

Press Release

October 24, 2019 - N° 33

First Nine Months 2019 Results

SCOR delivers a solid performance with net income of EUR 401 million in the first nine months of 2019

SCOR delivers a solid performance in the first nine months of 2019 and achieves both targets of the new strategic plan “Quantum Leap”, profitability and solvency, in spite of a third quarter marked by a series of natural catastrophes and man-made losses.

- **Group net income** stands at EUR 401 million in the first nine months of 2019, up 17.3% compared to the first nine months of 2018. The **return on equity (ROE)** is 8.8%, 816 bps above the risk-free rate¹, exceeding the profitability target of the new plan “Quantum Leap”.
- **Gross written premiums** total EUR 12,055 million in the first nine months of 2019, up 3.2% at constant exchange rates (up 6.3% at current exchange rates). In P&C, gross written premiums are up 11.5% at constant exchange rates (up 14.6% at current exchange rates). In Life, gross written premiums are down 2.5% at constant exchange rates (up 0.7% at current exchange rates). This variation is largely driven by the renewal of certain Financial Solutions transactions as fee business (rather than as premiums) since the beginning of the year. Excluding these transactions, Life gross written premiums would have grown by 3.8% at constant exchange rates.
- **SCOR Global P&C** delivers strong growth and solid technical results, with a combined ratio of 95.7% for the first nine months of 2019 in spite of heavy loss activity in Q3 2019.
- **SCOR Global Life** continues to expand its franchise in Asia and delivers a strong level of technical profitability in the first nine months of 2019 and records a solid technical margin of 7.2%.
- **SCOR Global Investments** delivers a solid return on invested assets of 3.0% in the first nine months of 2019, supported by an income yield of 2.6% and benefiting from realized gains of EUR 43 million in Q3 2019 QTD largely from real estate sales.
- **Group cost ratio** (expressed as a percentage of the Group’s gross written premiums) stands at 4.7%², running below the “Quantum Leap” assumption of ~5.0%.
- **Group total cash flows** stand at EUR 693 million in the first nine months of 2019 and **net operating cash flows** stand at EUR 573 million, with strong cash flows from SCOR Global P&C despite significant payments on 2017 and 2018 cat events. SCOR Global Life experienced lower cash flow as a result of the volatility on claims payment activity and seasonality of tax settlements. The Group’s total liquidity is very strong at EUR 2.1 billion at September 30, 2019.
- **Shareholders’ equity** stands at EUR 6.5 billion at September 30, 2019, up by EUR 0.7 billion in the first nine months of 2019, after the dividend payment of EUR 325 million in May 2019. This results in a strong book value per share of EUR 34.71, compared to EUR 31.53 at December 31, 2018.
- **Financial leverage** stands at 25.1% on September 30, 2019, improving by 2.4% points compared to December 31, 2018.

¹ Based on a 5-year rolling average of 5-year risk-free rates (67 bps in Q3 2019 YTD)

² As of Q3 2019, the cost ratio takes into account IFRS 16 accounting rules. Excluding the renewal of certain Financial Solutions deals as fee business, and under IFRS 16, the cost ratio would stand at 4.6%

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- **Estimated solvency ratio** stands at 203% on September 30, 2019, in the optimal solvency range of 185% - 220% as defined in the “Quantum Leap” strategic plan. The capital generation is positive. The reduction in solvency is notably driven by the decrease in interest rates since the beginning of the year.
- **SCOR’s rating level of AA-** was reaffirmed by AM Best and S&P³ during the third quarter of 2019.

Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: “SCOR records a solid performance in the first nine months of 2019, achieving its solvency target and outperforming its profitability target of its new strategic plan “Quantum Leap”. SCOR demonstrates once again its capacity to successfully combine profitability and solvency, in spite of challenging conditions that the industry faced in the third quarter of 2019, marked by a series of natural catastrophes and man-made P&C claims, combined with historically low levels of interest rates. The Group continues to expand and deepen its franchise both on U.S. P&C, the largest market in the world, and on Life reinsurance in Asia-Pacific. The award granted to SCOR as “North American Reinsurer of the Year” is a testimony of both the quality and the development of the Group’s franchise in North America. The Group is fully mobilized to pursue value creation for the benefit of all stakeholders.”

SCOR Group nine months and Q3 2019 key financial details:

In EUR millions (at current exchange rates)	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Gross written premiums	12,055	11,336	+6.3%	4,045	3,799	+6.5%
Group cost ratio	4.7%	5.0%	-0.3 pts	4.7%	5.0%	-0.3 pts
Annualized ROE	8.8%	7.6%	+1.2 pts	7.5%	5.4%	+2.1 pts
Net income*	401	342	+17.3%	115	80	+44.4%
Shareholders' equity	6,491	6,118	+6.1%	6,491	6,118	+6.1%

* Consolidated net income, Group share.

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³ Please refer to press releases issued on September 9, 2019 for S&P and September 30, 2019 for AM Best

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SCOR Global P&C delivers strong growth and good technical results in spite of heavy loss activity in Q3 2019

SCOR Global P&C delivers YTD a strong growth of 11.5% at constant exchange rates (+14.6 % at current exchange rates) with gross written premiums reaching EUR 5,264 million. The growth arises from the strong 2019 successive renewals, but also benefits from the very robust H2 2018 renewals in particular in the U.S.

The growth at constant exchange rates is expected to remain in the same range for FY 2019.

SCOR Global P&C key figures:

In EUR millions (at current exchange rates)	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Gross written premiums	5,264	4,593	+14.6%	1,818	1,567	+16.1%
Net combined ratio	95.7%	93.6%	+2.1 pts	99.4%	98.0%	+1.4 pts

In spite of heavy loss activity, the net combined ratio remains robust at 95.7% in Q3 2019 YTD and includes:

- A nat cat impact of 12.0% in Q3 2019 QTD mainly coming from the Hurricane Dorian (EUR 92 million net of retrocession) and Typhoon Faxai (EUR 89 million net of retrocession), leading to a YTD cat ratio of 7.6%, slightly above the 7% budget assumption;
- A net attritional loss and commission ratio of 81.3% in Q3 2019 YTD, 2.1 pts above 2018 due to a higher level of man-made activity and the impact of the decision taken on the Ogden rate in the United Kingdom (EUR 13 million);
- A reserve release of EUR 60 million (pre-tax) in Q3, partially offsetting the impact of the high natural catastrophes and man-made losses; and
- An expense ratio benefiting from increased premium.

The Q3 2019 YTD normalized net combined ratio stands at 96.2%⁴, slightly above the 95% to 96% assumption of “Quantum Leap”⁵

SCOR Global Life combines franchise development in Asia and strong profitability in the first nine months of 2019

In Q3 2019 YTD, SCOR Global Life’s gross written premiums stand at EUR 6 791 million, down 2.5% at constant exchange rates (up 0.7% at current exchange rates) compared to Q3 2018 YTD. This variation is largely driven by the renewal of certain Financial Solutions transactions as fee business (rather than premiums) since the beginning of the year.

Excluding these transactions, gross written premiums would have grown by 3.8% at constant exchange rates, driven by franchise development in Asia and North America.

⁴ See page 28 of the Q3 2019 Earnings Presentation for the detailed calculation of normalized net combined ratio

⁵ See page 40 of the Q3 2019 Earnings Presentation for details

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SCOR Global Life key figures:

In EUR millions (at current exchange rates)	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Gross written premiums	6,791	6,743	+0.7%	2,227	2,232	-0.2%
Life technical margin	7.2%	7.0%	+0.2 pts	7.3%	7.2%	+0.1 pts

Premium growth is in line with the “Quantum Leap” assumption⁵ of ~3% to 6% over the cycle with 2019 expected normalized growth rate of 3% to 4%.

The technical result stands at EUR 453 million in the first nine months of 2019.

The technical margin of 7.2% in Q3 2019 YTD is strong and in line with “Quantum Leap” assumptions⁶ benefiting from:

- Positive impact of 0.4% from the above mentioned Financial Solutions transactions that renewed in Q3 2019 YTD as fee business⁷;
- Solid technical result from in-force business. U.S. claims are approximately EUR 110 million⁸ higher than in Q3 2018 YTD, balanced by active portfolio management and a strong reserve position; and
- Profitability of new business in line with the Group’s ROE target.

SCOR Global Investments records a return on invested assets of 3.0% in the first nine months of 2019

Total investments reach EUR 28.5 billion, with total invested assets of EUR 20.3 billion and funds withheld⁹ of EUR 8.2 billion.

SCOR’s invested assets portfolio positioning reflects the current financial environment:

- Liquidity is at 9%;
- Corporate bonds is at 44% (stable vs. H1 2019); and
- The fixed income portfolio is of very high quality, with an average rating of A+, and a duration at 3.6 years¹⁰.

⁶ See page 40 of the Q3 2019 Earnings Presentation for details

⁷ See Appendix F, page 29 of the Q3 2019 Earnings Presentation for calculation of the impact of the fee business on the Life technical margin

⁸ Estimation after allowance for natural aging of the in-force, and allowance of new business on the book

⁹ Funds withheld & other deposits

¹⁰ Compared to 3.8 years in H1 2019 on fixed income portfolio (3.7-year duration on total invested assets vs. 3.9 years in H1 2019)

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SCOR Global Investments key figures:

In EUR millions (at current exchange rates)	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Total investments	28,540	27,638	+3.3%	28,540	27,638	+3.3%
▪ of which total invested assets	20,347	19,394	+4.9%	20,347	19,394	+4.9%
▪ of which total funds withheld by cedants and other deposits	8,193	8,244	-0.6%	8,193	8,244	-0.6%
Return on investments*	2.4%	2.1%	+0.3 pts	2.7%	2.2%	+0.5 pts
Return on invested assets**	3.0%	2.5%	+0.5 pts	3.4%	2.5%	+0.9 pts

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

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

The investment portfolio remains highly liquid, with financial cash flows¹¹ of EUR 7.1 billion expected over the next 24 months.

The investment income on invested assets stands at EUR 434 million in Q3 2019 YTD, benefiting from realized gains of EUR 43 million in Q3 2019 QTD largely from real estate sales, generating a return on invested assets of 3.0% in the first nine months of 2019.

This performance is also supported by an income yield which stands at 2.6% in Q3 2019 YTD. The reinvestment yield stands at 2.0% at the end of Q3 2019¹², reflecting the lower yield environment.

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

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

¹² Corresponds to theoretical reinvestment yields based on Q3 2019 asset allocation of asset yielding classes (i.e. fixed income, loans and real estate), according to current reinvestment duration assumptions and spreads, currencies, yield curves as of September 30, 2019

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APPENDIX

1 - P&L key figures 2019 YTD and Q3 2019 standalone (in EUR millions, at current exchange rates)

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Gross written premiums	12,055	11,336	+6.3%	4,045	3,799	+6.5%
P&C gross written premiums	5,264	4,593	+14.6%	1,818	1,567	+16.1%
Life gross written premiums	6,791	6,743	+0.7%	2,227	2,232	-0.2%
Investment income	496	425	+16.5%	187	146	+27.8%
Operating results	667	665	+0.3%	186	157	+18.7%
Net income¹	401	342	+17.3%	115	80	+44.4%
Earnings per share (EUR)	2.16	1.81	+19.0%	0.62	0.43	+44.7%
Operating cash flow	573	811	-29.3%	540	558	-3.2%

1: Consolidated net income, Group share.

2 - P&L key ratios for 2019 YTD and Q3 2019 standalone

	YTD			QTD		
	Nine months 2019	Nine months 2018	Variation	Q3 2019	Q3 2018	Variation
Return on investments¹	2.4%	2.1%	+0.3 pts	2.7%	2.2%	+0.5 pts
Return on invested assets^{1,2}	3.0%	2.5%	+0.5 pts	3.4%	2.5%	+0.9 pts
P&C net combined ratio³	95.7%	93.6%	+2.1 pts	99.4%	98.0%	+1.4 pts
Life technical margin⁴	7.2%	7.0%	+0.2 pts	7.3%	7.2%	+0.1 pts
Group cost ratio⁵	4.7%	5.0%	-0.3 pts	4.7%	5.0%	-0.3 pts
Return on equity (ROE)	8.8%	7.6%	+1.2 pts	7.5%	5.4%	+2.1 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 on September 30, 2019 (in EUR millions, at current exchange rates)

	September 30, 2019	December 31, 2018	Variation
Total investments ^{1,2}	28,540	27,254	+4.7%
Technical reserves (gross)	30,647	30,253	+1.3%
Shareholders' equity	6,491	5,828	+11.4%
Book value per share (EUR)	34.71	31.53	+10.1%
Financial leverage ratio	25.1%	27.5%	-2.4 pts
Total liquidity ³	2,065	1,214	+70.1%

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

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4 - “Quantum Leap” targets

	Targets
Profitability	ROE > 800 bps above 5-year risk-free rate ¹
Solvency	Solvency ratio in the optimal 185% - 220% range

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

5 - “Quantum Leap” assumptions

		Assumptions
P&C	Gross written premium growth	~4% to 8% annual growth
	Net combined ratio	~95% to 96%
	Value of New Business ¹	~6% to 9% annual growth
Life	Gross written premium growth	~3% to 6% annual growth
	Net technical margin	~7.2% to 7.4%
	Value of New Business ¹	~6% to 9% annual growth
Investments	Annualized return on invested assets	~2.4% to 2.9% ²
Group	Gross written premium growth	~4% to 7% annual growth
	Leverage	~25%
	Value of New Business ¹	~6% to 9% annual growth
	Cost ratio	~5.0%
	Tax rate	~20% to 24%

¹ Value of New Business after risk margin and tax

² Annualized ROIA on average over “Quantum Leap” under Summer 2019 economic and financial environment

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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 presentation 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 2018 reference document filed on March 4, 2019 under number D.19-0092 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” within the meaning of Article 1 of Commission Delegated Regulation (EU) 2019/980.

Financial information

The Group’s financial information contained in this report is prepared on the basis of IFRS and interpretations issued and approved by the European Union.

Unless otherwise specified, prior-year balance sheet, income statement items and ratios have not been reclassified. The calculation of financial ratios (such as book value per share, return on investments, return on invested assets, Group cost ratio, return on equity, combined ratio and life technical margin) are detailed in the Appendices of the Q3 2019 Investor Relations presentation released on October 24, 2019.

The third quarter 2019 financial information included in this presentation is unaudited.

Unless otherwise specified, all figures are presented in Euros.

Any figures for a period subsequent to September 30, 2019 should not be taken as a forecast of the expected financials for these periods.

The estimated Q3 2019 solvency results were prepared on the basis of the business structure in existence at December 31, 2018, and tax assumptions consistent with those applied to the 2018 annual IFRS Group financial statements.