The Art & Science of Risk

Press Release
27 July 2016 - N° 14

Half-Year 2016 results

SCOR records net income of EUR 275 million for the first six months of 2016, confirming the strength of its business model

In the first half of 2016, SCOR continues to deliver strong results. The technical profitability and net income generation recorded by the Group demonstrate SCOR's capacity to absorb various shocks, such as a high number of natural catastrophe events, the UK referendum results leading to the announcement of Brexit, low and prolonged interest rates and a long-lasting P&C soft cycle.

- **Gross written premiums** reach EUR 6,735 million at the end of the first six months of 2016, up 5.9% at constant exchange rates compared to 2015 (+3.7% at current exchange rates), with:
  - a strong contribution from SCOR Global Life, with gross written premiums reaching EUR 3,934 million over the semester (+10.2% at constant exchange rates and +8.3% at current exchange rates);
  - a 0.6% increase in SCOR Global P&C gross written premiums at constant exchange rates (-2.0% at current exchange rates), which stand at EUR 2,801 million in H1 2016, and excellent renewals in June and July 2016.
- **SCOR Global P&C** records strong technical profitability with a robust net combined ratio of 93.8% in the first half of 2016, despite a high number of events in all perils and regions in the second quarter of 2016 and with reserve releases of EUR 40 million accounting for 1.6 pts of the H1 2016 combined ratio.
- **SCOR Global Life** records a robust technical margin of 7.1% in the first half of 2016, continuing to deliver above the "Optimal Dynamics" assumption of 7.0%.
- **SCOR Global Investments** achieves a solid 3.1% return on invested assets, above the "Optimal Dynamics" assumption, in an extremely low yield and uncertain environment, while maintaining its prudent portfolio positioning to face the current headwinds and high level of market volatility.
- **Group net income** reaches EUR 275 million in H1 2016, down 15.9% compared to H1 2015 due to a high number of natural catastrophes and a challenging macroeconomic environment. The annualized **return on equity** (ROE) stands at 8.9% over the period, or 881 basis points above the risk-free rate[1].
- **Shareholders' equity** stands at EUR 6,282 million at 30 June 2016, compared to EUR 6,363 million at 31 December 2015 after the payment of EUR 278 million of dividends for the year 2015. This translates into a book value per share of EUR 33.79 at 30 June 2016.

[1] Three-month risk-free rates.

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- **SCOR's financial leverage** stands at 31.8% as at 30 June 2016, temporarily above the range indicated in "Optimal Dynamics", and will stand at 25.5%[2] after the redemption of the two debts callable in Q3 2016. This ratio also reflects the successful placement of a dated subordinated notes issue on the Euro market in the amount of EUR 500 million with a coupon set at 3.625% in May 2016.

- SCOR's estimated **solvency ratio** at 30 June 2016**,** adjusted for the redemption of the two debts callable in Q3 2016, stands at 210%[3], within the optimal solvency range of 185%-220% as defined in the "Optimal Dynamics" plan.

SCOR group H1 and Q2 2016 key financial details:

In EUR millions (unaudited, rounded, at current exchange rates)	YTD			QTD		
	H1 2016	**H1 2015**	**Variation**	**Q2 2016**	**Q2 2015**	**Variation**
Gross written premiums	6,735	6,493	3.7%	3,452	3,369	2.5%
Group Cost Ratio	5.1%	5.1%	0.0 pts	4.9%	5.1%	-0.2 pts
Return on invested assets	3.1%	3.4%	-0.3 pts	3.0%	3.4%	-0.4 pts
Annualized ROE	8.9%	11.1%	-2.2 pts	6.9%	10.3%	-3.4 pts
Net income*	275	327	-15.9%	105	152	-30.9%
Shareholders' equity	6,282	6,026	4.3%	6,282	6,026	4.3%
P&C Combined ratio	93.8%	90.9%	2.9 pts	97.5%	92.6%	4.9 pts
Life technical margin	7.1%	7.2%	-0.1 pts	7.0%	7.2%	-0.2 pts

(*) Consolidated net income, Group share.

Denis Kessler, Chairman & CEO of SCOR, comments: *"In the first half of 2016, SCOR has proved its capacity to absorb shocks thanks to its high level of diversification. Despite numerous natural catastrophe events and the political uncertainty following the UK referendum, SCOR continues to post strong results. SCOR keeps on expanding its footprint in the first half of 2016, with both the Life and P&C divisions delivering strong technical profitability. SCOR Global Investments records a solid return on invested assets over the semester in a record low yield environment. With these half-year results, SCOR fully achieves the targets set out in "Optimal Dynamics". The Group is currently preparing to unveil its new strategic plan at SCOR's next Investor Day on 7 September".*

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[2] Adjusted financial leverage ratio will stand at 25.5% after the redemption of the CHF 650 million and EUR 257 million subordinated debts callable in Q3 2016.

[3] The H1 2016 estimated solvency ratio has been adjusted to 210% to take into account the early redemption of the two debts to be called in Q3 2016, as previously announced (the 6.154% undated deeply subordinated EUR 257 million notes callable in July 2016 and the 5.375% fixed to floating rate undated subordinated CHF 650 million notes callable in August 2016). The estimated solvency ratio based on Solvency II requirements is 230% at 30 June 2016.

Impact of Brexit

Concerning the **consequences of the UK referendum**, SCOR does not foresee any negative impact on its strategy. SCOR is a reinsurer with a global reach, whose strategy is based on the diversification of both its assets and activities. SCOR's global entity structure ensures that the Group will navigate any uncertainties that Brexit may present.

SCOR considers the **financial risk** to be very limited:
- SCOR's hedging and capital management policies ensure strict IFRS congruency between its asset portfolio and its underwriting commitments totalling GBP 1.7 billion (i.e. 9% of total invested assets). Hence, any devaluation in the pound will not have a significant negative currency effect on the Group, with only 6% of its shareholders' equity denominated in GBP (i.e. GBP 300 million). The Group's only UK-based real estate is in a prime location and is occupied by SCOR[4].
- On the asset side, the portion of assets denominated in pounds sterling has been positioned in a particularly prudent manner in preparation for the referendum on Brexit, being mostly invested in cash and cash equivalents and bonds with an immaterial exposure to UK equities[5], and with a very short duration (2.7 years).

SCOR expects the **operational risks** to be minimal as the Group's platform is global and multi-centred, and will continue to efficiently serve clients worldwide, including in the United Kingdom. Moreover, SCOR is headquartered in Europe, which facilitates cross-border transactions, and its strong capital management framework will enable it to deal efficiently with any potential future regulatory changes.

The Group also foresees minimal **business risks** as pressures from Brexit will be focused on cross-border direct business, which is marginal for SCOR.

SCOR Global P&C H1 2016 technical results bring "Optimal Dynamics" to a successful close

SCOR Global P&C key figures:

In EUR millions (unaudited, rounded, at current exchange rates)	YTD			QTD		
	H1 2016	**H1 2015**	**Variation**	**Q2 2016**	**Q2 2015**	**Variation**
Gross written premiums	2,801	2,859	-2.0%	1,425	1,461	-2.5%
Combined ratio	93.8%	90.9%	2.9 pts	97.5%	92.6%	4.9 pts

In the first half of 2016, SCOR Global P&C gross written premiums stand at EUR 2,801. At constant exchange rates, gross written premiums increase by 0.6% (-2.0% at current exchange rates). SCOR Global P&C expects full-year 2016 gross written premium growth to reach between 3% and 4% at constant exchange rates.

4 Indirect exposure to UK real estate through European diversified real estate funds of EUR 7 million; EUR 2 million exposure to convertible bonds issued by UK REITS as of 11/07/2016.
5 EUR 4 million as at 30 June 2016.

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In the first six months of 2016, SCOR Global P&C records strong technical profitability with a net combined ratio of 93.8%, including:

- A high level of natural catastrophe events across various perils and regions, with a 12-pt impact on the Q2 2016 combined ratio, leading to a net natural catastrophe ratio of 6.9 pts in H1 2016. Preliminary net pre-tax estimates for these events include, in particular, the Fort McMurray fires in Canada for EUR 65 million, earthquakes in Japan, Ecuador and Taiwan, storms in Germany and floods in Sri Lanka, as well as a late June hailstorm in the Netherlands;

- A net attritional and commission ratio of 79.9% for the first six months of 2016, compared to 82.4% in the first half of 2015, benefitting from the 1.6-pt positive impact of Q2 reserve releases of EUR 40 million in long-tail lines of business, which have mitigated the significant impact of Q2 2016 natural catastrophe activity on a year-to-date basis.

The normalized net combined ratio (with a natural catastrophe budget of 6% and without the 1.6 pts of reserve releases) stands at 94.5% in H1 2016, in line with the latest assumptions communicated at the beginning of the year[6].

June/July 2016 renewals

SCOR Global P&C achieved strong renewals in June and July 2016. Renewal premiums increased by 14.2% at constant exchange rates and pricing was quasi-stable.

Roughly 11% of annual renewable premiums, or EUR 491 million, were up for renewal. In SCOR's book, the renewals consist mostly of P&C Treaties and proportional business, with the main geographic areas being the US, Australia, the Middle East and Latin America.

Rising pricing in proportional business, which benefitted from positive primary market trends in some markets, was offset by weaker pricing in non-proportional business. However, many markets noted a slowing pace of decline, particularly in the US.

The main business line developments in the June-July 2016 renewals are as follows:

- **P&C Treaty** gross premiums increase by 15% to EUR 453 million at constant exchange rates, mainly driven by the US. EMEA premiums slightly decline due to South Africa.

- **Specialty Treaty** gross premiums increase by 12% to EUR 107 million at constant exchange rates, benefitting from the positive development of Alternative Solutions.

[6] See Press Release distributed on 9 February 2016.

SCOR Global Life delivers a robust technical margin of 7.1% in H1 2016, above the assumptions set out in "Optimal Dynamics"

SCOR Global Life key figures:

In EUR millions (unaudited, rounded, at current exchange rates)	YTD			QTD		
	H1 2016	**H1 2015**	**Variation**	**Q2 2016**	**Q2 2015**	**Variation**
Gross written premiums	3,934	3,634	8.3%	2,027	1,908	6.2%
Life technical margin	7.1%	7.2%	-0.1 pts	7.0%	7.2%	-0.2 pts

SCOR Global Life gross written premiums stand at EUR 3,934 million in the first half of 2016, up 10.2% at constant exchange rates compared to the same period last year (+8.3% at current exchange rates), thanks to the successful execution of SCOR Global Life's strategy in Asia-Pacific, which has led to a flow of new business in Protection and Financial Solutions.

Full-year 2016 premium growth is expected to normalize at approximately +5% versus 2015, in line with the "Optimal Dynamics" assumption of average gross written premium growth of 6% between 2013 and 2016.

The new business pipeline continues to be healthy across all regions and products, with new business margins expected to meet the Group's profitability target.

SCOR Global Life records a robust technical margin of 7.1%, above the "Optimal Dynamics" assumption, thanks to the profitable new business conducted over the period - with Longevity representing an increased proportion of SCOR Global Life's product mix - and to the in-force portfolio results in line with expectations.

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SCOR Global Investments delivers a return on invested assets of 3.1% in the first half of 2016, ahead of "Optimal Dynamics" assumptions

SCOR Global Investments key figures:

In EUR millions (unaudited, rounded, at current exchange rates)	YTD			QTD		
	H1 2016	**H1 2015**	**Variation**	**Q2 2016**	**Q2 2015**	**Variation**
Total investments	27,603	26,120	5.7%	27,603	26,120	5.7%
• of which total invested assets	18,775	17,303	8.5%	18,775	17,303	8.5%
• of which total funds withheld by cedants	8,828	8,817	0.1%	8,828	8,817	0.1%
Return on investments*	2.6%	2.9%	-0.3 pts	2.5%	2.9%	-0.4 pts
Return on invested assets**	3.1%	3.4%	-0.3 pts	3.0%	3.4%	-0.4 pts

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

In the first half of 2016, SCOR Global Investments has maintained its prudent investment strategy to face the high level of market volatility.

Ahead of the Brexit referendum, a defensive positioning of the GBP-denominated portfolio has been maintained, which represents 9% of total invested assets and is mostly invested in cash and high grade fixed income securities, with an average rating of AA-, a short duration of 2.7 years and an immaterial exposure to UK equities[7] as at 30 June 2016.

During the period, SCOR Global Investments has proactively decreased its exposure to the financial sector and has no remaining exposure to UK, Italian or Spanish bank debt.

The stable average rating of AA- bears witness to the quality of the fixed income portfolio. Its duration is broadly stable at 4.0 years at 30 June 2016, compared to 3.9 years at 31 March 2016. Moreover, SCOR Global Investments continues to exclude any exposure to sovereign debt from the GIIPS countries[8].

As at 30 June 2016, the expected financial cash flow over the next 24 months stands at EUR 7.3 billion (including cash, coupons and redemptions), which represents 39% of the invested assets.

In the first half of 2016, invested assets generate a financial contribution of EUR 285 million. The active asset management policy executed by SCOR Global Investments has enabled the Group to record capital gains of EUR 128 million over the period, coming mainly from the real estate and fixed income portfolios.

[7] EUR 4 million as at 30 June 2016.
[8] Greece, Ireland, Italy, Portugal, Spain.

The return on invested assets stands at 3.1% for the first half of 2016, in an extremely low yield and uncertain environment, compared to 3.4% in the first half of 2016. On average, throughout “Optimal Dynamics”, SCOR Global Investments has delivered a 3.0% return on invested assets. Taking account of funds withheld by cedants, the net rate of return on investments stands at 2.6% in the first half of 2016. The reinvestment yield stands at 1.8%[9] at 30 June 2016.

Invested assets (excluding funds withheld by cedants) stand at EUR 18,775 million as at 30 June 2016, and are composed as follows: 11% cash, 76% fixed income (of which 3% are short-term investments), 4% loans, 2% equities, 4% real estate and 3% other investments. Total investments, including EUR 8,828 million of funds withheld, stand at EUR 27,603 million at 30 June 2016, compared to EUR 27,552 million at 31 December 2015.

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APPENDIX

1 - P&L key figures H1 and Q2 2016

In EUR millions (unaudited, rounded, at current exchange rates)	YTD			QTD		
	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Gross written premiums	6,735	6,493	3.7%	3,452	3,369	2.5%
P&C gross written premiums	2,801	2,859	-2.0%	1,425	1,461	-2.5%
Life gross written premiums	3,934	3,634	8.3%	2,027	1,908	6.2%
Investment income	345	365	-5.5%	169	185	-8.6%
Operating results	466	540	-13.7%	183	253	-27.7%
Net income[1]	275	327	-15.9%	105	152	-30.9%
Earnings per share (EUR)	1.49	1.77	-15.8%	0.57	0.82	-30.7%
Operating cash flow	450	130	246.2%	133	68	95.6%

1: Consolidated net income, Group share.

[9] Corresponds to marginal reinvestment yields based on Q2 2016 asset allocation of yielding asset classes (i.e. fixed income, loans and real estate), according to current reinvestment duration assumptions and spreads. Yield curves as at 30/06/2016.

2 - P&L key ratios H1 and Q2 2016

(Unaudited)	YTD			QTD		
	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Return on investments [1]	2.6%	2.9%	-0.3 pts	2.5%	2.9%	-0.4 pts
Return on invested assets [1,2]	3.1%	3.4%	-0.3 pts	3.0%	3.4%	-0.4 pts
P&C net combined ratio [3]	93.8%	90.9%	2.9 pts	97.5%	92.6%	4.9 pts
Life technical margin [4]	7.1%	7.2%	-0.1 pts	7.0%	7.2%	-0.2 pts
Group cost ratio [5]	5.1%	5.1%	0.0 pts	4.9%	5.1%	-0.2 pts
Return on equity (ROE)	8.9%	11.1%	-2.2 pts	6.9%	10.3%	-3.4 pts

1: Annualized; 2: Excluding funds withheld by cedants; 3: The 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.

3 - Balance sheet key figures as at 30 June 2016 (in EUR millions, at current exchange rates)

	As at 30 June 2016	As at 31 December 2015	Variation
Total investments [1,2]	27,603	27,552	0.2%
Technical reserves (gross)	27,178	27,839	-2.4%
Shareholders' equity	6,282	6,363	-1.3%
Book value per share (EUR)	33.79	34.03	-0.7%
Financial leverage ratio [3]	31.8%	27.5%	4.2 pts
Total liquidity [4]	2,782	2,034	36.8%

1: Total investment portfolio includes both invested assets and funds withheld by cedants, accrued interest, cat bonds, mortality bonds and FX derivatives; 2: Excluding 3rd party net insurance business investments. 3: Adjusted financial leverage ratio will stand at 25.5% after the redemption of the CHF 650 million and EUR 257 million subordinated debts callable in Q3 2016; 4: Total liquidity of EUR 2.8 billion, substantially increased compared to the first half of 2015, due to the temporary pause of the rebalancing of the investment portfolio and to the pending debt redemption of ~EUR 850 million due to take place in July and August 2016.

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Forward-looking statements

Certain statements contained in this communication are forward-looking statements, considered provisional. They are not historical facts and are based on a certain number of data and assumptions (both general and specific), risks and uncertainties that could cause actual results, performance or events to differ materially from those in such statements.

Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitations, "will", "should", "would" and "could." Undue reliance should not be placed on such statements, as due to their nature, they are subject to known and unknown risks and uncertainties.

As a result of the extreme and unprecedented volatility and disruption related to the financial crisis, SCOR is exposed to significant financial, capital market and other risks, including variations in interest rates, credit spreads, equity prices, currency movements, changes in government or regulatory practices, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings. Forward-looking statements were developed in a given economic, competitive and regulatory environment and the Group may be unable to anticipate all the risks and uncertainties and/or other factors that may affect its business and to estimate their potential consequences.

Additional information regarding risks and uncertainties that may affect SCOR's business is set forth in the 2015 reference document filed on 4 March 2016 under number D.16-0108 with the French Autorité des marchés financiers (AMF) posted on SCOR's website www.scor.com (the "Document de Référence"). SCOR undertakes no obligation to publicly update or revise any of these forward-looking statements and information, whether to reflect new information, future events or circumstances or otherwise, other than to the extent required by applicable law. This communication only reflects SCOR's view as of the date of this communication.

Without limiting the generality of the foregoing, the Group's financial information contained in this communication is prepared on the basis of IFRS and interpretations issued and approved by the European Union. The quarterly financial information contained in this communication constitutes a set of financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting" which may not be indicative of full year financial results. The first half 2016 financial information included in this communication have been subject to the completion of a limited review by SCOR's independent auditors.

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 this communication 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.