

SCOR launches a new innovative contingent capital facility

SCOR announces an innovative and efficient 3-year contingent capital facility. This takes the form of a guaranteed equity line, providing the Group with EUR 200 million coverage in case of extreme natural catastrophe or life events. The facility is consistent with SCOR's "Robust Capital Shield" – one of the Group's four cornerstones – and with its "Optimal Dynamics" strategic plan.

Following the authorization granted by SCOR's shareholders in April 2013, SCOR has arranged a new contingent capital equity line with UBS. This equity line facility will replace, as of January 1, 2014, the current contingent capital facilities which come to an end on December 31, 2013. Under this new EUR 200 million arrangement, SCOR raises its protection versus the existing contingent capital facility by EUR 50 million.

This contingent capital solution is innovative in that protection would be triggered in case of extreme life events, as well as natural catastrophe events included within the last facility. It is calibrated to protect SCOR's solvency, in the case of such events, from deteriorating below the "Optimal" zone as defined in the "Optimal Dynamics" strategic plan.¹ The facility also allows SCOR to further diversify its means of protection and counterparties and offers a very cost effective alternative to traditional retro and ILS.

For this new facility SCOR pays an annual commission to UBS of 0.10%, which makes it highly cost-efficient relative to the previous contingent capital arrangements and relative to other forms of capital. In addition, SCOR has substantially lowered the probability of the trigger events compared to its first structure in 2010 (by significantly raising the applicable trigger thresholds), which also significantly lowers the probability-weighted costs to SCOR and its shareholders.

Under the new facility, drawdown may result in an aggregate increase in the share capital of up to EUR 200 million (including issuance premium), in respect of which SCOR has entered into a firm subscription commitment with UBS. The issuance of the shares would be triggered when SCOR has experienced total annual aggregated losses or claims from natural catastrophes or extreme life events above certain thresholds between January 1, 2014 and December 31, 2016. The facility is available in two separate tranches of EUR 100 million each.

As well as being recognized in SCOR's internal model, the facility has received favorable qualitative and quantitative assessments from rating agencies, including nearly full equity credit. In the absence of the occurrence of any extreme triggering event, no shares will be issued under the facility. The facility may therefore reach its term without any dilutive impact for the shareholders.

¹ SCOR defines its "Optimal" zone to be a solvency ratio of 185-220% of its SCR (solvency capital requirement), as calculated by the Group's internal model. The contingent capital facility is calibrated to the Group's solvency level assumption over the "Optimal Dynamics" horizon. The solvency ratio itself is not a trigger. Solvency at the time of trigger, and post-trigger, will also depend on the solvency ratio pre-event, and the size of the event.

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Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: *“We are very pleased to launch a new, innovative and efficient contingent capital facility. It is fully in line with the active capital management policy we set out in our 3-year plan “Optimal Dynamics”. The facility continues to protect SCOR from the accumulation of defined extreme events and will help to reinforce the Group’s solvency if needed. It is a highly efficient source of capital within SCOR’s capital structure, and is even more cost-effective than the last facility. It is also more innovative than the last facility, in that the triggers now dovetail well with our new “Optimal” capital zone, and encompass extreme life events such as pandemics. Nevertheless, the probability of triggering the facility, which we estimate at below 2% per year, is very low. Given the theoretical dilutive impact of this product, this translates into a probable average dilution of less than 0.1%.”*

Characteristics of the contingent equity line

The transaction will give rise to the issuance of approximately 12.7 million warrants issued by SCOR to UBS. Each warrant gives UBS the right to subscribe to two new SCOR shares.

The issuance of the warrants was authorized by the 20th resolution of the Extraordinary General Meeting of SCOR shareholders on April 25, 2013 and was approved by a resolution of its Board of Directors on November 5, 2013.

Under the transaction agreement, SCOR has undertaken to drawdown the facility upon the occurrence of a triggering event resulting from natural or non-natural catastrophes as described below, and UBS has undertaken to exercise accordingly the number of warrants necessary for the subscription of EUR 200 million of new shares in two separate tranches of EUR 100 million each.

The drawdowns of the facility will only be available when:

- 1) the amount of the estimated ultimate net loss² incurred by the SCOR group as an insurer or reinsurer (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds in a given calendar year from January 1, 2014 to December 31, 2016 (the “Risk Coverage Period”) as a direct result of the occurrence within that year of one or more natural catastrophe-type events, including but not limited to:
 - earthquake, seaquake, earthquake shock, seismic and/or volcanic disturbance/eruption,
 - hurricane, rainstorm, storm, tempest, tornado, cyclone, typhoon,
 - tidal wave, tsunami, flood,
 - hail, winter weather/freeze, ice storm, weight of snow, avalanche,
 - meteor/asteroid impact,
 - landslip, landslide, mudslide, bush fire, forest fire and lightning.

Or, when

- 2) the amount of net claims³ of the SCOR group's life segment over two (2) consecutive semesters (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds within the Risk

² The estimated ultimate net loss is the aggregate of the individual estimated ultimate net losses of all natural catastrophe events in a given calendar year. The individual estimated ultimate net loss is the estimated pre-tax impact of any qualifying natural catastrophe event, net of all recoveries (reinsurance and derivatives) and additional expenses as recorded in the SCOR group books.

³ The ultimate net claims amount is the aggregate of all claims relating to non-natural catastrophe events affecting the SCOR group's life segment over a two (2) semester time period (i.e. amount of gross benefits and claims – amount of ceded benefits and claims over the time period considered).

Coverage Period as the consequence, in particular, of one or more of the following life business related events:

- deviation of epidemic, pandemic or a similar incidence or wide spread of one or more medical conditions deriving from any disease(s),
- acts of war, acts of terrorism,
- accidents due to non-natural cause(s),
- material deviation from forecast biometric trends (mortality, morbidity, disability or longevity) recorded by the life segment for any reason whatsoever.

In addition, subject to no drawdown having already been conducted under the facility, if the daily volume weighted average price of the SCOR shares on Euronext Paris falls below EUR 10 (i.e. a price level close to the par value of the SCOR share), an individual tranche of EUR 100 million will be drawn down out of the EUR 200 million facility in order to ensure the availability of this financial cover (the warrants being non-exercisable below par value) if a natural or non-natural catastrophe-type event occurs during the remainder of the Risk Coverage Period.

The warrants will remain exercisable until three months after the expiry of the above Risk Coverage Period.

All subscriptions for new shares by UBS, if any, will be made at a price of 94% of the volume weighted average price of the SCOR shares on Euronext Paris over the three trading days preceding the exercise of the warrants.

UBS is committed to subscribing to the new shares but does not intend to become a long-term shareholder of SCOR and will resell the shares by way of private placements and/or sales on the open market. In this respect SCOR and UBS have entered into a profit sharing arrangement whereby 50% of the gain, if any, will be retroceded to SCOR. If the resale of the new shares occurs immediately upon exercise through an off-market transaction, the profit share ratio owed to SCOR will be paid in the form of SCOR shares in order to limit the dilutive impact of the transaction for SCOR's shareholders.

From the notification of the occurrence of a triggering event by SCOR to UBS until the exercise of the warrants, UBS will be prohibited from engaging in hedging transactions on the SCOR shares, other than ordinary course transactions undertaken independently by UBS's affiliated banking and brokerage businesses.

By way of illustration:

a/ Under current market conditions (i.e. an issuance price of EUR 23.92 based on a 6% discount on a 3-day volume weighted average price of EUR 25.45⁴ per share), drawdown of the total cover (EUR 200 million) would account for a maximum of 4.34% of SCOR's share capital⁵.

b/ In the highly adverse event that a single tranche of EUR 100 million is drawn down due to the fall of SCOR's share price, based on a 3-day volume weighted average price of EUR 10 per share (i.e. an issuance price of EUR 9.4 per share after the 6% discount) the transaction would account for 5.52% of SCOR's share capital⁶.

⁴ From December 18, 2013 to December 20, 2013.

⁵ On the basis of SCOR's share capital made up of 192,625,582 shares as at November 30, 2013 as publicly disclosed on December 5, 2013.

⁶ *Idem* note 5.

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Given these theoretical dilution levels, no prospectus will be prepared in connection with the setting up of this contingent equity line. Should the contingent capital be triggered, SCOR will make the appropriate disclosures to the market in compliance with applicable market regulations, as at the time of issuance of the new shares, regarding the circumstances of such issuance, the issuance price and the number of shares issued, and the consequences of such issuance for its shareholders.

The transaction will have no impact on SCOR's 2013 accounts except for the immaterial subscription amount received by SCOR from UBS for the warrant issuance (EUR 0.001 per warrant).

Limited potential dilutive impact of the transaction for SCOR shareholders

This innovative financial coverage is an event-driven contingent capital equity line, which may be triggered upon the occurrence of the aforementioned triggering events only. Its potential dilutive impact therefore depends on the probability of occurrence of such triggering events, as well as on the share price at the time of trigger.

SCOR's management believes that such a contingent capital solution provides a significant net economic benefit for its shareholders, as it favorably compares to traditional retrocession and ILS and it optimizes SCOR's risk protection costs with a limited potential dilutive impact. SCOR estimates that the annual probability of any of the triggers occurring over the program is less than 2%, which in practice puts the probable average dilution at less than 0.1%⁷.

The following chart summarizes the potential dilutive impact of the transaction under various scenarios for a shareholder holding 1% of SCOR's share capital prior to the share issuance (calculated on the basis of the number of shares that make up the share capital as of September 30, 2013).

Share issuance price	Scenario	Number of new shares issued	Percentage interest of the shareholder	
			Non-diluted basis ⁽¹⁾	Diluted basis ⁽²⁾
At the current 3-day VWAP of EUR 25.45 (issuance price = EUR 23.92)	No trigger	0	1.000%	0.986%
	2 tranches drawn down	8,360,155	0.958%	0.946%

(1) Based on the dilution of share capital as of September 30, 2013.

(2) Based on the dilution of share capital as of September 30, 2013 which would result from the exercise of all the outstanding stock options, whether exercisable or not (including all out-of-the-money options as of the date of this press release) and final acquisition of all the outstanding shares granted free of charge.

This table should be read as follows: a shareholder currently holding 1% of SCOR's share capital (on a non-diluted basis) would hold, on the occurrence of a triggering event, 0.958% of the capital following exercise of the warrants on the basis of an issuance price of EUR 23.92 per share (including discount).

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⁷ On the basis of an issuance price of EUR 23.92 per share.

No public offering

This announcement is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy any securities and the transactions contemplated herein do not constitute a public offering in any jurisdiction, including France.

Release, publication or distribution of this press release is forbidden in any country where it would violate applicable laws or regulations.

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 6 March 2013 under number D.13-0106 (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.

The Group's financial information is prepared on the basis of IFRS and interpretations issued and approved by the European Union. This financial information does not constitute a set of financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting".