The Art & Science of Risk

Press Release

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SCOR issues a new contingent capital facility

SCOR announces the launch of a new 3-year contingent capital facility. This takes the form of a contingent equity line, providing the Group with EUR 300 million coverage in case of extreme natural catastrophe or life events impacting mortality. The facility enables the Group to protect its solvency in case of catastrophe events and is consistent with the "Quantum Leap" strategic plan.

This is the fourth contingent capital facility launched by SCOR – its first, pioneering solution was launched on January 1, 2011. This new solution is consistent with the previous facilities.

As part of the authorization granted by the General Meeting of SCOR shareholders in April 2019, SCOR has arranged a new contingent capital equity line with J.P. Morgan. This equity line facility will replace, as of January 1, 2020, the current contingent capital facility which comes to an end on December 31, 2019.

This protection would be triggered in case of extreme life events impacting mortality, as well as natural catastrophe events. It is calibrated to safeguard SCOR's solvency. The solution also allows SCOR to extend its solvency and offers a very cost-effective alternative to traditional retro and ILS.

The probability that the events triggering the contingent capital facility will occur remains very low and is similar to the last contingent capital mechanism, which minimizes the probability-weighted costs for SCOR and its shareholders.

Under the new facility, a drawdown may result in an aggregate increase in the share capital of SCOR up to EUR 300 million (including issuance premium), in respect of which SCOR has entered into a firm subscription commitment with J.P. Morgan. The issuance of the shares would be triggered when SCOR has experienced total annual aggregated losses or claims from natural catastrophes or extreme events impacting mortality claims above a certain threshold, which is not made public, between January 1, 2020, and December 31, 2022.

As well as being accounted for in SCOR's internal model, the solution has received substantial favorable qualitative and quantitative assessments from the rating agencies. Of course, in the absence of any extreme triggering event, no shares will be issued under the facility. It is therefore highly likely that this facility will reach its term without any dilutive impact for the shareholders.

Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: *"Our new strategic plan "Quantum Leap" sets out ambitious profitability and solvency targets given the current financial and economic environment. This new contingent capital facility is an essential part of the active capital management policy that is at the heart of our strategy. This facility protects SCOR's solvency, at a very low cost for our shareholders, against events such as a global pandemic or a natural catastrophe of historic proportions."*

Characteristics of the contingent equity line

The transaction will give rise to the issuance of approximately 9.4 million warrants issued by SCOR to J.P. Morgan. Each warrant gives J.P. Morgan the right to subscribe to two new SCOR shares without exceeding 10% of SCOR's share capital.

The issuance of the warrants was authorized by the 20th resolution of the Extraordinary General Meeting of SCOR shareholders on April 26, 2019, and was approved by a resolution of its Board of Directors on October 23, 2019.

Under the transaction agreement, SCOR has undertaken to drawdown the facility upon the occurrence of a triggering event resulting from natural or non-natural catastrophes as described below, and J.P. Morgan has undertaken to exercise accordingly the number of warrants necessary for the subscription of EUR 300 million[1] (issuance premium included) of new shares in two separate tranches of EUR 150 million each.

The drawdowns of the facility will only be available when:

1) the amount of the estimated ultimate net loss[2] incurred by the SCOR group as an insurer or reinsurer (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds in a given calendar year from January 1, 2020, to December 31, 2022, as a direct result of the occurrence within that year of one or more natural catastrophe-type events, including but not limited to:

   - earthquake, seaquake, earthquake shock, seismic and/or volcanic disturbance/eruption,
   - hurricane, rainstorm, storm, tempest, tornado, cyclone, typhoon,
   - tidal wave, tsunami, flood,
   - hail, winter weather/freeze, ice storm, weight of snow, avalanche,
   - meteor/asteroid impact,
   - landslip, landslide, mudslide, bush fire, forest fire and lightning.

Or, when

2) the amount of ultimate net claims[3] of the SCOR group's life reinsurance segment over two (2) consecutive semesters over the period from July 1, 2019, to December 31, 2022, (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds as the consequence, in particular, of one or more of the following life business related events:
   - deviation of epidemic, pandemic or a similar incidence or wide spread of one or more medical conditions deriving from any disease(s),
   - acts of war, acts of terrorism,

[1] Without exceeding 10% of SCOR's share capital

[2] The estimated ultimate net loss is the aggregate of the individual estimated ultimate net losses of all natural catastrophe events in a given calendar year. The individual estimated ultimate net loss is the estimated pre-tax impact of any qualifying natural catastrophe event, net of all recoveries (reinsurance and derivatives) and additional expenses as recorded in the SCOR group books.

[3] The ultimate net claims amount is the aggregate of all claims relating to non-natural catastrophe events affecting the SCOR group's life segment over a two (2) semester time period (i.e. amount of gross benefits and claims – amount of ceded benefits and claims over the time period considered).

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- accidents due to non-natural cause(s),
- material deviation from forecast biometric trends (mortality, morbidity, disability or longevity) recorded by the life segment for any reason whatsoever.

In addition, subject to no drawdown having already been conducted under the facility, if the daily volume-weighted average price of the SCOR shares on Euronext Paris falls below EUR 10 (i.e. a price level close to the par value of the SCOR shares), an individual tranche of EUR 150 million (issuance premium included) will be drawn down in order to ensure the availability of this financial cover (the warrants being non-exercisable below par value) if a natural or non-natural catastrophe-type event occurs during the remainder of the Risk Coverage Period.

The warrants will remain exercisable until three months after the expiry of the Risk Coverage Period.

In accordance with the authorization granted by the General Meeting of SCOR shareholders on April 26, 2019, the maximum number of new shares issued in the event of exercise of the warrants may not exceed 10% of SCOR's share capital.

All subscriptions for new shares by J.P. Morgan will be made at a price equal to the volume-weighted average price of the SCOR shares on Euronext Paris over the three trading days preceding the exercise of the warrants, with a discount of 5%.

J.P. Morgan is committed to subscribing to the new shares but does not intend to become a long-term shareholder of SCOR and will resell the shares by way of private placements and/or sales on the open market. In this respect SCOR and J.P. Morgan have entered into a profit sharing arrangement whereby 75% of the gain, if any, will be retroceded to SCOR. If the resale of the new shares occurs immediately upon exercise of the warrants through an off-market transaction, the profit share ratio owed to SCOR will be paid in the form of SCOR shares in order to limit the dilutive impact of the transaction for SCOR's shareholders.

From the notification of the occurrence of a triggering event by SCOR to J.P. Morgan until the exercise of the warrants, J.P. Morgan will be prohibited from engaging in hedging transactions on SCOR shares, other than ordinary course of business transactions undertaken independently by J.P. Morgan 's affiliated banking and brokerage businesses.

By way of illustration:

a/ Under current market conditions (i.e. an issuance price of EUR 36.4 based on a 5% discount on a three-trading day volume-weighted average price of EUR 38.3[4] per share), drawdown of the total cover (EUR 300 million) would account for a maximum of 4.4 % of SCOR's share capital[5].

b/ In the highly adverse event that a single tranche of EUR 150 million is drawn down due to the fall of SCOR's share price, based on a 3-trading day volume-weighted average price of

[4] From November 29, 2019, to December 3, 2019.

[5] On the basis of SCOR's share capital made up of 187,000,516 shares as at October 31, 2019, as publicly disclosed on November 7, 2019.

EUR 10 per share (i.e. an issuance price of EUR 9.5 per share after the 5% discount) the transaction would account for 8.4 % of SCOR's share capital[6].

Given these theoretical dilution levels, and because the number of new shares issued upon exercise of the warrants cannot exceed 10% of SCOR's share capital, no prospectus for the AMF will be prepared in connection with the setting up of this contingent equity line. Should the contingent capital be triggered and issued, SCOR will make the appropriate disclosures to the market in compliance with applicable market regulations as at the time of issuance of the new shares, regarding the circumstances of such issuance, the amount of the drawdown, the issuance price, the number of shares issued and the consequences of such issuance for its shareholders.

The transaction will have no impact on SCOR's 2019 accounts except for the immaterial subscription amount received by SCOR from J.P. Morgan for the warrant issuance (EUR 0.001 per warrant).

Limited potential dilutive impact of the transaction for SCOR shareholders

This financial coverage is an event-driven contingent capital equity line, which may only be triggered by the occurrence of the aforementioned triggering events. Its potential dilutive impact therefore depends on the probability of occurrence of such triggering events, as well as on the share price at the time of trigger.

SCOR's management believes that such a contingent capital solution provides a significant net economic benefit for its shareholders, as it favorably compares to traditional retrocession and ILS and it optimizes SCOR's risk protection costs with a limited potential dilutive impact. SCOR estimates that the annual probability of any of the triggers occurring over the program is less than 2%, which in practice puts the probable average dilution at approximately 0.1%[7].

The following chart summarizes the potential dilutive impact of the transaction under various scenarios for a shareholder holding 1% of SCOR's share capital prior to the share issuance (calculated on the basis of the number of shares that make up the share capital as at October 31, 2019).

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[6] *Idem* note 5.

[7] On the basis of an issuance price of EUR 36.4 per share.

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Share issuance price	Scenario	Number of new	Percentage interest of the shareholder	
			Non-diluted basis (1)	Diluted basis (2)
At the current 3-day VWAP of EUR 38.3 (issuance price = EUR 36.4)	No trigger	0	1.000%	0.991%
	2 tranches drawn down	8,244,722	0.958%	0.950%

(1) Based on the dilution of share capital as at October 31, 2019.
(2) Based on the dilution of share capital as at October 31 2019 which would result from the exercise of all the outstanding stock options, whether exercisable or not (including all out-of-the-money options as at the date of this press release) and final acquisition of all the outstanding shares granted free of charge.

This table should be read as follows: a shareholder currently holding 1% of SCOR's share capital (on a non-diluted basis) would hold, on the occurrence of a triggering event, 0.958% of the capital following exercise of the warrants on the basis of an issuance price of EUR 36.4 per share (including discount).

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"would" and "could." Undue reliance should not be placed on such statements, because, by their nature, they are subject to known and unknown risks, uncertainties and other factors, which may cause actual results, on the one hand, to differ from any results expressed or implied by the present communication, on the other hand.

Please refer to the 2018 reference document filed on March 4, 2019, under number D.19-0092 with the French Autorité des marchés financiers (AMF) posted on SCOR's website www.scor.com (the "Document de Référence"), for a description of certain important factors, risks and uncertainties that may affect the business of the SCOR Group. As a result of the extreme and unprecedented volatility and disruption of the current global financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, and currency movements, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.

The Group's financial information is prepared on the basis of IFRS and interpretations issued and approved by the European Union. This financial information does not constitute a set of financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting".