **South Africa**, growth came in at 2.1% in 2022 after 4.9% in 2021. The impact of rolling blackouts and flooding in KwaZulu-Natal on mining was offset by strong domestic demand supported by social transfers. These were facilitated by an improvement in the fiscal position thanks to increased revenue from mineral exports.

- The recovery was confirmed in both **Angola** (3.2% in 2022 after 0.8% in 2021) due to the increase in oil revenues, and Mozambique (3.9% after 2.3%) thanks to coal, aluminium and electricity.
- In **Kenya**, activity held up well (5.3% in 2022 after 7.5% in 2021) thanks to the post-Covid rebound, despite the impact of imported inflation, which was exacerbated by the impact of drought on agriculture in the north.
- In **Ethiopia**, growth shrank from 6.5% in 2021 to 3.5% in 2022, with the war in Tigray, the suspension of international aid and drought continuing to have a negative impact.
- Growth remained strong in **Tanzania** (4.5% in 2022 after 4.9% in 2021), with tourism and gold mining continuing to expand and infrastructure construction maintaining momentum.
- In **Ghana**, growth fell from 5.4 to 3.6% due to runaway inflation and the corresponding increase in the cost of credit, despite the strong performance of oil, gold and cocoa.
- Finally, in **Côte d'Ivoire**, growth remained strong (5.0%), driven by agricultural exports, the agri-food industry and relatively controlled inflation thanks to government measures.

Central European economies slowed from 6.0% growth in 2021 to 4.1% in 2022.

- **Poland** followed this pattern (4.4% in 2022, after 6.8% in 2021). Excluding inflation, consumer spending continued to benefit from rising wages in a tight labour market and from the arrival of many Ukrainians. This partially offset the slowdown in exports.
- Hungarian growth held up well (5.2% after 7.1%), for the same reasons.
- In the **Czech Republic**, growth fell from 3.5% to 2.5% owing to sluggish consumption resulting from inflation and a sharp drop in exports as industry suffered from input shortages.
- Conversely, **Romanian** growth increased considerably, from 5.1% to 5.8%, thanks to strong momentum in private consumption boosted by substantial inflows of Ukrainians.
- Further to the east, **Turkey** saw its growth contract from 11.4% in 2021 to 5.5% in 2022. While consumer spending was hit by inflation, exports benefited from the rebound in tourism and the country's role in offering an alternative to Asian products.
- **Ukraine**'s economy collapsed by 35% due to the war.
- While **Russia** managed to limit the decline to 3.5% thanks to oil and gas revenues. Regarding the gas sector, the positive price effect trumped the negative volume effect, while China and India provided an alternative to Europe for oil exports.
- Lastly, **Kazakhstan**, which was unable to fully benefit from its oil owing to a problem with a pipeline to the Caspian Sea, achieved growth of 3.3% in 2021, up from 2.6% in 2022.

/ CHANGE IN GDP GROWTH BY COUNTRY (1):



(1) Source: FMI for 2021, Coface estimates and forecasts for 2022 and 2023

3.2 SIGNIFICANT EVENTS OF 2022

3.2.1 Governance evolution

In the Board of Directors

On May 17, 2022, during the Combined General Meeting, Laetitia Leonard – Reuter and Laurent Musy have been elected as independent directors for a term of four years. These appointments follow the expiration of the terms of office of Olivier Zarrouati and Éric Hémar, respectively.

Thus, at the close of the General Meeting, the Board of Directors is composed of 10 members, 5 women and 5 men, the majority (6) of whom are independent directors.

In the Executive Committee

On May 2, 2022, Hugh Burke has been appointed as the CEO of Coface Asia-Pacific region, effective on April 1, 2022. He joins the Group Executive Committee and reports to Xavier Durand, Coface CEO. He takes over from Bhupesh Gupta.

On September 8, 2022, Matthieu Garnier, Group Information Services Director, joined the Group Executive Committee and will continue to report to Thibault Surer, Group Strategy & Development Director. This decision is part of our strategy to develop information services, one of the major pillars of our Build to Lead plan.

3.2.2 Natixis announces the sale of its residual stake in COFACE SA

On January 6, 2022, Natixis announced the sale of its remaining interest in COFACE SA. This sale represented approximately 10.04% of COFACE SA's share capital, or 15,078,095 shares. It was carried out by way of an ABB (accelerated book-building) at an average price of €11.55. Following this transaction, Natixis no longer held any shares in COFACE SA.

3.2.3 Anticipated impacts of the Ukraine crisis

The invasion of Ukraine by Russia on February 24, 2022 has triggered a war in Europe for the first time since the Second World War. This armed conflict and the numerous economic sanctions taken against Russia had serious economic, financial an inflationary consequences for the whole world.

In this context, Coface has adjusted its assessments of Russian, Belarusian and Ukrainian risks and reduced its exposure to these countries during 2022. The Group continues to monitor closely the situation on a daily basis and is constantly adjusting its underwriting policy to ensure compliance with international sanctions.

To date, and subject to any changes in the situation, this serious crisis has greatly increased uncertainty and volatility due to its multi-sector and multi-geographical impact.

Coface is not directly exposed to the countries in conflict through its investment portfolio.

Coface Russia Insurance's earned premiums will amount to €11.6 million in 2022 (vs. €12.5 million in 2021, *i.e.* 1% of the Group total) and this subsidiary contributed €25.8 million to the Group's total balance sheet in 2022 (*i.e.* 0.3% of the consolidated total balance sheet). Losses related to this conflict have increased but remain limited at the Group level.

The Group's exposure to Russian debtors has decreased from just under 1% of total exposure to 0.1% as at December 31, 2022.

3.2.4 Financial and non-financial rating agency

AM Best affirms Coface's main operating subsidiaries rating at A (Excellent) with a stable outlook

On April 7, 2022, the rating agency AM Best affirmed the A (Excellent) Insurer Financial Strength – IFS rating of Compagnie française d'assurance pour le commerce extérieur (la Compagnie), Coface North America Insurance Company (CNAIC) and Coface Re. The outlook for these ratings remain "stable".

MSCI upgrades COFACE SA's rating from AA to AAA.

On July 14, 2022, COFACE SA's rating was upgraded to "AAA" by the extra-financial rating agency MSCI, which analyzes the environmental, social and governance (ESG) practices of thousands of companies worldwide.

This places COFACE SA in the top 4% of companies in its industry ("Property & Casualty Insurance" category).

Moody's affirms Coface's ratings, changes outlook to positive

On October 11, 2022, the rating agency Moody's has confirmed the financial strength rating (Insurance Financial Strength Rating – IFSR) for Coface at A2. The agency has also changed the outlook for Coface to positive from stable.

Fitch affirms Coface AA- rating, with 'stable' outlook

On November 23, 2022, the rating agency Fitch affirmed Coface AA- Insurer Financial Strength (IFS) rating. The outlook remains stable.

3.2.5 Success of its debt management exercise

On September 21, 2022, COFACE SA announced the results of the tender offer to repurchase its guaranteed subordinated notes of an amount of €380,000,000 bearing a fixed interest rate of 4.125 per cent., due on March 27, 2024. The Company accepted the repurchase of a principal amount of EUR 153,400,000 Notes validly tendered at a fixed purchase price of 103,625 per cent.

COFACE SA also announced the issuance on September 22, 2022 of €300,000,000 tier 2 notes bearing a fixed interest rate of 6.000 per cent., due on September 22, 2032.

3.2.6 Coface New Zealand: new branch opens

On April 4, 2022, Coface announced the opening of an office in New Zealand after the approval from the Reserve Bank of New Zealand. This is in line with its ambitions to grow in new high-potential markets.

According to the World Bank, the value of New Zealand's exports reached $50.5 billion in 2020. This market therefore offers significant potential to develop the credit insurance solutions and adjacent specialty services.

3.3 COMMENTS ON THE RESULTS AS AT DECEMBER 31, 2022

3.3.1 Group performance

Consolidated turnover amounted to €1,812.0 million, up 13.4% on 2021 at constant FX and perimeter. The net combined ratio stood at 64.9%, or 0.3 points above the level recorded in 2021 (64.6%). This breaks down into a 2.7-point increase in the loss ratio to 36.0% and a 2.5-point decline in the cost ratio to 28.8% compared with 2021. The Group ended the year with net income (Group share) up 26% at €283.1 million (vs. €223.8 million in 2021) and return on equity of 15.6%.

The target solvency ratio ranges between 155% and 175%. The solvency ratio is estimated at 200.53% at December 31, 2022 [(1)]. Coface will propose the payment of a dividend [(2)] of €1.52 per share to shareholders, representing a payout ratio of 80%.

The changes at constant FX and perimeter, presented for comparison purposes in the tables below, take into account the integration of the following entities:

- in 2021: Coface Poland Insurance Services, Coface Romania Insurance Services, Coface Finance Israel and Coface Servicios Mexico;
- in 2022: Coface Norden Services (Denmark), Coface Sverige Services (Sweden), Coface Services Suisse, Coface Baltic Services (Lithuania) and Coface Servicios Argentina.

3

3.3.2 Turnover

The Group's consolidated turnover increased by 13.4% at constant FX and perimeter (+15.6% at current FX and perimeter), to €1,812.0 million at December 31, 2022, mainly due to a rebound in client activity in the insurance business.

The table below shows changes in the Group's consolidated turnover by business line as of December 31, 2021 and 2022:

CHANGE IN CONSOLIDATED TURNOVER BY BUSINESS LINE *(in millions of euros)*	**AS AT DEC. 31** 2022	2021	**CHANGE** *(in €m)*	*as a %*	*as a %: at constant FX and perimeter*
Insurance	1,741.6	1,503.5	238.1	15.8%	13.5%
*o/w Gross earned premiums**	*1,527.5*	*1,312.6*	*214.8*	*16.4%*	*14.4%*
*o/w Services***	*214.1*	*190.8*	*23.3*	*12.2%*	*8.0%*
Factoring	70.4	64.4	6.0	9.3%	10.0%
CONSOLIDATED TURNOVER	**1,812.0**	**1,567.9**	**244.1**	**15.6%**	**13.4%**

* *Gross earned premiums-credit, Single Risk and surety bond insurance.*
** *Sum of turnover from services related to credit insurance ("Fee and commission income" and "Other insurance-related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information – "Information and other services", and debt collection services – "Receivables management").*

(1) *This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II Regulations, using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.*
(2) *The proposed dividend is subject to the approval of the Annual General Shareholders' Meeting of May 16, 2023.*

Insurance

Turnover from the insurance business (including surety bond and Single Risk insurance) was up 13.5% at constant FX and perimeter (+15.8% at current FX and perimeter), at €1,741.6 million in 2022, compared with €1,503.5 million in 2021.

Gross earned premiums increased by 14.4% at constant FX and perimeter (+16.4% at current FX and perimeter), to €1,527.5 million in 2022, compared with €1,312.6 million in 2021.

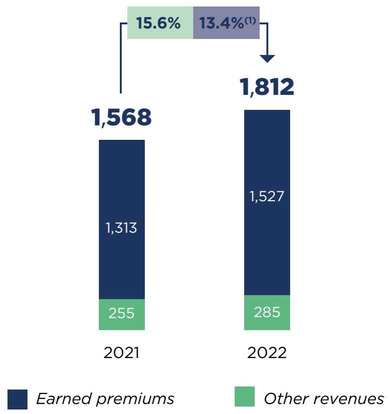
This growth was mainly due to the sharp increase in activity for Coface's clients throughout 2022 (+80.3%), reflecting the rebound in the global economy and high inflation.

The production of new contracts totalled €110 million, down by €18.7 million from 2021.

The contract retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) reached a record level of 92.9% over the year for the Group (compared with 91.6% at December 31, 2021). All regions contributed to this high retention rate with the exception of Central and Eastern Europe, which was impacted by the reduction in exposures to Russia.

The price effect was negative, at -3.04%, in a market with low claims volumes and following the selective repricing policy applied in 2021 (+0.7%).

Turnover from the services business was up by 8% at constant FX and perimeter (up +12.2% at current FX and perimeter), rising from €190.8 million in 2021 to €214.1 million in 2022. The debt collection business was impacted by the low loss experience. The business information sales activity grew sharply (+11.6% at constant FX and perimeter) following investments in this business.



(1) At constant exchange rate

Factoring

Factoring turnover (only in Germany and Poland) increased by 10.0% at constant FX (+9.3% at current FX), from €64.4 million in 2021 to €70.4 million in 2022.

In Germany, revenue was up 5.1% due to a rebound in volumes financed. Poland was also impacted by this rebound and it recorded an increase in factoring revenue of 32.2% at constant FX (+28.7% at current FX).

Change in turnover by region

The table below shows trends in Coface Group's consolidated turnover in its seven geographic regions for the financial years ended December 31, 2021 and 2022:

	AS AT DEC. 31		CHANGE			
CHANGE IN CONSOLIDATED TURNOVER BY INVOICING REGION *(in millions of euros)*	**2022**	**2021**	*(in €m)*	*as a %*	*as a %: at constant FX*	*as a %: at constant FX and perimeter*
Western Europe	359.6	316.7	43.0	13.6%	12.9%	12.7%
Northern Europe	372.3	331.5	40.8	12.3%	12.3%	11.3%
Mediterranean and Africa	480.6	429.4	51.2	11.9%	13.8%	13.8%
North America	168.0	137.5	30.5	22.2%	9.3%	9.3%
Central Europe	178.5	156.3	22.3	14.3%	14.3%	13.4%
Asia-Pacific	151.3	123.2	28.1	22.8%	14.6%	14.6%
Latin America	101.6	73.3	28.3	38.5%	30.0%	29.0%
CONSOLIDATED TURNOVER	**1,812.0**	**1,567.9**	**244.1**	**15.6%**	**13.8%**	**13.4%**

All regions achieved growth in turnover at constant FX and perimeter, ranging from +9.3% for Northern Europe to +29.0% for Latin America.

In Western Europe, turnover was up 12.7% at constant FX and perimeter, buoyed by the growth in short term credit insurance. This positive change was strongly linked to the economic rebound and high inflation, which generated an increase in policyholders' revenue. Conversely, new contract production declined in 2022 compared to 2021.

In Northern Europe, turnover rose by 11.3% at constant FX and perimeter (12.3% at current FX and perimeter). Credit insurance and fee and commission income were the main contributors to this growth thanks to the rebound in policyholders' activity.

Turnover in the Mediterranean & Africa region grew by 13.8% at constant FX and perimeter, confirming the strong sales momentum in this region (high retention rate and new contract production) and the development of the Information Services activity. This good commercial performance was boosted by strong activity levels for Coface's policyholders.

In North America, turnover increased by 9.3% at constant FX and perimeter. The credit insurance portfolio is growing mainly due to the high client activity.

Central Europe posted an increase in turnover of 13.4% at constant FX and perimeter (+14.3% at current FX and perimeter). The increase in credit insurance premiums and factoring revenues were the main drivers of turnover growth in 2022. Gross insurance premiums (+11.9% at constant FX and perimeter) were impacted by the rebound in policyholder activity.

Asia-Pacific recorded a 14.6% increase in turnover at constant FX and perimeter. This growth was driven by credit insurance, with the development of the portfolio linked to the sharp increase in client activity, despite a decline in new business. Single Risk insurance grew sharply for the Singapore entity.

Latin America posted an increase in turnover of 29.0% at constant FX and perimeter (+38.5% at current FX) due to the sharp rebound in activity in the commodities sector and inflation.

3.3.3 Underwriting income

Underwriting income before reinsurance

Underwriting income before reinsurance stood at €529.1 million, down 10.0% compared to end-December 2021 (€588.2 million), reflecting the increase in the loss ratio.

The 10.3-point increase in the combined ratio before reinsurance to 64.7% in 2022 (from 54.4% in 2021) was attributable to a 9.8-point rise in the loss ratio and a slight increase in the cost ratio of 0.4 point.

Loss experience

The Group's loss ratio before reinsurance, including claims handling expenses, increased by 9.8 points, from 21.4% for 2021 to 31.2% in 2022. This increase in claims is explained by a gradual normalisation of the loss experience compared to 2021, which recorded a particularly low loss experience.

	AS AT DEC. 31		CHANGE	
(in millions of euros and as a %)	**2022**	**2021**	*(in €m)*	*as a %*
Claims expenses incl. claims handling costs	476.8	280.5	196.3	70.0%
Loss ratio before reinsurance	31.2%	21.4%	-	9.8 pts
Earned premiums	1,527.5	1,312.6	214.8	16.4%

In Western Europe, the loss ratio increased by 13 points to 37.3%. This increase is explained by the anticipation of claims in France and the United Kingdom, partly linked to the Russia-Ukraine context.

Impacted by extremely high claims in the Netherlands and Germany and the anticipation of future claims, Northern Europe recorded a loss ratio of 35% compared with 18.2% in 2021.

The loss ratio in the Mediterranean & Africa region increased by 7.2 ppts compared to 2021 and stood at 34.6%. The main countries in the region are seeing a normalisation in the loss experience compared to 2021.

In North America, the loss ratio rose by 9 points to 23.4%, vs. 14.4% in 2021. This region, which is more responsive to the economic environment, saw the loss experience decline very sharply in 2021 and gradually return to normal levels in 2022.

The loss ratio in Central Europe improved by 4.3 points to 14.5%, vs. 18.8% in 2021. The evolution remains favourable despite the anticipation of losses linked to the Russian-Ukrainian context.

The Asia-Pacific loss ratio rose by 1.1 points to 9.9%. Record reserve levels, taking into account a volatile loss experience, were partially reversed for the oldest underwriting years. The region's loss ratio stabilised in line with good trends in the loss experience.

Latin America's loss ratio increased by 32.9 points to 39.8% compared with 6.9% in 2021. This region is suffering from the impact of extremely high claims at the end of 2022.

CHANGE IN LOSS EXPERIENCE BY INVOICING REGION *(as a%)*	AS AT DEC. 31		
	2022	2021	CHANGE IN POINTS
Western Europe	37.0%	24.3%	12.7 pts
Northern Europe	35.0%	18.2%	16.8 pts
Mediterranean and Africa	34.6%	27.4%	7.2 pts
North America	23.4%	14.4%	9.1 pts
Central Europe	14.5%	18.8%	(4.3 pts)
Asia-Pacific	9.9%	8.8%	1.0 pts
Latin America	39.8%	6.9%	32.9 pts
LOSS RATIO BEFORE REINSURANCE	**31.2%**	**21.4%**	**9.8 PTS**

/ OVERHEADS

OVERHEADS *(in millions of euros)*	AS AT DEC. 31		CHANGE		
	2022	2021	*(in €m)*	*as a %*	*as a %: at constant FX and perimeter*
Internal overheads	649.4	572.7	76.6	13.4%	10.9%
o/w claims handling expenses	*39.9*	*36.2*	*3.7*	*10%*	*10%*
o/w internal investment management expenses	*4.3*	*4.0*	*0.3*	*7.1%*	*6.9%*
Commissions	201.2	166.8	34.4	20.6%	18.2%
TOTAL OVERHEADS	**850.5**	**739.5**	**111.0**	**15.0%**	**12.6%**

Total overheads, which include claims handling expenses and internal investment management expenses, increased by 12.6% at constant FX and perimeter (15% at current FX and perimeter), from €739.5 million at December 31, 2021 to €850.5 million at December 31, 2022.

Policy acquisition commissions rose by 18.2% at constant FX and perimeter (20.6% at current FX and perimeter), from €166.8 million in 2021 to €201.2 million in 2022. This increase is explained by the growth in premiums as well as the increase in bonuses in connection with a reduced claims experience.

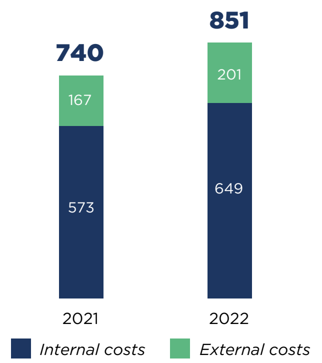
Internal overheads, which include claims handling and investment expenses, increased by 10.9% at constant FX and perimeter (13.4% at current FX and perimeter), from €572.7 million in 2021 to €649.4 million in 2022.

Payroll costs increased by 7.1% at constant FX and perimeter (+9.3% at current FX and perimeter), from €337.7 million in 2021 to €369.3 million in 2022. New hires relating to the resumption of transformation projects and the development of adjacent business account for this increase.

IT costs were up 5.3% at constant FX and perimeter (6.1% at current FX and perimeter), from €53.9 million in 2021 to €57.2 million in 2022. Transformation projects and investments were re-prioritised to adapt to the crisis in 2021 and resumed in 2022.

Other expenses (taxes, information costs, rent) rose by 19.7% at constant FX and perimeter (23.3% at current FX and perimeter), from €181.1 million in 2021 to €223.4 million in 2022. This increase is mainly explained by the development of business information services.

The cost ratio before reinsurance increased by 0.4 points, from 33.1% in 2021 to 33.5% in 2022.



Underwriting income after reinsurance

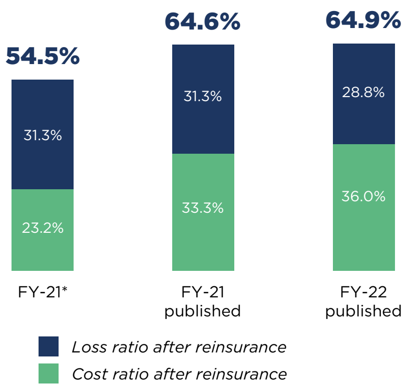
Underwriting income after reinsurance totalled €382.5 million, up by 39.7% compared with 2021 (€273.9 million).

The sharp decrease in the cost of reinsurance to -€146.6 million at December 31, 2022 (-€314.3 million at December 31, 2021) can be explained by the contribution of government reinsurance schemes in 2021.

	AS AT DEC. 31		CHANGE	
(in thousands of euros and %)	**2022**	**2021**	*(in €k)*	*(as a%)*
Turnover	1,811,970	1,567,858	244,112	15.6%
Claims expenses	(476,779)	(280,456)	(196,323)	70.0%
Contract acquisition costs	(304,747)	(259,317)	(45,430)	17.5%
Administration costs	(314,460)	(270,990)	(43,470)	16.0%
Other expenses from insurance activities	(69,824)	(66,243)	(3,581)	5.4%
Expenses from banking activities, excluding cost of risk	(14,331)	(13,103)	(1,228)	9.4%
Cost of risk	308	76	233	307.3%
Expenses from other activities	(102,998)	(89,674)	(13,325)	14.9%
Underwriting income before reinsurance	**529,138**	**588,150**	**(59,012)**	**(10.0%)**
Income and expenses after ceded reinsurance	(146,610)	(314,288)	167,679	(53.4%)
UNDERWRITING INCOME AFTER REINSURANCE	**382,529**	**273,862**	**108,667**	**39.7%**
Net combined ratio	64.9%	64.6%	-	-

The amount of ceded premiums under government reinsurance schemes renewed until June 30, 2021 came to €227.6 million in 2021, representing 44.4% of the total amount of ceded premiums.

The impact of government schemes on the Group's ratios in 2021 is shown in the following chart:



* excl. government schemes

3.3.4 Investment income, net of management expenses (excluding financing costs)

Trends in the financial markets

Russia's invasion of Ukraine in February 2022 was a key event of the year. It exacerbated the inflationary pressure already being felt at the end of 2021 and significantly accelerated the pace and level of interest rate hikes by central banks. The Ukrainian crisis worsened the economic situation in the United States and even more so in Europe. Record inflation has reduced consumers' purchasing power and the crisis led central banks to raise their key rates very quickly. Central banks were more concerned about a possible de-anchoring of inflation expectations than about the risks to growth. Europe is also suffering from the dramatic rise in gas prices as a result of the war. However, the majority of economic figures published during the fourth quarter were not quite as bad as expected. In China, the improvement that followed the easing of anti-Covid lockdowns was short-lived and further difficulties emerged in the real estate sector. The bond market crashed hard, with long-term yields rising by more than 2%, driving up the equity markets for most of the year.

In 2022, the US economy slowed on the back of lower real household income (due to very high inflation) and rising interest rates. The main economic indicators for businesses, such as the ISM indices, entered recession territory in November after slowing for a year. Despite a slight rebound, consumer confidence indicators fell sharply. In the real estate sector, which is highly sensitive to interest rates, figures were particularly disappointing. In contrast, job creation remained strong, the unemployment rate low and the working population saw the return of many workers who had stopped seeking work during the Covid-19 crisis. Inflation has fallen from its peak of 9% in June, while remaining very high (core inflation also peaked in September). The fixed income markets were extremely volatile. In 2022, the Federal Reserve made five rate hikes and clearly indicated its intention to prioritise the fight against inflation even if this were to have negative consequences on the labour market. Against this background, the US 10-year yield increased by 236 bp to 3.87% at the end of 2022. On the equity side, the S&P 500 fell by -19.4% over the year. Companies' excellent quarterly earnings in Q3 triggered a rally at the beginning of Q4. However, US equities corrected in December in response to a surge in bond yields.

In Europe, the sharp rise in natural gas prices following the drastic reduction in Russian deliveries contributed to rising inflation and monetary tightening. Business climate indicators moved into negative territory in March, hitting a low in October, while consumer confidence collapsed with the Russian invasion and recovered slightly in the last quarter. However, the labour market remained strong, with the unemployment rate at its lowest level since the creation of the eurozone. Inflation exceeded 10% in September. After raising its key rates by 0.50% in July (the first increase since 2011), the ECB followed with three further increases over the rest of the year. The ECB president also indicated that the bank intends to continue this upward cycle to combat inflation despite the weakening growth outlook. Sovereign yields rose sharply over 2022, with the German 10-year yield adding 275 bps to end the year at 2.57%. On the equity markets, the Eurostoxx 50 was down -11.7% over the year.

Overall, the growth outlook for emerging markets has been revised downwards on the back of high inflation, slowing global trade and tighter global and domestic monetary conditions. The slowdown was more pronounced in Eastern Europe due to the European energy crisis and rising prices. Inflation is still very high and generally rising, although there has been a stabilisation in a few countries such as Brazil. Unsurprisingly, emerging market central banks continued their rate hikes (except Russia and Turkey) and some laggards finally joined the trend (Thailand, Indonesia). In China, while the economy recorded weak growth in the second quarter due to Covid restrictions, it could recover in 2023 with the easing of both these measures and monetary and fiscal policies.

Financial income

In this risk-off environment (high inflation, economic slowdown, war in Ukraine), Coface Group decided to reduce the risk in its portfolio in 2022 by lowering its exposure to assets the most at risk from the economic slowdown (equities, emerging markets and real estate) in favour of developed countries' sovereign bonds. Finally, cash levels remained high throughout the year as a precautionary measure.

With regard to real assets, some real estate assets were reallocated from offices and retail to logistics and residential.

Over 2022, the overall value of the portfolio decreased by €198 million due to the decline in the equity and bond markets.

To adapt the investment strategy to the new IFRS 9, the listed equity portfolio was restructured to become a long-term investment segment that will be measured at fair value through non-recyclable other comprehensive income (FV OCI-NR). Bond investments will be recognised at fair value through recyclable other comprehensive income (FV OCI-R).

The following table shows the financial portfolio by main asset class:

/ MARKET VALUE

	AS AT DEC. 31	
(in millions of euros)	**2022**	**2021**
Listed shares	77	224
Unlisted shares	8	9
Bonds	2,265	2,115
Loans, deposits and money market mutual funds	367	507
Real estate	220	213
Total investment portfolio	**2,937**	**3,068**
Non-consolidated companies	85	152
TOTAL	**3,022**	**3,220**

/ INVESTMENT PORTFOLIO INCOME

Income from the investment portfolio amounted to €62.3 million, including €17.7 million in capital gains on disposals, impairment/reversals and equity/interest rate derivatives (representing 2.1% of average annual assets in 2022 and 1.5% excluding capital gains, impairment/reversals and equity/interest rate derivatives). This compares with €36.7 million, including €3.6 million in capital gains on disposals, impairment/reversals and equity/interest rate derivatives in 2021 (representing 1.2% of average annual assets in 2021 and 1.1% excluding capital losses, impairment/reversals and equity/interest rate derivatives).

The change in market values between 2021 and 2022 is mainly due to the first-time consolidation of non-consolidated entities. Finally, the FX effect was negative for €15.8 million in 2022 vs. +€7.0 million in 2021. This amount includes €13.3 million related to IAS 29 – hyperinflation (Coface is operating in Argentina and in Turkey).

In the current economic environment, the Group increased and reallocated its bond portfolio to protect and improve the portfolio's return.

	AS AT DEC. 31	
(in millions of euros)	**2022**	**2021**
Equities*	37.9	(0.9)
Fixed income**	(0.6)	23.6
Investment property	25.1	14.0
Investment income	**62.3**	**36.7**
o/w realised gains, impairment and reversals, derivatives (equity and interest rate)	17.7	3.6
- o/w disposals	*8.7*	*9.3*
- o/w impairment and reversals	*(0.1)*	*(1.2)*
- o/w derivatives (equity and interest rate)	*9.1*	*(4.5)*
Investment income excluding realised gains	**44.6**	**33.1**
Foreign exchange income	(15.8)	7.0
- o/w foreign exchange	*(29.6)*	*15.5*
- o/w currency derivatives	*13.9*	*(8.5)*
Other	(6.4)	(1.6)
- o/w non-consolidated subsidiaries	*2.7*	*6.2*
- o/w financial and investment charges	*(9.0)*	*(7.8)*
NET INCOME FROM INVESTMENTS	**40.2**	**42.2**

* *Including equity derivatives.*
** *Including interest rate derivatives.*

After income from equity securities, foreign exchange income, income from derivatives, and financial and investment expenses, the Group's net financial income for 2022 totalled €40.2 million.

3.3.5 Operating income

	AS AT DEC. 31		CHANGE		
(in millions of euros)	2022	2021	*(in €m)*	*(as a%)*	*(as a%: at constant FX and perimeter)*
Consolidated operating income	**413.5**	**312.9**	**100.7**	**32.2%**	**29.8%**
Operating income including finance costs	**383.9**	**291.4**	**92.5**	**31.8%**	**29.3%**
Other operating income and expenses	**(9.1)**	**(3.2)**	**(5.9)**	**187%**	**184%**
OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES	**393.0**	**294.6**	**98.5**	**33.4%**	**30.9%**

Consolidated operating income increased by 29.8% at constant FX and perimeter, from €312.9 million for the year ended December 31, 2021 to €413.5 million for the year ended December 31, 2022.

Current operating income, including financing costs and excluding non-recurring items (other operating income and expenses), rose by 30.9% at constant FX and perimeter, from €294.6 million in 2021 to €393.0 million in 2022.

The net combined ratio increased by 0.3 percentage points, from 64.6% in 2021 to 64.9% in 2022, including a +2.8 percentage point increase in the net loss ratio and a decline of -2.5 percentage points in the cost ratio.

Other operating income and expenses amounted to -€9.1 million, comprising mainly the following:

- expenses linked to investments for the implementation of IFRS 17 of €7.4 million;
- income from the entry of five service entities into the scope of consolidation for €1.6 million;
- provisions for restructuring costs of €3 million.

CHANGE IN OPERATING INCOME BY INVOICING REGION *(in millions of euros)*	AS AT DEC. 31 2021	2021	CHANGE	SHARE OF ANNUAL TOTAL AT DEC. 31, 2022
Western Europe	58.6	46.2	12.4	13%
Northern Europe	95.9	49.0	46.8	22%
Mediterranean and Africa	126.3	75.1	51.2	28%
North America	39.2	44.2	(4.9)	9%
Central Europe	74.0	58.0	15.9	17%
Asia-Pacific	42.1	41.5	0.6	9%
Latin America	9.7	25.6	(15.9)	2%
TOTAL (EXCLUDING INTERREGIONAL FLOWS)	**445.7**	**339.6**	**106.1**	**100%**

3.3.6 Net income (Group share)

Coface Group's effective tax rate rose from 23.2% in 2021 to 26.2% in 2022, an increase of 3.0 points.

Net income (Group share) amounted to €283.1 million, up 26.5% in relation to the year ended December 31, 2021 (€223.8 million).

This record level can be explained in part by the very atypical nature of the last three years, which have seen significant government involvement in the management of the economy.

3.4 GROUP CASH AND CAPITAL RESOURCES

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 9 "Cash and cash equivalents" in the Company's consolidated financial statements.

	AS AT DEC. 31	
(in millions of euros)	**2022**	**2021**
Net cash flows generated from operating activities	449.2	327.0
Net cash flows generated from investment activities	(124.4)	(207.9)
Net cash flows generated from financing activities	(142.7)	(134.4)

	AS AT DEC. 31	
(in millions of euros)	**2022**	**2021**
Cash and cash equivalents at beginning of period	362.4	401.0
Cash and cash equivalents at end of period	553.8	362.4
Net change in cash and cash equivalents	191.3	(38.5)

3.4.1 Coface Group debt and sources of financing

The Group's debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of "Amounts due to banking sector companies" and "Debt securities").

	AS AT DEC. 31	
(in millions of euros)	**2022**	**2021**
Subordinated borrowings	534.3	390.6
Sub-total financial debt	**534.3**	**390.6**
Amounts due to banking sector companies	743.2	822.9
Debt securities	1,794.9	1,498.8
SUB-TOTAL OPERATING DEBT	**2,538.1**	**2,321.7**

Financial debt

For the year ended December 31, 2022, the Group's financing liabilities, totalling €534.3 million, are comprised of two subordinated loans.

- A fixed-rate issue (4.125%) of subordinated notes carried out by COFACE SA on March 27, 2014 for a nominal amount of €380 million, maturing on March 27, 2024.

  The securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Group's main operating entity.

  COFACE SA redeemed €153 million of the subordinated bonds issued in 2014 at a fixed price of 103.625% on September 21, 2022.

  The nominal amount after this redemption stands at €227 million, still maturing on March 27, 2024.
- A new fixed-rate issue (6.000%) of subordinated notes on September 22, 2022, for a nominal amount of €300 million, maturing on September 22, 2032.

Operating debt linked to the factoring business

The Group's operating debt is mainly linked to financing for its factoring activities.

This debt, which includes the "Amounts due to banking sector companies" and "Debt securities" items, provides refinancing for the Group's factoring companies (Coface Finanz in Germany and Coface Poland Factoring in Poland).

Amounts due to banking sector companies, which correspond to drawdowns on the bilateral credit lines (see "Bilateral credit lines" below) set up with various banking partners of Coface Finanz and Coface Poland Factoring and the Group's local banks, amounted to €743.2 million for the financial year ended on December 31, 2022.

Debt securities amounted to €1,794.9 million for the financial year ended on December 31, 2022, including:

- senior units issued by the VEGA securitisation fund under the Coface Finanz factoring receivables securitisation programme (see "Securitisation programme" below), in the amount of €1,180.5 million; and
- commercial paper issued by COFACE SA (see "Commercial paper programme" below) to finance the activity of Coface Finanz in the amount of €614.3 million.

Coface Group's main sources of operational financing

To date, the Coface Group's main sources of operational financing are:

- a securitisation programme to refinance its factoring receivables for a maximum amount of €1,200 million;
- a commercial paper programme for a maximum amount of €700 million; and
- bilateral credit lines for a maximum total amount of €1,676.6 million.

In 2022, the securitisation programme was increased to €1,200 million and renewed early in March; the senior one-year units were renewed in December. Coface Poland Factoring's syndicated multi-currency loan was renewed early in the amount of €310 million. This loan has a two-year maturity with two options for a one-year extension, at the lenders' discretion. In May, the option to extend the fourth year of the syndicated loan serving as a back-up to COFACE SA's €700 million commercial paper programme was exercised.

At December 31, 2022, Coface Group's debt linked to its factoring activities amounted to €2,538 million.

a) Securitisation programme

To refinance its factoring activities, in February 2012 the Group set up a securitisation programme for its factoring trade receivables, guaranteed by Compagnie française d'assurance pour le commerce extérieur. In March 2022, the securitisation programme was renewed early and its maximum amount was increased to €1,200 million. USD units were created (maximum amount equal to 25% of the total maximum amount of the transaction) following the inclusion of US clients and debtors in the transaction.

At December 31, 2022, €1,180.5 million had been used under this programme.

This securitisation programme includes a number of standard acceleration clauses associated with such a programme, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the ceded receivables), and linked to the occurrence of various events, such as:

- payment default of Coface Finanz or of Compagnie française d'assurance pour le commerce extérieur for any sum due under the securitisation fund;
- the cross default of any Group entity pertaining to debt above €100 million;
- closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- winding-up proceedings concerning Coface Finanz, Coface Poland Factoring, the Company or Compagnie française d'assurance pour le commerce extérieur;
- the discontinuance of or substantial change to the activities practised by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur;
- a downgrading of the financial rating of Compagnie française d'assurance pour le commerce extérieur to below BBB- for the main funding (maximum amount of €1,200 million) and to below A for additional funding (maximum amount of €100 million);
- non-compliance with one of the covenants linked to the quality of the portfolio of ceded factoring receivables.

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding a change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Group.

The three covenants set by the securitisation programme include:

COVENANT	DEFINITION	TRIGGER THRESHOLD
Default ratio	Three-month moving average of the rate of unpaid receivables beyond 60 days after their due date	> 2.24%
Delinquency ratio	Three-month moving average of the rate of unpaid receivables beyond 30 days after their due date	> 5.21%
Dilution ratio	Three-month moving average of the dilution ratio	> 9.71%

At December 31, 2022, the Group complied with all of these covenants.

b) Commercial paper programme

The Group has a €700 million commercial paper issuance programme under which the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2022, securities issued under the commercial paper programme totalled €614.3 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, since July 28, 2017 the Group has had a currently unused syndicated loan covering the maximum amount of the commercial paper issue programme (€700 million since August 2021). The agreement regulating this syndicated loan contains the usual restrictive clauses (such as a negative pledge clause, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group's business activities) and early repayment clauses (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and winding-up proceedings), in line with market practices. This syndicated loan was renewed in August 2021 for three years with two possibilities for an extension of one year each. The first extension option was exercised in 2022.

c) Bilateral credit lines

To refinance its factoring business, the Group also set up a number of bilateral credit lines and overdraft facilities, mainly through its subsidiaries, for a total maximum amount of €1,676.6 million:

- bilateral credit lines and overdraft facilities with local banks for a maximum of €592.7 million, of which €32.9 million had been drawn in Germany and €0.9 million in Poland at December 31, 2022
- bilateral credit lines concluded with banks:
  - six lines for a maximum total amount of €425 million for Coface Finanz (with maturities ranging between one and three years), of which €314 million had been drawn down as of December 31, 2022,
  - five lines (including a syndicated loan) for a maximum total amount of €658.9 million for Coface Poland Factoring (with maturities ranging between one and three years), of which €394 million had been drawn down as of December 31, 2022

3.4.2 Group solvency [1]

The Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II Regulation for its insurance business and according to banking regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded with the calculation of the solvency capital requirement (SCR) on December 31, 2022, using the partial internal model introduced by European Directive No. 2009/138/EC. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operational risks. It takes account of frequency risks and major risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon. At December 31, 2022, the estimated capital required for the two Group businesses amounted to €1,199 million, compared with €1, 263 million at the end of 2021.

At December 31, 2022, the required capital for the factoring business was estimated at €223.2 million by applying a rate of 10.5% to the risk-weighted assets, or RWA. The Group has reported its capital requirements using the standard approach since December 31, 2019. It should be noted that the local regulators for Germany and Poland (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

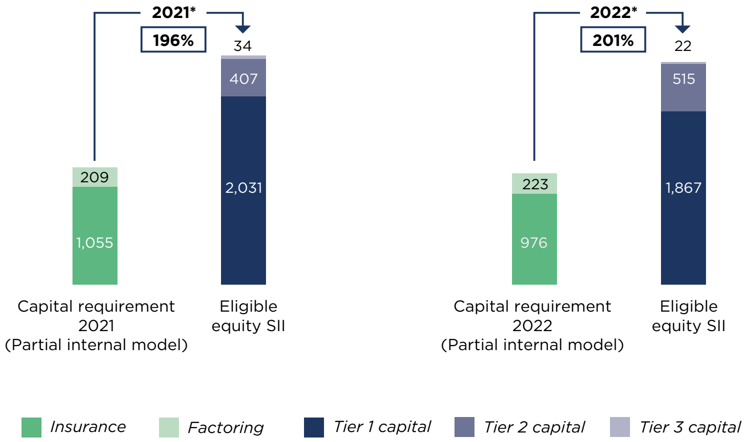
The sum of the capital requirement for the insurance business and the capital requirement for the factoring business is compared with the estimated available capital, which totalled €2,404 million as of December 31, 2022.

At this date, the solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring) was estimated at 201% [2], compared to 196% [2] at the end of 2021.

(1) Solvency information is not audited.
(2) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II Regulations, using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

The table below presents the items for calculating the Group's capital requirement:

(in millions of euros)	AS AT DECEMBER 31, 2022	AS AT DECEMBER 31, 2021
Total equity	1,962	2,141
- Goodwill and other intangible assets (net of deferred taxes)	(217)	(209)
+ Revaluation of provisions using the best estimate method (net of deferred tax assets)	424	554
+/- Other adjustments	(53)	(198)
- Dividend payments	(226)	(224)
+ Subordinated debt (valued at market value)	515	407
= Solvency II available own funds (A)	**2,404**	**2,471**
Capital requirement – Insurance (B)	976	1,055
Capital requirement – Factoring (C)	223	209
Capital requirement (D) = (B) + (C)	1,199	1,263
SOLVENCY RATIO (E) = (A)/(D)	**201%**	**196%**



* *This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II Regulations, using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.*

3.4.3 Return on equity

The return on equity ratio is used to measure the return on the Group's invested capital. Return on average tangible equity (or RoATE) is the ratio between net income (Group share) and average accounting equity (Group share) restated for intangible items (intangible asset values).

The table below presents the elements used to calculate the Group's RoATE over the 2021-2022 period:

	AS AT DEC. 31	
(in millions of euros)	2022	2021
Accounting equity (Group share) – A	1,960	2,141
Intangible assets – B	239	230
Equity, net of intangible assets – C (A - B)	1,722	1,911
Average equity, net of intangible assets – D ($[C_n + C_{n-1}]/2$)	1,816	1,839
Net income (Group share) – E	283.1	223.8
ROATE – E/D	**15.6%**	**12.2%**

3.4.4 Off-balance sheet commitments

Most of the Group's off-balance sheet commitments concern certain credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Group's off-balance sheet commitments for the 2021-2022 period:

(in thousands of euros)	DEC. 31, 2022 TOTAL	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**1,447,127**	**1,360,427**	**86,700**
Endorsements and letters of credit	1,360,427	1,360,427	
Property guarantees	3,500		3,500
Financial commitments in respect of equity interests	83,200		83,200
Commitments received	**1,974,035**	**1,378,614**	**595,421**
Endorsements and letters of credit	146,290		146,290
Guarantees	449,131		449,131
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	678,614	678,614	
Financial commitments in respect of equity interests	0		0
Guarantees received	**320,478**		**320,478**
Securities lodged as collateral by reinsurers	320,478		320,478
Financial market transactions	105,965		105,965

(in thousands of euros)	DEC. 31, 2021 TOTAL	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**1,137,652**	**1,126,000**	**11,651**
Endorsements and letters of credit	1,126,000	1,126,000	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	4,151		4,151
Commitments received	**1,397,644**	**853,084**	**544,561**
Endorsements and letters of credit	141,291		141,291
Guarantees	403,270		403,270
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	153,084	153,084	
Financial commitments in respect of equity interests	0		0
Guarantees received	**323,314**		**323,314**
Securities lodged as collateral by reinsurers	323,314		323,314
Financial market transactions	211,543		211,543

Endorsements and letters of credit totalling €1,360.427 million for the financial year ended December 31, 2022 correspond mainly to:

- a joint surety bond for investors in COFACE SA's subordinated bonds for €226.6 million (maturing in 10 years). Following the redemption of subordinated bonds on September 21, 2022 for €153.4 million, the initial joint surety bond of €380 million was adjusted by an amendment.

  The new subordinated bond issued on September 22, 2022, for an amount of €300 million, was not the subject of a joint surety bond;
- various joint surety bonds totalling €1,042 million given by the Group, in particular to banks financing the factoring business.

Collateral concerns Coface Re for €302.297 million and Compagnie française pour le commerce extérieur for €18.181 million.

The syndicated loan for a maximum amount of €700 million for the financial year ended December 31, 2022 includes coverage of the Group's commercial paper issuance programme for €700 million (see Section 1.4.1 "Group debt and sources of financing").

3.5 POST-CLOSING EVENTS AT DECEMBER 31, 2022

3.5.1 Acquisition of North America data analytics boutique Rel8ed

On January 30, 2023, Coface announced the acquisition of North American data analytics boutique Rel8ed. The acquisition brings new, rich data sets and analytics capabilities, which will benefit Coface trade credit insurance as well as the company's business information customers and teams.

3.6 OUTLOOK

3.6.1 Economic environment (1)

In 2023, **global economic** growth is expected to slow to 1.9% from 2.9% in 2022. Emerging countries, with the exception of China, should be the main contributors to growth. The major advanced economies, excluding Japan and Australia, are expected to see their growth slow sharply to between -1% and +1%. This decline will be due in part to sluggish growth in Europe at the turn of 2022-2023, as well as in the United States starting in the second quarter of 2023.

The general context will continue to be dominated by the fallout from the war in Ukraine and, to a lesser extent, the impact of weather events. In economic terms, this will translate into price increases in food, energy, materials, industrial components and in certain services such as transport, restaurants and trade. In turn, inflation and the associated tightening of credit will continue to put pressure on global activity by weighing on demand (consumption, investment) and supply (industrial production and services).

Global inflation is expected to fall to 6% in 2023 after 8% in 2022. This decline will be largely due to a favourable base effect. Moreover, the inflation profile is not expected to be uniform over 2023, with – barring a marked fall in temperatures in Europe – a drop in the energy component until the summer. This phase will be followed by a recovery in the second half of the year, when China's activity accelerates and its need for energy, particularly for liquefied natural gas, increases.

While Russian oil refused by Europe has been able to find alternative buyers in Asia (China and India in particular) thanks to the availability of oil ships, substitution should not be as easy for gas. Gas not being exported to Europe is in fact mainly located in the western part of Russia, the few pipelines to Asia are saturated, and few LNG tankers are accessible to Russia. The same problem could arise when the European embargo on refined petroleum products, particularly diesel, takes effect in February 2023.

For gas and diesel, Europe and China are likely to be in competition to buy the small quantities that are available. However, no significant additional production of these products is expected worldwide in 2023, at least not in sufficient quantities. The installation of floating storage and regasification units along northern European coasts will only enable the replacement of gas transported by pipeline with liquefied natural gas. A cessation of hostilities in Ukraine would not change the situation on the energy (and metals) market, as Europe could refuse to lift its sanctions or resume its purchases of products from Russia.

However, it could further ease pressure on agricultural markets and fertilizers by facilitating their production in Ukraine and their transport through the Black Sea. The availability of agricultural products will, however, continue to depend on weather conditions, which appear to be more favourable in terms of rainfall in the major producing regions. Finally, restricted by worsening public finances, governments could gradually reduce measures to protect consumers and businesses from price rises, thereby fuelling inflation. Similarly, low unemployment in advanced regions will encourage wage growth, sustaining inflationary dynamics yet failing to safeguard purchasing power.

This relatively more favourable inflationary dynamic should allow advanced economies' central banks to curb their monetary tightening, or even stop raising interest rates. They can rightly consider that the return to previous levels of inflation would be too costly in social terms, since inflation has spread beyond the products first affected and has grown increasingly opaque, and due to the unavoidable rise in costs resulting from the securisation of supply chains. However, this easing in monetary policy will not prevent the 2022 rate hikes from impacting activity, given the 6-9 month lag generally observed in economies with developed financial systems.

It could have a significant impact on housing and office construction. Markets where housing prices have risen sharply, while household debt is high and home loan interest rates variable, such as North America, Northern Europe and Australia, are the most exposed. Office construction is likely to suffer the effects of widespread remote working. Emerging economies are also likely to ease their monetary policy, especially as they began to tighten policy before the advanced economies. In addition to the reasons already given, it should be added that the dollar's rise (and the concomitant depreciation of emerging currencies), which is probably a more pressing concern for these countries than inflation, seems to have ended.

After the shock of the pandemic, higher energy prices and rising interest rates, many governments' public and external debt is also likely to attract attention. In addition to those that have already defaulted, such as Sri Lanka and Ghana, and/or benefited from debt restructuring, a few countries (especially in Africa, Asia and America), facing rising food and energy bills, may encounter difficulties in servicing their

(1) Group estimates.

debt. Fortunately, the injection of funds by their foreign partners and multilateral funded programmes will reduce the risk of default.

It will be important to distinguish between winners and losers from the new global economic conditions. In an environment of high commodity prices, it is important to differentiate between net exporters and importers of energy, minerals, metals and agricultural products. Some countries enjoy near-energy and/or agricultural independence, which protects them in part from the rise in global prices. Others will start or ramp up their production of raw materials. This will be the case for hydrocarbons and for the essential elements of renewable energies: the mining of the minerals needed for batteries (lithium, cobalt, nickel, manganese, etc.), the production of solar, wind and hydraulic energy, as well as green hydrogen. For these countries, it will be an opportunity to attract strong domestic or foreign investment.

Countries that rely on tourism should benefit as international tourism returns to normal as already observed in some countries. Finally, the disruption in supply chains during the Covid crisis and the desire to decrease dependency on China may be an opportunity for some countries (Turkey, Mexico, North Africa, Eastern Europe, South and South-East Asia) to gain new business.

The Chinese growth profile will have an impact on global inflation through its imports of energy and minerals, and on growth in many commodities-exporting countries as well as those that export capital goods and high-tech products. It is likely that China will manage to curb the Covid wave in the second half of the year and that its growth will then accelerate. Indeed, the worst affected are mostly older people, which allows others to ensure production and spend.

The authorities have opted to lift most restrictions on movement, which was not the case in Western countries. Activity is also expected to be boosted by the accommodative economic policy adopted in autumn 2022. The real estate sector, which accounts for a huge part of the economy, could nevertheless remain a burden. Indeed, even if the authorities have bailed out major developers, the very strict rules (“red lines”) adopted in December 2021 will continue to apply. Construction, for its part, should continue to benefit from public sector orders for social housing and infrastructure.

Apart from China, the G20 economies are split between those from the Asia-Pacific region, which will be resilient, and the rest, which will decline, although all but four (Italy, France, India and Japan) should see a fall in inflation. Moreover, the performances of economies exporting goods or services (including tourism) to China are still dependent on the country.

- **South Korea** (2.0% growth expected in 2023 after 2.6% in 2022), **Japan** (1.5% after 1.1%), **India** (5.9% after 6.8%) and Indonesia (5.1% after 5.3%) will benefit from domestic demand being supported by the authorities and from a post-Covid catch-up, while their exports will weaken.
- **Australia** (2.2% after 3.4%) will continue to profit from its coal and gas, while wage increases linked to labour market tensions will mitigate the impact of the credit crunch on consumption and housing.
- **Saudi Arabia** (4.0% after 7.0%) will benefit from its oil and a generous budget.
- **Turkey** (3.5% after 5.5%) will benefit from a strong performance in tourism, but will have to face a domestic demand dragged down by inflation and external demand impacted by the slowdown in Europe.
- **South Africa** (1.4% after 2.1%) will continue to suffer from electrical blackouts and tighter credit.
- **Mexico** (1.0% after 2.6%) will see domestic demand suffer from the cost of credit, but will be buoyed by an increase in public spending.
- **Brazil** (0.7% after 2.9%) will see increased social and infrastructure spending hit by rising rates, while excellent harvests will offset the decline in prices.
- In **Argentina** (-0.5% after 5.1%), soaring inflation, fiscal tightening, capital and import controls and drought will lead the economy into recession.
- In **Germany** (-0.2% after 1.8%), government support for businesses and consumers will marginally mitigate sluggish exports and consumption owing to inflation.
- **France** (0.3% after 2.5%) will see consumer spending undermined by inflation.
- While **Italy** (-0.6% after 3.4%) will also suffer from Germany’s poor form.
- **Spain** (1.0% after 4.7%) will be able to rely on its energy independence and tourism to alleviate weak consumer spending.
- In the **United Kingdom** (-1.0% after 4.4%), consumption, investment and construction will remain under pressure.
- In the **United States** (0.8% after 1.9%), the rise in interest rates is finally expected to have an impact on employment and wages, while the savings built up during the Covid crisis will run out. Contrary to public sector construction, housing construction will continue to suffer. Negative growth is possible in Q2/Q3.
- Finally, in **Canada** (1.1% after 3.5%), investment in energy will only marginally offset the impact of the slowdown in the United States.

3.6.2 Outlook for the Coface Group

The end of 2022 showed that the worst-case scenario is never assured. Some of the political and economic risks that were weighing on the global economy fared better than expected, with, for example the reopening of the Chinese economy and reduced pressure on energy markets owing to exceptionally high temperatures in Europe.

These temperatures remind us of the need to reduce our CO_2 emissions. As a responsible company, Coface has set its roadmap through to 2050 with five-year goals for reducing its emissions.

However, in the medium term, the level of public debt and its sharp increase over the past three years leave governments little leeway to take massive action in the economy. The financing of the energy transition and the rebuilding of previously overlooked defence forces will account for a large portion of spending, limiting the ability to react in the event of a new external shock.

Lastly, interest rates and energy prices will remain higher than in the recent past for some time, impacting the margins and financial strength of many businesses.

The current easing in inflation should slow the pace of growth in premiums for Coface, as these are mostly indexed to its policyholders' turnover.

Coface continues to expect a further normalisation in the risk environment and has prepared accordingly.

3.7 KEY FINANCIAL PERFORMANCE INDICATORS

3.7.1 Financial indicators

Consolidated turnover

The composition of the Group's consolidated turnover (premiums, other revenue) is described under "Accounting principles and methods" in the notes to the consolidated financial statements.

Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, Single Risk policies and surety bonds, less changes in recoveries following recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the financial year, and to the change in claims provisions during the financial year, and the handling expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring recovery procedures (charges and provisions for internal and external debt collection fees).

Claims paid correspond to compensation paid under the policies during the financial year, net of collections received, plus costs incurred to ensure their management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less amounts recovered during the financial year for claims previously indemnified, regardless of the year the indemnification was paid.

Claims provisions are established for claims reported but not yet settled at financial year end, as well as for claims that have not yet been reported, but which have been deemed probable by the Group, given the events that have arisen during the financial year (incurred but not reported (IBNR) provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by reversals made following the payment of compensation or the estimate of potential losses for reported or potential claims. The difference between the amount of provisions in a given financial year (established during the first year of underwriting a policy) and the amounts revalued the following years is either a liquidation profit (revaluation downward) or loss (upwards revaluation) (see Note 23 to the consolidated financial statements).

Operating expenses

"Operating expenses" correspond to the sum of the following items:

- "Contract acquisition costs", consisting of:
  - external acquisition costs, namely commissions paid to business contributors (brokers or other intermediaries) and which are based on the turnover contributed by such intermediaries,
  - and internal acquisition costs, which are essentially fixed costs related to payroll expenses for contract acquisition and the costs of the Group's sales network;
- "Administration costs" (including Group operating costs, payroll costs, IT costs, etc., excluding employee profit sharing and incentive schemes). Contract acquisition costs as well as administration costs primarily include costs linked to the credit insurance business. However, due to pooling, costs related to the Group's other businesses are also included in these items;
- "Other current operating expenses" (expenses that cannot be allocated to any of the functions defined by the chart of accounts, including in particular general management expenses);
- "Expenses from banking activities" (general operating expenses, such as payroll costs, IT costs, etc. relating to factoring activities); and
- "Expenses from other activities" (overheads related exclusively to information and debt collection for customers without credit insurance).

As such, "Operating expenses" consist of all overheads, with the exception of internal investment management expenses for insurance – which are recognised in the "Investment income, net of management expenses (excluding financing costs)" aggregate – and claims handling expenses, with the latter included in the "Claims expenses" aggregate.

Total internal overheads (*i.e.* overheads excluding external acquisition costs (commissions)), are analysed by function, regardless of the accounting method applied to them, in all of the Group's countries. This presentation enables a better understanding of the Group's savings and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

Cost of risk

"Cost of risk" corresponds to expenses and provisions linked to covering the ceding company risk (inherent to the factoring business) and credit risk, net of credit insurance coverage.

Underwriting income

Underwriting income is an intermediate balance of the income statement which reflects the operational performance of the Group's activities, excluding the management of business investments. It is calculated before and after recognition of the income or loss from ceded reinsurance:

- "Underwriting income before reinsurance" (or underwriting income gross of reinsurance) corresponds to the balance between consolidated turnover and the total sum of claims expenses, operating expenses and cost of risk;
- "Underwriting income after reinsurance" (or underwriting income net of reinsurance) includes, in addition to the underwriting income before reinsurance, the income or loss from ceded reinsurance, as defined below.

Income (loss) from ceded reinsurance (expenses or income net of ceded reinsurance)

"Reinsurance income" (or income and expenses net of ceded reinsurance) corresponds to the sum of income from ceded reinsurance (claims ceded to reinsurers during the financial year under the Group's reinsurance treaties, net of the change in the provision for claims net of recoveries that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and charges from ceded reinsurance (premiums ceded to reinsurers during the financial year for the Group's reinsurance treaties, net of the change in provisions for premiums also ceded to reinsurers).

Investment income, net of management expenses (excluding financing costs)

"Investment income, net of management expenses (excluding financing costs)" combines the result of the Group's investment portfolio (investment income, net gains on disposals and addition to/reversals of provisions for impairment), exchange rate differences and investment management expenses.

Operating income

"Current operating income (loss)" corresponds to the sum of "Underwriting income after reinsurance", "Net investment income excluding financing costs" and non-current items, namely "Other operating income and expenses".

In the presentation of operating income by region, the amounts are represented before turnover from interregional flows and holding costs not charged back to the regions have been eliminated.

Income tax

Tax expenses include tax payable and deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described under "Accounting principles and methods" and in Note 29 to the consolidated financial statements).

Net income (Group share)

Net income (Group share) corresponds to the amount of "Net income from continuing operations" (corresponding to "Operating income", net of "Financing costs", "Share in net income of associates" and "Income tax"), "Net income from discontinued operations" and "Non-controlling interests".

3.7.2 Operating indicators

As part of its business operations, in addition to the financial aggregates published in accordance with the International Financial Reporting Standards (IFRS), the Group uses four operational indicators to track its commercial performance. They are described below:

Production of new contracts

The production of new contracts corresponds to the annual value of credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given financial year.

Retention rate

The retention rate corresponds to the ratio between the annual value of the policies actually renewed and that of the policies that were due to be renewed at the end of the preceding period. The annual value of the policies corresponds to the value of the credit insurance policies over a 12-month period according to an estimate of the volume of related sales and the level of the rate conditions in effect at the time the policy is taken out.

Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the policies, calculated based on the tariffs in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to policyholders' actual revenue).

Volume effect

The method for calculating premiums on the Group's turnover produces its effects throughout the life of the policies, and not for a single financial year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group's turnover for the following financial year.

3.7.3 Breakdown of the calculation of ratios as of December 31, 2022

EARNED PREMIUMS *(in thousands of euros)*	FY-2022	FY-2021
Gross earned premiums [A]	**1,527,464**	**1,312,637**
Ceded premiums	(410,339)	(512,098)
NET EARNED PREMIUMS [D]	**1,117,125**	**800,539**

CLAIMS EXPENSES *(in thousands of euros)*	FY-2022	FY-2021
Claims expenses [B]	**(476,779)**	**(280,456)**
Ceded claims	81,935	119,395
Change in claims provisions	(7,819)	(105,272)
NET CLAIMS EXPENSES [E]	**(402,663)**	**(266,333)**

TECHNICAL EXPENSES *(in thousands of euros)*	**FY-2022**	**FY-2021**
Operating expenses	**(806,361)**	**(699,327)**
Employee profit sharing and incentive plans	10,120	9,898
Other revenue	284,506	255,221
Operating expenses, net of revenues from other services before reinsurance [C]	**(511,734)**	**(434,208)**
Commissions received from reinsurers	189,613	183,686
OPERATING EXPENSES, NET OF REVENUES FROM OTHER SERVICES AFTER REINSURANCE [F]	**(322,121)**	**(250,522)**

Gross comined ratio = gross loss ratio $\frac{B}{A}$ **+ gross cost ratio** $\frac{C}{A}$

Net combined ratio = net loss ratio $\frac{E}{D}$ **+ net cost ratio** $\frac{F}{D}$

RATIOS	**FY-2022**	**FY-2021**
Loss ratio before reinsurance	31.2%	21.4%
Loss ratio after reinsurance	**36.0%**	**33.3%**
Cost ratio before reinsurance	33.5%	33.1%
Cost ratio after reinsurance	**28.8%**	**31.3%**
Combined ratio before reinsurance	64.7%	54.4%
Combined ratio after reinsurance	**64.9%**	**64.6%**

3.7.4 Alternative performance measures (APM)

This section takes a look at KPIs not defined by accounting standards but used by the Company for its financial communications.

This section is a follow-up to the AMF's position – IAP DOC 2015-12.

The indicators below represent indicators listed as belonging to the category of Alternative Performance Measures.

a) Alternative performance measures related to turnover and its constituent items

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Turnover with restated items				
[1] Two types of restatements on turnover: i. Calculation of turnover growth percentages, like-for-like: • Year N recalculated at the exchange rate of year N-1; • Year N-1 at the Group structure of year N	**i.** Historic method used by Coface to calculate *pro forma* %.	**i.** (Current turnover N - FX Impact N-1)/(Current turnover N-1 + Perimeter impact N) -1	**i. +13.4%** = (1,812.0 - 28.3)/ (1,567.9 +5.3 scope impact) -1	**i. +8.3%** = (1,567.9 +14.0)/ (1,450.9 +9.5 scope impact) -1
ii. Removal or addition of turnover in value (€) considered as extraordinary in the current year. The term "extraordinary" refers to impacts on turnover which do not occur every year.	**ii.** Item considered as extraordinary, *i.e.* which will only occur in the current financial year (year N).	**ii.** Current turnover N +/- Restatements/Additions of extraordinary items N	**ii.** 1,812.0 +/ .0	**ii.** 1,567.9 +/-0.0
Fee and commission income/Gross earned premiums – (current – like-for-like)				
Weight of fee and commission income over earned premiums on like-for-like basis: • Year N at the exchange rate of year N-1 • Year N-1 at the Group structure of year N Fee and commission income corresponds to the turnover invoiced on additional services.	Indicator used to monitor changes in fee and commission income compared with the main turnover item at constant scope.	Fee and commission income/ Earned premiums – Like-for-like	**Current: 10.4%** = 158.6/1,527.5 **Like-for-like: 10.5%** = 157.6/1,501.1	**Current: 10.7%** = 140.8/1,312.6 **Like-for-like: 10.6%** = 141.2/1,326.3
Internal overheads excluding extraordinary items				
[2] Restatement or Addition of items considered as extraordinary with respect to internal overheads. The term "extraordinary" refers to impacts on expenses which do not occur every year.	Indicator used to compare changes in internal overheads by excluding extraordinary items.	Current internal overheads +/- Restatements +/- Additions of extraordinary items	**€649.4m** = 649.4 +/-0.0	**€572.7m** = 572.7 +/-0.0

b) Alternative performance measures related to operating income

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Operating income excluding restated extraordinary items (including financing costs and excluding other operating income and expenses)				
Restatement or Addition of items considered as extraordinary to operating income: these include extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in operating income by excluding extraordinary items.	Operating income +/- Financing expenses +/- Addition of extraordinary items	**€393.0m** = 413.5 + (-29.6) - (-9.1 Non-recurring items)	**€294.6m** = 312.9 + (-21.5) - (-3.2 Non-recurring items)

c) Alternative performance measures related to net income

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Net income excluding extraordinary items				
Restatement or Addition of items considered as extraordinary with respect to net income. This includes extraordinary income and expenses likely to impact either turnover (see definition above **[1]**) or overheads (see definition above **[2]**). This aggregate is also restated for "current operating income and expenses", which are recorded after operating income in the management income statement.	Indicator used to compare changes in net income by excluding extraordinary items.	Current operating income +/- Restatements +/- Additions of extraordinary items net of tax	Not applicable for this reporting date	Not applicable for this reporting date

d) Alternative performance measures related to the combined ratio

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Loss ratio gross of reinsurance (loss ratio before reinsurance) and gross loss ratio with claims handling expenses refer to the same indicator				
Ratio of claims expenses to gross earned premiums (the sum of gross earned premiums and unearned premium provisions), net of premium refunds.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.	- Claims expenses/Gross earned premiums	See 4.3 Appendix – Breakdown of the calculation of ratios at December 31	
Loss ratio net of reinsurance (loss ratio after reinsurance)				
Ratio between claims expenses net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Group, and total earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.	- (Claims expenses + Ceded claims + Change in provisions on claims net of recourse)/(Gross earned premiums + Expenses from ceded reinsurance)	See 4.3 Appendix – Breakdown of the calculation of ratios at December 31	
Cost ratio before reinsurance				
Ratio between operating expenses (net of employee profit sharing) less other income* and earned premiums.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums.	- (Operating expenses – Employee profit sharing – Other income)/ Gross earned premiums	See 4.3 Appendix – Breakdown of the calculation of ratios at December 31	
Cost ratio after reinsurance				
Ratio between operating expenses (net of employee profit sharing) less other income* net of commissions received from reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums after ceded reinsurance.	- (Operating expenses – Employee profit sharing – Other income – Commissions received from reinsurers)/(Gross earned premiums + Expenses from ceded reinsurance)	See 4.3 Appendix – Breakdown of the calculation of ratios at December 31	
Combined ratio before/after reinsurance				
The combined ratio is the sum of the loss ratios (before/after reinsurance) and cost ratios (before/after reinsurance) as defined above.	Overall profitability indicator of the Group's activities and of its technical margin before and after ceded reinsurance.	Loss ratio (before/after reinsurance) + Cost ratio (before/after reinsurance)	See 4.3 Appendix – Breakdown of the calculation of ratios at December 31	
Net combined ratio excluding restated and extraordinary items [A]				
Restatement or Addition of items considered as extraordinary with respect to combined ratio after reinsurance. This includes extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in combined ratios after reinsurance by excluding extraordinary items.	Combined ratio after reinsurance +/- Restatements +/- Additions of extraordinary items	Not applicable for this reporting date	**[A] = [B] + [C]** **54.5%** = 23.2% + 31.3%
Loss ratio excluding extraordinary items [B]				
Restatement or Addition of items considered as extraordinary with respect to loss ratio net of reinsurance.	Indicator used to compare changes in loss ratios after reinsurance by excluding extraordinary items.	Loss ratio after reinsurance +/- Restatements/Additions of extraordinary items	Not applicable for this reporting date	**23.2%** = 33.3% - 10.1 pts
Net cost ratio excluding restated and extraordinary items [C]				
Restatement or Addition of items considered as extraordinary to cost ratio after reinsurance: these include extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in cost ratios after reinsurance by excluding extraordinary items.	Cost ratio after reinsurance +/- Restatements/Additions of extraordinary items	Not applicable for this reporting date	**23.2%** = 33.3% - 10.1 pts

Current year gross loss ratio - before reinsurance excluding claims handling expenses [D]				
Ultimate claims expense (after recoveries) over earned premiums (after premium refunds) for the current year. The insurance period is exclusively the current year N.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.	Claims for the current year/Earned premiums for the current year see ultimate loss ratios development triangle	**80.2%**	**66.3%**
Prior year gross loss ratio - before reinsurance excluding claims handling expenses [E]				
Corresponds to gains/losses for insurance periods prior to current year N excluded. A gain or loss corresponds to an excess or deficit of claims provisions compared with the loss ratio actually recorded.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.	[E] = [F-D]	**-51.6%** = 28.6% - 80.2%	**-47.7%** = 18.6% - 66.3%
Comprehensive gross loss ratio - before reinsurance excluding claims handling expenses [F]				
Corresponds to the accounting loss ratio for all insurance periods (current year N and its prior years). This concerns the loss ratio before reinsurance excluding claims handling expenses.	Key indicator in loss monitoring.	- (Claims paid net of recourse + Change in claims provisions)/ Earned premiums	**28.2%** = - (-436.9/1,527.5)	**18.6%** = - (-244.3/1,312.6)

* *Operating expenses include overheads linked to the execution of additional services (business information and debt collection) inherent to the credit insurance business. These also include overheads for service businesses carried out by the Group, such as factoring.*
In order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, "Other revenue", namely the revenue generated by the additional businesses (non-insurance), is deducted from overheads.

e) Alternative performance measures related to equity

			N/N-1 COMPARISON – €M	
DEFINITION	**EXPLANATION**	**RECONCILIATION WITH THE FINANCIAL STATEMENTS**	**2022**	**2021**
RoATE – Return on average tangible equity				
Net income (Group share) over average tangible equity (average equity (Group share) for the period restated for intangible assets)	The RoATE is used to measure the return on the Coface Group's invested capital.	Net income (Group share) for year N/[(Equity (Group share) N-1, restated for intangible assets N-1 + Equity (Group share) restated for intangible assets N)/2]	**15.6%** = 283.1/[(1,911 +1,721)/ 2]	**12.2%** = 223.8/[(1,767 +1,911)/2]
RoATE excluding non-recurring extraordinary items				
The calculation of RoATE (see definition of RoATE above) is based on net income excluding extraordinary items and average tangible equity (see RoATE definition above) excluding extraordinary items. For this calculation, interest or commissions linked to capital management instruments (such as hybrid debt, contingent capital) are not considered as extraordinary items.	RoATE excluding extraordinary items is used to monitor the Group's profitability between two reporting periods.	Net income (Group share) for year N excluding extraordinary items/ [Equity (Group share) excluding extraordinary items N-1, restated for intangible assets N-1 + Equity (Group share) excluding extraordinary items N restated for intangible assets N)/2]	Not applicable for this reporting date	Not applicable for this reporting date

f) Alternative performance measures related to the investment portfolio

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Accounting rate of return of financial assets				
Investment income after income from equity and interest rate derivatives and before income from equity securities, currencies and currency derivatives and financial expenses divided by the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the accounting performance of the financial assets portfolio.	Investment portfolio income/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**2.1%** = 62.3/(((3,022 - 85) + (3,220 - 152))/2)	**1.2%** = 36.7/(((3,220 - 152) + (2,984 - 150))/2)
Accounting rate of return of financial assets excluding income from disposals				
Investment income before net gains on disposals, impairment and reversals, income from equity and interest rate derivatives, equity securities, currencies, currency derivatives and financial expenses, divided by the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the recurring accounting performance of the financial assets portfolio.	Investment portfolio income excluding net gains on disposals/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**1.5%** = (62.3 - 17.7)/(((3,022 - 85) + (3,220 - 152))/2)	**1.1%** = (36.7 - 3.6)/(((3,220 - 152) + (2,984 - 150))/2)
Economic rate of return of financial assets				
Economic performance of the asset portfolio. Thus, the change in revaluation reserves for the year over the balance sheet total of financial assets is added to the accounting rate of return.	Indicator used to monitor the economic performance of the financial assets portfolio.	Accounting rate of return on financial assets + (revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N - revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**-6.5%** = (62.3 + -151.5 -106.0)/(((3,022 - 85) + (3,220 - 152))/2)	**1.6%** = (36.7 + 106.0 - 96.2)/(((3,220 - 152) + (2,984 - 150))/2)
Investment portfolio income				
Investment portfolio income (shares/fixed income instruments and real estate).	Used to monitor income from the investment portfolio only.	Income from shares excluding equity securities + income from fixed income instruments + real estate income + income from equity and interest rate derivatives	**€62.3m** = 34.6 + -6.4 +25.1 +9.1	**€36.7m** = 4.0 + 23.2 +14.0 -4.5
Other				
Income from derivatives excluding currency derivatives, income from equity securities and investment fees	Used to monitor income from equity securities, derivatives excluding currency derivatives and fees relating to investments	Income from derivatives excluding currencies + income from equity securities + investment fees	**-€22.1m** = -15.8 +2.7 + -9.0	**€5.5m** = 7.0 +6.2 -7.8

g) Alternative performance measures linked to reinsurance

DEFINITION	EXPLANATION	RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2022	2021
Ceded premiums/Gross earned premiums (rate of ceded premiums)				
Weight of ceded premiums compared with earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cedes to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not yet written.	Indicator used to monitor changes in reinsurance income.	- (Ceded premiums (including change in premiums provisions)/ Earned premiums)	**26.9%** = - (-410.3/1,527.5)	**39.0%** = - (-512.1/1,312.6)
Ceded claims/Total claims (rate of ceded claims)				
Weight of ceded claims compared with total claims. Ceded claims correspond to the share of claims that Coface cedes to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor changes in reinsurance income.	- Ceded claims (including change in claims provisions after recourse)/ Total claims (including claims handling expenses)	**15.5%** = -74.1/[(-436.9) + (-39.9)]	**5.0%** = -14.1/[(-244.3) + (-36.2)]
Underwriting income before/after reinsurance (underwriting income gross/net of reinsurance)				

See definition above (Financial indicators)
Underwriting income before and after reinsurance is now reported directly in the income statement following changes in its presentation.

3.8 INVESTMENTS OUTSIDE THE INVESTMENT PORTFOLIO

Information can be found in Note 6 "building used in the business and other property, plant and equipment" of the Group's consolidated financial statements.