The Art & Science of Risk

Press Release

May 6, 2022 - N° 9

First quarter 2022 results

SCOR absorbs the combined impact of potential claims related to the conflict in Ukraine, a series of natural catastrophes and the continuation of the pandemic in the United States

- **Gross written premiums** of EUR 4,715 million in Q1 2022, up 9.7%[1] compared with Q1 2021
- **Net loss** of EUR 80 million in Q1 2022, compared with EUR 45 million net income in Q1 2021
- **Shareholders' equity** of EUR 6,064 million at the end of March 2022, implying a **book value per share** of EUR 33.89, down -3.9 % from December 31, 2021 (EUR 35.26)
- **Estimated solvency ratio** of 240% at the end of March 2022 (up from 226% at the end of 2021)
- **Completion of the announced EUR 200 million share buy-back**

SCOR SE's Board of Directors met on May 5, 2022, under the chairmanship of Denis Kessler, to approve the Group's Q1 2022 financial statements.

Key highlights:

Q1 2022 was marked by a combination of exceptional events that have impacted the global economy in general and the reinsurance industry in particular. Most notably, Russia's invasion of Ukraine has led to global geopolitical instability with wide ranging macroeconomic consequences, from energy prices and inflation to stock market volatility, interest rates and economic growth. The level of natural catastrophes remains very high with windstorms in Europe, floods in Australia and an earthquake in Japan. The industry has also been affected by other extraordinary events such as a severe drought in Brazil. At the same time, the Covid-19 pandemic continues with the spread of the Omicron variant and has led to significant excess mortality, especially in the United States.

In this challenging context, SCOR continued to accomplish its mission, honoring all its commitments to its clients and demonstrating its shock-absorbing capacity, while fully complying with international sanctions relating to the conflict in Ukraine. The combination of these events led to a quarterly net loss of EUR 80 million driven by the EUR 85 million provisioned by SCOR with respect to the conflict in Ukraine. Despite these negative developments, the Group remains well capitalized with a 240% solvency ratio estimated at the end of Q1 2022. SCOR PO (the subsidiary owned by SCOR in Russia) has stopped underwriting new business.

In Q1 2022, several signs of improvement can however be observed:

- Market dynamics in P&C remain positive: SCOR has experienced gross written premium growth (up 9.7% at constant exchange rates), driven by P&C with strong growth of specialty insurance (gross written premiums up 28.7% at constant exchange rates in Q1). April 1 reinsurance renewals results were encouraging with gross written premiums up by 19.6%, benefitting from year-to-date price increase of 4.5% on average year-on-year;
- The active steering of January 1 and April 1 renewals is leading to a reduction of exposures to climate-sensitive events, consistent with the commitments made in 2021;
- Interest rates have started to increase, which should benefit SCOR as its portfolio is reinvested with a likely positive effect on the Group's return on invested assets.

Building on this and as the market environment evolves, under "Quantum Leap", SCOR has an action

[1] At constant exchange rates.

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plan to reduce volatility and improve profitability in 2022, selectively focusing its growth on profitable lines, while proactively optimizing its retrocession strategy and working on other de-risking initiatives. These actions, combined with the ongoing transformation of the Group, should result in increased efficiency and support a return to a more robust and a more sustainable profitability level.

- **Gross written premiums** of EUR 4,715 million in Q1 2022 are up 9.7% at constant exchange rates compared with Q1 2021 (up 14.3% at current exchange rates).
- **SCOR P&C** (Property and Casualty) gross written premiums are up 20.2% at constant exchange rates compared with Q1 2021 (up 24.9% at current exchange rates). SCOR P&C experiences strong 2022 renewals in Reinsurance and Specialty Insurance. The net combined ratio stands at 103.7%, including 10.1% of natural catastrophes, above the cat budget of 8%.
- At the **April P&C reinsurance renewals**, SCOR grew its portfolio by 19.6%. SCOR benefits from an overall price increase of 4.5% on Treaty reinsurance renewed year to date. The ongoing curtailing of the catastrophe exposure is now expected to lead to an exposure (PML)[2] reduction of 15% year-on-year at the end of 2022.
- **SCOR L&H** (Life and Health) gross written premiums are up 1.1% at constant exchange rates compared with Q1 2021 (up 5.6% at current exchange rates). Over the period, SCOR L&H delivers a net technical margin of 1.4%, slightly down compared with Q1 2021 (1.6%), impacted by Covid-19 claims.
- **SCOR Investments** delivers a return on invested assets of 1.8%[3] in Q1 2022.
- **The Group cost ratio**, which stands at 4.7% of gross written premiums in Q1 2022, remains below the "*Quantum Leap*" assumption of ~5.0%.
- **The Group net loss** stands at EUR 80 million in Q1 2022, implying a negative **return on equity**.
- The Group generates **negative operating cash flows** of EUR -116 million in Q1 2022, mostly driven by the payment of Covid-19 claims. The Group's total liquidity is very strong, standing at EUR 1.7 billion as at March 31, 2022.
- **The Group shareholders' equity** stands at EUR 6,064 million as of March 31, 2022. This results in a book value per share of EUR 33.89, compared to EUR 35.26 as of December 31, 2021.
- **The Group financial leverage** stands at 28.8% as at March 31, 2022, up 1.0 points compared to December 31, 2021 (27.8%), as an automatic consequence of the decrease in shareholders' equity.
- **The Group solvency ratio** is estimated at 240% on March 31, 2022, above the optimal solvency range of 185% - 220% as defined in the "*Quantum Leap*" strategic plan.

The EUR 200 million share buy-back announced in October 2021 was completed on March 3, 2022.

As per its communication released on February 24, 2022, SCOR is proposing a dividend of EUR 1.80 per share for the fiscal year 2021. This dividend will be submitted for the approval of the shareholders at the 2022 Annual General Meeting, to be held on May 18, 2022.

The Group is actively preparing for IFRS 17. The project is on track to be able to deliver our financial

[2] PML (probable maximum loss) as measured by the net Aggregate Exceedance Probability-250.
[3] As at 31 March 2022, fair value through income on invested assets excludes EUR 18m related to the option on own shares granted to SCOR. The Q1 2022 RoIA at 1.8% is calculated based on IFRS 9 and includes the impact of expected credit losses (ECL) and change in fair value of invested assets measured at fair value through profit and loss. Excluding those impacts (which would not have been recorded under IAS39), the RoIA would have been at 2.1%

reporting under IFRS 17 in 2023. The standard more appropriately recognizes the economic value of the Group, and in particular the value of the Group's life reinsurance portfolio. Based on our current assessment, the expected economic value of the Group, defined as shareholders' equity plus contractual service margin (CSM) net of tax, would exceed EUR 9 billion[4] as at 1 January 2022.

SCOR will provide an update on the environment and its strategic ambitions on 28 July 2022 together with its Q2 results, and its full strategic plan including under the IFRS 17 framework, on November 9th, together with its Q3 results (Investor Day).

Denis Kessler, Chairman of SCOR, comments: *"Uncertainties and instabilities are multiplying: the pandemic is ongoing, global refragmentation is accelerating, inflation is back, economic growth is slowing down and the world is being hit by natural catastrophes… Our environment seems increasingly stochastic and random, and global predictability seems to be shrinking. Indeed, the (re)insurance industry appears to be facing increasingly frequent shocks and multifaceted and widespread threats. In this respect, we are living in a time of 'great change'. In this environment of major transformation, where risks are multiplying, reinsurance is increasingly necessary to provide security to all economic agents. To accomplish their fundamental mission, reinsurers need to transform themselves and adapt all aspects of their risk management policies. As ultimate risk carriers, their Solvency is critically important. SCOR is ready to meet all these challenges, building on its franchise, its recognized technical expertise, the talent of its teams and its command of new technology. I am convinced that SCOR, with its proven good governance and proactive management, will steadfastly pursue the best ways and means to enable the Group to continue its value creating journey."*

Laurent Rousseau, Chief Executive Officer of SCOR, comments: *"Q1 2022 has been marked by a series of exceptional events both in L&H and in P&C, which have negatively impacted our financial performance. Amongst these, we have been especially focused on managing the impact of the conflict in Ukraine - from a financial, operational and human standpoint.*

We are also continuously focused on our main objectives: reducing volatility, increasing profitability, growing the franchise, optimally allocating capital and embarking on the transformation of the Group. Our January 1 and April 1 P&C treaty reinsurance renewals have been strong, and we have a clear action plan in place across the entire organization to improve the Group's financial performance in 2022. Despite an accounting loss, SCOR's solvency position remains robust, with a solvency ratio of 240%."

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[4] Unaudited figures

SCOR group Q1 2022 key financial details

In EUR millions (at current exchange rates)	**Q1 2022**	**Q1 2021**	**Variation**
Gross written premiums	4,715	4,125	+14.3%
Group cost ratio	4.7%	4.5%	+0.2 pts
Annualized ROE	n.a.	2.9%	n.a.
Net income*	-80	45	n.a.
Shareholders' equity	6,064	6,277	-3.4%

** Consolidated net income, Group share.*

SCOR P&C reports strong growth but profitability is impacted by exceptional events and high Nat Cat activity

In Q1 2022, SCOR P&C records a growth of 20.2% at constant exchange rates (24.9% at current exchange rates), driven by Specialty Insurance (+28.7%), with gross written premiums reaching EUR 2,316 million. SCOR P&C is also benefitting from successful renewals in January and April 2022 (growth of 19.0% and 19.6% respectively). The positive impact of the exchange rate reflects the strengthening of the USD vs. the EUR.

Update on treaty reinsurance renewals

SCOR continues to benefit from attractive market conditions to reposition its P&C portfolio. After the actions taken at the January renewals, the Group continues to decrease its exposure to Nat Cat and rebalance its book towards Global Lines, in particular through new business in Marine & Energy in Europe, IDI and Credit & Surety.

- At the April renewals, SCOR grew its portfolio by 19.6%, mainly driven by Treaty Global Lines;
- SCOR expects further actions at the upcoming 2022 treaty reinsurance renewals to lead to a reduction of its exposures[5] of 15% at the end of 2022, an acceleration vs. expectations (11% reduction post January 2022 renewals);
- SCOR benefits from +4.5% overall price increases YTD, resulting in a priced net combined ratio evolution down 0.5 points on the portfolio renewed in YTD 2022 vs. YTD 2021.

SCOR P&C key figures:

In EUR millions (at current exchange rates)	**Q1 2022**	**Q1 2021**	**Variation**
Gross written premiums	2,316	1,854	+24.9%
Net combined ratio	103.7%	97.1%	+6.6 pts

SCOR P&C's net combined ratio at 103.7% in Q1 2022 includes the impact of the following items:

- Windstorms affecting Europe and floods occurring in Australia (overall, the Nat Cat ratio stands

[5] PML measured by the net Aggregate Exceedance Probability-250.

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at 10.1% in Q1 2022, above the budget of 8.0% of premiums);

- Exceptional events affecting the attritional loss and commission ratio, such as i) the potential claims related to the conflict in Ukraine ii) the drought in Brazil that has affected the Group's agriculture business and iii) an unfavorable arbitration decision on a UK liability segment. As a consequence, the attritional loss and commission ratio stands at 86.7% in Q1 2022, a deterioration of 8.9 points vs. Q1 2021;

- Management expenses remain broadly stable at 6.9% year on year.

SCOR L&H continues to grow in an environment marked by high Covid-19 claims in Q1 2022

In Q1 2022, SCOR's L&H gross written premiums stand at EUR 2,399 million, up 1.1% at constant exchange rates (up 5.6% at current exchange rates) compared to Q1 2021. Gross written premium growth is driven by continued franchise development, particularly in Asia.

SCOR L&H key figures:

In EUR millions (at current exchange rates)	**Q1 2022**	**Q1 2021**	**Variation**
Gross written premiums	2,399	2,271	+5.6%
Life net technical margin	1.4%	1.6%	-0.2 pts

The technical result stands at EUR 26 million, resulting in a net technical margin of 1.4%, impacted by the cost of Covid-19 claims booked in Q1 2022 and higher claims related to reported Covid-19 deaths from 2021 on the U.S. portfolio.
The net technical margin also benefits from active portfolio management and a strong reserving position.

Total Covid-19 claims booked in Q1 2022 stand at EUR 195 million[6], of which:

- EUR 179 million (net of retrocession, before tax) comes from the U.S. portfolio, including EUR 62 million (net of retrocession, before tax) related to reported deaths in prior quarters, mainly from Q3 2021 reported deaths;
- EUR 16 million (net of retrocession, before tax) comes from all other markets.

Excluding the impact of Covid-19, the underlying L&H technical result achieved in Q1 2022 remains strong, supported by the release of prudent provisions.

SCOR Investments generates a return on invested assets of 1.8%[7] in Q1 2022 in a context of rising interest rates

The new IFRS 9 standard replaces the IAS 39 framework as of January 1, 2022, for the valuation of financial instruments. A new presentation of the financial statements has been implemented, based on IFRS 9 accounting classifications. As most investments on SCOR's balance sheet were already at market value at year end 2021, they are unchanged under IFRS 9 and do not trigger a measurement gap.

[6] Net of reduced flu claims in the U.S., net of retrocession and before tax, including IBNR.
[7] As at 31 March 2022, fair value through income on invested assets excludes EUR 18m related to the option on own shares granted to SCOR. The Q1 2022 RoIA at 1.8% is calculated based on IFRS 9 and includes the impact of expected credit losses (ECL) and change in fair value of invested assets measured at fair value through profit and loss. Excluding those impacts (which would not have been recorded under IAS39), the RoIA would have been at 2.1%

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As at March 31, 2022, total investments amount to EUR 31.7 billion with total invested assets of EUR 22.2 billion and funds withheld and other deposits of EUR 9.4 billion. SCOR's fixed income portfolio is of a very high quality and benefits from an average rating of A+, and a duration at 3.3 years[8].

As part of its strategy to focus on value creation, additional investments have been made into value-creation assets. EUR 107 million has been invested into private equity and infrastructure funds during the quarter.

SCOR Investments key figures:

In EUR millions (at current exchange rates)	Q1 2022 (IFRS9)	Q1 2021 (IAS39)
Total investments	31,656	29,019
▪ of which total invested assets	22,226	20,871
▪ of which total funds withheld by cedants and other deposits	9,430	8,148
Income yield (IAS 39) / Regular income yield (IFRS 9)	1.9%	1.7%
Return on invested assets*	1.8%	3.0%

(*) Annualized and excluding funds withheld by cedants & other deposits. As at 31 March 2022, fair value through income on invested assets excludes EUR 18 million related to the option on own shares granted to SCOR.

The reinvestment yield stands at 3.1%[9] at the end of March 2022, up from 2.1% at the end of 2021. The invested assets portfolio is highly liquid and financial cash flows of EUR 9.4 billion are expected over the next 24 months[10].

Total investment income on invested assets stands at EUR 98 million in Q1 2022, of which EUR 14 million of investment gains & losses, mainly arising from real estate realized gains partially offset by change in fair value.

The return on invested assets stands at 1.8%[11] [12] in Q1 2022, despite an impact of -36 basis points linked to the new IFRS 9 standard (negative developments on Expected Credit Losses due to downgraded macroeconomic forecasts and current higher volatility on assets measured at fair value through P&L).

Under the IAS 39 standard, the return on invested assets would have remained broadly stable at 2.1% vs. 2.2% in Q4 2021.

The regular income yield stands at 1.9% in Q1 2022 unchanged compared with the fourth quarter of 2021.

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[8] Compared to a duration on the fixed income portfolio of 3.3 years in Q4 2021 (duration on total invested assets of 3.4 years vs. 3.3 years in Q4 2021).
[9] Corresponds to theoretical reinvestment yields based on Q1 2022 asset allocation of asset yielding classes (i.e. fixed income, loans and real estate), according to current reinvestment duration assumptions and spreads, currencies, yield curves as of March 31, 2022.
[10] As of March 31, 2022. Investable cash includes current cash balances, and future coupons and redemptions.
[11] Return on invested assets excludes funds withheld by cedants and other deposits.
[12] As at 31 March 2022, fair value through income on invested assets excludes EUR 18m related to the option on own shares granted to SCOR. The Q1 2022 RoIA at 1.8% is calculated based on IFRS 9 and includes the impact of expected credit losses (ECL) and change in fair value of invested assets measured at fair value through profit and loss. Excluding those impacts (which would not have been recorded under IAS39), the RoIA would have been at 2.1%.

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APPENDIX

1 - P&L key figures Q1 2022 (in EUR millions, at current exchange rates)

	Q1 2022	Q1 2021	Variation
Gross written premiums	4,715	4,125	+14.3%
P&C gross written premiums	2,316	1,854	+24.9%
L&H gross written premiums	2,399	2,271	+5.6%
Total net investment income[1]	125	173	-27.6%
Operating results	-48	102	n.a.
Net income[2]	-80	45	n.a.
Earnings per share (EUR)	-0.44	0.24	n.a.
Operating cash flow	-116	514	n.a.

1: Q1 2022 calculated according to IFRS 9 standard
2: Consolidated net income, Group share

2 - P&L key ratios Q1 2022

	Q1 2022	Q1 2021	Variation
Return on invested assets [1,2]	1.8%	3.0%	-1.2 pts
P&C net combined ratio [3]	103.7%	97.1%	+6.6 pts
Life net technical margin [4]	1.4%	1.6%	-0.2 pts
Group cost ratio [5]	4.7%	4.5%	+0.2 pts
Return on equity (ROE)	n.a.	2.9%	n.a.

1: Annualized and Q1 2022 calculated according to IFRS 9 standard; 2: As at 31 March 2022, fair value through income on invested assets excludes EUR 18m related to the option on own shares granted to SCOR. The Q1 2022 RoIA at 1.8% is calculated based on IFRS 9 and includes the impact of expected credit losses (ECL) and change in fair value of invested assets measured at fair value through profit and loss. Excluding those impacts (which would not have been recorded under IAS39), the RoIA would have been at 2.1%; 3: The net combined ratio is the sum of the total claims, the total commissions and the total P&C management expenses, divided by the net earned premiums for P&C business; 4: The technical margin for L&H is the technical result divided by the net earned premiums for L&H business; 5: The cost ratio is the total management expenses divided by the gross written premiums.

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3 - Balance sheet key figures as of March 31, 2022 (in EUR millions, at current exchange rates)

	As of March 31, 2022	As of December 31, 2021	Variation
Total investments [1,2]	31,656	31,600	+ 0.2%
Technical reserves (gross)	36,738	35,832	+2.5%
Shareholders' equity	6,064	6,402	-5.3%
Book value per share (EUR)	33.89	35.26	-3.9%
Financial leverage ratio	28.8%	27.8%	+ 1.0 pts
Total liquidity[3]	1,737	2,286	-24.0%

1: Total investment portfolio includes both invested assets and funds withheld by cedants and other deposits, accrued interest, cat bonds, mortality bonds and FX derivatives; 2: Excluding 3rd party net insurance business investments; 3: Includes cash and cash equivalents.

4 - "*Quantum Leap*" targets

	Targets
Profitability	ROE > 800 bps above 5-year risk-free rate[1] across the cycle
Solvency	Solvency ratio in the optimal 185% - 220% range

1: Based on a 5-year rolling average of 5-year risk-free rates.

5 - "*Quantum Leap*" assumptions

		Assumptions
P&C	Gross written premium growth	~4% to 8% annual growth
	Net combined ratio	~95% to 96%
	Value of New Business[1]	~6% to 9% annual growth
L&H	Gross written premium growth	~3% to 6% annual growth
	Net technical margin	~7.2% to 7.4%
	Value of New Business[1]	~6% to 9% annual growth
Investments	Annualized return on invested assets	~2.4% to 2.9%[2]
Group	Gross written premium growth	~4% to 7% annual growth
	Leverage	~25%
	Value of New Business[1]	~6% to 9% annual growth
	Cost ratio	~5.0%
	Tax rate	~20% to 24%

1: Value of New Business after risk margin and tax; 2: Annualized ROIA on average over "Quantum Leap" under Summer 2019 economic and financial environment

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General

Numbers presented throughout this document may not add up precisely to the totals in the tables and text. Percentages and percent changes are calculated on complete figures (including decimals); therefore the document might contain immaterial differences in sums and percentages due to rounding. Unless otherwise specified, the sources for the business ranking and market positions are internal.

Forward-looking statements

This document includes forward-looking statements and information about the objectives of SCOR, in particular, relating to SCOR's current or future projects.

These statements are sometimes identified by the use of the future tense or conditional mode, as well as terms such as “estimate”, “believe”, “have the objective of”, “intend to”, “expect”, “result in”, “should” and other similar expressions.

It should be noted that the achievement of these objectives and forward-looking statements and information is dependent on the circumstances and facts that arise in the future.

No guarantee can be given regarding the achievement of these forward-looking statements and information. Forward-looking statements and information and information about objectives may be impacted by known or unknown risks, identified or unidentified uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by SCOR.

In particular, it should be noted that the full impact of the Covid-19 crisis on SCOR's business and results cannot be accurately assessed, in particular given the uncertainty related to the evolution of the pandemic, to its effects on health and on the economy, and to the possible effects of future governmental actions or legal developments in this context.

In addition, the full impact of the Russian invasion and war in Ukraine on SCOR's business and results cannot be accurately assessed at this stage, given the uncertainty related both to the magnitude and duration of the conflict, and the consequential impacts.

Therefore, any assessments and any figures presented in this document will necessarily be estimates based on evolving analyses, and encompass a wide range of theoretical hypotheses, which are highly evolutive.

Information regarding risks and uncertainties that may affect SCOR's business is set forth in the 2021 Universal Registration Document filed on March 3, 2022, under number D.22-0067 with the French Autorité des marchés financiers (AMF) posted on SCOR's website www.scor.com.

In addition, such forward-looking statements are not “profit forecasts” within the meaning of Article 1 of Commission Delegated Regulation (EU) 2019/980.

SCOR does not undertake any obligation to publish changes or updates regarding these forward-looking statements and information.

Financial information

The Group's financial information contained in this document is prepared on the basis of IFRS and interpretations issued and approved by the European Union.

Unless otherwise specified, prior-year balance sheet, income statement items and ratios have not been reclassified.

The calculation of financial ratios (such as book value per share, return on investments, return on invested assets, Group cost ratio, return on equity, net combined ratio and life technical margin) is detailed in the Appendices of the Q1 2022 presentation (see page 25).

The financial information for the first quarter of 2022 included in this document is unaudited.

Unless otherwise specified, all figures are presented in Euros. Any figures for a period subsequent to March 31, 2022 should not be taken as a forecast of the expected financials for these periods.

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