Solid operations.
Managed risks.
Strong solvency.

Financial Condition Report 2017

Helvetia Group

30 April 2018

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Helvetia Group: SST ratio improved thanks to business and capital market performance & new hybrid

(in CHF million)	2017	2018	Δ 18/17
Risk-bearing capital	6,317	7,863	+1,546
Target capital	4,178	4,174	-4
Risk margin	871	876	+5
Risk-bearing capital – risk margin	5,446	6,987	+1,541
Target capital – risk margin	3,307	3,298	-9
SST ratio	165%	212%	+47% pts

- ↖ Greatly improved SST ratio driven by the increase of risk-bearing capital
- ← Stable target capital (compensating effects)
- ↖ Favorable developments on the capital markets which were characterised by rising stock prices, higher risk-free interest rates and lower credit spreads
- ↖ New hybrid bond (EUR 500 million) issued in spring 2017 contributed to a strongly improved capitalisation
- ↖ Successful business performance moderated by expected dividend distribution for financial year 2017
- ↖ Positive impact from FINMA-driven model and parameter adjustments

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

Helvetia Group: higher RBC driven by business and capital markets performance and new hybrid

(in CHF million)

01/01/2017	RBC +24.4%	01/01/2018
4,813	IFRS equity[1)]	5,229
1,128	+ Valuation reserves	1,640
5,941	**Difference between assets and liabilities (SST valuation)**	**6,869**
-612	- Deductions	-630
989	+ Supplementary capital	1,624
6,317	Risk-bearing capital	7,863

- Increased equity due to retained earnings, currency effects from the translation of the equity of the European units into the Group's currency of Swiss francs and the revaluation of benefit obligations in accordance with IAS 19
- Favorable developments on the capital markets which were characterised by rising stock prices, higher risk-free interest rates and lower credit spreads
- New hybrid bond (EUR 500 million) issued in spring 2017 contributed to a strong improvement of capitalisation
- Successful business performance moderated by expected dividend distribution for financial year 2017
- Positive impact from FINMA-driven model and parameter adjustments

[1)] Excluding hybrid capital

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Helvetia Group: stable target capital in view of compensating effects

(in CHF million)	2017	2018	Δ 18/17
Underwriting risk life	925	1,023	+98
Unterwriting risk non-life	660	522	-137
Diversification effects	-407	-403	4
Total underwriting risk	**1,178**	**1,142**	**-36**
Interest rates	1,282	1,193	-89
Spreads	1,028	1,064	+36
Equities	440	518	+78
Foreign exchange rates	227	215	-12
Real estate	504	550	+46
Other market risk	10	13	+3
Diversification effects	-1,279	-1,289	-10
Total market risk	**2,212**	**2,264**	**+52**
Diversification effects	**-836**	**-859**	**-23**
Credit risk	**716**	**929**	**+213**
Risk margin & other effects	**908**	**698**	**-210**
Total target capital	4,178	4,174	-4

- ↗ The rise in life insurance risk is mainly driven by FX effects, altered actuarial assumptions and business growth
- ↘ Lower non-life insurance risk largely due to model changes such as the improved modelling of cessions and the conversion to the standard model
- ↘ Decrease in interest rate risk as a result of a lower asset-liability-mismatch
- ↗ The increase in equity risk can be attributed to the price gains in equity holdings, the increase in real estate risk is mainly driven by new investments
- ↗ The shift from an internal model to the standard model for credit risk from mortgages led to a significantly increased credit risk
- ↘ New specification of pandemic scenario by FINMA results in substantially lower scenario losses (in position "risk margin & other effects")

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Helvetia Group: risk sensitivities

(as of 31/12/2017; in CHF million, sensitivities on RBC)

Market risk sensitivities	Shift	31/12/2016	31/12/2017	Δ 17/16
Interest rates	-50 bp	-166	-150	+16
Spreads	+50 bp	-526	-620	-94
Equities	-10 %	-156	-202	-46
Real estate	-10 %	-545	-593	-48
FX EUR/CHF	+10 %	-76	-68	+8
FX USD/CH	-10 %	-24	-46	-22

Life insurance risk sensitivities	Shift	31/12/2016	31/12/2017	Δ 17/16
Mortality	-10 %	-70	-71	-1
Longevity	+10 %	-29	-34	-5
Disability	+10 %	-31	-29	+2
Reactivation	-10 %	-22	-21	+1
Costs	+10 %	-201	-233	-32
Lapse	+10 %	-88	-99	-11

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Helvetia Group: valuation differences between SST and IFRS

(in CHF million; as of 01/01/2018)	SST vs. IFRS
Valuation reserves	**1,640**
Deferred tax assets and liabilites	789
Investments and real estate	2,020
Technical provisions	328
Immaterial assets	-1,228
Other assets and liabilities	-269

- The valuation reserve between the SST difference between economically valued assets and liabilites and IFRS equity[1)] amounts to CHF 1,640 million
- Positive contributions to the difference (i.e. increasing SST capital vs. IFRS equity[1)]) are due to
  - Deferred tax assets and liabilites, as the SST reflects a pre-tax view
  - Valuation reserves on investments and real estate (IFRS accounting)
  - Technical provisions (different discount rates and assumptions)
- Negative contributions to the difference are due to
  - Intangible assets (do not count as solvency capital)
  - Other assets and liabilites (IFRS accounting)

[1)] Excluding hybrid capital

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Helvetia Versicherung: overall stable SST ratio despite internal transfer of Helvetia Leben

(in CHF million)	2017	2018	Δ 18/17
Risk-bearing capital	3,236	5,040	+1,804
Target capital	1,631	2,595	+964
Risk margin	120	103	-16
Risk-bearing capital – risk margin	3,116	4,937	+1,820
Target capital – risk margin	1,512	2,492	+980
SST ratio	206%	198%	-8% pts

Stable SST ratio, increase in risk-bearing capital and target capital

Risk-bearing capital increased due to:

- Internal transfer of Helvetia Leben from Helvetia Holding to Helvetia Versicherungen
- Favorable developments on the capital markets, mainly rising stock prices
- New hybrid bond* (EUR 500 million) issued in spring 2017 contributed to a strongly improved capitalisation
- Successful business performance moderated by expected dividend distribution for financial year 2017

Target capital increased due to:

- Internal transfer of Helvetia Leben from Helvetia Holding to Helvetia Versicherungen
- FINMA-driven model and parameter adjustments

* New hybrid bond of EUR 500 million raised by Helvetia Versicherungen of which a.o. EUR 300 million passed to Helvetia Leben; both are eligible for risk-bearing capital in the individual entities; Helvetia therefore benefits from leverage

Helvetia Leben: SST ratio improved thanks to capital market performance and new hybrid

(in CHF million)	2017	2018	Δ 18/17
Risk-bearing capital	3,609	4,213	+604
Target capital	2,569	2,764	+195
Risk margin	639	593	-46
Risk-bearing capital – risk margin	2,969	3,620	+651
Target capital – risk margin	1,929	2,171	+242
SST ratio	154%	167%	+13% pts

Improved SST ratio driven by the increase of risk-bearing capital, damped by the increase in target capital

Risk-bearing capital increased due to:

- Favorable developments on the capital markets which were characterised by rising stock prices, higher risk-free interest rates and lower credit spreads
- New hybrid bond* (EUR 300 million) issued in spring 2017 contributed to a strongly improved capitalisation
- Successful business performance moderated by expected dividend distribution for financial year 2017

Target capital increased due to:

- FINMA-driven model and parameter adjustments
- Lower risk-mitigating effect from the recalibration of the conditional capital agreement

* New hybrid bond of EUR 500 million raised by Helvetia Versicherungen of which a.o. EUR 300 million passed to Helvetia Leben; both are eligible for risk-bearing capital in the individual entities; Helvetia therefore benefits from leverage