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N° 33 – 2008

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## SCOR generates net income of EUR 280 million in the first nine months of 2008 with a liquidity position strongly increasing to EUR 3.2 billion

SCOR generates satisfactory results for the first nine months of 2008, despite a challenging financial market environment. The results benefit from a positive operating performance in Life and Non-Life business, as well as from a prudent asset management policy. SCOR's business model, which is based on high business and geographical diversification and focuses on traditional reinsurance, demonstrates its strength in a time of financial crisis, having also withstood major recent claims following hurricanes in the United States.

- Net income year-to-date stands at EUR 280 million. Annualized return on equity (ROE) stands at 10.7% and nine months' earnings per share (EPS) at EUR 1.56. SCOR achieves a net profit of EUR 38 million in the third quarter 2008.
- Business engines are performing well: Non-Life reports a year-to-date 93.3% technical ratio and a combined ratio of 99.2%, despite major US cat events Ike and Gustav. Life delivered a year-to-date operating margin of 6.5%.
- Top-line performance is in line with expectations, with year-to-date 2008 gross written premiums standing at EUR 4,325 million, up 27.9% compared to the first nine months of 2007 on a published and adjusted<sup>1</sup> basis. On a pro-forma basis and at constant exchange rates, premium volume rose by 3.5%.
- Continued focus on liquidity management more than doubles cash and short-term investments to EUR 3.2 billion compared to 30 September 2007. Positive operating cash flow in the amount of EUR 711 million year-to-date, plus a highly liquid bond portfolio with a duration of less than three years, which is expected to generate additional EUR 2.5 billion of cash by the end of 2009.
- Very limited reinsurance liabilities exposed to economic activity risks; no material off balance sheet exposure.
- Investment portfolio affected by asset impairments and writedowns in the amount of EUR 127 million, partially offset by net realised gains of EUR 62 million. Market turmoil may continue to affect the performance of SCOR's investment portfolio in future quarters.

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- Overall, very robust shareholders' equity of EUR 3.5 billion at 30 September 2008. Book value per share stands at EUR 19.46.
- Pricing levels in 2009 are expected to rise throughout the industry, as a result of a probable increase in reinsurance demand.

Denis Kessler, Chairman and Chief Executive Officer of SCOR, comments: "Our current results and balance sheet strength demonstrate the effectiveness of SCOR's strategy, which relies on high business and geographical diversification and focuses on traditional reinsurance activity. This policy produces very positive operating cash flows. The Group has no liquidity issues and our current solvency strongly supports our rating. However, the financial market turmoil may continue to affect the performance of our investment portfolio in future quarters. SCOR is well positioned to profit from an increase in reinsurance demand and an increase in premium rates in the upcoming renewal season."

### Group well positioned to benefit from higher prices in reinsurance

SCOR expects capital needs to increase insurers' demand for reinsurance, because the subprime and credit crises and subsequent low investment market performances, plus this year's above-average natural catastrophe activity, have significantly reduced insurers' capital adequacy.

The industry meetings in Monte Carlo and Baden-Baden, leading up to the 2009 renewal season, confirmed SCOR Group's role as a reinsurer of choice. The Group's pioneering "hub" structure ensures close proximity to local markets and clients, along with the ability to provide customized solutions.

### Net income affected by equity impairments and above-average loss activity

SCOR records a net income of EUR 280 million in the first nine months of 2008, down 6.7% from EUR 300 million compared to last year's published and adjusted<sup>1</sup> figures for the same period. On a pro-forma basis, income is down 21.3% from EUR 356 million in 2007. The third quarter 2008 results have been markedly affected by a difficult investment environment and above-average natural catastrophe claims. Despite these developments, SCOR posts a result of EUR 38 million in the third quarter of 2008. The year-to-date return on equity (ROE) stands at 10.7%.

Net income for the first half of 2008 has been adjusted from EUR 225 million to EUR 242 million as a result of several positive factors, which are mainly due to the finalization of the Converium acquisition and its integration into SCOR's consolidated accounts.

SCOR shareholders' equity increased by 2% to EUR 3,506 million at 30 September 2008 from 30 June 2008. Book value per share stands at EUR 19.46 at the end of September.

<sup>1</sup> Taking into account the final integration of Converium into SCOR's consolidated accounts

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Over the past four years, the Group has continually reduced its debt ratio and currently has a leverage position of 18%. SCOR has no refinancing needs at present, with a first debt coming to maturity in mid 2010.

### **Robust Life and Non-Life business results**

The Group's gross written premiums reach EUR 4,325 million in the first nine months of 2008, up 27.9% from EUR 3,381 million for the same period in the previous year on a published and adjusted<sup>1</sup> basis.

Non-Life gross written premiums rose to EUR 2,371 million in the first nine months of 2008 from EUR 1,603 million in the first nine months of 2007, representing an increase of 47.9% on a published and adjusted<sup>1</sup> basis. On a pro-forma basis and at constant exchange rates, premiums increase by 1.8%.

A Non-Life combined ratio of 99.2%, despite a year with above-average natural catastrophes, demonstrates the strong quality of SCOR's business book and confirms the capacity of the Group to absorb significant shocks within a given reporting period, while delivering stable earnings. The third quarter saw natural catastrophe claims of EUR 50 million after tax from hurricanes Ike and Gustav. The USD 20 billion hurricane Ike is likely to be the second largest US insured hurricane loss ever after Katrina. For SCOR, the losses from hurricane Ike essentially came from the Group US Cat treaty portfolio. This portfolio is protected by a specific excess of loss retrocession program that will contain the total additional net impact in the event that the initially estimated cost increases. The Eurotunnel loss stands at EUR 35 million net of reinstatement premium and before tax. SCOR Global P&C's Non-Life expense ratio further improves to 5.9% in the first nine months, down from 7.1% for the same period in 2007.

Life gross written premiums for the nine months ended 30 September 2008 increase by EUR 176 million (+9.9%) to EUR 1,954 million, compared to EUR 1,778 million for the nine months ended 30 September 2007 on a published and adjusted basis<sup>1</sup>. On a pro-forma basis and at constant exchange rates, premium volume rises by 5.7%. Life reinsurance records an operating margin of 6.5% for the nine months ended 30 September 2008, slightly down from 2007 due to a lower investment result. The technical component of SCOR' Global Life's operating margin remains strong, driven by a high share of European mortality business.

### **Continuing with a very cautious investment approach**

In a challenging financial market environment, SCOR has further reinforced its very prudent asset management policy. The Group's cash position, which is well diversified across a limited number of banks and invested in government securities, as well as short term investments, stands at EUR 3.2 billion at the end of September 2008, up from EUR 2.8 billion at the end of June 2008 and EUR 2 billion at the end of 2007.

<sup>1</sup> Taking into account the final integration of Converium into SCOR's consolidated accounts

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The Group can further build on a positive operating cash flow in the amount of EUR 711 million year-to-date and on a highly liquid bond portfolio with a duration of less than three years. The bond portfolio is expected to generate additional EUR 2.5 billion of cash by the end of 2009.

In the first nine months of 2008, the adverse developments in the financial markets have led to equity impairments worth EUR 97 million and bond impairments of EUR 30 million (write-downs of Lehman and Washington Mutual bonds in the amount of EUR 27 million), plus a net “fair value through income” charge of EUR 17 million.

SCOR has not changed its investment accounting policy to take advantage of the International Accounting Standards Board (IASB) reclassification of financial instruments during the 3rd quarter of 2008.

Net invested assets including cash stand at EUR 19.1 billion on 30 September 2008, up from 18.5 billion on 30 June 2008 and flat from EUR 19.1 billion at year end 2007. SCOR realises a year-to-date investment yield of 3.0%.

On 30 September 2008, investments consist of bonds (38%, of which 69% in AAA securities), cash and short-term investments (17%), funds withheld by cedants (37%), equities (4%), hedge funds and other alternative investments (2%) and real estate (2%).

### **Finalisation of the integration of Converium into the SCOR accounts**

After one year, SCOR has successfully completed the acquisition and integration of Converium. As a part of this completion SCOR announces the finalisation of the initial accounting (PGAAP) for the Converium acquisition, as required under IFRS 3. The initial goodwill reported as at 30 September 2007 was EUR 395 million, which increases to EUR 421 million as at 30 June 2008, driven by the settlement of the class action.

At the end of the third quarter 2008 the goodwill related to the Converium acquisition increases to EUR 578 million, mainly due to the de-recognition of EUR 78 million of “Customer Relationship” intangible assets. SCOR has been able to successfully retain the Converium portfolio (98% of client retention by volume), with a very smooth integration process. It has now become virtually impossible to fulfil IFRS controls and identification criteria related to “Customer Relationship” intangible assets. This has no impact on the tangible book value of the Company since these assets were not treated as capital by rating agencies and regulators. In addition, SCOR strengthened SCOR Global Life’s GMDB (Guaranteed Minimum Death Benefit) run-off Life reserves inherited from Converium following a detailed review of the model and the refinement of assumptions, which increases goodwill by EUR 67 million. Other adjustments led to an additional increase in goodwill of EUR 15 million.

Consequently, these changes in the acquisition cost of Converium required the net income for the first half of 2008 to be positively adjusted by EUR 17 million, including EUR 6 million for the de-recognition of “Customer Relationship” intangibles, EUR 5 million for re-classification of certain investments to “available for sale” and other items totalling EUR 6 million. Furthermore, as goodwill is not amortized and “Customer Relationship” is, this will have a positive impact of EUR 11.4 million in 2009 and EUR 10.1 million in 2010 after tax.

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## Press Release

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### Key Figures (in EUR millions)

	2008 9 months Published <sup>1)</sup> (unaudited)	2007 9 months Pro-forma <sup>2)</sup> (unaudited)	2008 3 <sup>rd</sup> quarter Published <sup>1)</sup> (unaudited)	2007 3 <sup>rd</sup> quarter Pro-forma <sup>2)</sup> (unaudited)
Gross written premiums	4,325	4,417	1,577	1,460
Non-Life gross written premiums	2,371	2,469	884	829
Life gross written premiums	1,954	1,948	693	631
Operating income	334	508	59	185
Net income	280	356	38	135
Investment income	445	633	97	184
Investment yield	3.0%	3.7%	1.9%	n.a.
Non-Life combined ratio	99.2%	99.4%	100.8%	94.6%
Non-Life technical ratio	93.3%	92.3%	95.7%	88.3%
Non-Life expense ratio	5.9%	7.1%	5.1%	6.3%
Life operating margin	6.5%	7.5%	5.1%	6.7%
Return on Equity (ROE)	10.7%	13.4%	4.4%	n.a.
Basic EPS (EUR)	1.56	1.98	0.21	n.a.
	2008 9 months Published (unaudited)	2008 1 <sup>st</sup> half Published (unaudited)		
Investments (excl. participations)	19,125	18,538		
Reserves	18,887	17,967		
Shareholders' equity	3,506	3,432		
Book value per share (EUR)	19.46	19.09		

<sup>1)</sup> Published accounts:

- The presented accounts for Q3 2008 results are unaudited and include full consolidation of Converium and Revios for 2008
- 2007 comparative figures include Revios contribution (acquired on 21/11/2006) but do not include Converium (acquired on 08/08/2007)
- Taking into account the final integration of Converium into SCOR's consolidated accounts

<sup>2)</sup> Pro-forma information:

- The Group's financial information is prepared on the basis of IFRS and interpretations issued and approved by the European Union as set out in the 2007 Document de Référence and Interim Report.
- The pro-forma financial information as of 30 September 2008 is unaudited and presented to illustrate the effect on the Group's income statement of the Converium acquisition as if the acquisition had taken place on 1 January 2007.

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**Forward-looking statements**

SCOR does not communicate "profit forecasts" in the sense of Article 2 of (EC) Regulation n°809/2004 of the European Commission. Thus, any forward-looking statements contained in this communication should not be held as corresponding to such profit forecasts. Information in this communication may include "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions and include any statement which does not directly relate to a historical fact or current fact. Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitations, "will", "should", "would" and "could." Undue reliance should not be placed on such statements, because, by their nature, they are subject to known and unknown risks, uncertainties and other factors, which may cause actual results, on the one hand, to differ from any results expressed or implied by the present communication, on the other hand.

Please refer to SCOR's *document de référence* filed with the AMF on 28 March 2008 under number D.08-0154 (the "*Document de Référence*"), for a description of certain important factors, risks and uncertainties that may affect the business of the SCOR Group. As a result of the extreme and unprecedented volatility and disruption of the current global financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, and currency movements, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.

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