

Press Release

July 25, 2019 - N° 25

Half-year 2019 results

SCOR delivers a strong performance in H1 2019 and successfully concludes “Vision in Action”

- SCOR successfully delivers on its targets for its strategic plan “Vision in Action” on a normalized basis, despite significant industry, regulatory and geopolitical headwinds over the period.
- The Group delivers strong and profitable growth for the first half of 2019, combining franchise expansion and a robust solvency.
- **Gross written premiums** total EUR 8,010 million in the first half of 2019, up 6.3% at current exchange rates (up 2.6% at constant exchange rates). In P&C, gross written premiums are up 13.9% at current exchange rates (up 10.4% at constant exchanges rates). In Life, gross written premiums are up 1.2% at current exchange rates (down 2.6% at constant exchanges rates). This variation is largely driven by the renewal of certain Financial Solutions deals as fee business (rather than as premiums) in H1 2019. Excluding these deals, Life gross written premiums would have grown by 7.9% at current exchange rates (3.8% at constant exchanges rates).
- **SCOR Global P&C** delivers strong growth and technical profitability, driven by renewals in 2019 and the effect of strong renewals in the second half of 2018, particularly in the U.S. The business records an excellent net combined ratio of 93.7%, ahead of the “Vision in Action” assumption of ~95-96%.
- **SCOR Global Life** delivers strong technical profitability alongside business growth in North American and Asian markets and records a strong technical margin of 7.2%.
- **SCOR Global Investments** delivers a return on invested assets of 2.8%, supported by an income yield of 2.6%.
- **Group net income** is EUR 286 million for H1 2019, up 9.2% compared to H1 2018. The **return on equity** (ROE) is 9.8%, 908 bps above the risk-free rate¹, exceeding the “Vision in Action” profitability target.
- **Total cash flow** is EUR 357 million for the first half of 2019, of which net operating cash flow is EUR 33 million. SCOR Global P&C, which is historically always lower in the first half of the year, was impacted by the payments on 2017 and 2018 cat events, and SCOR Global Life experienced lower cash flow as a result of the volatility on claims payment activity and seasonality of client and tax settlements. Total Group liquidity is strong, standing at 1.7 billion.
- **Shareholders’ equity** is EUR 6.1 billion at June 30, 2019, after the dividend payment of EUR 325 million. This results in a strong book value per share of EUR 32.59, compared to EUR 31.53 at December 31, 2018.

¹ Based on a 5-year rolling average of 5-year risk-free rates (70 bps in H1 2019 and 73 bps in H1 2018).

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- **Financial leverage** stands at 26.4% on June 30, 2019, down 1.1 points compared to December 31, 2018.
- **Estimated solvency ratio** on June 30, 2019, is 212%, in the upper part of the optimal solvency range of 185% - 220% as defined in the “Vision in Action” plan. Market movements within the quarter – particularly the decrease in interest rates – have offset the strong capital generation in H1.

SCOR Group H1 and Q2 2019 key financial details:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Gross written premiums	8,010	7,537	+6.3%	4,025	3,766	+6.9%
Group cost ratio	4.9% ²	5.0%	-0.1 pts	4.9%	4.9%	-0.0%
Annualized ROE	9.8%	8.8%	+1.0 pt	10.5%	6.5%	+4.0 pts
Net income*	286	262	+9.2%	155	96	+61.5%
Shareholders' equity	6,088	6,048	+0.7%	6,088	6,048	+0.7%

* Consolidated net income, Group share.

Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: “SCOR delivers a strong performance in the first six months of 2019, achieving the solvency target and outperforming the profitability target set out in “Vision in Action”. The Group continues to expand its franchise, recording controlled growth in target geographical areas and lines of business, while delivering excellent technical profitability in both P&C and Life reinsurance. We are actively preparing our new strategic plan, which will be presented at the beginning of September. This plan – SCOR’s seventh since 2002 – will be an opportunity for the Group to affirm its ambitions, set its objectives and detail the ways and means used to pursue its strong value-creating strategy over the coming years.”

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² H1 2019 Group cost ratio of 4.7% if calculated on the same basis as H1 2018.

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In H1 2019, SCOR Global P&C delivers excellent growth and technical profitability while successfully concluding “Vision in Action”

SCOR Global P&C continues to record strong growth in H1 2019 with gross written premiums of EUR 3,446 million, up 13.9% at current FX compared to the same period of last year (+10.4% at constant FX). The growth comes from both the strong 2019 renewals and the H2 2018 renewals, particularly in the U.S.

This growth is expected to normalize in H2 2019 and to return within the upper part of the “Vision in Action” growth assumption range, revised in 2018 to between 5% and 8%.

SCOR Global P&C key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Gross written premiums	3,446	3,026	+13.9%	1,728	1,546	+11.8%
Net combined ratio	93.7%	91.4%	+2.3 pts	92.9%	91.1%	+1.8 pts

The excellent net combined ratio of 93.7% in the first half of 2019 results from:

- Nat cat losses of 5.2% composed of:
 - 4.1% in Q2 2019 coming mainly from various 2019 events³,
 - Deterioration in Q2 2019 of 2018 events Typhoon Trami and Kuwait floods, offset by favorable development in the estimated cost for California wildfires, and
 - 6.5% in Q1 2019 primarily driven by 2018 developments of Japanese typhoons Jebi and Trami.
- A robust net attritional loss and commission ratio of 81.4%⁴, thanks to the strong performance of underlying portfolios,
- An expense ratio of 7.1% benefiting from the growth in premium.

The H1 2019 normalized net combined ratio stands at 95.5%⁵, in line with the ~95%-96% assumption of “Vision in Action”.

At the June-July renewals, SCOR Global P&C confirmed the positive trends observed during the January and April renewals with YTD renewed premiums growing by 10.2%. YTD price improvement now stands at +1.7% with June-July pricing up 3.8%. The June-July renewal accounts for less than 15% of SCOR Global P&C’s book, of which roughly 95% is now renewed. Renewed premiums in June-July are up by 6.2% at constant exchange rates to EUR 650 million. Amid improving market conditions, SCOR Global P&C maintained its disciplined underwriting approach, growing with existing clients across all geographies. In the U.S., the book remained stable, namely in Cat markets, where we continue to limit our exposure to Florida specialists.

³ Tornadoes and cyclone in the U.S., floods in Brazil, European storm.

⁴ In H1 2018, the commission ratio included a one-off 0.7% impact of sliding scale commissions which are a feature of some specific large contracts in China; this impact offsets reduced loss ratios.

⁵ See Appendix E of the H1 2019 Earnings Presentation for the detailed calculation of the combined ratio.

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SCOR Global Life successfully delivers on “Vision in Action” and records a strong technical profitability in H1 2019

In H1 2019, SCOR Global Life’s gross written premiums stand at EUR 4,564 million, up 1.2% at current exchange rates (down 2.6% at constant exchange rates) compared to H1 2018. This variation is largely driven by the renewal of certain Financial Solutions deals as fee business (rather than as premiums) in H1 2019.

Excluding these deals, gross written premiums would have grown by 3.8% at constant exchange rates, driven by positive business growth in North America and Asia.

SCOR Global Life key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Gross written premiums	4,564	4,511	+1.2%	2,297	2,220	+3.5%
Life technical margin	7.2%	6.9%	+0.3 pts	7.2%	7.0%	+0.2 pts

Premium growth is in line with “Vision in Action” assumption of 5-6% over the cycle. This translates for 2019 to an expected normalized growth rate of 2% to 4% at constant FX.

The technical results stand at EUR 304 million in H1 2019.

The technical margin of 7.2%⁶ in H1 2019 is strong and in line with “Vision in Action” assumptions, benefiting from:

- Positive impact of 0.4% from certain Financial Solutions deals that renewed in H1 2019 as fee business⁷;
- Solid technical result from inforce business. U.S. claims are approximately EUR 130 million⁸ higher than in H1 2018, balanced by active portfolio management and a strong reserve position;
- Profitability of new business in line with the Group’s ROE target.

SCOR Global Investments successfully completes “Vision in Action”, with an average return on invested assets in the high part of the initial assumption, and delivers a strong return on invested assets in the first half of 2019

SCOR Global Investments successfully completes “Vision in Action” with an average return on invested assets of 3.1%, in the upper end of the initial 2.5% - 3.2% range.

Total investments reach EUR 27.5 billion, with total invested assets of EUR 19.5 billion and funds withheld⁹ of EUR 8.0 billion.

⁶ See Appendix F of the H1 2019 Earnings Presentation for the detailed calculation of the Life technical margin.

⁷ See Appendix F of the H1 2019 Earnings Presentation for the calculation of the impact of the fees business on the Life technical margin.

⁸ Estimation after allowance for natural aging of the inforce, and allowance for new business on the book

⁹ Funds withheld & other deposits.

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The portfolio positioning reflects the current environment:

- Liquidity at 8%;
- Corporate bonds at 44% (vs. 48% in Q1 2019);
- Fixed income portfolio of very high quality, with an average rating of A+, and a duration at 3.8 years¹⁰.

SCOR Global Investments key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Total investments	27,552	27,325	+0.8%	27,552	27,325	+0.8%
▪ of which total invested assets	19,496	19,041	+2.4%	19,496	19,041	+2.4%
▪ of which total funds withheld by cedants and other deposits	8,056	8,284	-2.7%	8,056	8,284	-2.7%
Return on investments ^(*)	2.3%	2.1%	+0.2 pts	2.3%	2.2%	+0.1 pts
Return on invested assets ^(**)	2.8%	2.5%	+0.3 pts	2.7%	2.6%	+0.1 pts

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

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

The investment portfolio remains highly liquid, with financial cash flows¹¹ of EUR 6.6 billion expected over the next 24 months.

Investment income on invested assets stands at EUR 309 million in H1 2019, generating a return on invested assets of 2.8%. This performance is supported by a strong income yield, which stands at 2.6% in H1 2019.

The reinvestment yield stands at 2.2% at the end of H1 2019¹², reflecting the lower yield environment.

Under current market conditions, SCOR Global Investments expects an annualized return on invested assets in the 2.7%-3.0% range for FY 2019.

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¹⁰ Compared to 4.3 years in Q1 2019 on fixed income portfolio (3.9-year duration on total invested assets vs. 4.3 years in Q1 2019).

¹¹ Investable cash: includes current cash balances, and future coupons and redemptions.

¹² Corresponds to theoretical reinvestment yields based on Q2 2019 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 June 30, 2019.

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APPENDIX

1 - P&L key figures H1 and Q2 2019 (in EUR millions, at current exchange rates)

<i>In EUR millions (rounded, at current exchange rates)</i>	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Gross written premiums	8,010	7,537	+6.3%	4,025	3,766	+6.9%
P&C gross written premiums	3,446	3,026	+13.9%	1,728	1,546	+11.8%
Life gross written premiums	4,564	4,511	+1.2%	2,297	2,220	+3.5%
Investment income	309	279	+10.6%	153	145	+5.4%
Operating results	480	508	-5.5%	264	266	-0.8%
Net income¹	286	262	+9.2%	155	96	+61.5%
Earnings per share (EUR)	1.54	1.39	+11.2%	0.83	0.51	+64.4%
Operating cash flow	33	253	-87.0%	-84	130	-164.6%

1: Consolidated net income, Group share.

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2 - P&L key ratios H1 and Q2 2019

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	H1 2019	H1 2018	Variation	Q2 2019	Q2 2018	Variation
Return on investments ¹	2.3%	2.1%	+0.2 pts	2.3%	2.2%	+0.1 pts
Return on invested assets ^{1,2}	2.8%	2.5%	+0.3 pts	2.7%	2.6%	+0.1 pts
P&C net combined ratio ³	93.7%	91.4%	+2.3 pts	92.9%	91.1%	+1.8 pts
Life technical margin ⁴	7.2%	6.9%	+0.3 pts	7.2%	7.0%	+0.2 pts
Group cost ratio ⁵	4.9%	5.0%	-0.1 pts	4.9%	4.9%	-0.0 pts
Return on equity (ROE) ¹	9.8%	8.8%	+1.0 pt	10.5%	6.5%	+4.0 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.

3 - Balance sheet key figures as on June 30, 2019 (in EUR millions, at current exchange rates)

	As on June 30, 2019	As on December 31, 2018	Variation
Total investments ^{1,2}	27,552	27,254	+1.1%
Technical reserves (gross)	30,207	30,253	-0.2%
Shareholders' equity	6,088	5,828	+4.5%
Book value per share (EUR)	32.59	31.53	+3.3%
Financial leverage ratio	26.4%	27.5%	-1.1 pts
Total liquidity ³	1,705	1,214	+40.5%

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.

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4 - “Vision in Action” targets

	Targets
Profitability	ROE > 800 bps above 5-year risk-free rate ¹ , over 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 - “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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Forward-looking statements

SCOR does not communicate "profit forecasts" in the sense of Article 2 of (EC) Regulation n°809/2004 of the European Commission. Thus, any forward-looking statements contained in this communication should not be held as corresponding to such profit forecasts. Information in this communication may include "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions and include any statement which does not directly relate to a historical fact or current fact. 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, 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".

Financial information

The Group's financial information contained in this report 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 July 25, 2019.

The first half 2019 financial information included in this report 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 June 30, 2019, should not be taken as a forecast of the expected financials for these periods.

The estimated Q2 2019 solvency results were prepared on the basis of the business structure in existence at December 31, 2018, and tax assumptions consistent with those applied to the 2018 annual IFRS Group financial statements.