SCOR
The Art & Science of Risk

Press Release

26 October 2017 - N° 29

Third Quarter and First Nine Months 2017 Results

SCOR demonstrates its shock-absorbing capacity

Key highlights

- The third quarter of 2017 is marked by an exceptional series of large natural catastrophes, with hurricanes Harvey, Irma and Maria and earthquakes in Mexico leading to a cost of EUR 430 million net of retrocession and tax for the third quarter (EUR 598 million net of retrocession and pre-tax), as announced on 9 October 2017. Consequently, SCOR registers a net loss of EUR 267 million in the third quarter of 2017 and a net income of EUR 25 million for the first nine months of 2017.

- The estimated solvency ratio stands at approximately 213% as at 30 September 2017, in the upper half of the optimal range of 185% - 220% as defined in the "Vision in Action" plan. This validates SCOR's strategy and business model, which is notably based on underwriting discipline, a controlled risk appetite, balanced development between Life and P&C reinsurance, significant geographic and business line diversifications, a robust capital shield policy and prudent asset management. This strategy demonstrates once again the Group's ability to absorb major shocks.
- The in-force retrocession programs have responded as expected, bearing witness to the Group's efficient capital shield policy. After these events, SCOR still benefits from most of its retrocession capacities. The likelihood of the Contingent Capital facility being triggered in 2017 is extremely remote.
- SCOR confirms the "Vision in Action" targets. At this stage, the Group is pursuing its dividend policy and its share buyback program, which expires mid-2019, as planned.
- SCOR continues to execute its strategic plan "Vision in Action", achieving strong gross written premium growth of 9.3% at constant exchange rates in the first nine months of 2017, compared to the same period in 2016 (+8.9% at current exchange rates). This profitable growth comes from both divisions: Life (+8.7% at constant exchange rates) across all product lines, particularly in the Americas and Asia-Pacific, and P&C (+10.0% at constant exchange rates), leveraging on successful January, April and June renewals, notably in the US.

Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: *"SCOR once again demonstrates its capacity to absorb shocks. The natural catastrophe events that occurred in the third quarter of 2017 are a serious wake-up call for the reinsurance industry and the Group is in a very good position to benefit from the new market environment. SCOR's teams will ensure smooth and swift claims payment, while continuing to stand alongside SCOR's clients to support and assist them with future risks. SCOR confirms the consistency of its strategy and continues to execute its strategic plan "Vision in Action" combining growth, profitability and solvency, with no change in risk appetite, underwriting policy, capital shield policy or capital management policy."*

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SCOR confirms the relevance of its business model

Nine months and Q3 2017 key financial details:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	9 months 2017	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Gross written premiums	11,122	10,216	+8.9%	3,600	3,481	+3.4%
Group cost ratio	4.9%	5.0%	-0.1 pts	5.0%	4.8%	+0.2 pts
Annualized ROE	0.5%	9.3%	-8.8 pts	-16.2%	10.7%	-26.9 pts
Net income*	25	438	-94.3%	-267	163	-263.8%
Normalized[1] annualized ROE	8.3%	9.3%	-1.0 pts	8.2%	10.7%	-2.5 pts
Normalized[1] net income*	403	438	-8.8%	127	163	-27.7%
Shareholders' equity	6,025	6,436	-6.4%	6,025	6,436	-6.4%

** Consolidated net income, Group share.*

In the first nine months of 2017, **gross written premiums** reach EUR 11,122 million, up 9.3% at constant exchange rates compared to the same period last year (+8.9% at current exchange rates). This growth comes from both Life (+8.7% at constant exchange rates) across all product lines, particularly in the Americas and Asia-Pacific, and from P&C (+10.0% at constant exchange rates), leveraging on successful January, April and June renewals.

The Group cost ratio decreases to 4.9% of premiums in the first nine months of 2017, compared to 5.0% in the same period in 2016.

Group net income reaches a positive EUR 25 million in the first nine months of 2017, despite the large nat cat events in the third quarter. In the third quarter alone, the net Group loss stands at EUR 267 million. The annualized **return on equity** (ROE) for the first nine months stands at 0.5% or 15 bps below the risk-free rate[2] (-16.2% for Q3 2017 standalone). The normalized[1] annualized return on equity stands at 8.3% in the first nine months of 2017.

The business model delivers **operating cash flow** of EUR 671 million in the first nine months of 2017. SCOR Global P&C continues to provide strong cash flow in line with expectations and SCOR Global Life has shown some catch up since the first quarter of 2017 and is starting to normalize as expected.

Shareholders' equity stands at EUR 6.03 billion at 30 September 2017 after the net income contribution of EUR 25 million, payment of EUR 308 million in dividends for 2016 and a EUR 447 million negative impact from currency translation adjustments, mainly due to the weakening of the US dollar recorded in the first half. This results in a book value per share of EUR 31.97 at 30 September 2017, compared to EUR 35.94 at 31 December 2016.

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[1]Excluding the EUR 116 million pre-tax negative one-off linked to the change in the Ogden discount rate, EUR 45 million pre-tax positive effect related to Q1 reserve releases and EUR 10 million post-tax Q3 cat impact on ILS funds, and including a budgeted P&C cat ratio of 6%.

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

SCOR's **financial leverage** stands at 26.3% at 30 September 2017, reflecting the impact on shareholders' equity from the dividend payment and currency translation adjustments.

SCOR Global P&C's results are impacted by the exceptional series of large natural catastrophes that occurred in the third quarter of 2017

In the first nine months of 2017, SCOR Global P&C gross written premiums stand at EUR 4,622 million, solidly growing by 10.0% at constant exchange rates compared to the same period last year (+9.2% at current exchange rates). Premium growth for 2017 is trending towards the full-year 2017 assumption of 7%-8% at constant exchange rates communicated during the 2017 Investor Day.

SCOR Global P&C key figures:

	YTD			QTD		
In EUR millions (rounded, at current exchange rates)	**9 months 2017**	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Gross written premiums	4,622	4,234	+9.2%	1,502	1,433	+4.8%
Net combined ratio*	107.5%	93.0%	+14.5 pts	136.7%	91.4%	+45.3 pts

(*) The net combined ratio calculation has been refined to exclude some immaterial non-technical items that were previously included. Considering their potential growth, these items have been excluded to ensure they do not distort the combined ratio in the future. The impact on the previously reported ratios for Q3 2016 YTD and QTD is +0.24% pts.

After five consecutive years of lower-than-expected cat losses, the third quarter of 2017 is impacted by an exceptional ~1/25-year series of large natural catastrophe events. This leads to a cat ratio of 16.8% for the first nine months of 2017, 15 percentage points of which come from the Harvey, Irma and Maria Hurricanes and the Mexican earthquakes, which represent a combined impact of EUR 598 million net of retrocession and pre-tax (EUR 430 million net of retrocession and post-tax). Consequently, the year-to-date combined ratio stands at 107.5%.

In a scenario of "normalized" natural catastrophe costs at 6 net combined ratio points, and excluding the impact of the change in the Ogden rate (which was fully taken into account in the first quarter of 2017[3]), and Q1 reserve releases[4], the normalized net combined ratio stands at 95.0%[5] and is fully in line with the "Vision in Action" plan.

The in-force retrocession programs have responded as expected, demonstrating SCOR's efficient capital shield policy. SCOR's retention amounted to approximately 60% of the total gross losses from the five events. If SCOR had had to face the same series of events with Irma being a USD 125 billion industry event, there would only have been a marginal net impact on the Group.

SCOR's P&C underwriting capacity remains unaffected by this series of large events.

[3] A EUR 116 million (pre-tax) negative one-off.
[4] A EUR 45 million (pre-tax) positive effect from reserve releases in long-tail lines of business.
[5] Please refer to page 34 of the IR presentation, for detailed calculation of the combined ratio.

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SCOR Global Life records profitable growth in the first nine months of 2017 and continues to expand its franchise in Asia-Pacific

SCOR Global Life records strong growth in the first nine months of 2017, with gross written premiums standing at EUR 6,500 million, up 8.7% at constant and current exchange rates compared to the same period last year. This is driven by:

- the development of the franchise in Asia-Pacific, with the underwriting of a new Financial Solutions deal;
- the continued healthy pipeline of new business in EMEA and the Americas, across all product lines.

SCOR Global Life key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	9 months 2017	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Gross written premiums	6,500	5,982	+8.7%	2,098	2,048	+2.4%
Life technical margin	7.1%	7.1%	+0.0 pts	7.0%	7.1%	-0.1 pts

Full-year 2017 premium growth is expected to stand at 6.5%-7.5% at constant exchange rates, slightly above the “Vision in Action” annual premium growth assumption[6].

SCOR Global Life records a robust technical margin of 7.1%, slightly above the “Vision in Action” assumption. The profitability of new business continues to meet the Group’s ROE target. During the first nine months of 2017, the underlying US mortality claim experience has been higher than expected. The overall technical result of the division is not impacted, as it continues to benefit from both the active in-force management conducted since the Transamerica Re and Generali US acquisitions, as well as from the strong reserve position set up at the time.

SCOR Global Investments delivers a return on invested assets of 2.6% in the first nine months of 2017

After the pause in portfolio rebalancing in Q2 2017, progressive reinvestment towards “Vision in Action” asset allocation was resumed in Q3 2017:

- liquidity has been decreased to 8% vs. 9% in Q2 2017;
- the share of corporate bonds in the asset portfolio has been increased (+3 pts vs. Q2 2017);
- the duration of the fixed income portfolio has been slightly increased to 4.6 years[7], compared to 4.5 years in Q2 2017.

[6] See appendix p.7 for more information on targets and assumptions set in the “Vision in Action” plan.
[7] 4.9-year duration on invested assets (vs. 4.5 years in Q2 2017, adjusted for methodological change – refer to p.135 of 2017 IR Day presentation).

The fixed income portfolio is of very high quality, with an average rating of A+.

SCOR Global Investments key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	9 months 2017	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Total investments	26,620	27,568	-3.4%	26,620	27,568	-3.4%
▪ of which total invested assets	18,405	19,154	-3.9%	18,405	19,154	-3.9%
▪ of which total funds withheld by cedants and other deposits	8,215	8,414	-2.4%	8,215	8,414	-2.4%
Return on investments*	2.3%	2.5%	-0.2 pts	2.1%	2.3%	-0.2 pts
Return on invested assets**	2.6%	2.9%	-0.3 pts	2.3%	2.6%	-0.3 pts

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

SCOR Global Investments is benefiting from its highly liquid portfolio. As at 30 September 2017, the expected financial cash flows over the next 24 months stand at EUR 5.6 billion (including cash, coupons and redemptions).

In the first nine months of 2017, invested assets generate a financial contribution of EUR 364 million. The active asset management policy executed by SCOR Global Investments has enabled the Group to generate capital gains of EUR 78 million over the period, coming mainly from the fixed income portfolio.

The return on invested assets stands at 2.6% for the first nine months of 2017 (2.7% excluding Q3 natural catastrophe impact on ILS funds). Taking account of funds withheld by cedants and other deposits, the net rate of return on investments stands at 2.3% in the first nine months of 2017. The reinvestment yield stands at 2.6%[8] as at 30 September 2017. Under current market conditions, the FY 2017 return on invested assets is estimated at between 2.7% and 3.2%.

Invested assets (excluding funds withheld by cedants and other deposits) stand at EUR 18,405 million as at 30 September 2017, and are composed as follows: 7% cash, 77% fixed income (of which 1% are short-term investments), 4% loans, 3% equities, 5% real estate and 4% other investments. Total investments, including EUR 8,215 million of funds withheld and other deposits, stand at EUR 26,620 million at 30 September 2017, compared to EUR 27,731 million at 31 December 2016. This reflects in particular the weakening of the US Dollar vs. the Euro.

[8] Corresponds to marginal reinvestment yields based on first nine months 2017 asset allocation of yielding asset classes (i.e. fixed income, loans and real estate), according to current reinvestment duration assumptions and spreads. Yield curves as at 30/09/2017.

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APPENDIX

1 - P&L key figures 2017 YTD and Q3 2017 standalone

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	9 months 2017	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Gross written premiums	11,122	10,216	+8.9%	3,600	3,481	+3.4%
P&C gross written premiums	4,622	4,234	+9.2%	1,502	1,433	+4.8%
Life gross written premiums	6,500	5,982	+8.7%	2,098	2,048	+2.4%
Investment income	448	501	-10.5%	136	156	-12.8%
Operating results	97	710	-86.3%	-365	244	-249.6%
Net income[1]	25	438	-94.3%	-267	163	-263.8%
Earnings per share (EUR)	0.14	2.37	-94.3%	-1.43	0.88	-262.3%
Operating cash flow	671	1 304	-48.5%	343	854	-59.8%

1: Consolidated net income, Group share.

2 - P&L key ratios for 2017 YTD and Q3 2017 standalone

	YTD			QTD		
	9 months 2017	**9 months 2016**	**Variation**	**Q3 2017**	**Q3 2016**	**Variation**
Return on investments [1]	2.3%	2.5%	-0.2 pts	2.1%	2.3%	-0.2 pts
Return on invested assets [1,2]	2.6%	2.9%	-0.3 pts	2.3%	2.6%	-0.3 pts
P&C net combined ratio [3]	107.5%	93.0%	+14.5 pts	136.7%	91.4%	+45.3 pts
Life technical margin [4]	7.1%	7.1%	+0.0 pts	7.0%	7.1%	-0.1 pts
Group cost ratio [5]	4.9%	5.0%	-0.1 pts	5.0%	4.8%	+0.2 pts
Return on equity (ROE)	0.5%	9.3%	-8.8 pts	-16.2%	10.7%	-26.9 pts

1: Annualized; 2: Excluding funds withheld by cedants; 3: The net combined ratio is the sum of the total claims, the total commissions and the total P&C management expenses, divided by the net earned premiums of SCOR Global P&C; 4: The technical margin for SCOR Global Life is the technical result divided by the net earned premiums of SCOR Global Life; 5: The cost ratio is the total management expenses divided by the gross written premiums.

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3 - Balance sheet key figures as at 30 September 2017 (in EUR millions, at current exchange rates)

	As at 30 September 2017	As at 31 December 2016	Variation
Total investments [1,2]	26,620	27,731	-4.0%
Technical reserves (gross)	28,681	28,715	-0.1%
Shareholders' equity	6,025	6,695	-10.0%
Book value per share (EUR)	31.97	35.94	-11.0%
Financial leverage ratio	26.3%	24.4%	+1.9 pts
Total liquidity[3]	1,620	2,282	-29.0%

1: Total investment portfolio includes both invested assets and funds withheld by cedants and other deposits, accrued interest, cat bonds, mortality bonds and FX derivatives; 2: Excluding 3rd party net insurance business investments; 3: Includes cash and cash equivalents.

4 - "Vision in Action" targets

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

1: Based on a 5-year rolling average of 5-year risk-free rates.

5 - "Vision in Action" assumptions

		Assumptions
P&C	Gross written premium growth	3% p.a. - 8% p.a.
	Combined ratio	~95% - 96%
Life	Gross written premium growth	5% p.a. - 6% p.a.
	Technical margin	6.8% - 7.0%
Investments	Return on invested assets	2.5% - 3.2%
Group	Gross written premium growth	~4% p.a. - 7% p.a.
	Cost ratio	4.9% - 5.1%
	Tax rate	22% - 24%

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General:

Numbers presented throughout this report may not add up precisely to the totals in the tables and text. Percentages and percent changes are calculated on complete figures (including decimals); therefore the presentation might contain immaterial differences in sums and percentages due to rounding.
Unless otherwise specified, the sources for the business ranking and market positions are internal.

Forward-looking statements:

This report includes forward-looking statements and information about the objectives of SCOR, in particular, relating to its current or future projects. These statements are sometimes identified by the use of the future tense or conditional mode, as well as terms such as “estimate”, “believe”, “have the objective of”, “intend to”, “expect”, “result in”, “should” and other similar expressions. It should be noted that the achievement of these objectives and forward-looking statements is dependent on the circumstances and facts that arise in the future. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by SCOR. Information regarding risks and uncertainties that may affect SCOR’s business is set forth in the 2016 reference document filed on 3 March 2017 under number D.17-0123 with the French Autorité des marchés financiers (AMF) and posted on SCOR’s website www.scor.com.
In addition, such forward-looking statements are not “profit forecasts” in the sense of Article 2 of Regulation (EC) 809/2004.

Financial information:

The Group’s financial information contained in this report is prepared on the basis of IFRS and interpretations issued and approved by the European Union.
Unless otherwise specified, prior-year balance sheet, income statement items and ratios have not been reclassified. The calculation of financial ratios (such as book value per share, return on investments, return on invested assets, Group cost ratio, return on equity, net combined ratio and Life technical margin) are detailed in the Appendices of the Investor Relations presentation released on 26 October 2017 (see slide 20 of the presentation).
The financial information included in this report is unaudited. Unless otherwise specified, all figures are presented in Euros. Any figures for a period subsequent to 30 September 2017 should not be taken as a forecast of the expected financials for these periods.