# Press Release

October 24, 2018 - N° 25

## First Nine Months 2018 Results

## SCOR delivers very solid performance in the first nine months of 2018, with net income of EUR 342 million and normalized[1] net income of EUR 405 million

- **The first nine months of 2018 fully demonstrate the relevance of SCOR's strategy and the resilience of its business model**, with sustained premium growth in the Group's targeted geographical areas and business lines, excellent technical results in both Life and P&C reinsurance, and in both Treaty and Specialty, a continuing improvement in the investment income yield, a stable cost ratio that bears witness to the efficiency of the Group's operations, and a high solvency ratio marginally above the optimal range.

- **Group net income** reaches EUR 342 million for the first nine months of 2018, resulting in a **return on equity** (ROE) of 7.6%. The normalized[1] net income stands at EUR 405 million and the normalized ROE reaches 8.9%, higher than the profitability target set out in the "Vision in Action" plan[2].

- **Gross written premiums** total EUR 11,336 million in the first nine months of 2018, up 7.4% at constant FX compared to the same period in 2017. This strong growth is driven by the expanded and deepened franchise of the Group's two divisions: Life and P&C business is up 9.2% and 5.0% respectively at constant FX.

- **Technical results** over the first nine months of the year are strong, as demonstrated by (1) the P&C net combined ratio of 93.6% - despite a high level of nat cat events across various regions, (2) a robust 7.0% Life technical margin, and (3) a return on invested assets of 2.5% driven by a continuing increase in the investment income yield.

- The Group's estimated **solvency ratio** is 222% at September 30, 2018, marginally above the optimal range defined in the "Vision in Action" plan[2].

- Net **operating cash flows** are strong, standing at EUR 811 million for the first nine months of 2018, reflecting robust cash flows by both Life and P&C.

- SCOR's **financial leverage** stands at 28.2% at September 30, 2018, temporarily above the range indicated in "Vision in Action". The adjusted financial leverage ratio is 26.5% when considering the intended call of the CHF 250 million debt in November 2018[3].

- **Shareholders' equity** is EUR 6,118 million at September 30, 2018. This translates into a book value per share of EUR 32.55 at September 30, 2018, compared to EUR 32.08 at June 30, 2018.

[1] Excluding the impact of U.S. tax reform (which was fully recognized in the second quarter of 2018). The full implementation of the new operational structure is still expected to occur before year-end, subject to standard regulatory approvals.
[2] See Appendix for "Vision in Action" targets.
[3] See press release distributed on September 10, 2013.

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**Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments:** *"SCOR records a very solid performance in the first nine months of 2018. Excluding the impact of the U.S. tax reform, the Group has exceeded the targets set out in the plan "Vision in Action", despite the numerous natural catastrophes that took place across various regions in the third quarter. This performance bears witness to the relevance of our strategy, which is based on a controlled risk appetite, a disciplined underwriting policy and an effective capital shield. The Group is in very good shape and well on track to meet the targets of "Vision in Action"."*

*SCOR Group nine months and Q3 2018 key financial details:*

| | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| *In EUR millions (at current exchange rates)* | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| Gross written premiums | 11,336 | 11,122 | +1.9% | 3,799 | 3,600 | +5.5% |
| Group cost ratio | 5.0% | 4.9% | +0.1 pts | 5.0% | 5.0% | +0.0 pts |
| Annualized ROE | 7.6% | 0.5% | +7.1 pts | 5.4% | -16.2% | +21.6 pts |
| Annualized ROE *before U.S. tax reform impact* | 8.9% | | | 5.5% | | |
| Net income* | 342 | 25 | n/a | 80 | -267 | n/a |
| Net income *before U.S. tax reform impact* | 405 | | | 81 | | |
| Shareholders' equity on September 30 | 6,118 | 6,025 | +1.5% | 6,118 | 6,025 | +1.5% |

** Consolidated net income, Group share.*

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* *

## SCOR Global P&C delivers disciplined growth and very solid technical results in the first nine months of 2018 despite heavy cat activity in Q3

SCOR Global P&C gross written premiums total EUR 4,593 million, up 5.0% at constant FX compared to the same period of last year (-0.6% at current FX). The growth mainly comes from the U.S. The premium growth for the full year 2018, at constant FX, is expected to be in the 5%-8% range indicated during IR day 2018[4].

[4] See press release distributed on September 5, 2018.

*SCOR Global P&C key figures:*

| *In EUR millions (at current exchange rates)* | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| Gross written premiums | 4,593 | 4,622 | -0.6% | 1,567 | 1,502 | +4.3% |
| Net combined ratio* | 93.6% | 107.5% | -13.9 pts | 98.0% | 136.7% | -38.7 pts |

*(*) The net combined ratio calculation has been refined to exclude some immaterial non-technical items that were previously included. Considering their potential growth, these items have been excluded to ensure they do not distort the combined ratio in the future.*

The strong Q3 2018 YTD net combined ratio of 93.6% includes:

- A very high level of nat cat activity in Q3 across various perils and regions, reaching a ratio of 16.5% QTD and leading to a YTD cat ratio of 7%. The main Q3 2018 pre-tax event impacts are:
  - Typhoon Jebi for EUR 105 million;
  - Hurricane Florence for EUR 50 million;
  - Typhoon Mangkhut for EUR 22 million.
- A net attritional loss and commission ratio[5] of 79.2%, which includes EUR 60 million of reserve releases[6] from certain long-tail lines (representing 1.5 combined ratio points). On a normalized basis, the net attritional loss and commission ratio therefore stands at 80.7%. This compares favorably to the first nine months of 2017[7] (when it stood at 82.2%), due to positive developments recorded in long-tail lines, Inherent Defects Insurance and Medical Malpractice in the U.K.
- The expense ratio of 7.3% reflects the increasing weight of the insurance business and the extended perimeter of retrocession.

The Q3 2018 YTD normalized net combined ratio stands at 94.1%[8], below the 95%-96% assumption of "Vision in Action".

## SCOR Global Life successfully delivers profitable growth in Q3 2018 YTD, driven by the franchise expansion in Asia-Pacific

SCOR Global Life records strong growth since January 1, 2018, with gross written premiums standing at EUR 6,743 million, up 9.2% at constant FX compared to the first nine months of 2017 (+3.7% at current FX). This is notably driven by franchise expansion in Asia-Pacific, where the division has been growing at 29% p.a. since 2016, and by new Financial Solutions deals, reflecting the robust demand in the U.S. and Asia-Pacific markets (particularly Japan and China).

[5] The commission ratio includes a one-off 0.4% impact of sliding scale commissions, which are a feature of some specific large contracts in China; this impact offsets reduced loss ratios.
[6] Reserve release of EUR 60 million mostly generated from Inherent Defects Insurance, professional liability lines in the U.K. and France, and large corporate casualty.
[7] Q3 2017 YTD was negatively impacted by 2.9% due to a change in Ogden rate partly balanced by 1.1% of reserve releases.
[8] See Appendix E of the earnings presentation for the detailed calculation of the combined ratio.

*SCOR Global Life key figures:*

| *In EUR millions (at current exchange rates)* | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| Gross written premiums | 6,743 | 6,500 | +3.7% | 2,232 | 2,098 | +6.4% |
| Life technical margin | 7.0% | 7.1% | -0.1 pts | 7.2% | 7.0% | +0.2 pts |

FY 2018 gross written premium growth is expected to normalize in line with the "Vision in Action" assumptions.

There is a strong increase in the net technical result, up 8.5% vs. Q3 2017 YTD, reaching EUR 462 million at constant FX.

The robust technical margin rises to 7.0%[9] in Q3 2018 YTD, in line with "Vision in Action" assumptions, driven by:

- Performance of the in-force portfolio in line with expectations;
- Profitability of new business in line with the Group's ROE target.

## SCOR Global Investments delivers a return on invested assets of 2.5% in Q3 2018 YTD, driven by the continuing increase in the investment income yield

Total investments reach EUR 27.6 billion, with total invested assets of EUR 19.4 billion and funds withheld[10] of EUR 8.2 billion.

The portfolio position is in line with the "Vision in Action" target asset allocation:

- Liquidity at 5%;
- Corporate bonds at 49% (stable vs. Q2 2018);
- Fixed income portfolio of very high quality, with an average rating of A+ and a duration at 4.5 years[11].

*SCOR Global Investments key figures:*

| *In EUR millions (at current exchange rates)* | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| Total investments | 27,638 | 26,620 | +3.8% | 27,638 | 26,620 | +3.8% |
| ▪ of which total invested assets | 19,394 | 18,405 | +5.4% | 19,394 | 18,405 | +5.4% |
| ▪ of which total funds withheld by cedants and other deposits | 8,244 | 8,215 | +0.4% | 8,244 | 8,215 | +0.4% |
| Return on investments* | 2.1% | 2.3% | -0.2 pts | 2.2% | 2.1% | +0.1 pts |
| Return on invested assets** | 2.5% | 2.6% | -0.1 pts | 2.5% | 2.3% | +0.2 pts |

(*) Annualized, including interest on deposits (i.e. interest on funds withheld).
(**) Annualized, excluding interest on deposits (i.e. interest on funds withheld).

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9 See Appendix F of the Q3 2018 Earnings Presentation for the detailed calculation of the Life technical margin.
10 Funds withheld & other deposits.
11 4.8-year duration on invested assets (vs. 4.9 years in Q2 2018).

SCOR SE
5, Avenue Kléber
75795 Paris Cedex 16, France
Tél + 33 (0) 1 58 44 70 00
RCS Paris B 562 033 357
Siret 562 033 357 00046
Société Européenne au capital
de 1 510 864 057,98 euros

We estimate that the investment portfolio will generate financial cash flows[12] of EUR 5.5 billion over the next 24 months, which is a positive factor in a period of rising interest rates.

Investment income on invested assets stands at EUR 351 million in Q3 2018 YTD, generating a return on invested assets of 2.5% in Q3 2018 YTD, supported by a continuing increase in the investment income yield, which stands at 2.5% in Q3 2018 QTD and 2.3% in Q3 2018 YTD.

The reinvestment yield stands at 3.0% at the end of Q3 2018[13].

Under current market conditions, SCOR Global Investments expects the annualized return on invested assets to be in the upper part of the “Vision in Action” 2.5%-3.2% range for FY 2018 and over the entire strategic plan.

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* *

[12] Investable cash: includes current cash balances, and future coupons and redemptions.
[13] Corresponds to marginal reinvestment yields based on Q3 2018 YTD 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 September 30, 2018.

The Art & Science of Risk

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**APPENDIX**

## 1 - P&L key figures 2018 YTD and Q3 2018 standalone (in EUR millions, at current exchange rates)

| *In EUR millions (rounded, at current exchange rates)* | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| **Gross written premiums** | 11,336 | 11,122 | +1.9% | 3,799 | 3,600 | +5.5% |
| P&C gross written premiums | 4,593 | 4,622 | -0.6% | 1,567 | 1,502 | +4.3% |
| Life gross written premiums | 6,743 | 6,500 | +3.7% | 2,232 | 2,098 | +6.4% |
| **Investment income** | 425 | 448 | -5.0% | 146 | 136 | +7.7% |
| **Operating results** | 665 | 97 | +585.6% | 157 | -365 | n/a |
| **Net income**[1] | 342 | 25 | 1,268.0% | 80 | -267 | n/a |
| **Earnings per share (EUR)** | 1.81 | 0.14 | 1,234.2% | 0.43 | -1.43 | n/a |
| **Operating cash flow** | 811 | 671 | +20.9% | 558 | 343 | +62.7% |

*1: Consolidated net income, Group share.*

## 2 - P&L key ratios for 2018 YTD and Q3 2018 standalone

| | YTD | | | QTD | | |
|---|---|---|---|---|---|---|
| | **Nine months 2018** | **Nine months 2017** | **Variation** | **Q3 2018** | **Q3 2017** | **Variation** |
| **Return on investments**[1] | 2.1% | 2.3% | -0.2 pts | 2.2% | 2.1% | +0.1 pts |
| **Return on invested assets**[1,2] | 2.5% | 2.6% | -0.1 pts | 2.5% | 2.3% | +0.2 pts |
| **P&C net combined ratio**[3] | 93.6% | 107.5% | -13.9 pts | 98.0% | 136.7% | -38.7 pts |
| **Life technical margin**[4] | 7.0% | 7.1% | -0.1 pts | 7.2% | 7.0% | +0.2 pts |
| **Group cost ratio**[5] | 5.0% | 4.9% | +0.1 pts | 5.0% | 5.0% | +0.0 pts |
| **Return on equity (ROE)** | 7.6% | 0.5% | +7.1 pts | 5.4% | -16.2% | +21.6 pts |

*1: Annualized; 2: Excluding funds withheld by cedants; 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 of SCOR Global P&C; 4: The technical margin for SCOR Global Life is the technical result divided by the net earned premiums of SCOR Global Life; 5: The cost ratio is the total management expenses divided by the gross written premiums.*

SCOR SE
5, Avenue Kléber
75795 Paris Cedex 16, France
Tél + 33 (0) 1 58 44 70 00
RCS Paris B 562 033 357
Siret 562 033 357 00046
Société Européenne au capital
de 1 510 864 057,98 euros

### 3 - Balance sheet key figures on September 30, 2018 (in EUR millions, at current exchange rates)

| | September 30, 2018 | December 31, 2017 | Variation |
|---|---|---|---|
| **Total investments** [1,2] | 27,638 | 27,081 | +2.1% |
| **Technical reserves (gross)** | 29,656 | 29,006 | +2.2% |
| **Shareholders' equity** | 6,118 | 6,225 | -1.7% |
| **Book value per share (EUR)** | 32.55 | 33.01 | -1.4% |
| **Financial leverage ratio** | 28.2% | 25.7% | +2.5 pts |
| **Total liquidity**[3] | 1,204 | 1,009 | +19.3% |

*[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 - "Vision in Action" targets

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

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

### 5 - "Vision in Action" assumptions

| | | Assumptions |
|---|---|---|
| **P&C** | Gross written premium growth | 5% p.a. - 8% p.a. |
| | Combined ratio | 95% - 96% |
| **Life** | Gross written premium growth | 5% p.a. - 6% p.a. |
| | Technical margin | 6.8% - 7.0% |
| **Investments** | Return on invested assets | 2.5% - 3.2% |
| **Group** | Gross written premium growth | 5% p.a. - 7% p.a. |
| | Cost ratio | 4.9% - 5.1% |
| | Tax rate | 22% - 24% |

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**Contacts**

**Marie-Laurence Bouchon**
Group Head of Communications
**+33 (0)1 58 44 75 43**
mbouchon@scor.com

**Ian Kelly**
Head of Investor Relations
**+44 (0)203 207 8561**
ikelly@scor.com

http://www.scor.com/
Twitter: @SCOR_SE


## General

Numbers presented throughout this report 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 presentation 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 presentation includes forward-looking statements and information about the objectives of SCOR, in particular, relating to its 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 is dependent on the circumstances and facts that arise in the future. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by SCOR. Information regarding risks and uncertainties that may affect SCOR’s business is set forth in the 2017 reference document filed on February 23, 2018, under number D.18-0072 with the French Autorité des marchés financiers (AMF) and posted on SCOR’s website www.scor.com.

In addition, such forward-looking statements are not “profit forecasts” in the sense of Article 2 of Regulation (EC) 809/2004.

## Financial information

The Group’s financial information contained in this presentation 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, combined ratio and life technical margin) are detailed in the Appendices of the Investor Relations presentation released on October 24, 2018 (see page 13).

The third quarter 2018 financial information included in the presentation has been subject to the completion of a limited review by SCOR’s independent auditors.

Unless otherwise specified, all figures are presented in Euros.

Any figures for a period subsequent to September 30, 2018 should not be taken as a forecast of the expected financials for these periods.

The Q3 2018 estimated solvency ratio reflects the call of the undated subordinated CHF 315 million notes in Q2 2018 and has been adjusted to reflect the intended call of the undated subordinated CHF 250 million notes in Q4 2018, subject to the evolution of market conditions, following the issuance of a Restricted Tier 1 subordinated USD 625 million notes issued on March 6, 2018 which pre-finances these calls. The estimated Q3 2018 solvency results were prepared on the basis of the business structure in existence at December 31, 2017, and tax assumptions consistent with those applied to the 2017 annual IFRS Group financial statements.