SCOR focuses on optimising capital

Denis Kessler, SCOR Group CEO and Chairman

Bank of America Merrill Lynch
Banking & Insurance CEO Conference

SCOR optimises capital management

Managing the capital of a (re)insurance company is all about optimising under constraints

- First, (re)insurers companies must precisely define their **risk appetite**. This is a crucial point which deserves approval from the Board of directors. SCOR has a mid-level risk appetite, broadly unchanged under Optimal Dynamics

- This risk appetite translates into **a series of constraints** that can be expressed in terms of “risk tolerances”. A few examples of **risk tolerances** set by Optimal Dynamics:
  - Limits per extreme scenario, per risk driver and per individual risk:
    - Amount of losses for each extreme scenario must be < 35% of the buffer capital
    - Net annual exposure per major risk driver must be < 20% of the total available capital

- Other possible risk tolerances:
  - Probability of buffer capital being dented < X% (today, this probability is 3.3% for SCOR)
  - Probability of regulatory capital (i.e. SCR under Solvency II) being dented < X% (today, this probability is 0.5% for SCOR)

SCOR manages its exposures to ensure that risk tolerances are respected

Overview of main risk tolerances

Estimated limits and exposures for a 1-in-200 annual probability in € millions (rounded)

1-in-200 years probability		*2013[1)]*	*2013*	*2016E*
		Exposures[2)] as of end of June	*Limits[2)]*	
Single extreme scenario	Major fraud in largest C&S exposure	~130	*570*	*~700*
	US earthquake	~220		
	US/Caribbean wind	~380		
	EU wind	~280		
	Japan earthquake	~170		
	Terrorist attack	~390		
Net annual exposure	Extreme global pandemic(s)	*~1 010*	*1 430*	*~1 700*

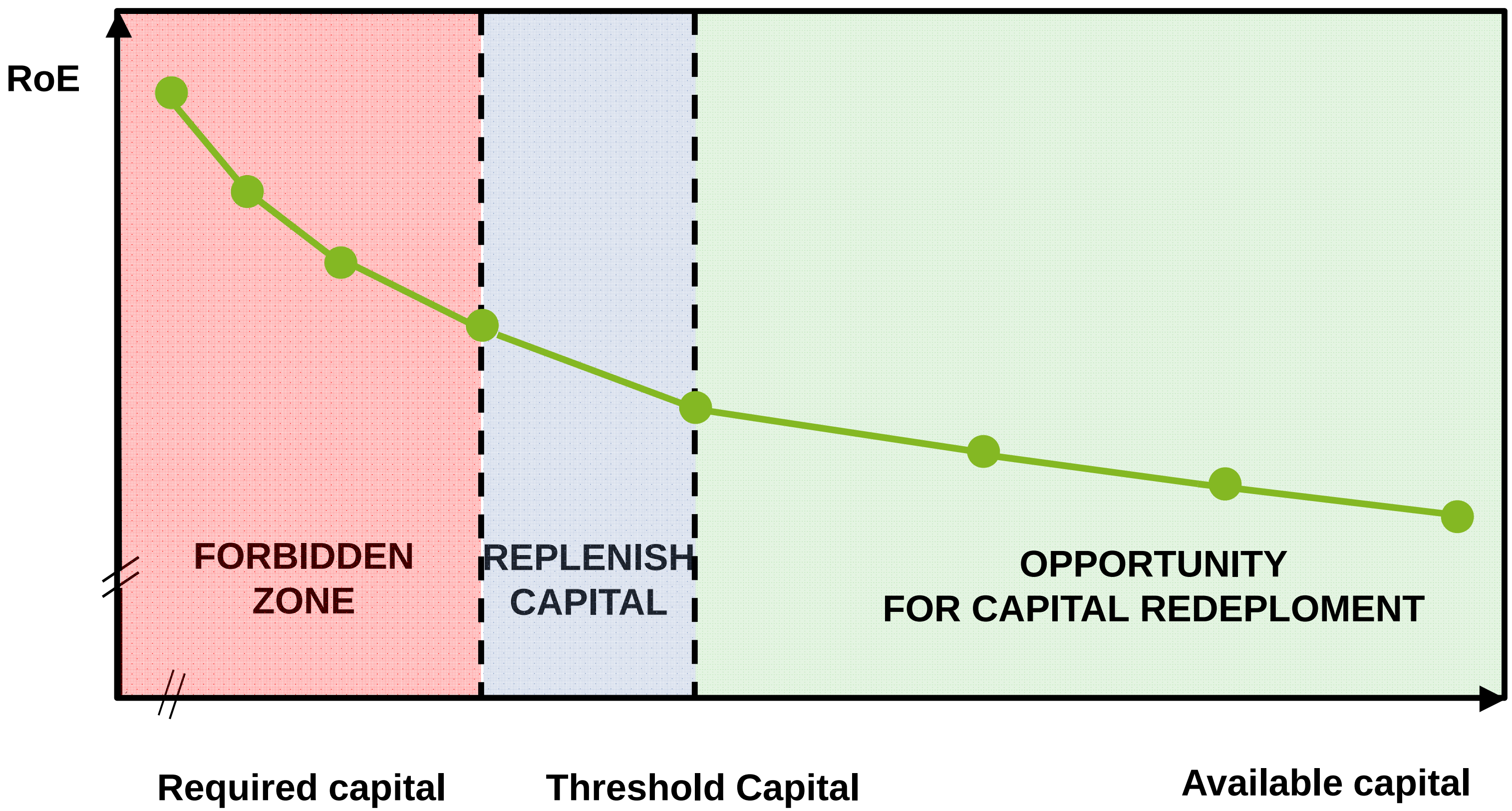
- These exposures are net of current hedging / retrocession and net of tax credits, with an allowance for outward reinstatement premiums
- For extreme global pandemics, the exposure includes the mortality shock protection that SCOR has decided to issue, as well as the P&C and asset exposures

1) Including Generali US subject to closing and regulatory approval
2) See Glossary in the Appendix of "Optimal Dynamics" for Exposure and Limits definitions

Risk tolerances are subjective

At first glance, managing capital may appear to only consist in minimizing capital (or maximizing risks) while respecting the risk tolerances

The expected ROE is very sensitive to the amount of Available capital

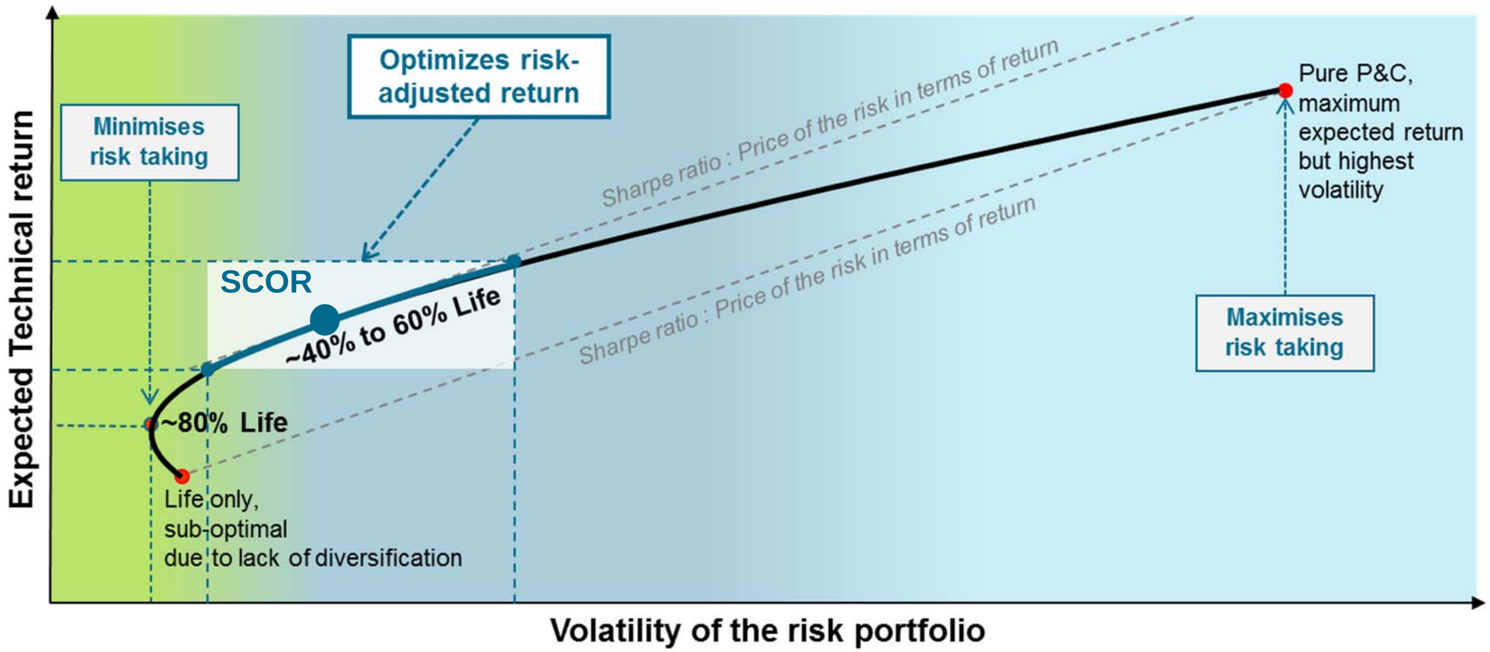


Source : SCOR internal model

But capital optimization can create value

One way of optimizing capital is to reduce capital needs

- ❑ Full integration of capital needs in **pricing and business decisions** (including asset allocation)
- ❑ Special attention paid to **capital-intensive** LOBs
- ❑ Recourse to **reinsurance, retrocession and ILS** to minimize capital needs
- ❑ **Diversification** by region and by LOBs (notable Life and Non-Life):



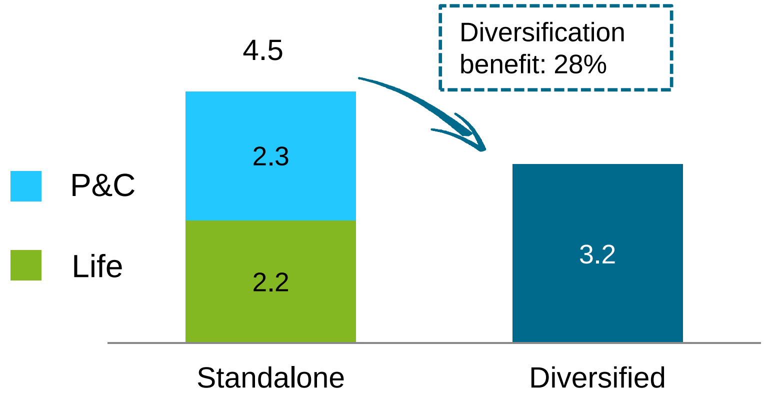
- ❑ SCOR will evolve well within the 40% to 60% zone during the Optimal Dynamic plan

Stylized representation of the expected technical return and volatility of the portfolio of a multi-line reinsurer as a function of the relative weights of P&C and Life business

SCOR's capital position benefits from diversification and is strong

Tangible benefit to required capital from diversification

2013 SCR pro-forma in € billions (rounded)

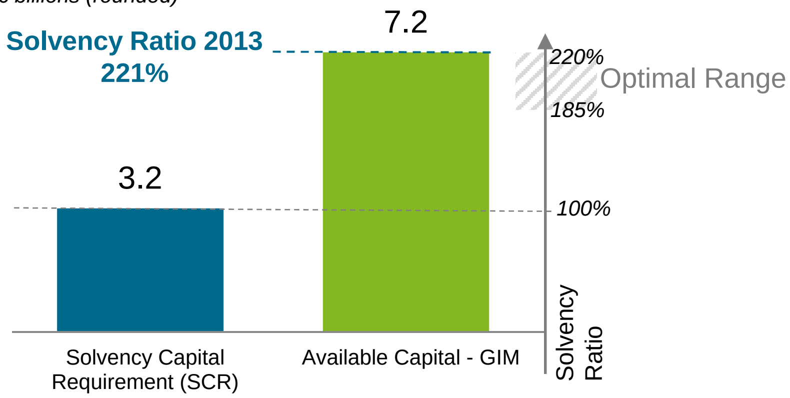


Source: SCOR Group internal model

Capital position is strong on all measures

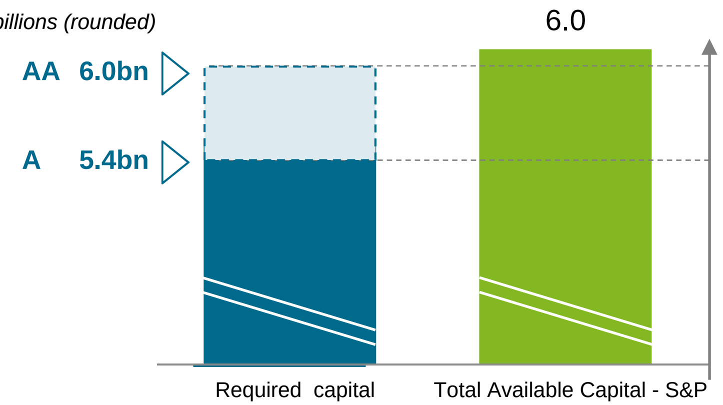
Group Internal Model (GIM)[1]

in € billions (rounded)



Rating Models (e.g. S&P[1)2)])

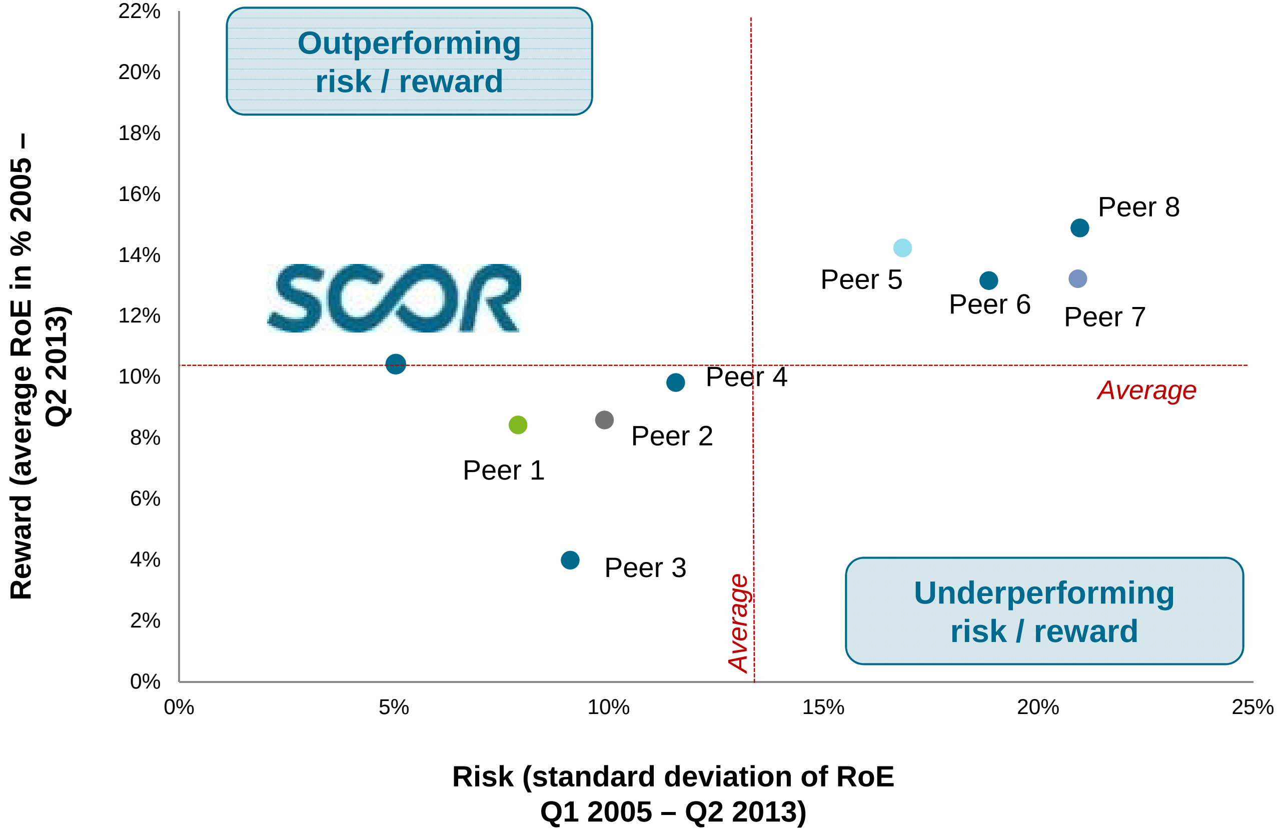
in € billions (rounded)



1) Rating Models refer to 2013 estimates including Generali US; GIM 2013 model is based on 2012 with 1-year forward projection
2) SCOR estimates using S&P standard model, it does not reflect S&P 's opinion on SCOR's capital adequacy

SCOR's diversification is tangibly seen in its historic risk and return

SCOR maximizes profitability and minimizes volatility whilst maintaining strong solvency



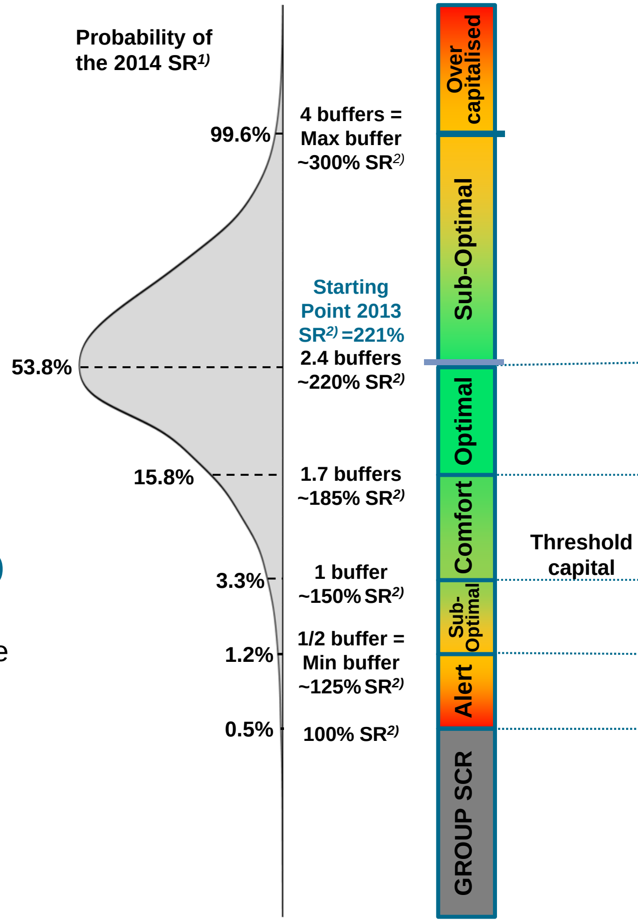
- **SCOR has delivered the best risk-return performance among its peers since 2005, whilst increasing its rating over the same period from BBB+ to A+**[1)]

Note: Peers in alphabetical order are Axis, Everest Re, Hannover Re, Munich Re, Partner Re, Renaissance Re, Swiss Re, XL Re

1) On S&P scale, see page 141 of "Optimal Dynamics" for details of the rating evolution under S&P, Moody's, AM Best and Fitch over the same period

SCOR strengthens its solvency governance by creating a sophisticated dynamic solvency target based on a gradual escalation process (1/2)

- **The solvency target** for the new strategic plan complements the existing threshold capital[1)] with an **escalation process** depending on the level of available capital
- **The optimal capital range** enables the Group to achieve maximum profitability and satisfy the level of solvency which SCOR targets to offer its clients
- The probability of being in the optimal or comfort ranges is **~50.5%** (53.8% - 3.3%)
- The **threshold capital[1)] (SCR + Buffer)** is the threshold minimum amount of capital determined by management. The probability to fall below the threshold capital is 3.3%
- **SCOR aims to avoid over and under capitalization**, bearing in mind that the upper part of the scale is easier to manage than the lower part

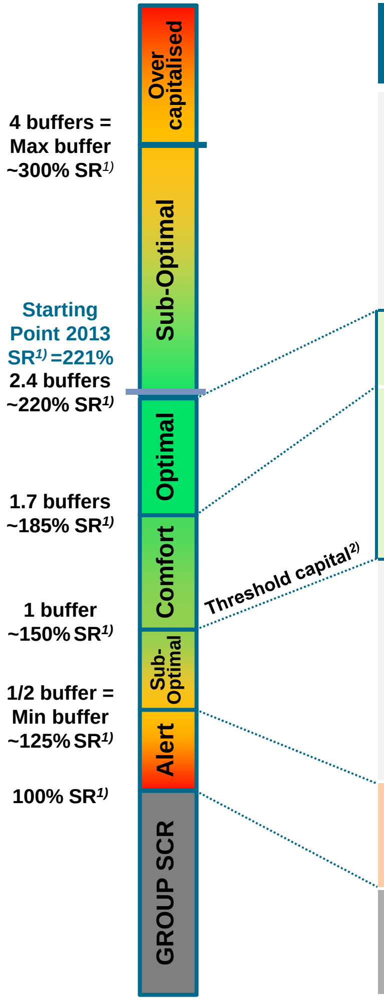


Action	Escalation level
Redeploy capital	Board/AGM
Fine-tune underwriting and investment strategy	Executive Committee
Re-orient underwriting and investment strategy towards optimal area	Executive Committee
Restructure use of capital	Board/AGM
Restore capital position	Board/AGM
Below minimum range - submission of a recovery plan to the supervisor[3)]	Board/AGM

1) The "threshold capital" was previously called "target capital"
2) Solvency Ratio i.e. ratio of Available Capital over SCR
3) When Solvency II comes into force - Article 138 of the Solvency II directive

SCOR strengthens its solvency governance by creating a sophisticated dynamic solvency target based on a gradual escalation process (2/2)

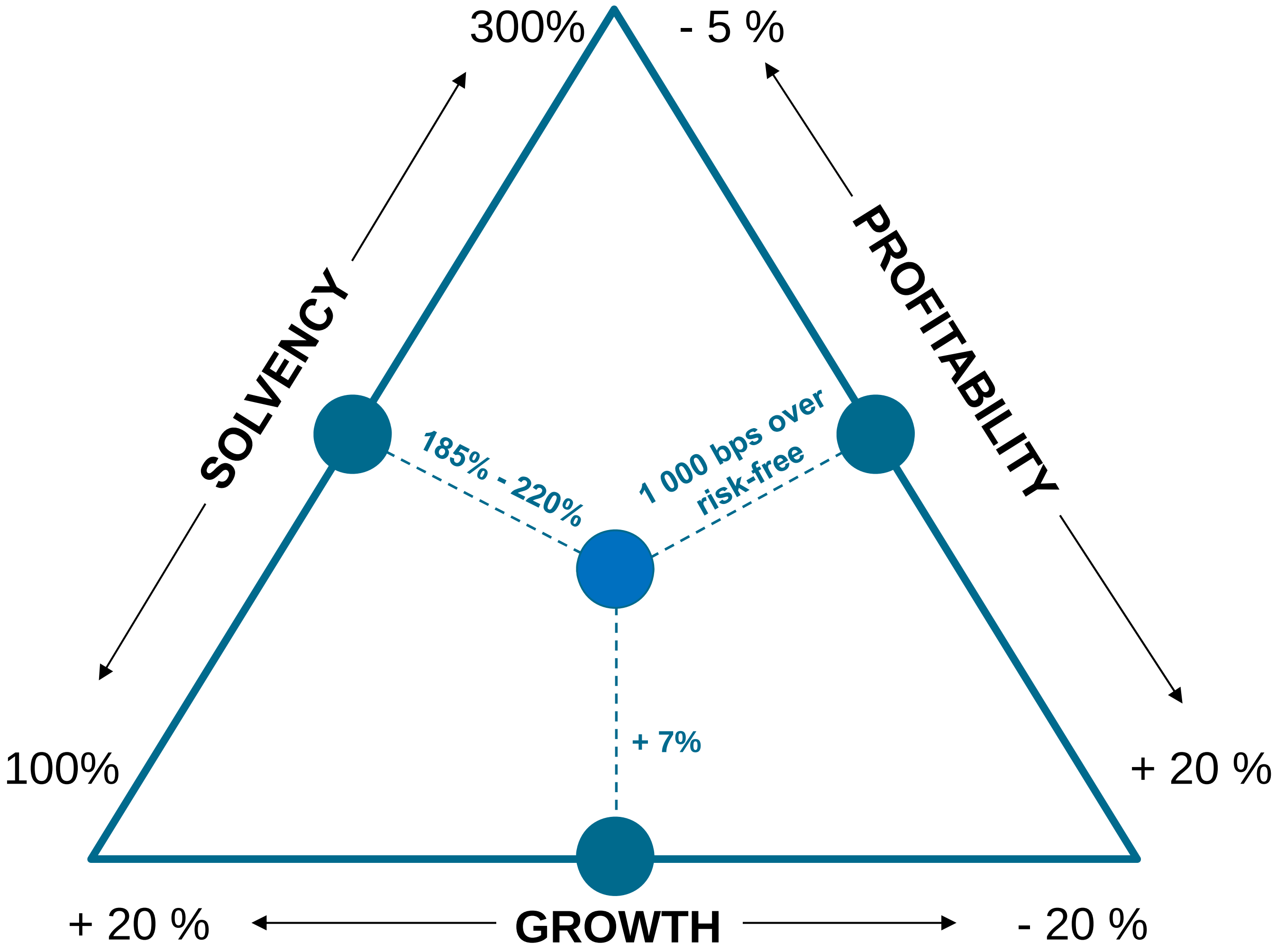
- The management responses reflect the dynamic process which enables SCOR to steer its capital position toward the optimal area and its combined solvency and profitability positions



Action	Possible management responses (examples)	Escalation level
Redeploy capital	✓ Consider special dividends ✓ Buyback shares / hybrid debt ✓ Increase dividend growth rate ✓ Reconsider risk profile, including capital shield strategy ✓ Enlarge growth of profitable business ✓ Consider acquisitions	Board/AGM
Fine-tune underwriting and investment strategy	✓ No specific risk or capital management actions	Executive Committee
Re-orient underwriting and investment strategy towards optimal area	✓ Improve selectiveness in underwriting and investment ✓ Improve the composition of the risk portfolio ✓ Optimise retrocession and risk-mitigation instruments (including ILS) ✓ Consider securitizations	Executive Committee
Improve efficiency of capital use	✓ Slow down growth of business ✓ Reconsider risk profile, including more protective capital shield ✓ Consider securitizations ✓ Issue hybrid debt ✓ Reduce dividend and / or dividends in other means (e.g. shares)	Board/AGM
Restore capital position	✓ Consider private placement / large capital relief deal ✓ Restructure activities ✓ Consider rights issue (as approved by the AGM)	Board/AGM
Below minimum range - submission of a recovery plan to the supervisor[3)]		Board/AGM

1) Solvency Ratio i.e. ratio of Available Capital over SCR
2) The "threshold capital" was previously called "target capital"
3) When Solvency II comes into force - Article 138 of the Solvency II directive

Optimal Dynamics reflects SCOR's search for the sweet spot between solvency, profitability and growth, given its risk appetite

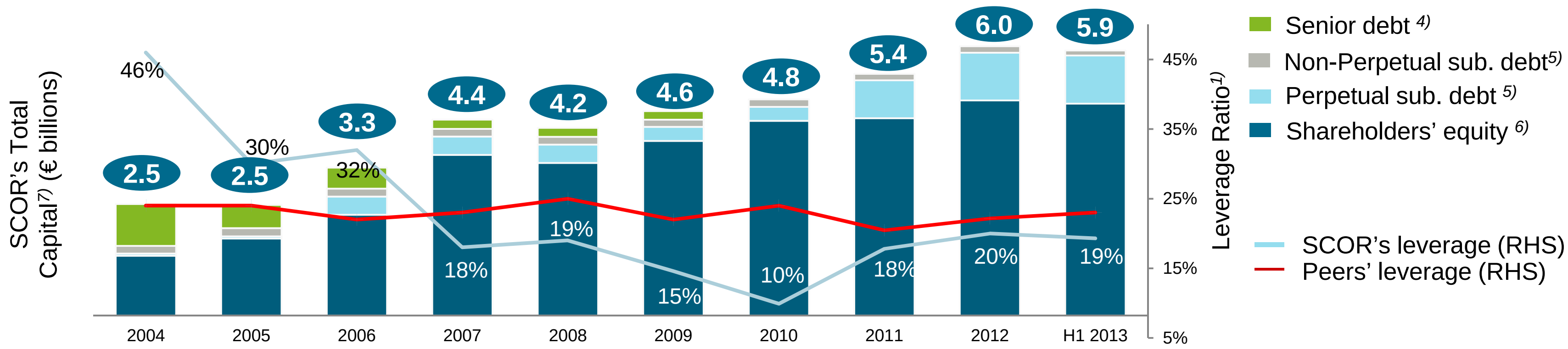


SCOR optimises its capital structure through its debt policy

- SCOR has a **well defined debt policy**:
  - ✓ **High quality** debt, primarily subordinated hybrid debt
  - ✓ **Longer term duration** issuances are favoured
  - ✓ Solvency II-compliant[1)] debt allowing **maximum capital credit**
  - ✓ Issuance in EURO or in a strong currency with a hedge in EURO
  - ✓ Compliance with **stakeholders' expectations** (Rating Agencies and other)

- **SCOR's debt policy** is already in place and will remain in place **during the Optimal Dynamics** plan:
  - ✓ Financial leverage of 19% as at Q2 2013 is below the peer average
  - ✓ Current **average debt cost 5.6%**
  - ✓ Any new debt issuance will follow these principles
- **SCOR utilizes its debt efficiently, with a financial leverage remaining below 25% over the Optimal Dynamics plan**

Active capital management over the past few years provides strong capital growth while decreasing the leverage ratio[2)] to a lower level than European peers[3)]



1) *Based on interpretation of current available information*
2) *Defined as year-end debt / year-end (debt + equity), and as of Q2 2013 excludes accrued interest from debt and includes the effects of the swaps related to the CHF 650 million (issued in 2011) and CHF 315 million (issued in 2012) sub.debt issuances*
3) *Hannover Re, Munich Re, Swiss Re*
4) *Senior debt includes senior convertible debts*
5) *Subordinated debt includes subordinated loans, hybrids and convertibles*
6) *Includes immaterial minority interests for SCOR*
7) *Total capital is defined as total debt (subordinated and senior) + shareholders' equity (including minority interests)*

SCOR maximises capital fungibility

Three pools of capital

- **A Strong capital management process** through three pools of capital, maximizing local solvency and capital fungibility across the Group

- SCOR efficiently **manages its capital allocation and fungibility** between subsidiaries via various tools:
  - **Internal retrocession**
  - **Collateral posting** (deposits, LOCs[2]) to reduce regulatory solvency requirements
  - Other actions such as **Internal loans / portfolio transfer, capital transfers** etc.

- **Reduced number of subsidiaries**, enhancing fungibility of capital while supporting local business presence

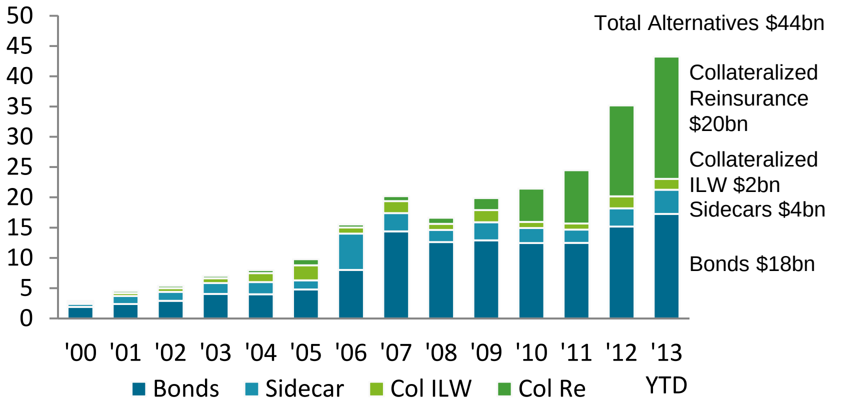
- **Efficient branch set up in Europe, facilitated by "Societas Europaea" structure** enabling integrated supervision at parent company level, focusing on communication with a limited number of regulators with whom SCOR can share its global strategy, while mutualizing diversification benefits under Solvency II

Note: For clarity, only Reinsurance Operating Entities have been represented
1) SUL: SCOR Underwriting Ltd ; SSAG: SCOR Switzerland AG, SGL: SCOR Global Life
2) LOC: Letter of credit

The new capital regime offers opportunities for reinsurers

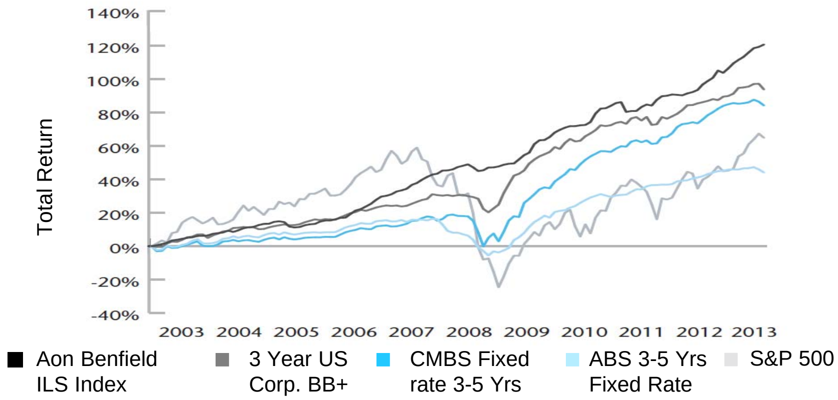
Alternative capital is making inroads

Alternative capital has seen rapid growth



Source: Aon Benfield

ILS have outperformed other asset classes



Source: Aon Benfield Securities, Bloomberg

Attractions of alternative capital

- ILS have performed well
- Spreads, while lower, are still attractive in the context of low absolute returns
- ILS are not correlated to other asset classes
- ILS usually offer collateralised capital to the (re)insurer who is buying protection
- Perception of low risk, as very ILS have been triggered over the past 10 years

Falling ILS spreads put pressure on traditional reinsurance rates

Example: US exposed cat bonds with an expected loss between 1.25% and 2.5%

Source: Swiss Re Capital Markets

SCOR opportunistically uses ILS for capital management purposes

SCOR profits from the convergence of insurance and capital markets

SCOR minimizes the cost of its capital shield thanks to alternative solutions

Atlas series of ILS protect the Group against European windstorms, Japanese quake, US hurricanes, quakes and European windstorms and extreme mortality events in the US

Recent issuance of **extreme mortality risk transfer** contract protects the group against extreme mortality events in the US

Contingent capital is an event-driven guaranteed equity

SCOR increases its client offering by becoming a transformer

- Over the Optimal Dynamics plan, SGPC intends to help **clients** to **access capital market capacity** through ILS
- This will provide **fee income**, and allow SGPC to better leverage **existing relationship**

SGI benefits from its expertise to open ILS funds to 3rd parties

Atropos is an absolute return fund open to 3rd party launched on 31/08/2011 investing in extreme insurance risks

AuM	\$170m 1)
2012 perf	7.1%
2013 YTD perf	5.7% 1)

- Launch of two new "Atropos" ILS funds 2)

1) As of 31 August 2013
2) "Atropos Cat Bond Fund" launched on July 19; a second ILS fund is planned to be launched in Q4 2013

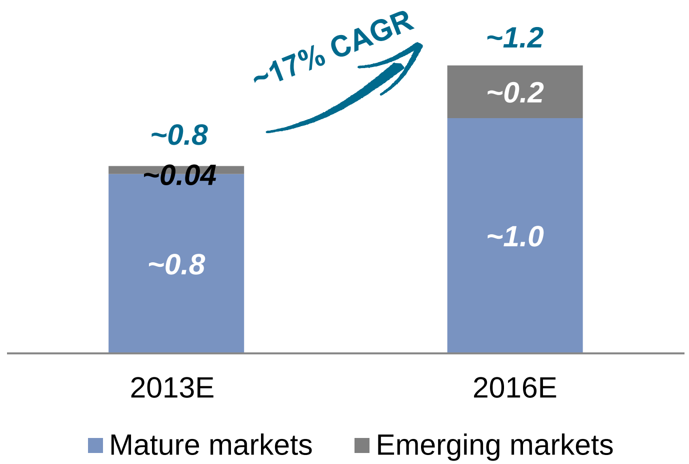
SCOR Global Life offers solutions to capital-constrained clients

SGL current position and strengths

- SGL provides clients with **customized financial solutions**, helping them to either fund new business growth or strengthen their solvency position: this segment accounts for **13%** or **€ 0.8 billion** of the 2013E portfolio
- SGL's expertise is particularly strong, with **specialist teams** built regionally and globally:
  - **Detailed understanding of regulatory and accounting implications**
  - Ability to act quickly when designing and executing **tailor-made solutions,** ensuring that each transaction respects SCOR's risk-appetite for appropriately priced biometric risk
  - Visible position undertaken on capital and solvency management with an important transaction in early 2013 in Spain

SGL Financial Solutions ambitions

GWP in € billions (rounded)



- SGL will **increase the share** of Financial Solutions to **18%** of its portfolio *i.e.* **€ 1.2 billion** by 2016E
- Regional and global teams are being reinforced
- Active **"research and development" approach** enables anticipation of evolving needs and changing regulations, as global insurance markets converge to a Solvency II like framework

SCOR Global Investments invests in new asset classes arising from capital-constrained banks

Enlarging the loan portfolio in a very opportunistic and controlled manner

- **Deleveraging is a source of interesting investment opportunities for SCOR Global Investments**:
  - to improve their solvability ratios, banks will both increase their capital and over time decrease the relative size of their balance sheets, through the implementation of a new business model ("originate to distribute")
  - European system is the most concerned, as historically, banks play a stronger role in the financing of the economy
- **SGI is selectively investing in the loan segment to benefit from the offer / demand mismatch that creates attractive risk / return profiles:**
  - SGI has already successfully invested in corporate loans (leveraged loans) for 2 years
  - SGI is now enlarging its loan portfolio in the infrastructure and real estate debt markets
- **This new asset class offers attractive risk-adjusted returns:**
  - floating rate coupon ensuring an increasing financial contribution as soon as interest rates rise
  - stable and predictable cash-flows
  - security package and/or covenant, senior secured/first lien loans mainly targeted
  - high historical recovery value
  - strong alignment of interests with banks

Optimal Dynamics targeted underlying assets

	Leveraged loans	Real estate loans	Infrastructure loans
Key features	❑ LBO/acquisition corporate financing ❑ Syndicated and standardized loans	❑ Value-added real estate financing ❑ Average loan-to-value < 65%	❑ Tangible asset financing ❑ Defensive brownfield and greenfield mix
Targeted return	Libor/Euribor + 400-500 bps	Libor/Euribor + 300-350 bps	Libor/Euribor + 250-300bps
Average Life	3-5 yrs	3-5 yrs	5-10yrs
Average risk profile	Sub investment grade	Low investment grade	Low investment grade
Expected loss given default	25%	15%	20%

Loans bucket will not represent more than 7.5% of SCOR's invested assets throughout the Optimal Dynamics plan

SCOR is ready for a higher capital world

SCOR's success story continues with Optimal Dynamics

SCOR's three engines will leverage on the 4 cornerstones of the Group to deliver on its ambitious new plan

Strong Franchise	High diversification	Controlled risk appetite	Robust capital shield

SCOR Global P&C

- SGPC is a preferred partner to chosen clients
- SGPC up-scales its core reinsurance business
- SGPC further develops alternative business platforms
- SGPC uses Cat capacity and retrocession as a strategic leverage tool

Targets:
- 8.5% GWP growth p.a.
- 93 - 94% combined ratio

SCOR Global Life

- SGL leverages on its market leader position in many countries
- SGL strengthens its Protection business
- SGL extends its Longevity proposition and achieves significant growth: x2 by 2016
- SGL strengthens its offering on the financial solutions segment

Targets:
- 6% GWP growth p.a.
- 7% technical margin

SCOR Global Investments

- SGI defines a clear axis to enhance the investment portfolio return, while maintaining a prudent investment strategy
- SGI progressively and selectively rebalances its portfolio towards the new strategic allocation
- SGI progressively re-matches the fixed income portfolio towards the target duration
- SGI minimizes the cost of transition of the economic policy

Target:
- Expected return on invested assets above 3% by 2016

2 Targets

Profitability (ROE) Target	1 000 bps above risk-free rate[1] over the cycle
Solvency Target	Solvency ratio[2] in the 185% - 220% range

1) *Definition of "risk-free rate" is based on 3-month risk-free rate*
2) *As per the Group Internal Model; it is the ratio of Available Capital over SCR (Solvency Capital Requirements); see page 21 of "Optimal Dynamics" for details*

Q&A

Appendix

1) *Footnote*

SCOR provides a unique value proposition to its shareholders

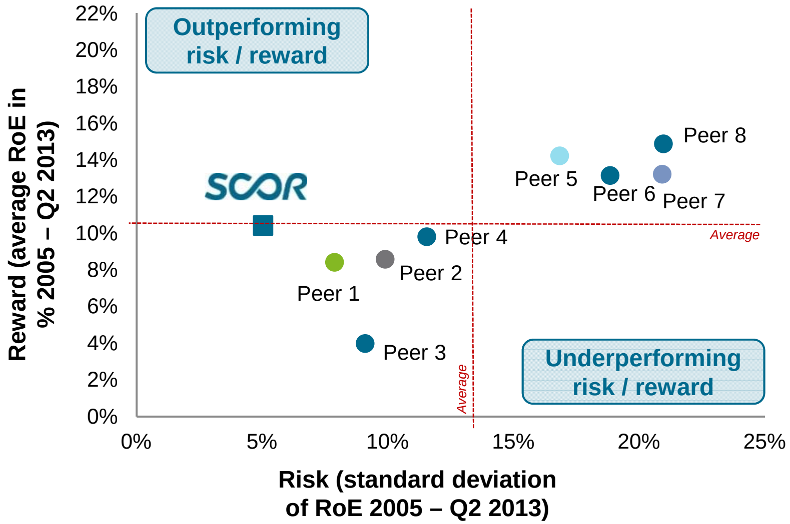
SCOR in a few figures:

- 5th largest reinsurer in the world
- ~4 000 institutional clients
- 6 Hubs with 37 offices worldwide
- € 32 billion balance sheet
- € 4.7 billion NAV as of 30/06/13
- € 10.9 billion GWP for 2013E pro-forma[1)]
- € 4.7 billion market cap as of 27/08/13
- More than 20 600 shareholders
- A+ rating

SCOR has a unique strategy in the reinsurance industry based on:

Consistency, performance and transparency	3-year plans delivered since 2002 4 strategic cornerstones: *strong franchise, high diversification, robust capital shield and controlled risk appetite* High return to shareholders with a strong and consistent dividend policy
A unique business mix	Optimal ~50/50 Life and P&C balance In Life, pure biometric risk (no annuities) Highly diversified P&C portfolio with relatively less Cat exposure compared to peers, notably for peak perils/regions
Optimal management of its business assets	Strong ERM across the Group worldwide Prudent asset management Comprehensive retrocession strategy Ability to attract and retain key talents

SCOR maximizes profitability and minimizes volatility whilst maintaining strong solvency



- SCOR has delivered the best risk-return performance among its peers since 2005, whilst increasing its rating over the same period from BBB+ to A+[2)]

SCOR's value proposition originates from its capacity to optimally combine growth, profitability and solvency

Note: Peers in alphabetical order are Axis, Everest Re, Hannover Re, Munich Re, Partner Re, Renaissance Re, Swiss Re, XL Re

1) Pro-forma including Generali US for the full year 2013E

2) On S&P scale, see page 141 of "Optimal Dynamics" for details of the rating evolution under S&P, Moody's, AM Best and Fitch over the same period

Focus on technical profitability, operational excellence and optimised capital management result in solid returns for investors

SCOR focuses on technical profitability and operational excellence over the course of the plan. Key assumptions:		
P&C Combined ratio	~93-94%	Supported by continued active portfolio management
Life Technical margin	~7%	Aligned with new business mix (combination of Protection, Longevity and Financial Solutions)
Return on invested assets	>3% by 2016[1)]	Upside potential thanks to the current positioning of the investment portfolio and its progressive rebalancing
Tax rate	~22%	Unchanged
Average Group cost ratio	~4.8%	Thanks to continuous improvement in productivity and operational efficiency while actively investing in the future
Growth	7% organic	Subject to profitability conditions

SCOR further optimises its capital management

- **Maintains high diversification benefit** thanks to an optimal split between Life and P&C (54%/46% GWP split expected for 2016)
- **Focuses on disciplined pricing** based on return on allocated capital
- **Allocates capital where SCOR has an edge,** focused on the liability side (e.g. selective increase of Cat capacities and optimization of retrocession)
- **Optimises capital structure**, supported with hybrid debt and contingent capital
- Investment strategy **optimises the impact of interest rate increase** on the solvency of the Group
- Optimises capital allocation to the investment portfolio and within the **investment portfolio**
- **Enhances capital fungibility** thanks to efficient collateral management, internal retrocession and widespread use of branches, facilitated by the *Societas Europaea* status

1 000 bps over risk-free[2)] profitability target over the cycle and Solvency Ratio[3)] in the 185% - 220% range

1) Excluding funds withheld
2) Definition of “risk-free rate” is based on 3-month risk-free rate
3) As per the Group Internal Model; it is the ratio of Available Capital over SCR (Solvency Capital Requirements); see page 21 of “Optimal Dynamics” for further details

By the way, what do you call “capital”?

- Regulators, Rating Agencies, Auditors and Analysts all have different definitions of “Capital”
  - Auditors focus on **IFRS equity**. Analysts sometimes use **IFRS tangible equity**
  - Regulators (under Solvency II) and Rating agencies are adjusting IFRS balance sheets to obtain “**Economic Capital**” under their own definitions

Examples of different approaches to Capital according to different solvency frameworks

	IFRS	Solvency I		Solvency II (Internal Model)		S&P model		AM Best (BCAR)	
		Available Capital	Required Capital	Available Capital	Required Capital	Available Capital	Required Capital	Available Capital	Required Capital
Cat Risk Charge		No Cat charge			Capital Charge based on **1 in 200Y net PML**		Capital Charge based on **1 in 250Y net PML**	reduction in surplus of max (**100-year wind; net PML, a 250-year earthquake net PML, recent large loss)**	
Life Future Profit	VOBA / DAC	No credit to VOBA/DAC nor VIF		100% of VIF		50% of PVFP (incl. cost of capital)		50% of VIF	
Risk Margin		NA		Deduction of Life and P&C risk margin		NA		NA	
Diversification			No diversification		**Internal Model:** • Complex dependencies modelling (copulas) **Standard Formula:** ▪ Covariance formula		▪ Covariance formula ▪ 50% haircut applied		Covariance formula

Convergence of capital frameworks is badly needed

- … in order to reduce the **administrative burden and costs** generated by conflicting definitions
- … in order to reduce the **economic inefficiency** generated by duplicative constraints that make economic optimization difficult
- Giving **a bigger role to internal models** (notably rating agency models) would be a way of achieving this
- Ultimate goal: **to align external reporting and compliance metrics with the metrics** that management uses daily to make decisions

Solvency II and S&P – the first kiss may be some time…

Disclaimer

Certain statements contained in this presentation may relate to forward-looking statements and objectives of SCOR SE, specifically statements announcing or relating to future events, trends, plans, or objectives, based on certain assumptions.

These statements are typically identified by words or phrases indicating an anticipation, assumption, belief, continuation, estimate, target, expectation, forecast, intention, and possibility of increase or fluctuation and similar expressions or by future or conditional verbs. This information is not historical data and must not be interpreted as a guarantee that the stated facts and data will occur or that the objectives will be met. Undue reliance should not be placed on such statements, because, by nature, they are subject to known and unknown risks, uncertainties, and other factors, which may cause actual results, performance, achievements or prospects of SCOR SE to differ from any future results, performance, achievements or prospects explicitly or implicitly set forth in this presentation.

Any figures for a period subsequent to 30 June 2013 should not be taken as a forecast of the expected financials for these periods and, except as otherwise specified, all figures subsequent to 30 June 2013 are presented in Euros, using closing rates as per the end of March 2013. Strong Momentum figures previously disclosed have been maintained at unchanged foreign exchange rates.

In addition, such forward-looking statements are not “profit forecasts” in the sense of Article 2 of Regulation (EC) 809/2004.

The 2013 pro-forma figures in this presentation include estimates relating to Generali USA to illustrate the effect on the Group’s financial statements, as if the acquisition had taken place on 1 January 2013. The transaction is subject to regulatory approvals and other customary conditions and is expected to close in the second half of 2013

Finally, SCOR is exposed to significant financial, capital market and other risks, including, but not limited to, 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.

Additional information regarding risks and uncertainties is set forth in the 2011 reference document filed on 8 March 2012 under number D.12-0140 with the French Autorité des Marchés Financiers (AMF) (the “Document de Référence”) and posted on SCOR SE’s website www.scor.com.