2018 FINANCIAL CONDITION REPORT

SCOR SWITZERLAND AG

SCOR
The Art & Science of Risk

CONTENTS

01 MANAGEMENT SUMMARY

MANAGEMENT SUMMARY

SCOR Switzerland AG (hereinafter "the Company") is the legal operating entity of SCOR, an independent global tier-1 reinsurance company, in Switzerland. It is licensed and supervised by the Swiss Financial Market Supervisory Authority ("FINMA") and operates in the Property & Casualty (P&C) reinsurance segment.

The Company reports a profit for the financial year 2018 of EUR 74.9 million as compared to EUR 31.8 million in 2017. The main driver of net income in 2018 is the improved technical result from reinsurance operations due to lower natural catastrophe losses compared to 2017.

The Company's shareholders' equity reached EUR 1'205.1 million at 31 December 2018, which represents a decrease of EUR 75.2 million compared to 31 December 2017, following the payment of a EUR 150.0 million dividend.

The Company reports a solvency ratio of 181% according to the Swiss Solvency Test (SST), representing a decrease of 35%-pts compared to the previous year mainly driven by the growth in assumed business.

The continuous assessment and control of the various risks the Company is exposed to is an important management objective. Several processes and tools for identifying and assessing risks have been implemented at SCOR Switzerland AG as well as at the level of SCOR Group to approach risk from different perspectives and to manage them in an exhaustive manner.

The Company's Executive Management experienced various changes during 2018. On 1 April 2018, Andreas Frank was appointed Chief Executive Officer succeeding Benjamin Gentsch who stepped down. Thomas Haegin joined the Executive Management Team as Chief Technical Officer in August 2018.

02 BUSINESS ACTIVITIES

BUSINESS ACTIVITIES

SCOR Switzerland AG is part of the SCOR Group, a tier-1 reinsurance group that provides insurance companies with a diversified and innovative range of solutions and services to control and manage risk, serving more than 4'000 clients in the Americas, EMEA and APAC. The Group's subsidiaries, branches and offices are connected through a central network of applications and data exchange platforms, which allow local access to centralized risk analysis, underwriting or pricing databases and also gives access to information on local market conditions.

SCOR Switzerland AG is the regulated legal operating entity of the SCOR Group in Switzerland and operates in the Property & Casualty (P&C) reinsurance segment. Since 2001, the Company is fully licensed and supervised by the Swiss Financial Market Supervisory Authority ("FINMA").

The Company plays an essential role in the SCOR Group and carries prior underwriting year business as well as internal retrocession business from various entities of the SCOR Group. The assumed underwriting business focus is on selected reinsurance and insurance risks, mostly mainstream risks covered in P&C. SCOR Switzerland is targeting a diversified portfolio in terms of business and geography covering various lines of business such as Property, Property Cat, Motor, Credit & Surety, Casualty, Engineering, Marine and Offshore and other smaller portfolios.

The portfolio of assumed reinsurance business from other entities of the SCOR Group was largely stable in 2018 as compared to the previous year, with the exception for a reduction in share of a proportional cession by one SCOR Group entity. The assumed business is expected to increase in 2019 as the Company has entered into new reinsurance contracts with SCOR Group entities and / or assumes higher shares from existing ceding entities.

SCOR Switzerland AG buys reinsurance from its parent company to mitigate peak risk and protect its capital. In addition, the Company grants loans to other SCOR Group entities and receives such loans from other entities of the SCOR Group. For further details we refer to the respective chapter in the Annual Report.

The Company is fully owned by SCOR Holding (Switzerland) AG. Its ultimate parent company is SCOR SE, France. The Company holds a participation in SCOR Holding (UK) Ltd. It hasn't had any branches for the last two years.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) and have been audited by Mazars SA, Herostrasse 12, 8048 Zurich.

03 PERFORMANCE

PERFORMANCE

The Company reports a profit for the financial year 2018 of EUR 74.9 million as compared to EUR 31.8 million in 2017. The main contributors to the net income in 2018 were the technical result from reinsurance operations as well as the positive contributions from investment activities.

3.1 TECHNICAL RESULT

Gross premium written in 2018 amounted to EUR 1’239.1 million, which represents a decrease of EUR 175.5 million or 12.4% compared to 2017. Almost all premium written by the Company in 2018 and 2017 was related to reinsurance business accepted from other entities of the SCOR Group. The decrease in premium is mainly driven by minor changes in the portfolio structure and, in particular, the decreased share in a proportional cession by one SCOR Group entity. The changes in the foreign exchange rates had a negative impact on the gross premium written of EUR -23.0 million compared to the previous year. SCOR Switzerland AG is also a buyer of reinsurance to mitigate risk and to protect its capital. In 2018, it recorded ceded premium to reinsurers of EUR 33.9 million as compared to EUR 37.1 million in 2017.

The Property line of business represents approximately 43% of the total premium, largely in line with the previous year. The Miscellaneous line of business which includes Engineering, Credit & Surety and Agriculture accounts for 20% of the premium and is also largely stable compared to last year. The Motor line dropped from 16% to 13% of the total premium driven by the share reduction of an internal cession, whereas the Casualty and the Marine, Aviation and Transport lines remained broadly stable with 10% and 11% respectively.

The year 2018 was characterized by major natural catastrophes mainly in North America impacting the loss ratio by 7%-pts. These include, among others, the hurricanes Michael and Florence and the wildfires in California. The losses from natural catastrophes were partially offset by the positive development of the Casualty book. Overall, the net loss ratio for the year 2018 is 54.8% compared to 65.9% one year ago. The result in the year 2017 was impacted by natural catastrophes such as the hurricanes Irma, Maria and Harvey and the wildfires in California. In addition, the Motor line of business was negatively affected by the revision of the Ogden discount rate in the UK which is used to calculate the lump-sums to be paid in compensation for future losses or expenses following bodily injuries.

The acquisition costs and administration expenses are largely in line with last year at 34.5% as compared to 34.6% of the net premium earned. Whilst the acquisition costs increased slightly compared to 2017, mainly driven by higher loss sensitive commissions on certain portfolios, the administration expenses have decreased.

Overall, the technical result from reinsurance operations recorded by the Company, which comprises technical income, net claims expenses and technical expenses, resulted in a gain for the year 2018 of EUR 75.6 million compared to a loss of EUR 35.1 million in 2017.

3.2 NET INVESTMENT INCOME

Net income from investments amounts to EUR 27.5 million in 2018, a decrease of EUR 73.7 million compared to 2017. The total net realized and unrealized gains and losses on investments amounted to a loss of EUR 11.4 million in 2018 as compared to a gain of EUR 61.8 million in the previous year. The decrease was mainly driven by the negative development of the shares portfolio in 2018 compared to 2017.

The Company received dividends from its participation SCOR Holding (UK) Ltd. of EUR 4.0 million in 2018, whereas the dividend from that same participation amounted to EUR 4.7 million in 2017.

All gains or losses are posted through Income Statement and no gain or loss was recorded directly in Shareholders' Equity.

The following tables show a detailed breakdown of investment income and expenses:

Investment income as per	2018				2017			
In EUR million	Investment income	Realised gains	Unrealised gains	Total	Investment income	Realised gains	Unrealised gains	Total
Participations	4.0	-	-	4.0	4.7	-	-	4.7
Bonds	25.9	2.7	-	28.6	27.9	11.4	-	39.3
Loans	5.2	-	-	5.2	5.2	-	-	5.2
Shares	-	4.3	1.8	6.1	0.8	0.4	65.4	66.6
Other investments	5.1	0.1	-	5.2	3.4	2.2	-	5.6
INVESTMENT INCOME	**40.2**	**7.1**	**1.8**	**49.1**	**42.0**	**14.0**	**65.4**	**121.4**

Investment expenses as per	2018				2017			
In EUR million	Investment expenses	Realised losses	Unrealised losses	Total	Investment expenses	Realised losses	Unrealised losses	Total
Participations	-	-	-	-	-	-	-	-
Bonds	(1.1)	(1.5)	-	(2.6)	(2.4)	(4.0)	-	(6.4)
Loans	-	-	-	-	-	-	-	-
Shares	-	(18.8)	-	(18.8)	(0.3)	(1.1)	(7.7)	(9.1)
Other investments	(0.2)	(0.1)	-	(0.3)	-	(0.1)	(4.7)	(4.8)
INVESTMENT EXPENSES	**(1.3)**	**(20.4)**	**-**	**(21.7)**	**(2.7)**	**(5.2)**	**(12.4)**	**(20.3)**

3.3 OTHER INCOME AND EXPENSES

Other financial income and expenses amount to 2.1 million (expenses) in 2018 as compared to 19.1 million (expenses) in the previous year and mainly consist of realized and unrealized foreign currency gains and losses.

Interest expenses of 3.6 million (2017: 3.8 million) are mainly related to annual interest payments for the perpetual subordinated loan of CHF 125 million granted by SCOR Holding (Switzerland) AG.

Income Tax expenses increased by EUR 9.8 million from 10.0 million in 2017 to an amount of EUR 19.8 million in 2018 due to higher profit in the current year.

04
CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE AND RISK MANAGEMENT

4.1 CORPORATE GOVERNANCE

The Board of Directors and the Executive Management are composed as follows:

BOARD OF DIRECTORS

Name	Nationality	Date appointed		Term expires
Denis Kessler (Chairman)	French	23 March 2009	Re-elected 19 April 2018	2019
Peter Eckert (Vice-Chairman)	Swiss	23 March 2009	Re-elected 19 April 2018	2019
Paolo De Martin	Italian	19 March 2008	Re-elected 19 April 2018	2019
Georges Chodron de Courcel	French	23 March 2009	Re-elected 19 April 2018	2019
Victor Peignet	French	23 March 2009	Re-elected 19 April 2018	2019
J. Friedrich Sauerländer	Swiss	23 March 2009	Re-elected 19 April 2018	2019
Jean-Claude Seys	French	23 March 2009	Re-elected 19 April 2018	2019
Frieder Knüpling	German	22 May 2013	Re-elected 19 April 2018	2019

MEMBERS OF THE BOARD OF DIRECTORS WHO STEPPED DOWN IN 2018

Name	Nationality	Date appointed	Date resigned
n.a.			

EXECUTIVE MANAGEMENT

Name	Nationality	Effective date of appointment
Andreas Frank (Chief Executive Officer and Chief Financial Officer)	German	Chief Executive Officer: 1 April 2018 Chief Financial Officer: 25 August 2011
Patrick Brunner (Chief Risk Officer)	Swiss	1 October 2014
Thomas Haegin (Chief Technical Officer)	Swiss	23 August 2018

EXECUTIVES WHOSE TERM OF OFFICE ENDED IN 2018

Name	Nationality	Effective date of appointment	End of term of office
Benjamin Gentsch (Chief Executive Officer)	Swiss	1 September 2007	1 April 2018

4.2 RISK MANAGEMENT

The Company has consistently implemented, based on the principle of proportionality, SCOR's Risk Management system which comprises:

- The Risk Appetite Statement which defines the types of risks SCOR is willing to accept and the risk tolerance limits.
- The Enterprise Risk Management (ERM) Framework which is the range of Group-wide Risk Management mechanisms used to ensure that the Risk Appetite Framework is respected.

The Company's risk appetite is aligned to SCOR Group's risk appetite (with the exception of Life risks, for which the Company has no appetite) and targets contributing to the Group's upper mid-level risk profile, by closely monitoring and mitigating its exposure to extreme tail events. The volatility is controlled through diversification of assumed underwriting risk and capital shield mechanisms.

As part of its Risk Appetite Statement the Company has implemented risk tolerances. These tolerances are subdivided into a solvency target and a system of limits on more granular risk metrics.

The continuous assessment and control of the risks is an important management objective. Several processes and tools for identifying and assessing risks have been implemented at SCOR Switzerland AG as well as at the level of SCOR Group to approach risk from different perspectives and to manage them in an exhaustive manner. Specifically, tailored entity processes include:

- A risk information process: every quarter, the Executive Management and Board of Directors review the Risk Dashboard, which describes and assesses the major risks the Company is exposed to. This report collates various risk assessments from different identification and assessment processes for all risk categories.
- A process for the monitoring of risk exposures against risk tolerances, i.e. the limits established in order to ensure that the Company's risk profile remains aligned with the risk appetite.
- Processes with relevance for the reliability of financial reporting are identified within the Internal Control System and appropriate key controls are defined to mitigate the financial reporting risk.

4.2.1 KEY CONTROL FUNCTIONS

Risk Management Function

The Risk Management Function is responsible for the monitoring and reporting of the Company's risk profile, in line with the Company's Risk Appetite Statement, and of the effectiveness of the Risk Management system. The Risk Management Function regularly reports and advises the Board of Directors, Executive Committee and / or related committees on these and other Risk Management matters through the use of regular and ad-hoc risk analyses.

The Risk Management team, led by the Company's Chief Risk Officer, undertake this role, with the support of other teams. The Company's CRO is appointed by the Board of Directors and is a member of the Executive Committee.

Compliance Function

The Compliance Function performs compliance activities to identify, assess, mitigate, and report compliance risks and matters. The Head of the Compliance Function is appointed by the Company's Board of Directors and advises the Audit and Risk Committee and Management on compliance matters.

The Company's compliance plan defines the compliance activities to be undertaken during each upcoming year. The plan as well as an independent assessment of key compliance risks is presented to the Audit and Risk Committee for review.

Actuarial Function

The Actuarial Function is the owner of the Company's reserving process and is required to carry out timely completion of reserve analyses and actuarial reserve reports. In addition to ensuring adequate technical reserves, the Responsible Actuary is responsible for ensuring proper pricing principles are used and that the solvency ratio is calculated correctly. The Responsible Actuary is required to report to both the Executive Committee and the Audit and Risk Committee of the Board of Directors.

The Responsible Actuary is appointed by the CEO of the Company as per the Organisational By-Laws, subject to FINMA's accreditation.

Internal Audit Function

Internal Audit assists the Board of Directors in providing independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of the Company's governance, policies and guidelines, Risk Management, and Internal Control System, as well as compliance of operations with applicable policies and guidelines.

The Company's Board of Directors appoints the Head of Internal Audit. The Audit and Risk Committee defines the responsibilities of the Head of Internal Audit and its teams regarding the Company matters. The Head of Internal Audit reports on a regular basis to the Audit and Risk Committee.

4.2.2 INTERNAL CONTROL SYSTEM (ICS)

The ICS forms an integral part of the Company's Enterprise Risk Management (ERM) Framework. The ICS contributes to ensuring compliance with laws and regulations, as well as accessibility and reliability of financial and non-financial information.

It is being deployed on various business and support areas such as Underwriting, Pricing, Technical and Financial Accounting, Claims, Reserving, Investment & Asset Management, Financial and Non-Financial Valuation & Reporting, IT, Human Resources and Risk Management.

05

RISK PROFILE

RISK PROFILE

The Company targets a diversified portfolio in terms of business and geography covering various lines of business and a high diversification in terms of duration, currency, counterparty and geography. This diversification aims to reduce Concentration Risks and volatility and reduces the aggregate risk of the Company.

The material risks, which are quantified using the Company's Internal Model, are as follows:

- Insurance Risk
- Market Risk
- Credit Risk

The following table provides a breakdown of the SST one-year change, respectively capital requirement. The Company is predominantly exposed to Insurance Risk. A detailed breakdown of these risks and an explanation of year-on-year changes is provided in Chapter 8.2.

SST One-Year Change breakdown: Diversified risk figures	2019 in EURm	in %	2018 in EURm	in %
Insurance Risk	610	70%	564	74%
Market Risk	185	21%	167	22%
Credit Risk	130	15%	109	14%
SST Scenarios & Other Impacts	95	11%	95	12%
Diversification effects	-153	-18%	-169	-22%
One-Year Change	**867**	**100%**	**767**	**100%**

As shown in the table above, the risk profile remains largely stable in relative terms and has slightly increased in overall absolute terms compared to the previous year.

In addition to those risks, the Company is also exposed to Operational, Strategic, Liquidity, Group and Emerging risks. Though these risks, net of mitigation, are deemed not to be material, they are nevertheless evaluated at least qualitatively and managed through specific processes.

Concentration Risks arising from dependencies within and across underwriting, investing or lending activities are analysed within their respective risk categories. These are considered to be material and are therefore managed and monitored accordingly.

5.1 INSURANCE RISK

The main risks linked to the P&C reinsurance business underwritten by the Company are P&C long-tail reserves deterioration and natural and man-made catastrophes, including terrorism.

P&C Long-Tail Reserve Deterioration

This is the risk that the P&C claims inflation is higher than assumed in the calculation of the Technical Provisions and mostly affects the long-tail lines of business. Claims inflation is influenced by, but not directly linked to general inflation.

Natural and Man-Made Catastrophes

The Company is exposed to multiple insured losses arising from single or multiple events, which can be catastrophic, being either caused by nature (e.g. hurricane, typhoon, windstorm, flood, hail, severe winter storm, earthquake) or man-made (e.g. explosion, fire at a major industrial facility, act of terrorism). Any such catastrophic event can generate insured losses in one or several lines of business.

The most material catastrophes in the Company's risk profile are related to natural events such as tropical cyclones, windstorms, earthquakes and floods arising worldwide, and affecting property, engineering and possibly other lines of business. The natural catastrophe portfolio is geographically well diversified and effective retrocession protection is in place. The peril-regions to which the global natural catastrophe portfolio has the largest exposure to are North American Hurricane and European Windstorm.

The Company is exposed to man-made catastrophes, defined as negligent or deliberate human actions, e.g. conflagration, a large explosion and fire at a major industrial site, and terrorism.

Risk Management

Insurance risks are controlled and managed in accordance with the underwriting plan and underwriting guidelines. The quality of the underwriting is assessed through underwriting cross reviews and regular reviews of technical results by business area and region together with a close monitoring of the utilization of capacities and accumulation of Natural Catastrophe and per-risk events.

Each risk is subject to peer review prior to being bound. Each underwriter has individual referral authority thresholds which minimize the volatility impact of individual cases. Pricing and Natural Catastrophe protocols also ensure that larger risks are assessed by senior experienced staff.

Reserve adequacy is supported by strong governance. A yearly reserve opinion is provided to the Board of Directors by the Company's Responsible Actuary. The Company maintains strong quarterly and annual reserving processes with regular oversight by the Company's Responsible Actuary.

5.2 MARKET RISK

Market Risk consists of investment, interest rate and currency risk. The investment portfolio is highly diversified by duration, currency and counterparty and the geography of the assets are well matched with the Company's liabilities.

Limits exist for asset class exposures and are set by the Company's Board of Directors and form an integral part of the strategic asset allocation process and investment roadmap. Additional investment restrictions are defined by asset class, asset concentration, cash exposure by counterparty, and fixed income rating.

5.3 CREDIT RISK

The Company is subject to Credit Risk on its invested assets, receivables from retrocessionaires and receivables and deposits from cedants. The Company has a low appetite for counterparty Credit Risk and hence it has set a strategy in its investment guidelines to mitigate this risk.

Its main retrocessionaires are SCOR Group entities, which themselves employ outward reinsurance and other risk mitigating techniques.

5.4 OPERATIONAL RISK

Operational Risks are inherent to all businesses, including SCOR's, and may be split into four broad categories.

- **Staff:** Failure to attract or retain key personnel, human error and non-compliance with internal policies, internal fraud and intentional damage to the Company's assets, including data, by personnel.
- **Systems or facilities:** Breakdown, outage or disruption of IT systems leading to the loss of data or delay in business activities as well as business interruptions to natural or man-made perils impacting the Company's and related service providers' facilities.
- **Processes:** Inappropriate or insufficient processes and controls, including inadequate level of service and breaches of contracts and other commitments, including processes from outsourced activities.
- **External events:** External events outside of the Company's control, such as evolving or additional legal and regulatory constraints as well as external fraud and misappropriation of the Company's assets by third parties, including cyber-attacks.

Within SCOR's Internal Control System (ICS) process owners identify critical Operational Risks within the processes assigned to their area of responsibility and operate appropriate key controls maintaining the net risk exposure at or below an acceptable level.

Operational Risks, net of mitigation, are assessed to be non-material for the Company. This assessment is based on the Company's position within the Group and the business portfolio. On risks which may develop rapidly, such as external fraud, risk mitigation is adapted frequently.

5.5 CONCENTRATION RISK

Concentration Risks mainly impact 3 categories of risk individually or collectively:

- Insurance Risks, in particular through catastrophes and other accumulation risks across lines of business or within certain geographical areas.
- Market Risks, in particular in case of major events impacting specific types of assets to which SCOR is exposed.
- Credit Risks, in case of major events impacting certain types of counterparties or certain individual counterparties to which SCOR is exposed.

Insurance Concentration Risks are mitigated through regular monitoring and through utilizing catastrophe modelling technological solutions and regular exposure reporting to underwriters and Underwriting Management. Exposures to specific lines of business and geographies are limited within the underwriting guidelines. Monitoring against compliance with underwriting guidelines is ensured via on-site ongoing oversight exercised by Underwriting Management and periodic reviews.

As described above, Market and Credit Risks, including Concentration Risks related to these, are managed and monitored according to pre-defined exposure limits. The investment objectives, limits and restrictions are defined in the Company's investment guideline.

5.6 REINSURANCE AND RISK MITIGATING TECHNIQUES

Reinsurance Program

The Company has put in place a reinsurance program, which protects the Company from large events in line with the risk profile.

The retrocession structure in place provides efficient and comprehensive protection against large losses. The Company is protected both on a per risk basis and a per event basis. Overall, the Company is adequately protected against adverse developments of its capital base due to the occurrence of one or multiple catastrophic losses.

Currency Fluctuation Risk

Exchange rates fluctuations can have an adverse effect on the Company's Net Asset Value. The Company hedges its monetary balance sheet position against FX fluctuations, but not the solvency ratio. This may give rise to potential fluctuations in the SST ratio over time.

5.7 OTHER RISK

The Company has no exposure or membership in a Special Purpose Vehicle (SPV). Other off-balance sheet commitments are limited to pledged assets and letters of credit. Pledged assets and letters of credit are inherent to conducting reinsurance business in compliance with local regulations and help ensure the liquidity of clients.

Based on the assessment of free assets, these balances pose no material risk to the Company. For details, see the respective note section in the SCOR Switzerland AG Annual Report.

06
VALUATION

VALUATION

The following table outlines the major components of SSAG's SST Balance Sheet year-on-year:

SST Balance Sheet (in EUR million)		SST 2019	SST 2018
Assets	Goodwill	0	0
	Deferred acquisition costs	0	0
	Intangible assets	0	0
	Deferred tax assets	0	0
	Property, plant & equipment held for own use	0	0
	Investments (other than assets held for index-linked and unit-linked funds)	2'593	2'751
	Loans and mortgages	289	288
	Reinsurance recoverables	30	68
	Deposits to cedants	1'099	1'296
	Insurance & intermediaries' receivables	109	77
	Reinsurance receivables	1	1
	Receivables (trade, not insurance)	18	20
	Cash and cash equivalents	54	47
	Any other assets	1	1
	Total Assets	**4'195**	**4'548**
Liabilities	Total reserves - Non-Life	2'240	2'505
	Other technical provisions	0	0
	Provisions other than technical provisions	0	0
	Pension benefit obligations	0	0
	Deposits from reinsurers	-1	2
	Deferred tax liabilities	0	0
	Derivatives	12	6
	Debts owed to credit institutions	0	0
	Financial liabilities other than debts owed to credit institutions	117	118
	Insurance & intermediaries' payables	34	19
	Reinsurance payables	8	5
	Payables (trade, not insurance)	5	3
	Subordinated liabilities	113	110
	Any other liabilities	0	0
	Total Liabilities	**2'527**	**2'769**
Risk-Bearing Capital	Total Assets - Total Liabilities	1'668	1'779
	Expected Dividend Payments	(80)	(150)
	Supplementary Capital	113	110
	Risk-Bearing Capital	**1'701**	**1'739**

The SST Balance Sheet is established according to the Swiss Solvency Test and is the basis for determining the Risk-Bearing Capital considering the economic value of the Balance Sheet, expected dividends and supplementary capital.

The Company's total SST Balance Sheet amount is lower compared to one year ago, mainly due to the reduction in share of a proportional cession by one SCOR Group entity, as well as the unwinding of reserves held for the World Trade Center loss from 2001 following the settlement agreement. In addition, the Company has paid a dividend of EUR 150 million.

The Risk-Bearing Capital decreases by EUR 39 million compared to last year. The main drivers of the decrease relate to a reduction in market value of invested assets during 2018 in line with the development of the financial markets, as well as an expected dividend payment of EUR 80 million in 2019.

The investments of SSAG are largely traded in deep and liquid markets and therefore booked mark to market, or their prices are reproducible by generally accepted valuation models and therefore booked close-to-market.

The valuation of all other positions is based on models using observable market parameters wherever possible and unbiased, best-estimates for all other parameters. Those positions, predominantly obligations from insurance contracts, are therefore booked on a mark-to-model basis. The major assumption underlying the economic valuation of liabilities is related to the replacement of unearned premium reserves by their economic expected loss, the discounting of all future cash flows of premiums, losses and reserves using risk-free yield curves and to some extent also the consideration of reserve adequacy adjustments.

The total difference between excess of Total Assets over Total Liabilities in the SST Balance Sheet of EUR 1'668 million and the statutory shareholders' equity amounts to EUR 461 million, of which EUR 79 million result from asset revaluations and EUR 382 million from revaluation of liabilities.

The impact of asset revaluations on the Risk-Bearing Capital as compared to statutory account is driven by:

Difference between Market Value to book value of the Company's invested assets:

- Participations EUR 23 million
- Real estate EUR 30 million
- Bonds / Bond Funds EUR -13 million
- Equities / Equity Funds EUR 38 million
- Loans / Loans Funds EUR 4 million

Best estimate valuation of reinsurance assets:

- Reinsurance recoveries EUR -3 million

The liability valuation impact on the Risk-Bearing Capital relates to:

- Liability revaluations related to discounting and other Economic Risk valuation considerations including UPR of EUR -386 million, mainly consisting of future premium and future claims EUR -220 million and discounting EUR -116 million
- Subordinated Debt valuation at fair value EUR 3 million

All other valuations are identical between the SST Balance Sheet and the statutory accounts.

The Market Value Margin of EUR 134 million is defined via the Cost of Capital approach multiplying the total of the discounted risks that cannot be hedged otherwise on the market over the remaining runoff-years at risk with the cost of capital rate of 6%.

07
CAPITAL MANAGEMENT

CAPITAL MANAGEMENT

Capital Management is at the core of the Company's strategy. The Company's goal is to manage its capital in order to maximize its profitability, while meeting its solvency target range, in line with its risk profile as defined by the Company's risk appetite and tolerances and its operating plan.

The capital planning is based on the financial operating plan. The Company also performs 3-years capital projections, considering IFRS and regulatory capital projections, in the context of the Own Risk and Solvency Assessment (ORSA).

Shareholders' Equity

The equity decreased in 2018 by EUR 75.2 million from EUR 1'280.3 million to EUR 1'205.1 million. The following table shows a detailed breakdown:

In EUR million	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
Balance as of 31 December 2017	**332.8**	**446.8**	**166.4**	**334.2**	**1'280.3**
Dividend paid to shareholders	-	-	-	(150.0)	(150.0)
Profit / (loss) of the year	-	-	-	74.9	74.9
Balance as of 31 December 2018	**332.8**	**446.8**	**166.4**	**259.1**	**1'205.1**

Valuation differences between the shareholders' equity position of EUR 1'205.1 million and the SST Balance Sheet are explained in detail in Chapter 6 Valuation. In addition, SST Risk-Bearing Capital allows for hybrid debt capacity and requires the estimation of expected dividend payments during 2018.

08 SOLVENCY

SOLVENCY

8.1 INTERNAL MODEL

The Company uses its internal model to adequately assess the solvency capital requirement as of end of year 2018. The internal model is a stochastic model with a strong modular approach. Modelling the risk at the sources is one of the general principles which determined the architecture of the Company's internal model. Therefore, the Company's internal model framework consists of several sub-modules covering different risk categories: An economic scenario generator (ESG) generates scenarios for economic variables; modules for modelling Life and P&C insurance risks; a consolidation module which centrally aggregates data from the various sub-models, and which additionally models invested assets, Credit and Operational Risk, and allows for further dependencies between the risks not taken into account in the sub-models, produces results at defined level of granularity, and eventually calculates the one-year change and market value margin.

The Company's internal model follows a full Balance Sheet approach where future cash flows from rights and obligations of the modelled entity are valued as positions in the modelled SST Balance Sheet. Uncertainty is quantified by stochastically projecting the start year modelled SST Balance Sheet one year forward into the future. This projection allows for risks such as forecasted changes in the financial markets, losses and catastrophes, and dependencies between the different risk factors.

A stochastic distribution of the change in economic value over a one-year horizon is generated which is used for determining the solvency capital requirement and reporting of other risk quantities for the Company.

The necessity to use the internal model for the adequate quantification of the Company's risk is related to the complex risk structure the Company is exposed to: the portfolio comprises proportional, non-proportional and facultative reinsurance as well as Lloyd's Syndicates. The Company reinsures world-wide subsidiaries of SCOR Group thereby optimizing the diversification of the various portfolios. The Company owns SCOR Holding (UK) Ltd. and a diverse spectrum of asset classes in various currencies, containing equities, bonds, and real estate investments.

As standard models do capture only in part the complexity of the Company's world-wide exposed diversified risk profile related to Reinsurance, Market and Credit Risk, the use of the internal model is required for proper risk assessment and capital management.

In summary, the internal model values the various risks (including their dependencies) the Company is exposed to on an economic basis. During 2018, the Company has successfully outlined its needs for continuous use of a full internal model for SST purposes and filed its internal model documentation in the context of the reapplication process to FINMA.

With the ordinance issued on 24 March 2019, FINMA approved the internal model and allows the Company its unconditional use excluding for the parts of the model that refer to Credit Risk and dependencies between Credit and Market Risk.

8.2 TARGET CAPITAL

The results of the target capital year-on-year are displayed in the following table, including the market value margin and the one-year change, split by standalone major risks and their diversification effect:

Target Capital by Risk Category (in EUR million)		Standalone Capital 2019	Standalone Capital 2018
Property & Casualty	P&C Current Underwriting Year	337	309
	P&C Prior Year Business	141	106
	P&C Reserves	242	270
	P&C Total	**610**	**564**
Market [1]	Participation & Investment Risk	57	158
	Currency Risk	137	95
	Interest Risk	45	43
	Other	3	-10
	Market Risk Total	**185**	**167**
Credit	Credit Risk	130	109
Scenarios & Other	FINMA & Own Scenarios, Other	95	95
Total	P&C, Market, Credit and Scenarios	1’020	936
Diversification Effect		-153	-169
Target Capital	**One-Year Change**	**867**	**767**
	Market Value Margin	134	84
	Target Capital	**1’001**	**851**

- Participation & Investment Risk consists of risks stemming from investments in SCOR Holding (UK) Ltd., equities, real estate, and hedge funds.
- Other relates to other income & costs allocated to Market Risk.
- Credit Risk includes Credit Spread Risk, migration and default.
- Scenarios & Other contain capital requirements resulting from predefined scenarios by FINMA and the Company as well as additional capital requirements related to the company’s P&C risk.
- The diversification effect reflects the difference between the total of the risks for P&C, Market, Credit and Scenarios versus the diversified one-year change.

The one-year change increased year-on-year primarily as a result of the increased assumption of internal quota shares of the Company and to a certain extent due to the increase in Credit Spread Risk and reduced Market Risk return expectations (following the reduced market return exposure).

The standalone capital results for P&C total and Market Risk total in the table above are uncentered. They include the expected insurance result and the expected financial (market) result, respectively:

Expected results (in EUR million)	SST 2019	SST 2018
Financial (market) result	-7	17
Insurance result	90	51

The increase in assumed insurance risk is accompanied with an increase of the expected insurance result.

The substantial increase in Market Value Margin of the Company stems from a model change, adapting the SCOR Group standard regarding the evolution of diversification of risks over time.

[1] For this year’s FCR of SSAG, the SST 2018 figures of the individual standalone Market Risk categories are presented after model changes in order to facilitate better year-on-year comparability. The total Market Risk after model changes is lower by EUR 9 Million compared to the reported total Market Risk for SST 2018.

8.3 RISK-BEARING CAPITAL

The Risk-Bearing Capital and its major components are given below for SST 2019 and SST 2018:

Risk-Bearing Capital (in EUR million)	SST 2019	SST 2018
Investments	2'593	2'751
Other Assets	1'602	1'797
Total Assets	**4'195**	**4'548**
Technical Provisions	2'240	2'505
Other Liabilities	287	264
Total Liabilities	**2'527**	**2'769**
Total Assets - Total Liabilities	1'668	1'779
Expected Dividend Payments	(80)	(150)
Supplementary Capital	113	110
Risk-Bearing Capital	**1'701**	**1'739**

Around 62% of total assets are investments, the technical provisions account for 89% of the total liabilities. Further details of the SST Balance Sheet accounts and their valuation principles can be found under Chapter 6.

8.4 SOLVENCY RATIO

For SST 2019, the company's solvency ratio amounts to 181%, which represents a decrease of 35%-pts compared to the previous year.

SST Results (in EUR million)	SST 2019	SST 2018
A. Risk-Bearing Capital	1'701	1'739
B. Market Value Margin	134	88
C. One-Year Change	867	767
Solvency Ratio (A. - B.) / C.	**181%**	**216%**

The decrease in solvency ratio is driven on the risk side by the increase in assumed business and to some degree by the increase in Credit and Market Risk.

In addition, the Market Value Margin of the Company increased substantially, primarily adapting the SCOR Group diversification assumptions over time.

The Risk-Bearing Capital decreased by EUR 39 million, impacted by capital market revaluations and the expected dividend payment of EUR 80 million for the year 2019 which more than offsets the generally positive economic value creation during the year 2018.

Despite these changes, neither the assumed business nor the investment assets portfolio experienced material structural changes during the year.

The disclosed figures have been submitted to FINMA in the context of the SST 2019 and are pending regulatory approval.

09

APPENDICES

A | B

A ANNUAL REPORT 2018 SCOR SWITZERLAND AG INCLUDING THE REPORT OF THE STATUTORY AUDITORS

B QUANTITAVE TEMPLATES

09

APPENDIX - A

ANNUAL REPORT 2018
SCOR SWITZERLAND AG
INCLUDING THE REPORT OF THE
STATUTORY AUDITORS

ANNUAL REPORT 2018

SCOR SWITZERLAND AG

SCOR
The Art & Science of Risk

CONTENTS

01 MANAGEMENT REPORT

1.1 HISTORY AND BACKGROUND

SCOR Switzerland AG (hereinafter the "Company") was officially incorporated in Zug on 19 June 2001 under the name of Converium AG with an initial share capital of CHF 10 million. It is now registered in Zurich with a share capital of CHF 400 million. The name change to SCOR Switzerland AG became effective on 21 September 2007 following the successful conclusion of the public tender offer of Converium Holding AG by the European reinsurer SCOR SE.

The Company is fully owned by SCOR Holding (Switzerland) AG and is part of the SCOR Group with headquarters in Paris, France.

The Company is the legal operating entity of the SCOR Group in Switzerland and operates in the Property & Casualty (P&C) reinsurance segment. It is subject to the supervision by the Swiss Financial Market Supervisory Authority ("FINMA") pursuant to the Swiss Insurance Supervisory Act of 17 December 2004.

In 2009, SCOR Group has restructured certain of its markets. This was implemented by way of various portfolio transfers, which SCOR Switzerland AG agreed with SCOR Group entities to realign market responsibility within the P&C business. By decree dated 24 September 2010, FINMA approved the sale of SCOR Switzerland AG's third party renewal rights for the P&C reinsurance business to SCOR Global P&C SE, Paris, Zurich Branch (SCOR P&C SE Zurich Branch) with effect from 1 January 2011. As of that date, the new risk carrier for new third party P&C reinsurance business is SCOR P&C SE Zurich Branch, whereas SCOR Switzerland AG currently carries on the run-off for the P&C business written prior to 1 January 2011. In addition, new internal quota share retrocession agreements have been set up between SCOR Switzerland AG and certain entities of the SCOR Group whereby reinsurance risks are ceded to the Company. The background for this operational measure was the harmonization and simplification of the risk-carrying structure within the SCOR Group.

As full-fledged subsidiary under FINMA's supervision, SCOR Switzerland AG plays an important role in the SCOR Group, carrying prior underwriting year business as well as being the carrier of a significant amount of internal retrocession business from various entities of the SCOR Group. The assumed underwriting business focus is on selected reinsurance and insurance risks, mostly mainstream risks covered in P&C. SCOR Switzerland is targeting a diversified portfolio in terms of business and geography covering various lines of business such as Property, Property Cat, Motor, Credit & Surety, Casualty, Engineering, Marine and Offshore and other smaller portfolios.

Under the framework of the introduction of the Hub concept at SCOR Group in 2010, all staff formerly employed directly by the Company as well as by other operating entities of the SCOR Group in Switzerland were transferred first to SCOR SE, Paris, Zurich Branch, and later, in 2011, to SCOR Services Switzerland AG as the service providing entity for all entities and branches of SCOR in Switzerland. Therefore, SCOR Services Switzerland AG concluded service agreements with the operating entities to make available personnel for the necessary service provision as determined in the service agreements. Consequently, SCOR Switzerland AG has no direct employees as of today.

On 19 December 2016, the extraordinary shareholders' meeting approved the partial revision of the articles of incorporation of the Company, mainly arising from the changes in the Swiss accounting law.

1.2 RESULTS OF THE YEAR AND FINANCIAL SITUATION

The Company reports a profit in 2018 of EUR 74.9 million as compared to EUR 31.8 million in 2017.

Gross premium written in 2018 amounted to EUR 1'239.1 million, which represents a decrease of EUR 175.5 million or 12.4% compared to 2017. Almost all premium written by the Company in 2018 and 2017 was related to reinsurance business accepted from other entities of the SCOR Group. The decrease in premium is mainly driven by minor changes in the portfolio structure and, in particular, the decreased share on a proportional cession by one SCOR Group entity. The changes in the foreign exchange rates had a negative impact on the gross premium written of EUR -23.0 million compared to the previous year. SCOR Switzerland AG is also a buyer of reinsurance to mitigate risk and to protect its capital. In 2018, it recorded ceded premium to reinsurers of EUR 33.9 million as compared to EUR 37.1 million in 2017.

The year 2018 was characterized by major natural catastrophes mainly in North America impacting the loss ratio by 7%-pts. These include, among others, the hurricanes Michael and Florence and the wildfires in California. The losses from natural catastrophes were partially offset by the positive development of the casualty book. Overall, the net loss ratio for the year 2018 is 54.8% compared to 65.9% one year ago. The result in the year 2017 was impacted by natural catastrophes such as the hurricanes Irma, Maria and Harvey and the wildfires in California. In addition, the Motor line of business was negatively affected by the revision of the Ogden discount rate in the UK which is used to calculate the lump-sums to be paid in compensation for future losses or expenses following bodily injuries.

The acquisition costs and administration expenses are largely in line with last year at 34.5% as compared to 34.6% of the net premium earned. Whilst the acquisition costs increased slightly compared to 2017, mainly driven by higher loss sensitive commissions on certain portfolios, the administration expenses have decreased.

Overall, the technical result from reinsurance operations recorded by the Company, which comprises technical income, net claims expenses and technical expenses, resulted in a gain for the year 2018 of EUR 75.6 million compared to a loss of EUR 35.1 million in 2017.

Net income from investments amounts to EUR 27.5 million in 2018, a decrease of EUR 73.7 million compared to 2017. The total net realized and unrealized gains and losses on investments amounted to a loss of EUR 11.4 million in 2018 as compared to a gain of EUR 61.8 million in the previous year. The decrease was mainly driven by the negative development of the shares portfolio in 2018 compared to 2017. The Company received dividends from its participation SCOR Holding (UK) Ltd. of EUR 4.0 million in 2018, whereas the dividend from that same participation amounted to EUR 4.7 million in 2017.

SCOR Switzerland AG follows a very prudent investment strategy. Investments in high quality fixed-income securities represent by far the highest exposure. Only smaller portions of the total investments under management are allocated to shares, loans or other investment classes. The total amount of assets under management of EUR 2.7 billion is largely stable compared to the previous year. The main changes in the asset allocation compared to 2017 are relating to a reduction in the allocation to shares following the sale of various positions. The proceeds have been reinvested mainly in bond funds and loans and infrastructure funds.

The Company's shareholders' equity reached EUR 1'205.1 million at 31 December 2018, which represents a decrease of EUR 75.2 million after dividend payment of EUR 150.0 million compared to 2017. In addition to equity, the Company was granted by its parent, SCOR Holding (Switzerland) AG, a perpetual subordinated loan over CHF 125 million which can be credited as upper supplementary capital in the context of the Swiss Solvency Test (SST).

The liquidity situation of the Company continues to be very strong. As of 31 December 2018, it holds cash and cash equivalents of total EUR 121.7 million compared to EUR 116.7 million at the end of 2017. Additional liquidity can be generated if needed through sales of investments, which are characterized by a generally high liquidity. The net cash flow of the year 2018 of EUR 5.0 million includes positive operating cash flow of EUR 42.4 million and cash flow from investing activities of EUR 117.9 million, partially offset by negative cash flow from financing activities of EUR 155.6 million which is mainly resulting from the payment of dividend.

The Board of Directors will propose to the Annual General Meeting to retain the profit of the financial year 2018 and to pay no ordinary dividend.

1.3 OTHER DISCLOSURES REQUIRED BY LAW

1.3.1 FULL-TIME POSITIONS

All personnel of SCOR Switzerland AG is employed by SCOR Services Switzerland AG which makes available the personnel to SCOR Switzerland AG for the necessary service provision as determined in a service agreement concluded between SCOR Switzerland AG and SCOR Services Switzerland AG.

1.3.2 RISK ASSESSMENT

The continuous assessment and control of the risks is an important management objective. Several processes and tools for identifying and assessing risks have been implemented at SCOR Switzerland AG as well as at the level of SCOR Group to approach risk from different perspectives and to manage them in an exhaustive manner. Specifically, tailored entity processes include:

- A risk information process: every quarter, the Executive Management and Board of Directors review the Risk Dashboard which describes and assesses the major risks the Company is exposed to. This report collates various risk assessments from different identification and assessment processes for all risk categories.
- A process for the monitoring of risk exposures against risk tolerances, i.e. the limits established in order to ensure that the Company's risk profile remains aligned with the risk appetite validated by the Board of Directors. Various risk measures are used to define these exposures, which are measured based on either model outputs and / or expert opinions, depending on the technical constraints and the level of information available.
- For risks which arise from accounting and financial reporting, an additional annual risk assessment is performed by management. Processes with relevance for the reliability of financial reporting are identified within the Internal Control System and appropriate key controls are defined to mitigate the financial reporting risk.

1.3.3 ORDERS AND ASSIGNMENTS

Not applicable to the activity of the Company.

1.3.4 RESEARCH AND DEVELOPMENT

SCOR Switzerland AG has no activity related to research and development.

1.3.5 EXTRAORDINARY EVENTS

No extraordinary events have occurred during the reporting period.

1.3.6 FUTURE PROSPECTS

SCOR Switzerland AG plays and will continue to play an important role in the SCOR Group, carrying prior underwriting year business as well as being the carrier of a significant amount of internal retrocession business from various entities of the SCOR Group. Whilst the business related to underwriting years prior to 2011 will continue to decline given the natural run-off of the portfolio, the business assumed by the Company via internal retrocession from other SCOR entities is expected to remain intact in the years to come.

The portfolio of assumed reinsurance business from other entities of the SCOR Group is slightly increasing in 2019 as the Company has entered into reinsurance contracts with new SCOR Group entities and / or assumes higher shares from existing ceding entities.

Zurich, 18 April 2019

Denis Kessler
Chairman of the Board of Directors

Andreas Frank
Chief Executive Officer
Chief Financial Officer

02 CORPORATE GOVERNANCE

2.1 BOARD OF DIRECTORS

Name	Nationality	Date appointed		Term expires
Denis Kessler (Chairman)	French	23 March 2009	Re-elected 19 April 2018	2019
Peter Eckert (Vice-Chairman)	Swiss	23 March 2009	Re-elected 19 April 2018	2019
Paolo De Martin	Italian	19 March 2008	Re-elected 19 April 2018	2019
Georges Chodron de Courcel	French	23 March 2009	Re-elected 19 April 2018	2019
Victor Peignet	French	23 March 2009	Re-elected 19 April 2018	2019
J. Friedrich Sauerländer	Swiss	23 March 2009	Re-elected 19 April 2018	2019
Jean-Claude Seys	French	23 March 2009	Re-elected 19 April 2018	2019
Frieder Knüpling	German	22 May 2013	Re-elected 19 April 2018	2019

2.2 MEMBERS OF THE BOARD OF DIRECTORS WHO STEPPED DOWN IN 2018

Name	Nationality	Date appointed	Date resigned
n.a.			

2.3 EXECUTIVE MANAGEMENT

Name	Nationality	Effective date of appointment
Andreas Frank (Chief Executive Officer and Chief Financial Officer)	German	Chief Executive Officer: 1 April 2018 Chief Financial Officer: 25 August 2011
Patrick Brunner (Chief Risk Officer)	Swiss	1 October 2014
Thomas Haegin (Chief Technical Officer)	Swiss	23 August 2018

2.4 EXECUTIVES WHOSE TERM OF OFFICE ENDED IN 2018

Name	Nationality	Effective date of appointment	End of term of office
Benjamin Gentsch (Chief Executive Officer)	Swiss	1 September 2007	1 April 2018

03 FINANCIAL STATEMENTS

3.1 BALANCE SHEET – ASSETS

As of 31 December		Note	2018 EUR	2017 EUR
1.1	**Investments**	**1**	**2,715,286,683**	**2,821,393,511**
1.1.2	Participations	2	86,974,918	86,974,918
1.1.3	Bonds		1,800,300,039	1,829,389,887
1.1.4	Loans	3	200,646,934	200,095,934
1.1.6	Shares	4	7,485,819	237,408,402
1.1.7	Other investments		619,878,973	467,524,370
1.3	**Receivables from derivative financial instruments**		**1,492,225**	**14,475,363**
1.4	**Deposits from assumed reinsurance business**		**1,099,419,879**	**1,296,067,152**
1.5	**Cash and cash equivalents**		**121,680,999**	**116,654,815**
1.6	**Reinsurers' share of technical provisions**	**6**	**33,356,322**	**71,387,430**
1.10	**Insurance receivables**	**5**	**784,049,479**	**804,709,977**
1.11	**Other receivables**	**5**	**9,629,175**	**13,473,636**
1.14	**Accrued income and prepaid expenses**	**5**	**21,109,881**	**20,811,297**
1.15	**ASSETS**		**4,786,024,643**	**5,158,973,182**

3.2 BALANCE SHEET – LIABILITIES AND EQUITY

As of 31 December		Note	2018 EUR	2017 EUR
2.1	**Technical provisions**	**6**	**3,296,781,224**	**3,615,195,139**
2.1.1	Unearned premium reserves		568,657,660	589,976,364
2.1.2	Loss reserves		2,728,123,564	3,025,218,775
2.5	**Liabilities from derivative financial instruments**		**11,557,554**	**6,143,434**
2.6	**Deposits from ceded business**		**115,735,444**	**120,031,023**
2.7	**Insurance liabilities**	**7**	**40,762,589**	**26,068,059**
2.8	**Other liabilities**	**7**	**4,588,071**	**3,446,029**
2.9	**Deferred income and accrued expenses**	**7**	**1,104,903**	**869,622**
2.9.1	Other accrued expenses		1,104,903	869,622
2.10	**Subordinated liabilities**	**7,8**	**110,337,279**	**106,924,426**
2.11	**Liabilities**		**3,580,867,064**	**3,878,677,731**
2.12	**Share capital**		**332,836,852**	**332,836,852**
2.13	**Legal capital reserves**		**446,837,155**	**446,837,155**
2.13.1	Additional paid-in capital		445,172,971	445,172,971
2.13.2	Organization fund		1,664,184	1,664,184
2.14	**Legal retained earnings**		**166,418,426**	**166,418,426**
2.15	**Voluntary retained earnings**		**259,065,147**	**334,203,018**
2.15.1	Profit / (loss) carried forward		184,203,018	302,386,338
2.15.2	Profit / (loss) of the year		74,862,129	31,816,680
2.17	**Equity**	**9**	**1,205,157,579**	**1,280,295,451**
2.18	**LIABILITIES AND EQUITY**		**4,786,024,643**	**5,158,973,182**

3.3 INCOME STATEMENT

For the year ended 31 December		Note	2018 EUR	2017 EUR
1.	Gross written premium		1,239,135,955	1,414,593,688
2.	Ceded premium to reinsurers		(33,920,983)	(37,145,731)
3.	**Net premium written (1 + 2)**		**1,205,214,972**	**1,377,447,957**
4.	Change in unearned premium reserves	11	22,700,058	(11,897,618)
5.	Change in reinsurers' share of unearned premium reserves	11	(1,148,877)	1,145,239
6.	**Net premium earned (3 + 4 + 5)**		**1,226,766,153**	**1,366,695,578**
7.	Other technical income	10	10,016,065	26,007,087
8.	**TECHNICAL INCOME (6 + 7)**		**1,236,782,218**	**1,392,702,665**
9.	Gross claims and claims expenses paid	11	(941,116,918)	(992,757,011)
10.	Reinsurers' share of claims and claims expenses	11	4,264,299	7,875,213
11.	Change in technical provisions - Loss reserves	11	302,130,945	75,044,174
12.	Change in reinsurers' share of technical provisions - Loss reserves	11	(37,269,064)	9,838,161
14.	**NET CLAIMS AND CLAIMS EXPENSES INCURRED (9 to 12)**		**(671,990,738)**	**(899,999,463)**
15.	**Acquisition costs and administrative expenses**		**(423,677,555)**	**(472,882,403)**
15.1	Commission on earned premium		(408,432,419)	(451,827,447)
15.2	Other administration expenses	12, 13,14	(15,245,136)	(21,054,956)
16.	Reinsurers' share of acquisition + administration expenses		19,092	20,521
17.	**Net acquisition costs + administrative expenses (15 + 16)**		**(423,658,463)**	**(472,861,882)**
18.	Other technical expenses	15	(65,490,972)	(54,923,076)
19.	**TECHNICAL EXPENSES (14 + 17 + 18)**		**(1,161,140,173)**	**(1,427,784,422)**
20.	Investment income	16	49,138,474	121,409,753
21.	Investment expenses	17	(21,684,290)	(20,297,416)
22.	**NET INVESTMENT INCOME (20 + 21)**		**27,454,184**	**101,112,338**
24.	Other financial income	18	1,037,852	-
25.	Other financial expenses	18	(3,141,378)	(19,074,200)
26.	**OPERATING INCOME (8 + 19 + 22 + 24 + 25)**		**100,992,703**	**46,956,380**
27.	Interest expenses from interest-bearing liabilities		(3,641,638)	(3,807,839)
28.	Other income		21,320	1,547,300
29.	Other expenses	19	(2,705,000)	(2,857,370)
31.	**PROFIT / (LOSS) BEFORE TAXES (26 + 27 + 28 + 29)**		**94,667,385**	**41,838,471**
32.	Income taxes		(19,805,256)	(10,021,792)
33.	**PROFIT / (LOSS) (31 + 32)**		**74,862,129**	**31,816,680**

3.4 CASH FLOW STATEMENT

For the year ended 31 December	2018 EUR	2017 EUR
NET INCOME	**74,862,129**	**31,816,680**
Realized gains and losses on investment disposals	16,403,336	4,599,059
Change in amortization, accruals and impairments	633,788	4,597,531
Net increase in technical liabilities	(409,648,480)	48,104,488
Change in fair value of financial instruments	18,397,259	(11,945,984)
Other non-cash items included in operating results	23,042,160	(93,412,128)
NET CASH FLOW PROVIDED BY / (USED IN) OPERATIONS, EXCLUDING CHANGES IN WORKING CAPITAL	**(276,309,808)**	**(16,240,354)**
Change in accounts receivables, payables and deposits	316,585,741	(19,866,958)
Cash flow from other assets and liabilities	3,734,510	515,551
Change in taxes receivables and payables	(1,580,764)	(11,280,546)
NET CASH FLOW PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**42,429,679**	**(46,872,306)**
Acquisitions of investments	(654,193,474)	(860,124,297)
Disposal of investments	772,124,712	913,833,423
NET CASH FLOW PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**117,931,237**	**53,709,126**
Dividends paid	(150,000,000)	(100,000,000)
Interest paid on financial debts	(5,648,705)	(5,850,375)
NET CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**(155,648,705)**	**(105,850,375)**
Effect of exchange rate variations	313,973	(6,882,954)
TOTAL CASH FLOW	**5,026,184**	**(105,896,510)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**116,654,815**	**222,551,325**
Net cash flow provided by / (used in) operating activities	42,429,679	(46,872,306)
Net cash flow provided by / (used in) investing activities	117,931,237	53,709,126
Net cash flow provided by / (used in) financing activities	(155,648,705)	(105,850,375)
Effect of exchange rate variations	313,973	(6,882,954)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**121,680,999**	**116,654,815**

04

NOTES

4.1 APPLIED PRINCIPLES

4.1.1 FINANCIAL REPORTING STANDARDS

The annual financial statements of SCOR Switzerland AG have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Title 32, Art. 957 – 962a CO).

In addition, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5 – 6a AVO-FINMA, applicable as of 15 December 2015) have been applied.

4.1.2 FOREIGN CURRENCY REVALUATION AND TRANSLATION

The functional currency of the Company is EUR since 1 January 2010. Therefore, the annual financial statements are prepared in EUR. The foreign currency items in the balance sheet were revaluated from the respective document currency to the functional currency EUR at the closing date exchange rates, and those in the statement of income at the average exchange rates for each individual quarter. Realized and unrealized FX gains or losses out of the revaluation are recognized through the income statement.

Unrealized FX gains exceeding the nominal value of long-term positions (e.g. loans) are not considered in the income statement.

In accordance with Art. 958d CO, the Company has chosen to present its annual financial statements since 2015 in EUR. In addition, the financial statements are also shown in the national currency CHF in the appendix.

The following table provides an overview of the main currencies and their exchange rates against the Euro:

Exchange rates	Balance sheet 2018	Balance sheet 2017	Statement of income 2018	Statement of income 2017
British Pound	1.12069	1.13449	1.13204	1.14282
Swiss Franc	0.88270	0.85540	0.86304	0.90166
US Dollar	0.87982	0.84232	0.84508	0.88905

4.1.3 VALUATION PRINCIPLES

PARTICIPATIONS

Participations are held on a long-term basis for the purpose of safeguarding business activities.
They are carried at cost less impairment, if any.

INVESTMENTS

Fixed income securities are valued at amortized cost less impairment, if any.

Shares are valued at market value.

Loans are valued at their nominal value less impairment, if any.

Other investments are valued at cost less impairment, if any.

ACQUISITION COSTS

Acquisition costs for non-life business are directly expensed in the year of contract inception.

TECHNICAL PROVISIONS

Technical provisions represent obligations due to insured parties. They are calculated based on the FINMA circular "Provisions in reinsurance".

DEPOSITS FROM ASSUMED AND CEDED REINSURANCE

Deposits from assumed and ceded reinsurance comprise funds withheld and Non-Risk Transfer contracts (in asset and in liability).

Funds held under reinsurance contracts mainly include cash deposits withheld from cedents, which are stated at redemption value.

Contracts that do not meet risk transfer requirements are accounted for as deposit assets. The deposits represent discounted contracts and are adjusted for payments received and made, as well as for amortization and accretion of interest.

4.2 INFORMATION, BREAKDOWNS AND EXPLANATIONS ON BALANCE SHEET ITEMS

4.2.1 NOTE 1 - INVESTED ASSETS

The table below provides an overview of the total invested assets for the respective year ended 31 December, as well as a breakdown of the category "Other investments".

Invested assets In EUR million		Book value 2018	2017
1.1	**Investments**	**2,715.3**	**2,821.4**
1.1.2	Participations	87.0	87.0
1.1.3	Bonds	1,800.3	1,829.4
1.1.4	Loans	200.6	200.1
1.1.6	Shares	7.5	237.4
1.1.7	Other investments	619.9	467.5
	Real estate funds	53.0	61.3
	Share funds	1.5	1.5
	Bond funds	210.7	204.7
	Loans and infrastructure funds	315.5	149.1
	Hedge funds	14.4	13.8
	Single private equity funds	24.8	37.1
TOTAL INVESTED ASSETS		**2,715.3**	**2,821.4**

Investment in shares has decreased significantly during the year 2018 due to the sale of various positions. The proceeds have been reinvested mainly in bond funds and loans and infrastructure funds.

4.2.2 NOTE 2 - PARTICIPATIONS

The below table shows the participations as of 31 December:

		2018			2017		
Company	Domicile	Capital	Share in voting rights (in %)	Book value (in thousands of EUR)	Capital	Share in voting rights (in %)	Book value (in thousands of EUR)
SCOR Holding (UK) Ltd.	London	GBP 101	100	86,975	GBP 101	100	86,975
PARTICIPATIONS				**86,975**			**86,975**

The share in voting rights is equal to the share in capital.

4.2.3 NOTE 3 - LOANS

As of 31 December 2018, outstanding loans for a total amount of EUR 200.6 million (2017 EUR 200.1 million) were related to other SCOR group entities:

- EUR 189.1 million (2017 EUR 188.8 million) granted to SCOR Holding (Switzerland) AG
- SGD 18.0 million (2017 SGD 18.0 million) granted to SCOR Realty Singapore PTE Ltd.

4.2.4 NOTE 4 - ASSETS THAT HAVE AN OBSERVABLE MARKET PRICE AND WHICH ARE VALUED AT THE MARKET PRICE

At 31 December 2018 SCOR Switzerland AG held investments that have an observable market price, and which are valued at the market price for a total amount of EUR 7.5 million as compared to EUR 237.4 million one year earlier. No other assets were booked at market value.

4.2.5 NOTE 5 - RECEIVABLES

SCOR Switzerland AG had the following outstanding balances with third parties and other entities of the SCOR Group as of 31 December:

Receivables	as of 31 December 2018					as of 31 December 2017				
In EUR million	**Third**	**Partici-pants**	**Partici-pations**	**Other SCOR group entities**	**Total**	**Third**	**Partici-pants**	**Partici-pations**	**Other SCOR group entities**	**Total**
1.10 Insurance receivables	9.5	0.7	-	773.8	784.0	21.1	20.9	-	762.7	804.7
1.10.1 Receivables from reinsureds	9.0	0.0	-	773.8	782.8	20.2	20.5	-	762.7	803.4
1.10.2 Receivables from retrocessionaires	0.5	0.7	-	-	1.2	0.9	0.4	-	-	1.3
1.11 Other receivables	9.4	0.2	-	0.0	9.6	13.5	-	-	0.0	13.5
1.14 Accrued income and prepaid expenses	20.1	1.0	-	0.0	21.1	19.6	1.2	-	0.0	20.8
TOTAL RECEIVABLES	**39.0**	**1.9**	**-**	**773.8**	**814.7**	**54.2**	**22.1**	**-**	**762.7**	**839.0**

Total insurance receivables of EUR 784.0 million as per 31.12.2018 (2017 EUR 804.7 million) include receivables from reinsureds (related to assumed reinsurance business) of EUR 782.8 million (2017 EUR 803.4 million) and receivables from retrocessionaires (related to ceded reinsurance) of EUR 1.2 million (2017 EUR 1.3 million).

4.2.6 NOTE 6 - TECHNICAL PROVISIONS

Compared to the Annual Report 2017, the previously separated positions “Loss reserves”, “Claims reserves”, “Claims handling reserves” are merged into one position “Loss reserves” in the Annual Report 2018, which meets the legal and regulatory minimum requirements. The previous year’s figures have been adjusted accordingly.

Technical provisions as of December 31	2018			2017		
In EUR million	**Technical provisions (gross)**	**Reinsurers' share**	**Technical provisions (net)**	**Technical provisions (gross)**	**Reinsurers' share**	**Technical provisions (net)**
Unearned premium reserves	568.7	-	568.7	590.0	(1.2)	588.8
Loss reserves	2,728.1	(33.4)	2,694.7	3,025.2	(70.2)	2,955.0
TOTAL	**3,296.8**	**(33.4)**	**3,263.4**	**3,615.2**	**(71.4)**	**3,543.8**

4.2.7 NOTE 7 - LIABILITIES

SCOR Switzerland AG had the following outstanding balances with third parties and other entities of the SCOR Group as of 31 December:

Liabilities	as of 31 December 2018					as of 31 December 2017				
In EUR million	Third	Partici-pants	Partici-pations	Other SCOR group entities	Total	Third	Partici-pants	Partici-pations	Other SCOR group entities	Total
2.7 Insurance liabilities	4.4	0.5	-	35.9	40.8	5.2	0.5	-	20.3	26.1
2.7.1 Liabilities to reinsureds	2.5	0.0	-	35.9	38.4	3.7	0.0	-	20.3	24.0
2.7.2 Liabilities to retrocessionaires	1.9	0.5	-	(0.0)	2.4	1.5	0.5	-	(0.0)	2.1
2.8 Other liabilities	4.6	-	-	-	4.6	0.1	0.3	-	3.0	3.4
2.9 Deferred income and accrued expenses	0.4	0.7	-	-	1.1	0.2	0.7	-	-	0.9
2.10 Subordinated liabilities	-	110.3	-	-	110.3	-	106.9	-	-	106.9
TOTAL LIABILITIES	**9.4**	**111.5**	**-**	**35.9**	**156.8**	**5.5**	**108.5**	**-**	**23.3**	**137.3**

Total insurance liabilities of EUR 40.8 million as per 31 December 2018 (2017 EUR 26.1 million) include liabilities to reinsureds (related to assumed reinsurance business) of EUR 38.4 million (2017 EUR 24.0 million) and liabilities to retrocessionaires (related to ceded reinsurance) of EUR 2.4 million (2017 EUR 2.1 million).

4.2.8 NOTE 8 - SUBORDINATED LIABILITIES

In 2014, SCOR Holding (Switzerland) AG granted a perpetual subordinated loan of CHF 125 million (EUR 110.3 million) to the Company at an annual interest rate of 3.375% with a first possible repayment date of 20.10.2020.

By decree dated 15 December 2014, FINMA approved the credit for the hybrid loan as upper supplementary capital in the context of the Swiss Solvency Test (SST).

4.2.9 NOTE 9 - EQUITY

The net equity of the Company decreased in 2018 by EUR 75.2 million from EUR 1’280.3 million to EUR 1’205.1 million. The decrease is attributable to the ordinary dividend payment of EUR 150.0 million approved at the Company’s Annual General Meeting of 19 April 2018 based on the available earnings of 2017 and paid to SCOR Holding (Switzerland) AG, partially offset by the profit of the year of EUR 74.9 million.

In EUR million	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
Balance as of 31 December 2017	**332.8**	**446.8**	**166.4**	**334.2**	**1,280.3**
Dividend paid to shareholders	-	-	-	(150.0)	(150.0)
Profit / (loss) of the year	-	-	-	74.9	74.9
Balance as of 31 December 2018	**332.8**	**446.8**	**166.4**	**259.1**	**1,205.1**

4.3 INFORMATION, BREAKDOWNS AND EXPLANATIONS ON INCOME STATEMENT ITEMS

4.3.1 NOTE 10 - OTHER TECHNICAL INCOME

Other technical income includes mainly interest received on deposits and funds held by reinsureds as well as income related to SCOR Switzerland AG's exposure to various Lloyds' syndicates via quota-share agreements.

4.3.2 NOTE 11 - CHANGE IN TECHNICAL PROVISIONS

As from 2018, the items in the income statement relating to the balance sheet position "Technical Provisions - Loss Reserves" were aligned to the change in the balance sheet, leading to a shift of EUR 28.2 million (gross) and EUR 0.2 million (reinsurer's share) between the income statement position "Claims and claims expenses paid" and "Change in technical provisions - Loss reserves" as compared to the previous methodology. For comparison reasons, the figures of 2017 were amended accordingly resulting in a reclassification of total EUR 177.5 million (gross) and EUR 0.1 million (reinsurer's share) between the two income statement positions. The reclassifications had no impact on the net result of the years 2018 or 2017.

Change in technical provisions as of December 31	2018			2017		
In EUR million	Change in technical provisions (gross)	Reinsurers' share	Change in technical provisions (net)	Change in technical provisions (gross)	Reinsurers' share	Change in technical provisions (net)
Change in unearned premium reserves	22.7	(1.1)	21.6	(11.9)	1.1	(10.8)
Change in loss reserves	302.1	(37.3)	264.8	75.1	9.8	84.9
TOTAL	**324.8**	**(38.4)**	**286.4**	**63.2**	**10.9**	**74.1**

The change in technical provisions in 2018 is a reduction of EUR 286.4 million net of retrocession as compared to a decrease of EUR 74.1 million in 2017. The reduction in 2018 is mainly driven by the decreased quota for a proportional cession by one SCOR Group entity.

4.3.3 NOTE 12 - OTHER ADMINISTRATION EXPENSES

With the introduction of the Hub concept in the SCOR Group, service entities were founded to account for all administrative expenses including salaries, social costs, consulting fees, depreciation etc. Therefore, SCOR Switzerland AG has almost no direct administration expenses but receives charges from SCOR Services Switzerland AG with whom it has entered into a Service Level Agreement. In addition, it receives charges from other SCOR Group entities in the framework of the Group and divisional cost recharging mechanism, as well as investment management fees.

Direct expenses of SCOR Switzerland AG include audit fees, regulatory charges and other expenses directly attributable to the Company.

Total administration expenses amounted to EUR 15.2 million in 2018 as compared to EUR 21.1 million in 2017. The decrease is mostly driven by lower expenses allocated from SCOR Services Switzerland AG for the current year and a true-up effect for the year 2017 booked in 2018.

4.3.4 NOTE 13 - AUDITOR'S FEES

In 2018, net fees for audit services for the fiscal year 2018 amount to EUR 219 thousand compared to EUR 251 thousand for 2017. No fees were paid to the statutory audit firm for other services neither in 2018 nor in 2017.

4.3.5 NOTE 14 - DEPRECIATION AND AMORTIZATION

All tangible and intangible assets held directly by the Company are fully amortized. Depreciation and amortization included in the 2018 and 2017 income statement amounts to zero.

4.3.6 NOTE 15 - OTHER TECHNICAL EXPENSES

Other technical expenses of total EUR 65.5 million in 2018 (2017 EUR 54.9 million) comprise mainly expenses related to SCOR Switzerland AG's exposure to various Lloyds' syndicates via quota-share agreements.

4.3.7 NOTE 16 - INVESTMENT INCOME

Investment income as per	2018				2017			
In EUR million	**Investment income**	**Realised gains**	**Unrealised gains**	**Total**	**Investment income**	**Realised gains**	**Unrealised gains**	**Total**
Participations	4.0	-	-	4.0	4.7	-	-	4.7
Bonds	25.9	2.7	-	28.6	27.9	11.4	-	39.3
Loans	5.2	-	-	5.2	5.2	-	-	5.2
Shares	0.0	4.3	1.8	6.1	0.8	0.4	65.4	66.6
Other investments	5.1	0.1	-	5.2	3.4	2.2	-	5.6
INVESTMENT INCOME	**40.2**	**7.1**	**1.8**	**49.1**	**42.0**	**14.0**	**65.4**	**121.4**

4.3.8 NOTE 17 - INVESTMENT EXPENSES

Investment expenses as per	2018				2017			
In EUR million	**Investment expenses**	**Realised losses**	**Unrealised losses**	**Total**	**Investment expenses**	**Realised losses**	**Unrealised losses**	**Total**
Participations	-	-	-	-	-	-	-	-
Bonds	(1.1)	(1.5)	-	(2.6)	(2.4)	(4.0)	-	(6.4)
Loans	-	-	-	-	-	-	-	-
Shares	-	(18.8)	(0.0)	(18.8)	(0.3)	(1.1)	(7.7)	(9.1)
Other investments	(0.2)	(0.1)	0.0	(0.3)	-	(0.1)	(4.7)	(4.8)
INVESTMENT EXPENSES	**(1.3)**	**(20.4)**	**0.0**	**(21.7)**	**(2.7)**	**(5.2)**	**(12.4)**	**(20.3)**

4.3.9 NOTE 18 - OTHER FINANCIAL INCOME / EXPENSES

Other financial income and expenses mainly comprise financial charges, realized and unrealized gains and losses from valuation of foreign currencies on technical and non-technical positions including investments, as well as realized and unrealized gains and losses from forward contracts on foreign currencies that are used to hedge the currency exposures.

In 2018 other financial income of total EUR 1.0 million includes the net result from foreign exchange of EUR 1.4 million and (negative) interests on cash, cash equivalents and fixed-term deposits of EUR -0.4 million, whereas other financial expenses of EUR -3.1 million solely comprises financial charges, mainly fees for Letters of Credit. In 2017, other financial expenses of EUR -19.1 million consisted of the negative result from foreign exchange of net EUR -14.1 million and financial charges of EUR -5.0 million.

The following table shows a breakdown of the result from foreign exchange included in other financial income and expenses:

As of 31 December	2018 EUR	2017 EUR
FX result from technical items	**(2,487,042)**	**64,435,482**
Realized technical FX gain / (loss)	413,209	(46,262)
Unrealized technical FX gain / (loss)	(2,900,251)	64,481,744
FX result from investments	**13,495,197**	**(89,856,470)**
Realized investment FX gain / (loss)	(3,208,822)	(20,258,057)
Unrealized investment FX gain / (loss)	16,704,019	(69,598,413)
FX result from other items	**(9,659,785)**	**739,245**
Realized other FX gain / (loss)	(8,846,054)	139,504
Unrealized other FX gain / (loss)	(813,731)	599,741
FX RESULT BEFORE HEDGING	**1,348,370**	**(24,681,743)**
FX result from forward contracts on foreign currencies	**70,034**	**10,601,821**
Realized FX gain / (loss) from forward contracts	18,467,293	(1,344,163)
Unrealized FX gain / (loss) from forward contracts	(18,397,259)	11,945,984
FX RESULT AFTER HEDGING	**1,418,404**	**(14,079,922)**

4.3.10 NOTE 19 - OTHER EXPENSES

SCOR Switzerland AG's financial strength is guaranteed by a parental guarantee issued by SCOR SE. The cost born by SCOR Switzerland AG for this guarantee amounted to EUR 2.7 million in 2018 and to EUR 2.9 million in 2017.

4.4 OTHER NOTES TO THE FINANCIAL STATEMENTS

4.4.1 NOTE 20 - COMPANY NAME AND LOCATION

SCOR Switzerland AG
General Guisan-Quai 26
8002 Zurich
Switzerland

4.4.2 NOTE 21 - DECLARATION OF FULL-TIME POSITIONS

The number of the annual average full-time positions was less than 10 in the years 2018 and 2017.

SCOR Switzerland AG has no own employees. All personnel of the SCOR Group in Switzerland is employed by SCOR Services Switzerland AG as the service provider and costs are recharged through Service Level Agreements to the various SCOR entities and branches including SCOR Switzerland AG.

4.4.3 NOTE 22 - LONG-TERM LEASE AGREEMENTS

As of 1 January 2012, the Company is leasing the building at General Guisan-Quai 26 in Zurich together with SCOR Services Switzerland AG. The lease is a fixed-term agreement until 31 December 2021, however, a right of early termination has been agreed with the landlord.

The current rent is linked to the Swiss consumer price index (LIK). Since 2012, the rental expenses for the building are paid and accounted for by SCOR Services Switzerland AG.

For the rental period up to 2021, total expenses of EUR 26.1 million are expected. The annual expenses of EUR 8.7 million will be charged directly to SCOR Services Switzerland AG to the statement of income of the respective fiscal year.

4.4.4 NOTE 23 - LETTERS OF CREDIT

Some of the Company's reinsurance treaties contain a requirement to put in place letters of credit. SCOR Switzerland AG has been granted credit facilities from several companies of the banking sector to guarantee the reinsurance activities.

As of 31 December 2018, the total volume of outstanding letters of credit amounted to EUR 455.5 million (2017 EUR 636.1 million):

- EUR 120.8 million (2017 EUR 288.6 million) issued by Citi Bank
- EUR 277.7 million (2017 EUR 278.4 million) issued by Bayern LB
- EUR 31.6 million (2017 EUR 44.4 million) issued by BNP Paribas
- EUR 7.6 million (2017 EUR 7.6 million) issued by Deutsche Bank, Luxembourg Branch
- EUR 1.9 million (2017 EUR 1.9 million) issued by Credit Suisse
- EUR 12.6 million (2017 EUR 12.1 million) issued by Natixis
- EUR 3.3 million (2017 EUR 3.1 million) issued by Commerzbank

Depending on the type of credit facility, banks providing such facilities may ask SCOR Switzerland AG to post collateral.

4.4.5 NOTE 24 - PLEDGED ASSETS

As of 31 December 2018, SCOR Switzerland AG held investments for an amount of EUR 559.9 million (2017 EUR 695.7 million) that were pledged as collateral to cedents to guarantee reinsurance liabilities or as collateral to companies of the banking sector related to the credit facilities. These pledged assets are recorded on the balance sheet under investments but are not available to the Company as liquid free assets. In addition, cash for EUR 9.4 million was pledged as collateral for FX derivatives.

The following amounts of assets were pledged as of 31 December 2018:

- EUR 221.0 million (2017 EUR 436.9 million) as collateral for outstanding letters of credit
- EUR 191.7 million (2017 EUR 245.8 million) to support the Company's internal reinsurance transactions
- EUR 10.5 million (2017 EUR 13.0 million) as deposits with cedents
- EUR 136.7 million (2017 EUR 0.0 million) as deposits for funds at Lloyds
- EUR 9.4 million (2017 EUR 0.0 million) as collateral for FX derivatives

4.4.6 NOTE 25 - RELATED-PARTY TRANSACTIONS

As part of the SCOR Group the Company has entered into various transactions with related parties. These include mainly group internal retrocession agreements assumed from and ceded to other SCOR entities.

In addition, SCOR Switzerland AG entered into various non-technical agreements with other SCOR Group entities, such as the Service Level Agreement with SCOR Services Switzerland AG, Investment Management Agreement and Parental Guarantee with SCOR SE, Paris and the Master Service Agreement regarding the Group and Divisional cost recharging with various entities of the SCOR Group.

The Company has an outstanding loan provided to SCOR Holding (Switzerland) AG over EUR 189.1 million. Besides, the latter granted SCOR Switzerland AG a hybrid loan for an amount of CHF 125 million by way of a perpetual subordinated loan agreement with drawdown date 18 December 2014.

In 2018, the Company received a dividend of GBP 3.5 million (EUR 4.0 million) from its participation SCOR Holding (UK) Ltd. The dividend received from that participation in 2017 amounted to GBP 4.1 million (EUR 4.7 million).

SCOR Switzerland AG distributed a dividend of EUR 150.0 million (CHF 179.8 million) to its shareholder SCOR Holding (Switzerland) AG on 19 April 2018. The dividend paid in the year 2017 amounted to EUR 100.0 million (CHF 108.3 million).

4.4.7 NOTE 26 - SIGNIFICANT EVENTS AFTER CLOSING DATE

No significant events have occurred after the closing date.

05

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors will propose to the Annual General Meeting to retain the profit of the financial year 2018 and to pay no ordinary dividend.

Appropriation of retained earnings **In EUR**	**2018 (proposed)**
Retained earnings carried forward from the previous year	184,203,018
Profit / (loss) for the financial year	74,862,129
Available retained earnings	**259,065,147**
Dividend proposed	-
RETAINED EARNINGS CARRIED FORWARD	**259,065,147**

Appropriation of retained earnings **In CHF**	**2018 (proposed)**
Retained earnings carried forward from the previous year	217,336,600
Profit / (loss) for the financial year	86,742,000
Profit / (loss) carried forward - translation difference	(75,772,054)
Available retained earnings	**228,306,546**
Dividend proposed	-
RETAINED EARNINGS CARRIED FORWARD	**228,306,546**

A contribution to legal retained reserves was not put into effect because the legal retained and capital reserves already exceed 50% of the share capital.

Zurich, 18 April 2019

Denis Kessler
Chairman of the Board of Directors

Andreas Frank
Chief Executive Officer
Chief Financial Officer

06

APPENDIX – FINANCIAL STATEMENTS IN CHF

6.1 TRANSLATION

In accordance with the accounting law, the Company has chosen to present its annual financial statements from 2015 onwards in EUR. In addition, the financial statements are also shown in the national currency CHF in the appendix.

The method of translation from the functional and presentation currency EUR to the national currency CHF is as follows:

The balance sheet is translated with the closing rate (in 2018: EUR 0.88270 / CHF or CHF 1.13289 / EUR) except for the positions of the equity (without result of the year and results carried forward), which are translated using the historical value of CHF 1.20179 / EUR. The difference between the translation and the historical values is transferred into retained earnings under the position "Profit / (loss) carried forward - translation difference".

The figures in the income statement are translated from the functional currency EUR into national currency CHF with an average rate (in 2018: EUR 0.86304 / CHF or CHF 1.15869 / EUR). The difference between balance sheet and income statement translation is transferred into retained earnings under the position "Profit / (loss) carried forward - translation difference".

The total translation difference transferred into retained earnings in the CHF balance sheet is composed as follows:

Translation difference 31.12.2018	EUR million	Exchange rate	CHF million
Equity excl. profit of the year and retained earnings as of 31.12.2018 @ closing rate 2018	946.1	1.13289	1,071.8
- Equity excl. profit of the year and retained earnings as of 31.12.2018 @ historical rate	(946.1)	1.20179	(1,137.0)
Profit / (loss) carried forward 31.12.2018 @ closing rate 2018	184.2	1.13289	208.7
- Profit / (loss) carried forward 31.12.2018 @ effective rate (2015-2018)	(184.2)	1.17988	(217.3)
Profit 2018, translated @ closing rate 2018	74.9	1.13289	84.8
- Profit 2018, translated @ average rate 2018	(74.9)	1.15869	(86.7)
Total translation difference	**-**		**(75.8)**

6.2 BALANCE SHEET – ASSETS – TRANSLATED INTO CHF

As of 31 December		Note	2018 CHF	2017 CHF
1.1	**Investments**	**1**	**3,076,121,131**	**3,298,350,084**
1.1.2	Participations	2	98,533,015	101,678,028
1.1.3	Bonds		2,039,541,911	2,138,648,247
1.1.4	Loans	3	227,310,905	233,922,152
1.1.6	Shares	4	8,480,610	277,542,292
1.1.7	Other investments		702,254,690	546,559,365
1.3	**Receivables from derivative financial instruments**		**1,690,526**	**16,922,424**
1.4	**Deposits from assumed reinsurance business**		**1,245,521,787**	**1,515,167,304**
1.5	**Cash and cash equivalents**		**137,851,187**	**136,375,312**
1.6	**Reinsurers' share of technical provisions**	**6**	**37,789,044**	**83,455,476**
1.10	**Insurance receivables**	**5**	**888,241,814**	**940,746,199**
1.11	**Other receivables**	**5**	**10,908,796**	**15,751,354**
1.14	**Accrued income and prepaid expenses**	**5**	**23,915,173**	**24,329,447**
1.15	**ASSETS**		**5,422,039,458**	**6,031,097,598**

6.3 BALANCE SHEET – LIABILITIES AND EQUITY – TRANSLATED INTO CHF

As of 31 December		Note	2018 CHF	2017 CHF
2.1	**Technical provisions**	**6**	**3,734,890,481**	**4,226,343,877**
2.1.1	Unearned premium reserves		644,226,576	689,711,869
2.1.2	Loss reserves		3,090,663,905	3,536,632,008
2.5	**Liabilities from derivative financial instruments**		**13,093,437**	**7,181,982**
2.6	**Deposits from ceded business**		**131,115,526**	**140,322,268**
2.7	**Insurance liabilities**	**7**	**46,179,530**	**30,474,864**
2.8	**Other liabilities**	**7**	**5,197,780**	**4,028,580**
2.9	**Deferred income and accrued expenses**	**7**	**1,251,734**	**1,016,631**
2.9.1	Other accrued expenses		1,251,734	1,016,631
2.10	**Subordinated liabilities**	**7,8**	**125,000,000**	**125,000,000**
2.11	**Liabilities**		**4,056,728,488**	**4,534,368,202**
2.12	**Share capital**		**400,000,000**	**400,000,000**
2.13	**Legal capital reserves**		**537,004,424**	**537,004,424**
2.13.1	Additional paid-in capital		535,004,424	535,004,424
2.13.2	Organization fund		2,000,000	2,000,000
2.14	**Legal retained earnings**		**200,000,000**	**200,000,000**
2.15	**Voluntary retained earnings**		**228,306,546**	**359,724,972**
2.15.1	Profit / (loss) carried forward		217,336,600	361,841,174
2.15.2	Profit / (loss) of the year		86,742,000	35,286,925
2.15.3	Profit / (loss) carried forward - translation difference		(75,772,054)	(37,403,127)
2.17	**Equity**	**9**	**1,365,310,970**	**1,496,729,396**
2.18	**LIABILITIES AND EQUITY**		**5,422,039,458**	**6,031,097,598**

6.4 INCOME STATEMENT – TRANSLATED INTO CHF

For the year ended 31 December		Note	2018 CHF	2017 CHF
1.	Gross written premium		1,435,774,440	1,568,883,422
2.	Ceded premium to reinsurers		(39,303,904)	(41,197,216)
3.	**Net premium written (1 + 2)**		**1,396,470,536**	**1,527,686,206**
4.	Change in unearned premium reserves	11	26,302,330	(13,195,291)
5.	Change in reinsurers’ share of unearned premium reserves	11	(1,331,192)	1,270,150
6.	**Net premium earned (3 + 4 + 5)**		**1,421,441,674**	**1,515,761,065**
7.	Other technical income	10	11,605,515	28,843,680
8.	**TECHNICAL INCOME (6 + 7)**		**1,433,047,189**	**1,544,604,744**
9.	Gross claims and claims expenses paid	11	(1,090,462,762)	(1,101,037,019)
10.	Reinsurers' share of claims and claims expenses	11	4,941,001	8,734,162
11.	Change in technical provisions - Loss reserves	11	350,076,104	83,229,243
12.	Change in reinsurers' share of technical provisions - Loss reserves	11	(43,183,292)	10,911,209
14.	**NET CLAIMS AND CLAIMS EXPENSES INCURRED (9 to 12)**		**(778,628,949)**	**(998,162,405)**
15.	**Acquisition costs and administrative expenses**		**(490,910,946)**	**(524,459,687)**
15.1	Commission on earned premium		(473,246,559)	(501,108,267)
15.2	Other administration expenses	12,13,14	(17,664,387)	(23,351,420)
16.	Reinsurers' share of acquisition + administration expenses		22,122	22,759
17.	**Net acquisition costs + administrative expenses (15 + 16)**		**(490,888,824)**	**(524,436,928)**
18.	Other technical expenses	15	(75,883,734)	(60,913,536)
19.	**TECHNICAL EXPENSES (14 + 17 + 18)**		**(1,345,401,507)**	**(1,583,512,868)**
20.	Investment income	16	56,936,258	134,651,915
21.	Investment expenses	17	(25,125,370)	(22,511,255)
22.	**NET INVESTMENT INCOME (20 + 21)**		**31,810,888**	**112,140,660**
24.	Other financial income	18	1,202,549	-
25.	Other financial expenses	18	(3,639,883)	(21,154,623)
26.	**OPERATING INCOME (8 + 19 + 22 + 24 + 25)**		**117,019,236**	**52,077,913**
27.	Interest expenses from interest-bearing liabilities		(4,219,529)	(4,223,160)
28.	Other income		24,703	1,716,064
29.	Other expenses	19	(3,134,257)	(3,169,023)
31.	**PROFIT / (LOSS) BEFORE TAXES (26 + 27 + 28 + 29)**		**109,690,153**	**46,401,794**
32.	Income taxes		(22,948,153)	(11,114,868)
33.	**PROFIT / (LOSS) (31 + 32)**		**86,742,000**	**35,286,925**

6.5 CASH FLOW STATEMENT – TRANSLATED INTO CHF

For the year ended 31 December	2018 CHF	2017 CHF
NET INCOME	**86,742,000**	**35,286,925**
Realized gains and losses on investment disposals	18,583,176	5,376,530
Change in amortization, accruals and impairments	718,012	5,374,744
Net increase in technical liabilities	(464,086,666)	56,236,552
Change in fair value of financial instruments	20,842,070	(13,965,453)
Other non-cash items included in operating results	26,104,232	(109,203,448)
NET CASH FLOW PROVIDED BY / (USED IN) OPERATIONS, EXCLUDING CHANGES IN WORKING CAPITAL	**(311,097,176)**	**(20,894,150)**
Change in accounts receivables, payables and deposits	358,656,820	(23,225,467)
Cash flow from other assets and liabilities	4,230,789	602,705
Change in taxes receivables and payables	(1,790,832)	(13,187,522)
NET CASH FLOW PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**49,999,601**	**(56,704,434)**
Acquisitions of investments	(741,129,245)	(1,005,528,310)
Disposal of investments	874,732,365	1,068,316,963
NET CASH FLOW PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**133,603,120**	**62,788,653**
Dividends paid	(179,791,500)	(108,307,000)
Interest paid on financial debts	(6,399,362)	(6,839,381)
NET CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**(186,190,862)**	**(115,146,381)**
Effect of exchange rate variations	4,064,016	4,352,074
TOTAL CASH FLOW	**1,475,875**	**(104,710,087)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**136,375,312**	**241,085,399**
Net cash flow provided by / (used in) operating activities	49,999,601	(56,704,434)
Net cash flow provided by / (used in) investing activities	133,603,120	62,788,653
Net cash flow provided by / (used in) financing activities	(186,190,862)	(115,146,381)
Effect of exchange rate variations	4,064,016	4,352,074
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**137,851,187**	**136,375,312**

6.6 SELECTED NOTES TO THE FINANCIAL STATEMENTS – IN CHF

6.6.1 NOTE 1 - INVESTED ASSETS

Invested assets In CHF million	Book value 2018	2017
1.1 Investments	**3,076.1**	**3,298.4**
1.1.2 Participations	98.5	101.7
1.1.3 Bonds	2,039.5	2,138.7
1.1.4 Loans	227.3	233.9
1.1.6 Shares	8.5	277.5
1.1.7 Other investments	702.3	546.6
Real estate funds	60.0	71.7
Share funds	1.7	1.8
Bond funds	238.7	239.3
Loans and infrastructure funds	357.5	174.3
Hedge funds	16.3	16.1
Single private equity funds	28.1	43.4
TOTAL INVESTED ASSETS	**3,076.1**	**3,298.4**

6.6.2 NOTE 2 - PARTICIPATIONS

		2018			2017		
Company	Domicile	Capital	Share in voting rights (in %)	Book value (in thousands of CHF)	Capital	Share in voting rights (in %)	Book value (in thousands of CHF)
SCOR Holding (UK) Ltd.	London	GBP 101	100	98,533	GBP 101	100	101,678
PARTICIPATIONS				**98,533**			**101,678**

6.6.3 NOTE 3 - LOANS

As of 31 December 2018, outstanding loans for a total amount of CHF 227.3 million (2017 CHF 233.9 million) were related to other SCOR group entities:

- CHF 214.2 million (2017 CHF 220.7 million) granted to SCOR Holding (Switzerland) AG
- CHF 13.1 million (2017 CHF 13.2 million) granted to SCOR Realty Singapore PTE Ltd.

6.6.4 NOTE 4 - ASSETS THAT HAVE AN OBSERVABLE MARKET PRICE AND WHICH ARE VALUED AT THE MARKET PRICE

At 31 December 2018, SCOR Switzerland AG held investments that have an observable market price and which are valued at the market price for a total amount of CHF 8.5 million as compared to CHF 277.5 million one year earlier. No other assets were booked at market value.

6.6.5 NOTE 5 - RECEIVABLES

Receivables		as of 31 December 2018					as of 31 December 2017			
In CHF million		Third	Partici-pants	Partici-pations	Other SCOR group entities	Total	Third	Partici-pants	Partici-pations	Other SCOR group entities	Total
1.10	Insurance receivables	10.8	0.8	-	876.6	888.2	24.7	24.4	-	891.6	940.7
1.10.1	Receivables from reinsureds	10.2	0.0	-	876.6	886.8	23.6	24.0	-	891.6	939.2
1.10.2	Receivables from retrocessionaires	0.6	0.8	-	-	1.4	1.1	0.4	-	-	1.5
1.11	Other receivables	10.7	0.2	-	0.0	10.9	15.8	-	-	0.0	15.8
1.14	Accrued income and prepaid expenses	22.7	1.2	-	0.0	23.9	22.9	1.4	-	0.0	24.3
TOTAL RECEIVABLES		**44.2**	**2.2**	**-**	**876.6**	**923.0**	**63.3**	**25.8**	**-**	**891.7**	**980.8**

Total insurance receivables of CHF 888.2 million as per 31.12.2018 (2017 CHF 940.7 million) include receivables from reinsureds (related to assumed reinsurance business) of CHF 886.8 million (2017 CHF 939.2 million) and receivables from retrocessionaires (related to ceded reinsurance) of CHF 1.4 million (2017 CHF 1.5 million).

6.6.6 NOTE 6 - TECHNICAL PROVISIONS

Compared to the Annual Report 2017, the previously separated positions "Loss reserves", "Claims reserves", "Claims handling reserves" are merged into one position "Loss reserves" in the Annual Report 2018, which meets the legal and regulatory minimum requirements. The previous year's figures have been adjusted accordingly.

Technical provisions as of December 31	2018			2017		
In CHF million	Technical provisions (gross)	Reinsurers' share	Technical provisions (net)	Technical provisions (gross)	Reinsurers' share	Technical provisions (net)
Unearned premium reserves	644.2	-	644.2	689.7	(1.3)	688.4
Loss reserves	3,090.7	(37.8)	3,052.9	3,536.6	(82.1)	3,454.5
TOTAL	**3,734.9**	**(37.8)**	**3,697.1**	**4,226.3**	**(83.4)**	**4,142.9**

6.6.7 NOTE 7 - LIABILITIES

Liabilities	as of 31 December 2018					as of 31 December 2017				
In CHF million	Third	Partici-pants	Partici-pations	Other SCOR group entities	Total	Third	Partici-pants	Partici-pations	Other SCOR group entities	Total
2.7 Insurance liabilities	5.0	0.6	-	40.6	46.2	6.1	0.6	-	23.8	30.5
2.7.1 Liabilities to reinsureds	2.8	0.0	-	40.6	43.4	4.3	0.0	-	23.8	28.1
2.7.2 Liabilities to retrocessionaires	2.2	0.6	-	(0.0)	2.8	1.8	0.6	-	(0.0)	2.4
2.8 Other liabilities	5.2	-	-	-	5.2	0.1	0.4	-	3.5	4.0
2.9 Deferred income and accrued expenses	0.5	0.8	-	-	1.3	0.2	0.8	-	-	1.0
2.10 Subordinated liabilities	-	125.0	-	-	125.0	-	125.0	-	-	125.0
TOTAL LIABILITIES	**10.6**	**126.4**	**-**	**40.6**	**177.6**	**6.4**	**126.8**	**-**	**27.3**	**160.5**

Total insurance liabilities of CHF 46.2 million as per 31.12.2018 (2017 CHF 30.5 million) include liabilities to reinsureds (related to assumed reinsurance business) of CHF 43.4 million (2017 CHF 28.1 million) and liabilities to retrocessionaires (related to ceded reinsurance) of CHF 2.8 million (2017 CHF 2.4 million).

6.6.8 NOTE 8 - SUBORDINATED LIABILITIES

In 2014, SCOR Holding (Switzerland) AG granted a perpetual subordinated loan of CHF 125 million to the Company at an annual interest rate of 3.375% with a first possible repayment date of 20.10.2020. By decree dated 15 December 2014, FINMA approved the credit for the hybrid loan as upper supplementary capital in the context of the Swiss Solvency Test (SST).

6.6.9 NOTE 9 - EQUITY

The net equity of the Company decreased in 2018 by CHF 131.4 million from CHF 1’496.7 million to CHF 1’365.3 million. The decrease is attributable to the ordinary dividend payment of CHF 179.8 million (EUR 150.0 million) approved at the Company’s Annual General Meeting of 19 April 2018 based on the available earnings of 2017 and paid to SCOR Holding (Switzerland) AG and the increase of the translation difference of CHF 38.4 million, partially offset by the profit of the year of CHF 86.8 million.

In CHF million	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
Balance as of 31 December 2017	**400.0**	**537.0**	**200.0**	**359.7**	**1,496.7**
Elimination of the previous year’s translation difference	-	-	-	37.4	37.4
Dividend paid to shareholders	-	-	-	(179.8)	(179.8)
Profit / (loss) of the year	-	-	-	86.8	86.8
New translation difference	-	-	-	(75.8)	(75.8)
Balance as of 31 December 2018	**400.0**	**537.0**	**200.0**	**228.3**	**1,365.3**

6.6.10 NOTE 11 - CHANGE IN TECHNICAL PROVISIONS

As from 2018, the items in the income statement relating to the balance sheet position “Technical Provisions - Loss Reserves” were aligned to the change in the balance sheet, leading to a shift of CHF 32.7 million (gross) and CHF 0.3 million (reinsurer’s share) between the income statement position “Claims and claims expenses paid” and “Change in technical provisions - Loss reserves” as compared to the previous methodology. For comparison reasons, the figures of 2017 were amended accordingly resulting in a reclassification of total CHF 196.9 million (gross) and CHF 0.1 million (reinsurer’s share) between the two income statement positions. The reclassifications had no impact on the net result of the years 2018 or 2017.

Change in technical provisions as of December 31	2018			2017		
In CHF million	Change in technical provisions (gross)	Reinsurers' share	Change in technical provisions (net)	Change in technical provisions (gross)	Reinsurers' share	Change in technical provisions (net)
Change in unearned premium reserves	26.3	(1.3)	25.0	(13.2)	1.3	(11.9)
Change in loss reserves	350.1	(43.2)	306.9	83.2	10.9	94.1
TOTAL	**376.4**	**(44.5)**	**331.9**	**70.0**	**12.2**	**82.2**

The change in technical provisions in 2018 is a reduction of CHF 331.9 million net of retrocession as compared to a decrease of CHF 82.2 million in 2017. The reduction in 2018 is mainly driven by the decreased quota for a proportional cession by one SCOR Group entity.

6.6.11 NOTE 12 - OTHER ADMINISTRATION EXPENSES

With the introduction of the Hub concept in the SCOR Group, service entities were founded to account for all administrative expenses including salaries, social costs, consulting fees, depreciation etc. Therefore, SCOR Switzerland AG has almost no direct administration expenses but receives charges from SCOR Services Switzerland AG with whom it has entered into a Service Level Agreement. In addition, it receives charges from other SCOR Group entities in the framework of the Group and divisional cost recharging mechanism, as well as investment management fees.

Direct expenses of SCOR Switzerland AG include audit fees, regulatory charges and other expenses directly attributable to the Company.

Total administration expenses amounted to CHF 17.7 million in 2018 as compared to CHF 23.4 million in 2017. The decrease is mostly driven by lower expenses allocated from SCOR Services Switzerland AG for the current year and a true-up effect for the year 2017 booked in 2018.

6.6.12 NOTE 13 - AUDITOR'S FEES

In 2018, net fees for audit services for the fiscal year 2018 amount to CHF 254 thousand compared to CHF 279 thousand for 2017. No fees were paid to the statutory audit firm for other services neither in 2018 nor in 2017.

6.6.13 NOTE 15 - OTHER TECHNICAL EXPENSES

Other technical expenses of total CHF 75.9 million in 2018 (2017 CHF 60.9 million) comprise mainly expenses related to SCOR Switzerland AG's exposure to various Lloyds' syndicates via quota-share agreements.

6.6.14 NOTE 16 - INVESTMENT INCOME

Investment income as per	2018				2017			
In CHF million	Investment income	Realised gains	Unrealised gains	Total	Investment income	Realised gains	Unrealised gains	Total
Participations	4.6	-	-	4.6	5.2	-	-	5.2
Bonds	30.0	3.2	-	33.2	31.0	12.6	-	43.6
Loans	6.0	-	-	6.0	5.7	-	-	5.7
Shares	0.0	5.0	2.1	7.1	0.9	0.4	72.6	73.9
Other investments	5.9	0.1	-	6.0	3.8	2.5	-	6.3
INVESTMENT INCOME	**46.5**	**8.3**	**2.1**	**56.9**	**46.6**	**15.5**	**72.6**	**134.7**

6.6.15 NOTE 17 - INVESTMENT EXPENSES

Investment expenses as per	2018				2017			
In CHF million	Investment expenses	Realised losses	Unrealised losses	Total	Investment expenses	Realised losses	Unrealised losses	Total
Participations	-	-	-	-	-	-	-	-
Bonds	(1.3)	(1.7)	-	(3.0)	(2.7)	(4.4)	-	(7.1)
Loans	-	-	-	-	-	-	-	-
Shares	-	(21.8)	(0.0)	(21.8)	(0.3)	(1.3)	(8.5)	(10.1)
Other investments	(0.2)	(0.1)	(0.0)	(0.3)	-	(0.1)	(5.2)	(5.3)
INVESTMENT EXPENSES	**(1.5)**	**(23.6)**	**(0.0)**	**(25.1)**	**(3.0)**	**(5.8)**	**(13.7)**	**(22.5)**

6.6.16 NOTE 18 - OTHER FINANCIAL INCOME / EXPENSES

Other financial income and expenses mainly comprise financial charges, realized and unrealized gains and losses from valuation of foreign currencies on technical and non-technical positions including investments, as well as realized and unrealized gains and losses from forward contracts on foreign currencies that are used to hedge the currency exposures.

In 2018 other financial income of total CHF 1.2 million includes the net result from foreign exchange of CHF 1.6 million and (negative) interests on cash, cash equivalents and fixed-term deposits of CHF -0.4 million, whereas other financial expenses of CHF -3.6 million solely comprises financial charges, mainly fees for Letters of Credit. In 2017, other financial expenses of CHF -21.1 million consisted of the negative result from foreign exchange of net CHF -15.6 million and financial charges of CHF -5.5 million.

The following table shows a breakdown of the result from foreign exchange included in the income statement:

As of 31 December	2018 CHF	2017 CHF
FX result from technical items	**(2,881,710)**	**71,463,460**
Realized technical FX gain / (loss)	478,781	(51,307)
Unrealized technical FX gain / (loss)	(3,360,491)	71,514,768
FX result from investments	**15,636,749**	**(99,657,115)**
Realized investment FX gain / (loss)	(3,718,030)	(22,467,603)
Unrealized investment FX gain / (loss)	19,354,779	(77,189,512)
FX result from other items	**(11,192,696)**	**819,874**
Realized other FX gain / (loss)	(10,249,834)	154,719
Unrealized other FX gain / (loss)	(942,862)	665,155
FX RESULT BEFORE HEDGING	**1,562,343**	**(27,373,780)**
FX result from forward contracts on foreign currencies	**81,148**	**11,758,162**
Realized FX gain / (loss) from forward contracts	(21,397,867)	(1,490,771)
Unrealized FX gain / (loss) from forward contracts	(21,316,719)	13,248,932
FX RESULT AFTER HEDGING	**1,643,491**	**(15,615,619)**

6.6.17 NOTE 19 - OTHER EXPENSES

SCOR Switzerland AG's financial strength is guaranteed by a parental guarantee issued by SCOR SE. The cost born by SCOR Switzerland AG for this guarantee amounted to CHF 3.1 million in 2018 and to CHF 3.2 million in 2017.

6.6.18 NOTE 22 - LONG-TERM LEASE AGREEMENTS

As of 1 January 2012, the Company is leasing the building at General Guisan-Quai 26 in Zurich together with SCOR Services Switzerland AG. The lease is a fixed-term agreement until 31 December 2021, however, a right of early termination has been agreed with the landlord.

The current rent is linked to the Swiss consumer price index (LIK). Since 2012, the rental expenses for the building are paid and accounted for by SCOR Services Switzerland AG.

For the rental period up to 2021, total expenses of CHF 30.3 million are expected. The annual expenses of CHF 10.1 million will be charged directly to SCOR Services Switzerland AG to the statement of income of the respective fiscal year.

6.6.19 NOTE 23 - LETTERS OF CREDIT

Some of the Company's reinsurance treaties contain a requirement to put in place letters of credit. SCOR Switzerland AG has been granted credit facilities from several companies of the banking sector to guarantee the reinsurance activities.

As of 31 December 2018, the total volume of outstanding letters of credit amounted to CHF 516.1 million (2017 CHF 743.6 million):

- CHF 136.9 million (2017 CHF 337.4 million) issued by Citi Bank
- CHF 314.6 million (2017 CHF 325.5 million) issued by Bayern LB
- CHF 35.8 million (2017 CHF 51.9 million) issued by BNP Paribas
- CHF 8.6 million (2017 CHF 8.9 million) issued by Deutsche Bank, Luxembourg Branch
- CHF 2.2 million (2017 CHF 2.2 million) issued by Credit Suisse
- CHF 14.3 million (2017 CHF 14.1 million) issued by Natixis
- CHF 3.7 million (2017 CHF 3.6 million) issued by Commerzbank

Depending on the type of credit facility, banks providing such facilities may ask SCOR Switzerland AG to post collateral.

6.6.20 NOTE 24 - PLEDGED ASSETS

As of 31 December 2018, SCOR Switzerland AG held investments for an amount of CHF 634.4 million (2017 CHF 813.3 million) that were pledged as collateral to cedents to guarantee reinsurance liabilities or as collateral to companies of the banking sector related to the credit facilities. These pledged assets are recorded on the balance sheet under investments but are not available to the Company as liquid free assets. These pledged assets are recorded on the balance sheet under investments but are not available to the Company as liquid free assets. In addition, cash for CHF 10.6 million was pledged as collateral for FX derivatives.

The following amounts of assets were pledged as of 31 December 2018:

- CHF 250.4 million (2017 CHF 510.7 million) as collateral for outstanding letters of credit
- CHF 217.2 million (2017 CHF 287.4 million) to support the Company's internal reinsurance transactions
- CHF 11.9 million (2017 CHF 15.2 million) as deposits with cedents
- CHF 154.9 million (2017 CHF 0.0 million) as deposits for fund at Lloyds
- CHF 10.6 million (2017 CHF 0.0 million) as collateral for FX derivatives

6.6.21 NOTE 25 - RELATED-PARTY TRANSACTIONS

As part of the SCOR Group the Company has entered into various transactions with related parties. These include mainly group internal retrocession agreements assumed from and ceded to other SCOR entities.

In addition, SCOR Switzerland AG entered into various non-technical agreements with other SCOR Group entities, such as the Service Level Agreement with SCOR Services Switzerland AG, Investment Management Agreement and Parental Guarantee with SCOR SE, Paris and the Master Service Agreement regarding the Group and Divisional cost recharging with various entities of the SCOR Group.

The Company has an outstanding loan provided to SCOR Holding (Switzerland) AG over EUR 189.1 million (CHF 214.2 million). Besides, the latter granted SCOR Switzerland AG a hybrid loan for an amount of CHF 125 million by way of a perpetual subordinated loan agreement with drawdown date 18 December 2014.

In 2018, the Company received a dividend of GBP 3.5 million (CHF 4.6 million) from its participation SCOR Holding (UK) Ltd. The dividend received from that participation in 2017 amounted to GBP 4.1 million (CHF 5.2 million).

SCOR Switzerland AG distributed a dividend of EUR 150.0 million (CHF 179.8 million) to its shareholder SCOR Holding (Switzerland) AG on 19 April 2018. The dividend paid in the year 2017 amounted to EUR 100.0 million (CHF 108.3 million).

07

REPORT OF THE STATUTORY AUDITORS

7.1 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of SCOR Switzerland Ltd., which comprise the balance sheet, the income statement, the cash flow statement, change in shareholder's equity and notes to the financial statements (pages 10 to 37) for the year ended 31 December 2018.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

7.2 REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

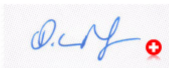
In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 18 April 2019

MAZARS AG

Angelo Accardi
Audit expert
Auditor in charge



Denise Wipf
Audit expert

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APPENDIX - B

QUANTITAVE TEMPLATES

Bericht über die Finanzlage: Quantitative Vorlage "Unternehmenserfolg Solo RV"

Currency **EUR** million

		2017	2018						
		Total		Personal accident		Health		Motor	
		Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr
1	Bruttoprämie	1'414.6	1'239.1	31.4	35.4	0.1	0.1	233.2	164.4
2	Anteil Rückversicherer an Bruttoprämie	-37.1	-33.9	-	-	-	-	-	-
3	Prämie für eigene Rechnung (1 + 2)	1'377.4	1'205.2	31.4	35.4	0.1	0.1	233.2	164.4
4	Veränderung der Prämienüberträge	-11.9	22.7	-1.6	0.4	0.1	0.0	30.7	9.5
5	Anteil Rückversicherer an Veränderung der Prämienüberträge	1.1	-1.1						
6	Verdiente Prämien für eigene Rechnung (3 + 4 + 5)	1'366.7	1'226.8	29.8	35.8	0.2	0.1	263.9	173.8
7	Sonstige Erträge aus dem Versicherungsgeschäft	26.0	10.0	0.7	0.2	0.0	-0.0	3.8	3.3
8	**Total Erträge aus dem versicherungstechnischen Geschäft (6 + 7)**	1'392.7	1'236.8	30.5	36.0	0.2	0.1	267.7	177.1
9	Zahlungen für Versicherungsfälle brutto	-992.8	-941.1	10.6	-35.7	-1.8	-1.4	-150.4	-134.1
10	Anteil Rückversicherer an Zahlungen für Versicherungsfälle	7.9	4.0	-	-	-	-	-	-
11	Veränderung der versicherungstechnischen Rückstellungen	75.0	302.1	-27.3	16.2	7.9	3.4	-37.1	44.5
12	Anteil Rückversicherer an Veränderung der versicherungstechnischen Rückstellungen	9.8	-37.0						
13	Veränderung der versicherungstechnischen Rückstellungen für anteilgebundene Lebensversicherung	-	-						
14	Aufwendungen für Versicherungsfälle für eigene Rechnung (9 + 10 + 11 + 12 + 13)	-900.0	-672.0	-16.7	-19.6	6.1	1.9	-187.5	-89.6
15	Abschluss- und Verwaltungsaufwand	-472.9	-423.7	-11.3	-13.9	-0.8	-0.9	-90.5	-74.0
16	Anteil Rückversicherer an Abschluss und Verwaltungsaufwand	0.0	0.0						
17	Abschluss- und Verwaltungsaufwand für eigene Rechnung (15 + 16)	-472.9	-423.7	-11.3	-13.9	-0.8	-0.9	-90.5	-74.0
18	Sonstige versicherungstechnische Aufwendungen für eigene Rechnung	-54.9	-65.5	-2.6	-3.6	-0.0	-0.0	0.0	-0.0
19	**Total Aufwendungen aus dem versicherungstechnischen Geschäft (14 + 17 + 18) (nur für Schadenversicherung)**	-1'427.8	-1'161.1	-30.6	-34.4	5.4	1.1	-278.0	-163.6
20	Erträge aus Kapitalanlagen	121.4	49.1						
21	Aufwendungen für Kapitalanlagen	-20.3	-21.7						
22	**Kapitalanlagenergebnis (20 + 21)**	101.1	27.5						
23	Kapital- und Zinserfolg aus anteilgebundener Lebensversicherung	-	-						
24	Sonstige finanzielle Erträge	-	1.0						
25	Sonstige finanzielle Aufwendungen	-19.1	-3.1						
26	**Operatives Ergebnis (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	47.0	101.0						
27	Zinsaufwendungen für verzinsliche Verbindlichkeiten	-3.8	-3.6						
28	Sonstige Erträge	1.5	0.0						
29	Sonstige Aufwendungen	-2.9	-2.7						
30	Ausserordentlicher Ertrag/Aufwand	-	-						
31	**Gewinn / Verlust vor Steuern (26 + 27 + 28 + 29 + 30)**	41.8	94.7						
32	Direkte Steuern	-10.0	-19.8						
33	**Gewinn / Verlust (31 + 32)**	31.8	74.9						

Bericht über die Finanzlage: Quantitative Vorlage "Unternehmenserfolg

Currency **EUR** million

		2017	2018						
		Marine, aviation,		Property		Casualty		Miscellaneous	
		Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr	Vorjahr	Berichts-jahr
1	Bruttoprämie	135.8	130.7	588.5	534.3	162.0	123.2	263.5	251.2
2	Anteil Rückversicherer an Bruttoprämie	0.5	0.3	-35.4	-36.5	-	-	-2.3	2.3
3	Prämie für eigene Rechnung (1 + 2)	136.4	130.9	553.1	497.8	162.0	123.2	261.3	253.5
4	Veränderung der Prämienüberträge	14.0	3.3	-19.3	5.6	-13.1	5.5	-22.6	-1.5
5	Anteil Rückversicherer an Veränderung der Prämienüberträge							1.1	-1.1
6	Verdiente Prämien für eigene Rechnung (3 + 4 + 5)	150.3	134.3	533.8	503.3	148.8	128.6	239.8	250.8
7	Sonstige Erträge aus dem Versicherungsgeschäft	2.8	0.7	15.8	2.7	1.7	0.9	1.1	2.3
8	**Total Erträge aus dem versicherungstechnischen Geschäft (6 + 7)**	153.2	135.0	549.5	506.0	150.6	129.5	241.0	253.1
9	Zahlungen für Versicherungsfälle brutto	-32.1	-128.8	-385.1	-351.6	-304.2	-60.8	-129.8	-228.7
10	Anteil Rückversicherer an Zahlungen für Versicherungsfälle	0.3	2.1	7.4	1.9	0.1	0.0	0.1	0.0
11	Veränderung der versicherungstechnischen Rückstellungen	-49.0	122.5	4.9	46.5	238.1	48.7	-62.5	20.4
12	Anteil Rückversicherer an Veränderung der versicherungstechnischen Rückstellungen	-2.3	-28.5	6.2	-2.5	0.1	-0.2	5.8	-5.9
13	Veränderung der versicherungstechnischen Rückstellungen für anteilgebundene Lebensversicherung							-	-
14	Aufwendungen für Versicherungsfälle für eigene Rechnung (9 + 10 + 11 + 12 + 13)	-83.1	-32.7	-368.1	-305.7	-64.5	-12.2	-186.2	-214.2
15	Abschluss- und Verwaltungsaufwand	-45.1	-46.0	-187.1	-171.7	-58.0	-49.0	-80.2	-68.1
16	Anteil Rückversicherer an Abschluss und Verwaltungsaufwand							0.0	0.0
17	Abschluss- und Verwaltungsaufwand für eigene Rechnung (15 + 16)	-45.1	-46.0	-187.1	-171.7	-58.0	-49.0	-80.2	-68.1
18	Sonstige versicherungstechnische Aufwendungen für eigene Rechnung	-11.4	-10.0	-27.6	-32.5	-8.6	-10.2	-4.8	-9.2
19	**Total Aufwendungen aus dem versicherungstechnischen Geschäft (14 + 17 + 18) (nur für Schadenversicherung)**	-139.5	-88.7	-582.8	-553.1	-131.1	-79.9	-271.1	-242.5

Bericht über die Finanzlage: Quantitative Vorlage "Marktnahe Bilanz Solo"

Currency **EUR** million

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
Marktnaher Wert der Kapitalanlagen	Immobilien			
	Beteiligungen	113		111
	Festverzinsliche Wertpapiere	2'064		2'003
	Darlehen	136		252
	Hypotheken			
	Aktien	366		149
	Übrige Kapitalanlagen	57		76
	Kollektive Kapitalanlagen	41		61
	Alternative Kapitalanlagen			
	Sonstige Kapitalanlagen	16		15
	Total Kapitalanlagen	2'736		2'591
	Finanzanlagen aus anteilgebundener Lebensversicherung			
	Forderungen aus derivativen Finanzinstrumenten	14		2
Marktnaher Wert der übrigen Aktiven	Flüssige Mittel	47		54
	Forderungen aus dem Versicherungsgeschäft	1'652		1'530
	Übrige Forderungen	98		18
	Sonstige Aktiven	1		-
	Total übrige Aktiven	1'812		1'604
Total marktnaher Wert der Aktiven	Total marktnaher Wert der Aktiven	4'548		4'195

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
Bestmöglicher Schätzwert der Versicherungs-verpflichtungen (BEL)	Bestmöglicher Schätzwert der Rückstellungen für Versicherungsverpflichtungen			
	Direktversicherung: Lebensversicherungsgeschäft (ohne ALV)			
	Direktversicherung: Schadenversicherungsgeschäft			
	Direktversicherung: Krankenversicherungsgeschäft			
	Direktversicherung: Anteilgebundenes Lebensversicherungsgeschäft			
	Direktversicherung: Sonstiges Geschäft			
	Aktive Rückversicherung: Lebensversicherungsgeschäft (ohne ALV)			
	Aktive Rückversicherung: Schadenversicherungsgeschäft	2'505		2'240
	Aktive Rückversicherung: Krankenversicherungsgeschäft			
	Aktive Rückversicherung: Anteilgebundenes Lebensversicherungsgeschäft			
	Aktive Rückversicherung: Sonstiges Geschäft			
	Anteile Rückversicherer am bestmöglichen Schätzwert der Rückstellungen für Versicherungsverpflichtungen			
	Direktversicherung: Lebensversicherungsgeschäft (ohne ALV)			
	Direktversicherung: Schadenversicherungsgeschäft			
	Direktversicherung: Krankenversicherungsgeschäft			
	Direktversicherung: Anteilgebundenes Lebensversicherungsgeschäft			
	Direktversicherung: Sonstiges Geschäft			
	Aktive Rückversicherung: Lebensversicherungsgeschäft (ohne ALV)			
	Aktive Rückversicherung: Schadenversicherungsgeschäft			
	Aktive Rückversicherung: Krankenversicherungsgeschäft			
	Aktive Rückversicherung: Anteilgebundenes Lebensversicherungsgeschäft			
	Aktive Rückversicherung: Sonstiges Geschäft			
Marktnaher Wert der übrigen Verpflichtungen	Nicht versicherungstechnische Rückstellungen			
	Verzinsliche Verbindlichkeiten	110		113
	Verpflichtungen aus derivativen Finanzinstrumenten	6		12
	Depotverbindlichkeiten aus abgegebner Rückversicherung	120		115
	Verbindlichkeiten aus dem Versicherungsgeschäft			42
	Sonstige Passiven	27		5
Summe aus BEL plus marktnaher Wert der übrigen Verpflichtungen	Summe aus BEL plus marktnaher Wert der übrigen Verpflichtungen	2'769		2'527

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
	Differenz marktnaher Wert der Aktiven abzüglich der Summe aus BEL plus marktnaher Wert der übrigen Verbindlichkeiten	1'779		1'668

Bericht über die Finanzlage: Quantitative Vorlage "Solvabilität Solo"

Currency **EUR** million

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
		in Mio. EUR	in Mio. EUR	in Mio. EUR
Herleitung RTK	Differenz marktnaher Wert der Aktiven abzüglich der Summe aus bestmöglichem Schätzwert der Versicherungsverpflichtungen plus Marktnaher Wert der übrigen Verpflichtungen	1'779		1'668
	Abzüge	-150		-80
	Kernkapital	1'629		1'588
	Ergänzendes Kapital	110		113
	RTK	1'739		1'701

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
		in Mio. EUR	in Mio. EUR	in Mio. EUR
Herleitung Zielkapital	Versicherungstechnisches Risiko	564		610
	Marktrisiko	167		185
	Diversifikationseffekte	-169		-153
	Kreditrisiko	109		130
	Mindestbetrag und sonstige Effekte auf das ZK	179		229
	Zielkapital	851		1'001

		Stichtag Vorperiode	Anpassungen Vorperiode	Stichtag Berichtsjahr
		in %	in %	in %
SST-Quotient	Risikotragendes Kapital / One-Year Change	216%		181%

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