

Press Release

April 12, 2023 - N° 5

2023 targets and financial assumptions under IFRS 17

SCOR targets Economic Value growth as its financial priority

- For 2023, SCOR has set two equally weighted targets:
 - A financial target: an Economic Value growth rate under IFRS 17 of 700 basis points above the risk-free rate¹ between December 31, 2022², and December 31, 2023, at constant interest and foreign exchange rate assumptions;
 - A solvency target: a solvency ratio³ in the optimal 185% to 220% range. In 2023, the solvency ratio is expected to stay in the upper part of the optimal range.
- Both these targets are based on a set of financial assumptions for 2023.
- SCOR will present its 2023 Q1 results under IFRS 17 on May 12, 2023.
 - The outline of the new strategic plan under IFRS 17 will be presented at the Annual General Meeting on May 25, 2023. The strategic plan itself will be presented at SCOR's Investor Day on September 7, 2023.

Transition to the new IFRS 17 accounting framework

As of Q1 2023, the Group will publish its financial results under the new IFRS 17 accounting standard. This transition will notably allow SCOR to disclose the full value of its risk portfolio, particularly in Life & Health reinsurance, through the introduction of the Contractual Service Margin (CSM) which reflects the present value of expected future profits based on strict, audited rules. Together with the shareholders' equity, the CSM is one of the two components of the Group's Economic Value measured under IFRS 17.

Economic Value growth reflects not only the results for the current year but also the net value creation related to the year's underwriting activity, through the generation of new business CSM.

SCOR will publish the evolution of its Economic Value each quarter with the split between shareholders' equity and CSM.

Economic Value as of December 31, 2022⁴

Under IFRS 17, the Group's Economic Value as of December 31, 2022, is estimated at EUR 8.7 billion⁵. This represents an Economic Value per share of c. EUR 48.

The Group's Economic Value as of December 31, 2022, can be broken down into:

- EUR 4.6 billion⁶ of CSM, representing EUR 6.1 billion of CSM before tax, which itself is composed of:
 - EUR 5.4 billion⁷ of L&H CSM before tax,

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

² The starting point is adjusted for the payment of proposed dividend of EUR 1.4 per share (EUR 250 million in total) for the fiscal year 2022 to be paid in 2023.

³ Under Solvency 2, the ratio of Eligible Own Funds to Solvency Capital Requirement, calculated using the Group's internal model.

⁴ Figures provided in this section are unaudited.

⁵ Net of tax and before the payment of the dividend in 2023 for 2022. A notional tax rate of 25% was applied to the CSM to calculate Economic Value. Within a range of EUR 8.5-8.9 billion.

⁶ Within a range of EUR 4.5-4.7 billion.

⁷ Within a range of EUR 5.3-5.6 billion.

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- EUR 0.7 billion⁸ of P&C CSM before tax.
- EUR 4.1⁹ billion of shareholders' equity.

The increase in CSM over 2022 notably reflects the growth of the risk portfolio as well as the strong level of technical profitability expected for the new business underwritten during the year.

The decrease of equity is higher under IFRS 17 than under IFRS 4 mostly driven by the difference between the IFRS 4 net technical result and the IFRS 17 insurance service results. Indeed, under IFRS 17 L&H management actions are recognized over time without a material upfront P&L impact. At the same time, the release of excess L&H reserves in Q3 2022 has no impact under IFRS 17 and the equity level also reflects the additional resilience added ahead of the transition. The equity level also takes into account a more significant economic impact experienced under IFRS 17.

As of December 31, 2022, the Risk Adjustment (which is the liability held for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as (re)insurance contracts are fulfilled) stands at EUR 2.4 billion¹⁰, consisting of EUR 2.1 billion¹¹ for the L&H portfolio and EUR 0.3 billion¹² for the P&C portfolio.

A favorable environment

SCOR is focused on the technical profitability and risk-return profile of its risk portfolio, concentrating on optimizing (i) capital allocation by line and by client, and (ii) the portfolio mix, in terms of both risk diversification and the resilience of technical results.

The Group seeks to maximize the benefits from the reinsurance market tailwinds:

- The positive phase of the P&C reinsurance cycle;
- The normalization of Covid-19 claims in L&H reinsurance;
- High reinvestment rates.

The Group aims to offer its clients a AA-level of security.

In addition, the Group continues to implement transformation and simplification measures.

2023 targets and financial assumptions under IFRS 17

Following the transition to IFRS 17, SCOR has set itself two ambitious and equally weighted targets for 2023:

- **A financial target:** an Economic Value growth rate under IFRS 17 of 700 basis points above the risk-free rate¹³ between December 31, 2022¹⁴, and December 31, 2023, at constant interest and foreign exchange rate assumptions;

⁸ Within a range of EUR 0.65-0.75 billion.

⁹ Within a range of EUR 4.0-4.2 billion.

¹⁰ Within a range of EUR 2.3-2.5 billion.

¹¹ Within a range of EUR 2.1-2.2 billion.

¹² Within a range of EUR 0.2-0.3 billion.

¹³ Based on a 5-year rolling average of 5-year risk-free rates.

¹⁴ The starting point is adjusted for the payment of proposed dividend of EUR 1.4 per share (EUR 250 million in total) for the fiscal year 2022 to be paid in 2023.

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- A solvency target: a solvency ratio¹⁵ in the optimal 185% to 220% range. In 2023, the solvency ratio is expected to stay in the upper part of the optimal range.

Both these targets are based on a set of 2023 financial assumptions for the Group and each of its three business engines. These assumptions are:

- Group: insurance revenue growth between 1% and 3%.
- P&C (re)insurance:
 - o Insurance revenue growth between 0% and 2% (gross P&C insurance revenue stood at ~EUR 7.4 billion in 2022),
 - o Combined ratio of ~87%, of which ~10% relating to the Nat Cat budget,
 - o Expected CSM generation of ~EUR 750 million through new business.
- L&H reinsurance:
 - o Insurance revenue growth between 2% and 4% (L&H insurance revenue stood at ~EUR 8.5 billion in 2022),
 - o Insurance service result of ~EUR 450 million,
 - o Expected CSM generation of ~EUR 450 million through new business.
- Investments: regular income yield in the range of 2.8% to 3.2%.
- Group management expense ratio in the range of 7.1% to 7.3% of insurance revenue¹⁶.
- Return on Equity above 1,100 basis points¹⁷ above the risk-free rate¹⁸.

2023 dividend policy

As a listed company, SCOR pursues an attractive and consistent shareholder remuneration policy that favors cash dividends but may also include special dividends or share buybacks.

SCOR aims to offer a resilient, foreseeable and predictable dividend.

SCOR aims, through this dividend, to distribute to its shareholders a significant portion of the Economic Value created over the cycle. To this end, SCOR follows a 3-step procedure:

1. Ensure that the Group's solvency ratio, taking account of the projected future growth, is in the optimal range;
2. Consider the Economic Value created over the year and analyze its drivers;
3. Define the amount of the cash dividend accordingly.

Preparation for the new strategic plan

Thierry Léger, SCOR's new Chief Executive Officer, will take up his position on May 1, 2023. His priority will be to draw up a strategic plan under IFRS 17 that enables the Group to take full advantage of the favorable market conditions.

¹⁵ Under Solvency 2, the ratio of Eligible Own Funds to Solvency Capital Requirement, calculated using the Group's internal model.

¹⁶ Excluding exceptional items and one-off cost linked to simplification and transformation initiatives.

¹⁷ The transition from IFRS 4 to IFRS 17 results in an automatic ROE uplift of c. 200-300 basis points.

¹⁸ Based on a 5-year rolling average of 5-year risk-free rates.

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The outline of this strategic plan will be presented at the Annual General Meeting on May 25, 2023. SCOR's Investor Day will be held on September 7, 2023, at which time details of the Group's strategic direction, new targets and related assumptions will be presented.

Denis Kessler, Chairman of SCOR, comments: *"The transition to the new IFRS 17 accounting standard constitutes a veritable quantum leap for the reinsurance industry in general, and for SCOR in particular. This new standard reflects the Economic Value of the Group's risk portfolio more accurately and faithfully, particularly for L&H reinsurance. At EUR 8.7 billion, SCOR's Economic Value as of December 31, 2022, confirms the relevance of the strategic choices made over the past few years. These choices have notably been guided by the conviction that life & health reinsurance is a strong value creator. This Economic Value is now fully recognized in the Group's accounts."*

François de Varenne, Interim Chief Executive Office of SCOR, comments: *"The transition to IFRS 17 will allow SCOR to disclose the full value of its portfolio, particularly in L&H reinsurance, through the introduction of the Contractual Service Margin (CSM). Together with the shareholders equity, this constitutes SCOR's Economic Value. This is an opportunity for the Group: our systems have been updated and our analytical framework has been modified. The teams are mobilized, with ambitious targets for value creation and solvency for 2023. We will publish our results on May 12, 2023, and we are ready to support the new CEO in the preparation for a new and ambitious strategic plan under IFRS 17."*

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General

Numbers presented throughout this press release 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 press release 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 press release includes forward-looking statements, assumptions, and information about SCOR's financial condition, results, business, strategy, plans and objectives, including in relation to SCOR's current or future projects.

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

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

No guarantee can be given regarding the achievement of these forward-looking statements, assumptions and information. These forward-looking statements, assumptions and information are not guarantees of future performance. Forward-looking statements, assumptions and information (including on 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, any assumptions and, more generally, any figures presented in this press release will necessarily be estimates based on evolving analyses, and encompass a wide range of theoretical hypotheses, which are highly evolutive.

These points of attention on forward-looking statements are all the more essential that the adoption of IFRS 17, which is a new accounting standard, results in significant accounting changes for SCOR – the impact of which may not be fully assessed *ab initio* (see below).

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. D.22-0067 with the French Autorité des marchés financiers (AMF) posted on SCOR's website www.scor.com. Such information will be updated in the 2022 Universal Registration Document to be filed in April 2023.

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

SCOR has no intention and does not undertake to complete, update, revise or change these forward-looking statements, assumptions and information, whether as a result of new information, future events or otherwise.

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Financial information

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

IFRS 17 is a new accounting standard applicable to insurance and reinsurance contracts. IFRS 17 has replaced IFRS 4 since January 1, 2023. The adoption of IFRS 17 results in significant accounting changes for SCOR. Any assessments, assumptions, estimates or expectations under or relating to IFRS 17 in this press release reflect SCOR's current view of the impact of IFRS 17. No guarantee can be given regarding their accuracy: they are subject to changes, which may be significant, in the course of 2023. Accordingly, no undue reliance should be placed on such assessments, assumptions, estimates or expectations.

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 presentation of the financial results of Q4 2022 (see page 24).

The 2022 financial information under IFRS 17 included in this press release is unaudited.

The IFRS 4 financial results for the full year 2022 have been audited by SCOR's statutory auditors.

The solvency ratio is not audited by the Company's statutory auditors. The Group solvency final results are to be filed to supervisory authorities by May 2023 and may differ from the estimates expressed or implied in this report.

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