Financial condition report 2023

Helvetia Group

30 April 2024

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Sums in this presentation are based on unrounded figures and may not add up due to rounding differences. Likewise, year-on-year changes are calculated on the basis of unrounded figures.

Excellent solvency position with an SST ratio of 288%

(in CHF million, as of 1 January)	2023[1)]	2024	Δ 24/23
Risk-bearing capital	9,659	9,193	-466
Target capital	2,921	3,189	+268
SST ratio	**331%**	**288%**	**-43% pts**

SST ratio on a strong level decreasing compared to prior year:

Decrease of **risk-bearing capital** mainly driven by capital market developments (FX and decrease in interest rates) and exceptionally high claims from natural catastrophes and large claims events in 2023, partially offset by strong equity market performance, falling credit spreads, current investment income and a profitable new business mix in life business

➢ Details on slide 5

Higher **target capital** mainly attributable to capital market developments (especially driven by lower interest rates and higher equity risk) and an increase in non-life underwriting risk due to the growth in natural catastrophe exposures and higher retentions for 2024

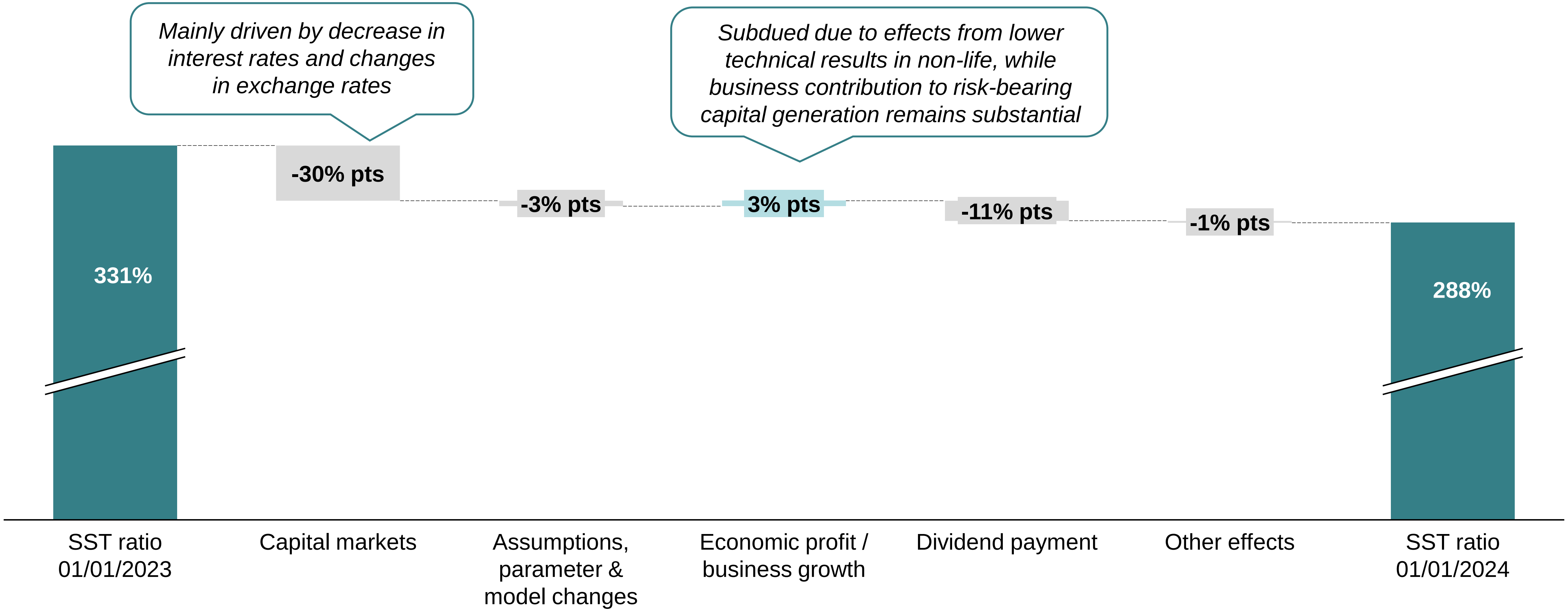
➢ Details on slide 6

Strong capitalisation and a balanced risk position reinforcing resilience

[1)] Prior year adjusted for a change in regulation in terms of the risk margin: From 2024, the risk margin is part of the market-consistent valuation of insurance liabilities instead of considered in target capital

↖ = positive effect on SST ratio ↙ = negative effect on SST ratio

Decrease in SST ratio on high level mainly driven by development of capital markets



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Slight reduction in risk-bearing capital mainly due to capital market developments

(in CHF million, as of 1 January)	2023[1]	2024	△ 24/23
IFRS equity[2]	3,777	3,641	-136
Valuation differences	5,000	4,613	-387
thereof CSM	*3,942*	*4,031*	*+89*
thereof risk margin	*-746*	*-840*	*-94*
Difference between assets and liabilities (SST valuation)	**8,777**	**8,254**	**-523**
Deductions[3]	-785	-786	-1
Supplementary capital	1,668	1,725	+57
Risk-bearing capital	**9,659**	**9,193**	**-466**

Main positive effects on risk-bearing capital:

↖

- Strong equity market performance
- Falling credit spreads
- Overall positive performance of the investment property portfolio
- Current investment income
- Underwriting results in non-life and improved new business mix in life business

Offsetting effects on risk-bearing capital:

↙

- Appreciation of the Swiss franc against the euro and US dollar
- Decrease in risk-free interest rates, particularly in Swiss francs
- Exceptional level of claims from natural catastrophes and large claims events in 2023
- Updated assumptions in life business
- Reduction in the ultimate forward rate based on updated regulatory requirements
- Proposed dividend distribution for the 2023 financial year

[1] Prior year adjusted for a change in regulation in terms of the risk margin: From 2024, the risk margin is part of the market-consistent valuation of insurance liabilities instead of considered in target capital
[2] Excluding hybrid capital
[3] Expected dividend payments and taxes on property gains and transfers

↖ = positive effect on SST ratio ↙ = negative effect on SST ratio

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Higher capital requirements mostly resulting from lower risk-free interest rates and higher equity risk

(in CHF million, as of 1 January)	2023 [1)]	2024	△ 24/23
Underwriting risk life	853	964	+111
Unterwriting risk non-life	852	935	+83
Diversification effects	-376	-425	-49
Total underwriting risk	**1,328**	**1,474**	**+146**
Interest rates	665	813	+148
Spreads	1,607	1,537	-70
Equities	369	486	+117
Foreign exchange rates	299	281	-18
Real estate	968	939	-29
Other market risk	77	61	-16
Diversification effects	-1,509	-1,596	-87
Total market risk	**2,477**	**2,521**	**+44**
Credit risk	**1,087**	**1,119**	**+32**
Diversification effects	**-1,039**	**-1,127**	**-88**
Other effects	**-932**	**-798**	**+134**
Total target capital	**2,921**	**3,189**	**+268**

Main positive effects on target capital:

- Spread risk: Impact of interest rate and spread developments outweighed by exchange rate effects, a higher credit quality of the bond portfolio and other effects.
- Currency risk: Reduced net exposure in EUR and USD
- Real estate risk: Decrease driven by changes in exchange rates and property sales, partly offset by revaluation due to the favourable market situation

Offsetting effects on target capital:

- Life risk: Increase primarily driven by lower risk-free interest rates
- Non-life risk: Increase mainly due to growth in NatCat exposures and higher retentions
- Interest rate risk: Higher duration mismatch due to lower risk-free interest rates
- Equity risk: Increase resulting from strong market performance amplified by market-driven reduction in the hedging effect and active reduction in equity hedging
- Credit risk: Increase predominantly due to higher market values of bonds as a result of lower risk-free interest rates and credit spreads.
- Other effects: Expected technical result in non-life influenced by higher claims projections and costs.

[1)] Prior year adjusted for a change in regulation in terms of the risk margin: From 2024, the risk margin is part of the market-consistent valuation of insurance liabilities instead of considered in target capital

= positive effect on SST ratio = negative effect on SST ratio

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Appendix.

SST sensitivities

Market risk sensitivities	Shift	Δ RBC (in CHF million) 31/12/2022	Δ SST ratio[1] (RBC effect only) 31/12/2022	Δ SST ratio 31/12/2022	Δ RBC (in CHF million) 31/12/2023	Δ SST ratio[1] (RBC effect only) 31/12/2023	Δ SST ratio 31/12/2023
Interest rates[2]	-50 bp	-67	-3% pts	-16% pts	-171	-5% pts	-17% pts
Spreads[3]	+50 bp	-691	-24% pts	-21% pts	-698	-22% pts	-21% pts
Equities	-10 %	-201	-7% pts	+3% pts	-221	-7% pts	+2% pts
Real estate	-10 %	-1,108	-38% pts	-34% pts	-1,062	-33% pts	-29% pts
FX EUR/CHF	-10 %	-79	-3% pts		-83	-3% pts	
FX USD/CHF	-10 %	-77	-3% pts		-67	-2% pts	

Life insurance risk sensitivities	Shift	Δ RBC (in CHF million) 31/12/2022	Δ SST ratio[1] (RBC effect only) 31/12/2022	Δ RBC (in CHF million) 31/12/2023	Δ SST ratio[1] (RBC effect only) 31/12/2023
Longevity	+10 %	-171	-6% pts	-207	-6% pts
Disability	+10 %	-41	-2% pts	-58	-2% pts
Reactivation	-10 %	-46	-2% pts	-55	-2% pts
Costs	+10 %	-271	-10% pts	-321	-10% pts
Lapse	+10 %	-68	-3% pts	-59	-2% pts

[1] Only own funds (RBC) sensitivities included; excl. effect on target capital
[2] Without intragroup loans; for subsidiaries in the EU, the yield curves defined by the European supervisory authority are used to determine the interest rate sensitivity
[3] Spread-sensitive investments are defined as interest-bearing investments with the exception of "AAA"-rated government bonds, bonds issued by multilateral development banks, mortgages, policy loans and mortgage-backed bonds

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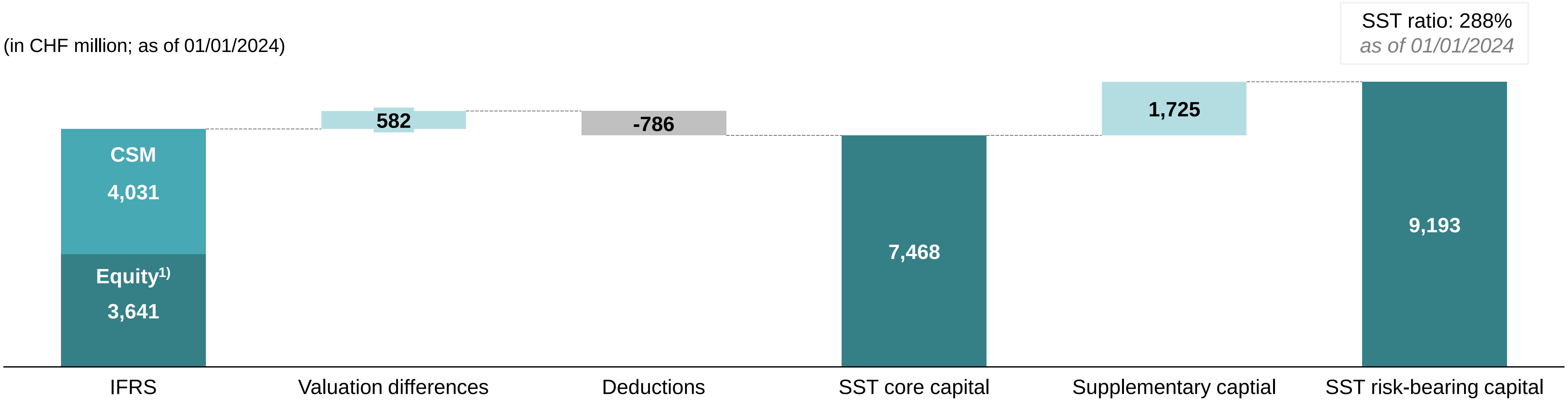
Walk from IFRS to SST capital

(in CHF million; as of 01/01/2024)



Deferred tax assets and liabilites	307	*Pre-tax view under SST*
Investments and real estate	809	*Valuation differences SST vs. IFRS*
Technical provisions	-527	*Valuation differences and eligibility of future policyholder bonus as solvency capital*
Risk margin	-840	*The risk margin is only recognised as a liability in the SST*
Goodwill and other intangible assets	-1,602	*Not eligible as solvency capital*
Other assets and liabilities	2,435	*Valuation differences SST vs. IFRS*
Valuation differences	**582**	

[1] Excl. hybrid capital

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Helvetia Versicherungen: SST ratio of 298%

(in CHF million, as of 1 January)	2023[1)]	2024	△ 24/23
Risk-bearing capital	5,696	5,439	-257
Target capital	1,613	1,828	+215
SST ratio	**353%**	**298%**	**-55%**

Risk-bearing capital:

↙ Exceptionally high claims from NatCat and large claims events in 2023, proposed dividend distribution for the 2023 financial year (including transfer of free deployable funds of CHF 375 million to the Holding strengthening financial flexibility at Group level)

↖ Transition to accounting standards IFRS 17/9 and adjustment of the valuation model for participations (EU subsidiaries) with a countereffect on target capital and thus no major impact on the SST ratio

↖ Positive effects from equity market performance, lower interest rates and credit spreads, and stable investment income and technical result (apart from extraordinary NatCat claims in 2023)

Target capital:

↙ Substantial increase in participation risk due to the introduction of IFRS 17/9 and the further development of the valuation model for participations (with a compensating effect on risk-bearing capital)

↖ Significantly higher expected financial result due to a planned additional capital transfer from Helvetia Leben

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Helvetia Leben: SST ratio of 228%

(in CHF million, as of 1 January)	2023[1]	2024	△ 24/23
Risk-bearing capital	4,867	4,207	-660
Target capital	1,667	1,844	+177
SST ratio	**292%**	**228%**	**-64%**

Risk-bearing capital:

↙ Adjustments to actuarial assumptions, reduction in the ultimate forward rate (UFR) and proposed dividend for the 2023 financial year (including transfer of free deployable funds to the Holding strengthening financial flexibility at Group level)

↙ Capital market developments, especially the decline in risk-free interest rates in CHF and the appreciation of the Swiss franc against all other major currencies

↖ Positive effects from a strong equity market performance, property revaluations and business development (particularly an improved new business mix)

Target capital:

↙ Significantly higher market, underwriting and credit risk reflecting capital market movements (especially lower risk-free interest rates)

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