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)**

<table>
<thead>
<tr>
<th>1-in-200 years probability</th>
<th>2013(^1)</th>
<th>2013</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposures(^2) as of end of June</td>
<td>Limits(^2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single extreme scenario</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major fraud in largest C&amp;S exposure</td>
<td>~130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US earthquake</td>
<td>~220</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US/Caribbean wind</td>
<td>~380</td>
<td>570</td>
<td>~700</td>
</tr>
<tr>
<td>EU wind</td>
<td>~280</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan earthquake</td>
<td>~170</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terrorist attack</td>
<td>~390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net annual exposure</td>
<td>Extreme global pandemic(s)</td>
<td>~1 010</td>
<td>1 430</td>
</tr>
</tbody>
</table>

- 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

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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
SCOR’s capital position benefits from diversification and is strong

**Tangible benefit to required capital from diversification**

2013 SCR pro-forma in € billions (rounded)

- **P&C**
  - Standalone: 2.3
  - Diversified: 4.5

- **Life**
  - Standalone: 2.2
  - Diversified: 3.2

Diversification benefit: 28%

**Source:** SCOR Group internal model

**Capital position is strong on all measures**

<table>
<thead>
<tr>
<th>Group Internal Model (GIM)(^1)</th>
<th>Rating Models (e.g. S&amp;P(^{1,2}))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solvency Ratio 2013</td>
<td>in € billions (rounded)</td>
</tr>
<tr>
<td>3.2</td>
<td>AA 6.0bn</td>
</tr>
<tr>
<td>221%</td>
<td>A 5.4bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Solvency Capital Requirement (SCR)</th>
<th>Available Capital - GIM</th>
<th>Optimal Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2</td>
<td>7.2</td>
<td>185%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Solvency Ratio</th>
<th>100%</th>
<th>120%</th>
<th>220%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required capital</td>
<td>3.2</td>
<td>5.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Total Available Capital - S&amp;P</td>
<td>6.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

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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.

<table>
<thead>
<tr>
<th>Action</th>
<th>Possible management responses (examples)</th>
<th>Escalation level</th>
</tr>
</thead>
</table>
| 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

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 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**

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**Active capital management over the past few years provides strong capital growth while decreasing the leverage ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>SCOR’s Total Capital (€ billions)</th>
<th>Leverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.5</td>
<td>46%</td>
</tr>
<tr>
<td>2005</td>
<td>2.5</td>
<td>30%</td>
</tr>
<tr>
<td>2006</td>
<td>3.3</td>
<td>18%</td>
</tr>
<tr>
<td>2007</td>
<td>4.4</td>
<td>19%</td>
</tr>
<tr>
<td>2008</td>
<td>4.2</td>
<td>15%</td>
</tr>
<tr>
<td>2009</td>
<td>4.6</td>
<td>15%</td>
</tr>
<tr>
<td>2010</td>
<td>4.8</td>
<td>10%</td>
</tr>
<tr>
<td>2011</td>
<td>5.4</td>
<td>18%</td>
</tr>
<tr>
<td>2012</td>
<td>6.0</td>
<td>20%</td>
</tr>
<tr>
<td>H1 2013</td>
<td>5.9</td>
<td>19%</td>
</tr>
</tbody>
</table>

**SCOR’s leverage (RHS) vs. Peers’ leverage (RHS)**

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) 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**

- 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

**ILS have outperformed other asset classes**

- ILS Index
- 3 Year US Corp. BB+
- CMBS Fixed rate 3-5 Yrs
- ABS 3-5 Yrs
- S&P 500

**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: Aon Benfield Securities, Bloomberg

Source: Swiss Re Capital Markets
SCOR opportunistically uses ILS for capital management purposes

<table>
<thead>
<tr>
<th>SCOR profits from the convergence of insurance and capital markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCOR minimizes the cost of its capital shield thanks to alternative solutions</td>
</tr>
<tr>
<td><strong>Atlas</strong> series of ILS protect the Group against European windstorms, Japanese quake, US hurricanes, quakes and European windstorms and extreme mortality events in the US</td>
</tr>
<tr>
<td>Recent issuance of <strong>extreme mortality risk transfer</strong> contract protects the group against extreme mortality events in the US</td>
</tr>
<tr>
<td><strong>Contingent capital</strong> is an event-driven guaranteed equity</td>
</tr>
<tr>
<td>SCOR increases its client offering by becoming a transformer</td>
</tr>
<tr>
<td>□ Over the Optimal Dynamics plan, SGPC intends to help clients to access capital market capacity through ILS</td>
</tr>
<tr>
<td>□ This will provide <strong>fee income</strong>, and allow SGPC to better leverage existing relationship</td>
</tr>
<tr>
<td>SGI benefits from its expertise to open ILS funds to 3rd parties</td>
</tr>
<tr>
<td>Atropos is an absolute return fund open to 3rd party launched on 31/08/2011 investing in extreme insurance risks</td>
</tr>
<tr>
<td>AuM</td>
</tr>
<tr>
<td>2012 perf</td>
</tr>
<tr>
<td>2013 YTD perf</td>
</tr>
<tr>
<td>□ Launch of two new “Atropos” ILS funds$^{2)}</td>
</tr>
</tbody>
</table>

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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**
- 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

<table>
<thead>
<tr>
<th>Optimal Dynamics targeted underlying assets</th>
<th>Leveraged loans</th>
<th>Real estate loans</th>
<th>Infrastructure loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key features</td>
<td>LBO/acquisition corporate financing</td>
<td>Value-added real estate financing</td>
<td>Tangible asset financing</td>
</tr>
<tr>
<td></td>
<td>Syndicated and standardized loans</td>
<td>Average loan-to-value &lt; 65%</td>
<td>Defensive brownfield and greenfield mix</td>
</tr>
<tr>
<td>Targeted return</td>
<td>Libor/Euribor + 400-500 bps</td>
<td>Libor/Euribor + 300-350 bps</td>
<td>Libor/Euribor + 250-300bps</td>
</tr>
<tr>
<td>Average Life</td>
<td>3-5 yrs</td>
<td>3-5 yrs</td>
<td>5-10yrs</td>
</tr>
<tr>
<td>Average risk profile</td>
<td>Sub investment grade</td>
<td>Low investment grade</td>
<td>Low investment grade</td>
</tr>
<tr>
<td>Expected loss given default</td>
<td>25%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Strong Franchise</th>
<th>High diversification</th>
<th>Controlled risk appetite</th>
<th>Robust capital shield</th>
</tr>
</thead>
</table>

- 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

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

- 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

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

- 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

- Expected return on invested assets above 3% by 2016

### 2 Targets

<table>
<thead>
<tr>
<th>Profitability (ROE) Target</th>
<th>Solvency Target</th>
<th>Solvency ratio (^2) in the 185% - 220% range</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 000 bps above risk-free rate (^1) over the cycle</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

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
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
- €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’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

<table>
<thead>
<tr>
<th>SCOR focuses on technical profitability and operational excellence over the course of the plan. Key assumptions:</th>
<th>SCOR further optimises its capital management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P&amp;C Combined ratio</strong></td>
<td><strong>Maintains high diversification benefit</strong> thanks to an optimal split between Life and P&amp;C (54%/46% GWP split expected for 2016)</td>
</tr>
<tr>
<td>~93-94%</td>
<td><strong>Focuses on disciplined pricing</strong> based on return on allocated capital</td>
</tr>
<tr>
<td>Supported by continued active portfolio management</td>
<td><strong>Allocates capital where SCOR has an edge</strong>, focused on the liability side (e.g. selective increase of Cat capacities and optimization of retrocession)</td>
</tr>
<tr>
<td><strong>Life Technical margin</strong></td>
<td><strong>Optimises capital structure</strong>, supported with hybrid debt and contingent capital</td>
</tr>
<tr>
<td>~7%</td>
<td><strong>Investment strategy optimises the impact of interest rate increase</strong> on the solvency of the Group</td>
</tr>
<tr>
<td>Aligned with new business mix (combination of Protection, Longevity and Financial Solutions)</td>
<td><strong>Optimises capital allocation to the investment portfolio and within the investment portfolio</strong></td>
</tr>
<tr>
<td><strong>Return on invested assets</strong></td>
<td><strong>Enhances capital fungibility</strong> thanks to efficient collateral management, internal retrocession and widespread use of branches, facilitated by the <em>Societas Europaea</em> status</td>
</tr>
<tr>
<td>&gt;3% by 2016&lt;sup&gt;1)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Upside potential thanks to the current positioning of the investment portfolio and its progressive rebalancing</td>
<td></td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td><strong>1 000 bps over risk-free&lt;sup&gt;2)&lt;/sup&gt; profitability target over the cycle and Solvency Ratio&lt;sup&gt;3)&lt;/sup&gt; in the 185% - 220% range</strong></td>
</tr>
<tr>
<td>~22%</td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td></td>
</tr>
<tr>
<td><strong>Average Group cost ratio</strong></td>
<td></td>
</tr>
<tr>
<td>~4.8%</td>
<td></td>
</tr>
<tr>
<td>Thanks to continuous improvement in productivity and operational efficiency while actively investing in the future</td>
<td></td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td></td>
</tr>
<tr>
<td>7% organic</td>
<td></td>
</tr>
<tr>
<td>Subject to profitability conditions</td>
<td></td>
</tr>
</tbody>
</table>

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1) Excluding funds withhold  
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

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

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