

Press Release

February 20, 2019 - N° 7

2018 Annual Results

SCOR continues to grow in 2018, records a net income of EUR 322 million and proposes a dividend of EUR 1.75 per share

During a second consecutive year of elevated natural catastrophe activity, SCOR manages to absorb the volatility and is executing its “Vision in Action” strategic plan. The Group is profitably growing its P&C and Life businesses worldwide while providing a strong solvency position. In line with its consistent capital management process and dividend policy, the Group is proposing a dividend of EUR 1.75¹ per share for 2018.

- **Gross written premiums** of EUR 15,258 million in 2018, up 7.1% at constant exchange rates compared to 2017 (+3.2% at current exchange rates). This growth is well balanced between the Life division (+7.3% at constant exchange rates) and the P&C division (+6.7% at constant exchange rates).
- **SCOR Global P&C** delivers strong and managed growth combined with positive technical results despite a high number of natural catastrophes, including several major ones such as Typhoons Jebi and Trami in Japan, Hurricanes Michael and Florence in the U.S., and the wildfires in California. Despite these natural catastrophes, the P&C division’s net combined ratio stands at 99.4%.
- **SCOR Global Life** delivers strong and profitable growth, driven by the successful development of the franchise in Asia-Pacific.
- **SCOR Global Investments** delivers a return on invested assets of 2.8%, largely driven by a continuing increase in the income yield. SCOR Global Investments benefitted from realized gains of EUR 87 million from equity sales in Q4 2018.
- **The Group cost ratio** is stable at 5.0% of gross written premiums, in line with the “Vision in Action” plan.
- **Group net income** is EUR 322 million for 2018, despite the cost of the nat cat events that occurred in Q3 and Q4. The **return on equity** (ROE) for the year is 5.5%, or 472 bps above the risk-free rate². The normalized³ return on equity for the year is 9.4%, above the target of 800 bps above the 5-year risk-free rate.
- **Net operating cash flows** stand at EUR 891 million as of December 31, 2018, despite significant payments due to the U.S. Tax Reform. SCOR Global P&C provides robust cash flow in line with expectations, while SCOR Global Life provides strong cash flow partially offset in Q4 2018 by U.S. Tax Reform payments, with 2017 benefitting from elevated technical business cash flow from two Financial Solutions transactions.
- **Shareholders’ equity** stands at EUR 5.8 billion on December 31, 2018, after the net income contribution of EUR 322 million, the payment in May 2018 of EUR 312 million of cash dividends

¹ 2018 dividend subject to approval of the shareholders’ Annual General Meeting on April 26, 2019.

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

³ Normalized for nat cat (6% budget cat ratio), reserve release and the impact of the U.S. Tax reform.

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for the year 2017, a decrease of EUR 301 million from revaluation reserve⁴, and a decrease of EUR 194 million from the execution of the share buy-back program. This results in a book value per share of EUR 31.53 at December 31, 2018, compared to EUR 33.01 at December 31, 2017.

- **Financial leverage** stands at 27.5% on December 31, 2018.
- **Estimated solvency ratio** stands at 215%⁵ on December 31, 2018, in the upper part of the optimal solvency range of 185% - 220% as defined in the “Vision in Action” plan.

The Group announces that it has completed the EUR 200 million **share buy-back** program. Additionally, it has given a one-off bonus to employees in France and awarded performance shares to involve all its employees worldwide in the Group’s success⁶.

The merger of the 3SEs is on track and is expected to be completed in Q1 2019. The solvency capital benefits of this merger are estimated to be around EUR 200 million.

Pursuing its active capital management process and consistent dividend policy, SCOR proposes to the Annual General Meeting a **dividend** of EUR 1.75 per share for 2018, up from EUR 1.65 in 2017, representing a payout ratio of 100%. The dividend will be subject to approval at the shareholders’ Annual General Meeting on April 26, 2019.

Full-Year and Q4 2018 key financial details

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Gross written premiums	15,258	14,789	+3.2%	3,922	3,667	+7.0%
Group cost ratio	5.0%	5.0%	-0.0 pts	4.9%	5.2%	-0.3 pts
Annualized ROE	5.5%	4.5%	+1.0 pts	-1.3%	18.3%	-19.6 pts
Normalized ³ ROE	9.4%	10.1%	-0.7 pts	12.1%	17.5%	-5.4 pts
Net Income	322	286	+12.6%	-20	261	-107.6%
Normalized ³ net income*	564	664	-15.1%	177	250	-29.2%
Shareholders’ equity	5,828	6,225	-6.4%	5,828	6,225	-6.4%

* Consolidated net income, Group share.

⁴ Variation of unrealized gains/losses on AFS securities, net of shadow accounting and taxes, see Appendix G of the earnings presentation.

⁵ Solvency ratio based on Solvency II requirements. The Group solvency final results are to be filed to supervisory authorities by May 2019 and the final Solvency ratio may differ from this estimate.

⁶ See press release dated January 29, 2019.

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Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: *“In 2018 – a year once again marked by a high level of natural catastrophes - SCOR continues to grow: the Group delivers robust growth and solid recurring profitability, and provides a strong solvency position. For the first time the Group has recorded total gross premiums of more than EUR 15 billion. Alongside a robust solvency ratio, we completed a EUR 200 million share buyback program and awarded shares to all our employees worldwide, while avoiding any dilution for our shareholders. Our shareholder return remains attractive, with a proposed strong dividend of EUR 1.75 for 2018. With our financial rating reaffirmed by all four rating agencies, we are now actively preparing the Group’s next strategic plan, which will be presented at the beginning of September. As an independent Tier 1 global reinsurer, SCOR will continue to create value and to be the master of its own destiny.”*

SCOR Global P&C delivers strong and managed growth along with positive technical results despite a high number of natural catastrophes, including several major ones

SCOR Global P&C continues to record strong growth with gross written premiums of EUR 6,175 million, +6.7% at constant FX compared to the same period of last year (+2.5% at current FX). This is in line with the “Vision in Action” growth assumption revised in 2018 to a range of 5% to 8%. The growth mainly comes from U.S. Treaty reinsurance and Specialty insurance.

Despite the high level of natural catastrophes, with a combined ratio of less than 100% the P&C division remains in technical profit for the entire year. The 2018 net combined ratio of 99.4% is impacted by:

- A high frequency and severity of natural catastrophes in Q3 2018 and Q4 2018, across various perils and regions, leading to a YTD cat ratio of 12.6%. The main events being:
 - In Japan, Typhoons Jebi (EUR 167 million) and Trami (EUR 31 million);
 - In the U.S., Hurricanes Michael (EUR 125 million) and Florence (EUR 60 million) and the wildfires in California (Camp Wildfire for EUR 110 million and Woolsey Wildfire for EUR 34 million);Additional smaller natural events amounting to a net impact of EUR 130 million.
- A satisfactory loss and commission to net earned premium ratio – excluding natural catastrophes – of 79.7%, which includes EUR 100 million of reserve releases⁷, equivalent to 1.9 points of net combined ratio.
- The commission and expense ratios reflecting the increasing weight of the Specialty insurance business, and the extended perimeter of retrocession.

The 2018 normalized net combined ratio is 94.7%⁸, below the “Vision in Action” assumption (95%-96%).

⁷ Reserve release of EUR 60 million in Q3 2018 QTD and EUR 40 million in Q4 2018 QTD, mostly generated from IDI, professional liability in the U.K. and France, and casualty lines.

⁸ See Appendix E of the 2018 earnings presentation for detailed calculation of the combined ratio.

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SCOR Global P&C key figures:

<i>In EUR millions (rounded, at current exchange rates)</i>	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Gross written premiums	6,175	6,025	+2.5%	1,582	1,403	+12.8%
Net combined ratio	99.4%	103.7%	-4.3 pts	115.9%	91.6%	+24.3 pts

SCOR Global Life delivers strong profitable growth in 2018, particularly driven by the successful development of the franchise in Asia-Pacific

SCOR Global Life records steady growth in 2018 with gross written premiums of EUR 9,083 million, up 3.6% at current exchange rates compared to 2017 (+7.3% at constant exchange rates). This growth is mainly driven by:

- Strong franchise expansion in Asia-Pacific, achieving a Tier 1 position, with Protection business in the region growing at approximately +34% since 2017;
- Solid development of Protection new business in the Americas and EMEA;
- Development of the Longevity business in the U.K., with a robust pipeline of opportunities;
- Significant growth in Financial Solutions, reflecting strong demand in the U.S. and Asia-Pacific.

This steady premium growth is in line with the “Vision in Action” assumption of 5-6% over the cycle. Yearly growth rates can fluctuate due to timing of business occurrence between years.

The net technical results remain strong, at EUR 589 million in 2018 (+7.9% at constant FX).

The technical margin of 7.0% in 2018 is in line with “Vision in Action” assumptions:

- Technical Result from the in-force portfolio in line with “Vision in Action” assumptions
- Profitability of new business in line with the Group’s ROE target

SCOR Global Life key figures:

<i>In EUR millions (rounded, at current exchange rates)</i>	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Gross written premiums	9,083	8,764	+3.6%	2,340	2,264	+3.4%
Life technical margin	7.0%	7.1%	-0.1 pts	7.0%	7.0%	+0.0 pts

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SCOR Global Investments delivers a strong return on invested assets of 2.8% in 2018, largely driven by a continuing increase in the income yield

Total investments reach EUR 27.2 billion, with total invested assets of EUR 19.1 billion and funds withheld⁹ of EUR 8.1 billion.

The portfolio positioning is in line with the “Vision in Action” target asset allocation:

- Liquidity at 5%;
- Corporate bonds at 49% (stable vs. Q3 2018);
- Fixed income portfolio of very high quality, with an average rating of A+, and a duration at 4.3 years¹⁰.

The investment portfolio remains highly liquid, with financial cash flows¹¹ of EUR 5.4 billion expected over the next 24 months.

Investment income on invested assets stands at EUR 532 million in 2018, benefitting from realized gains of EUR 87 million from equity sales in Q4 2018, generating a return on invested assets of 2.8% in 2018.

This performance is supported by an increase in the income yield, which was 2.6% in Q4 2018 QTD and 2.4% in Q4 2018 YTD.

The reinvestment yield continues to remain above the income yield and is 2.9% at the end of Q4 2018¹².

Under current market conditions, SCOR Global Investments expects a continuing increase of the income yield at ~2.5% for FY 2019. This would translate into an annualized return on invested assets in the 2.7%-3.0% range for FY 2019.

SCOR Global Investments key figures:

In EUR millions (rounded, at current exchange rates)	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Total investments	27,254	27,081	+0.6%	27,254	27,081	+0.6%
▪ of which total invested assets	19,153	18,580	+3.1%	19,153	18,580	+3.1%
▪ of which total funds withheld by cedants and other deposits	8,101	8,501	-4.7%	8,101	8,501	-4.7%
Return on investments*	2.3%	2.9%	-0.6 pts	2.9%	4.9%	-2.0 pts
Return on invested assets**	2.8%	3.5%	-0.7 pts	3.8%	6.5%	-2.7 pts

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

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

⁹ Funds withheld & other deposits.

¹⁰ Compared to 4.5 years in Q3 2018 (4.5-year duration on invested assets vs. 4.8 years in Q3 2018).

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

¹² Corresponds to marginal reinvestment yields based on Q4 2018 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 December 31, 2018.

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APPENDIX

1 - P&L key figures 2018 and Q4 2018 standalone

<i>In EUR millions (rounded, at current exchange rates)</i>	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Gross written premiums	15,258	14,789	+3.2%	3,922	3,667	+7.0%
P&C gross written premiums	6,175	6,025	+2.5%	1,582	1,403	+12.8%
Life gross written premiums	9,083	8,764	+3.6%	2,340	2,264	+3.4%
Investment income	615	764	-19.4%	190	316	-39.9%
Operating results	658	491	+34.0%	-7	394	-101.7%
Net income¹	322	286	+12.7%	-20	261	-107.6%
Earnings per share (EUR)	1.72	1.53	+12.1%	-0.10	1.39	-107.5%
Operating cash flow	891	1,144	-22.1%	80	473	-83.1%

1: Consolidated net income, Group share.

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2 - P&L key ratios for 2018 YTD and Q4 2018 standalone

	YTD			QTD		
	2018	2017	Variation	Q4 2018	Q4 2017	Variation
Return on investments ¹	2.3%	2.9%	-0.6 pts	2.9%	4.9%	-2.1 pts
Return on invested assets ^{1,2}	2.8%	3.5%	-0.7 pts	3.8%	6.5%	-2.6 pts
P&C net combined ratio ³	99.4%	103.7%	-4.3 pts	115.9%	91.6%	+24.3 pts
Life technical margin ⁴	7.0%	7.1%	-0.1 pts	7.0%	7.0%	+0.0 pts
Group cost ratio ⁵	5.0%	5.0%	-0.0 pts	4.9%	5.2%	-0.3 pts
Annualized return on equity (ROE)	5.5%	4.5%	+1.0 pts	-1.3%	18.3%	-19.6 pts

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

3 - Balance sheet key figures as of December 31, 2018 (in EUR millions, at current exchange rates)

	As of December 31, 2018	As of December 31, 2017	Variation
Total investments ^{1,2}	27,254	27,081	+0.6%
Technical reserves (gross)	30,253	29,006	+4.3%
Shareholders' equity	5,828	6,225	-6.4%
Book value per share (EUR)	31.53	33.01	-4.5%
Financial leverage ratio	27.5%	25.7%	+1.8 pts
Total liquidity ³	1,214	1,009	+20.3%

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

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4 - “Vision in Action” targets

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

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

5 - “Vision in Action” assumptions

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

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Contact details

Marie-Laurence Bouchon
Group Head of Communications
+33 (0)1 58 44 75 43
mbouchon@scor.com

Ian Kelly
Head of Investor Relations
+44 (0)203 207 8561
ikelly@scor.com

www.scor.com

LinkedIn: [SCOR](#) | Twitter: [@SCOR_SE](#)

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General:

Numbers presented throughout this earnings release 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 earnings release 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 earnings release 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 2017 reference document filed on February 23, 2018 under number D.18-0072 with the French Autorité des marchés financiers (AMF) and posted on SCOR’s website www.scor.com, as may be updated in the 2018 reference document.

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 earnings release 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 2018 earnings presentation.

The financial results for the full year 2018 included in this earnings release have been audited by SCOR’s independent auditors.

Unless otherwise specified, all figures are presented in Euros.

Any figures for a period subsequent to December 31, 2018, should not be taken as a forecast of the expected financials for these periods.

The Group solvency final results are to be filed to supervisory authorities by May 2019 and may differ from the estimates expressed or implied in this report.