Solid operations.
Managed risks.
Strong solvency.

Financial Condition Report 2018

Helvetia Group

30 April 2019

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Helvetia Group: strong capital base in view of weak capital markets & new SST models

(in CHF million)	2018	2019	∆ 19/18
Risk-bearing capital	7,863	8,067	+204
Target capital	4,174	4,067	-107
Risk margin	876	776	-100
Risk-bearing capital – risk margin	6,987	7,291	+304
Target capital – risk margin	3,298	3,292	-6
SST ratio	**212%**	**222%**	**+10% pts**

- ↖ Improved SST ratio driven by increase of risk-bearing capital and decrease of target capital
- ↖ Positive impact from introduction of the new SST standard model in 2019 and first-time application of Solvency II liability discounting for EU subsidiaries
- ↖ Good business performance reduced by expected dividend payment for financial year 2018
- ↖ Overall lower target capital under the new SST standard model.
- ↙ Unfavourable developments on the capital markets which were characterised by falling stock prices, lower risk-free interest rates and higher credit spreads

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

Helvetia Group: higher RBC driven by new SST model and move to Solvency II valuation for EU units

(in CHF million)	2018	2019	Δ 19/18
IFRS equity[1)]	5,229	5,097	-132
Valuation reserves	1,639	2,036	+397
Difference between assets and liabilities (SST valuation)	**6,869**	**7,133**	**+264**
Deductions	-630	-593	+37
Supplementary capital	1,624	1,527	-97
Risk-bearing capital	**7,863**	**8,067**	**+204**

- ↖ Positive impact of the new SST standard model (mainly driven by recognition of future policyholder bonus as risk-bearing capital)
- ↖ Substantially lower best estimate of liabilities as a result of first-time valuation of EU business with Solvency II interest rate curves
- ↖ Successful business performance reduced by expected dividend distribution for financial year 2018
- ↙ Lower IFRS equity primarily due to the decrease in unrealised gains and losses and negative currency effects from the translation of the equity of the European units into the Group's currency of Swiss francs
- ↙ Unfavourable developments on the capital markets which were characterised by falling stock prices and FX rates, lower risk-free interest rates and substantially higher credit spreads

1) Excluding hybrid capital

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Helvetia Group: overall lower target capital due to capital market development and new SST model

(in CHF million)	2018	2019	△ 19/18
Underwriting risk life	1,023	916	-107
Unterwriting risk non-life	522	520	-2
Diversification effects	-403	-290	+113
Total underwriting risk	**1,142**	**1,146**	**+4**
Interest rates	1,193	670	-523
Spreads	1,064	1,527	+463
Equities	518	384	-134
Foreign exchange rates	215	347	+132
Real estate	550	882	+332
Other market risk	13	13	+0
Diversification effects	-1,289	-1,461	-172
Total market risk	**2,264**	**2,363**	**+99**
Diversification effects	**-859**	**-698**	**+160**
Credit risk	**929**	**1,124**	**+196**
Risk margin & other effects	**698**	**133**	**-566**
Total target capital	**4,174**	**4,067**	**-107**

↖ The fall in life insurance risk is mainly driven by the adoption of the new SST standard model, altered actuarial assumptions and capital markets

↖ Strong decline in interest rate risk as a result of a lower asset-liability-mis-match (short projection of BVG business) in the new SST standard model

↙ The increases in spread risk, FX risk, real estate risk and credit risk can mainly be attributed to the elimination of loss-absorbing effects by the shift from stochastic to deterministic valuation of life business in Switzerland

↖ Reduced equity risk as a result of lower exposure due to price declines in equity holdings as well as increased hedging and lower risk of implied volatility

↙ Lower diversification effects due to newly introduced dependencies between market risk and insurance risk in the new SST model (compensating effect: removal of capital charges for scenarios, shown in "other effects" in 2018)

↖ New solvency model allows for consideration of the expected financial result (in "other effects") as a risk capital relief effect in life business for the first time

↖ Decreased risk margin as a further consequence of capital market develop-ment and the new SST model adopted in 2019

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Helvetia Group: own funds (RBC) sensitivities

(as of 31/12/2018; in CHF million)

Market risk sensitivities	Shift	31/12/2017	Δ SST- Ratio[1) 31/12/2017	31/12/2018	Δ SST- Ratio[1) 31/12/2018
Interest rates	-50 bp	-150	-5% pts.	-20	-1% pts.
Spreads	+50 bp	-620	-19% pts.	-800	-24% pts.
Equities	-10 %	-202	-6% pts.	-173	-5% pts.
Real estate	-10 %	-593	-18% pts.	-951	-29% pts.
FX EUR/CHF	-10 %	65	2% pts.	-5	-0% pts.
FX USD/CHF	-10 %	-46	-1% pts.	-62	-2% pts.

Life insurance risk sensitivities	Shift	31/12/2017	Δ SST- Ratio[1) 31/12/2017	31/12/2018	Δ SST- Ratio[1) 31/12/2018
Mortality	+10 %	+53	2% pts.	-88	-3% pts.
Longevity	+10 %	-34	-1% pts.	-263	-8% pts.
Disability	+10 %	-29	-1% pts.	-36	-1% pts.
Reactivation	-10 %	-21	-1% pts.	-113	-3% pts.
Costs	+10 %	-233	-7% pts.	-215	-7% pts.
Lapse	+10 %	-99	-3% pts.	-42	-1% pts.

[1)] Only own funds sensitivities included

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Helvetia Group: valuation differences between SST and IFRS

(in CHF million; as of 01/01/2019)	SST vs. IFRS
Valuation reserves	**2,036**
Deferred tax assets and liabilites	751
Investments and real estate	1,768
Technical provisions	969
Goodwill and other intangible assets	-1,266
Other assets and liabilities	-187

- The valuation reserve between the SST difference between economically valued assets and liabilites and IFRS equity[1)] amounts to CHF 2,036 million
- Positive contributions to the difference (i.e. increasing SST capital vs. IFRS equity) 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 and future policyholder bonus which count as solvency capital in the new model)
- Negative contributions to the difference are due to
  - Goodwill and other intangible assets (do not count as solvency capital)
  - Other assets and liabilites (IFRS accounting)

[1)] Excluding hybrid capital

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Helvetia Versicherung: higher SST ratio as a result of model change und business performance

(in CHF million)	2018	2019	∆ 19/18
Risk-bearing capital	5,040	5,328	+288
Target capital	2,595	2,536	-59
Risk margin	103	111	+8
Risk-bearing capital – risk margin	4,937	5,217	+280
Target capital – risk margin	2,492	2,425	-67
SST ratio	**198%**	**215%**	**+17% pts**

- Improved SST ratio, mainly driven by increase in risk-bearing capital
- ↖ Risk-bearing capital overall increased:
  - ↖ Positive impact on risk-bearing capital from first time application of Solvency II interest rates for EU subsidiaries (higher SST valuation of participations)
  - ↖ Successful business performance reduced by expected dividend distribution for financial year 2018
  - ↙ Unfavourable developments on the capital markets which were characterised by higher credit spreads, falling stock prices and FX rates
- ↖ Slight decrease of target capital as a result of compensating effects

Helvetia Leben: slightly improved SST ratio thanks to new SST model introduced in 2019

(in CHF million)	2018	2019	Δ 19/18
Risk-bearing capital	4,213	4,352	+139
Target capital	2,763	2,757	-6
Risk margin	593	542	-51
Risk-bearing capital – risk margin	3,620	3,810	+190
Target capital – risk margin	2,170	2,215	+45
SST ratio	**167%**	**172%**	**+5% pts**

– Slightly improved SST ratio driven by the increase of risk-bearing capital

↖ Risk-bearing capital overall increased:

- ↖ Positive impact of the new SST model (mainly driven by recognition of future policyholder bonus as risk-bearing capital)
- ↖ Successful business performance reduced by expected dividend distribution for financial year 2018
- ↙ Unfavourable developments on the capital markets which were characterised by falling stock prices and higher credit spreads

← Stable target capital as a result of compensating effects:

- ↖ Substantially lower interest rate risk under the new solvency model
- ↙ Elimination of risk-absorbing effects due to the move from stochastic to deterministic valuation of life business
- ↖ First-time consideration of the expected financial result reducing target capital

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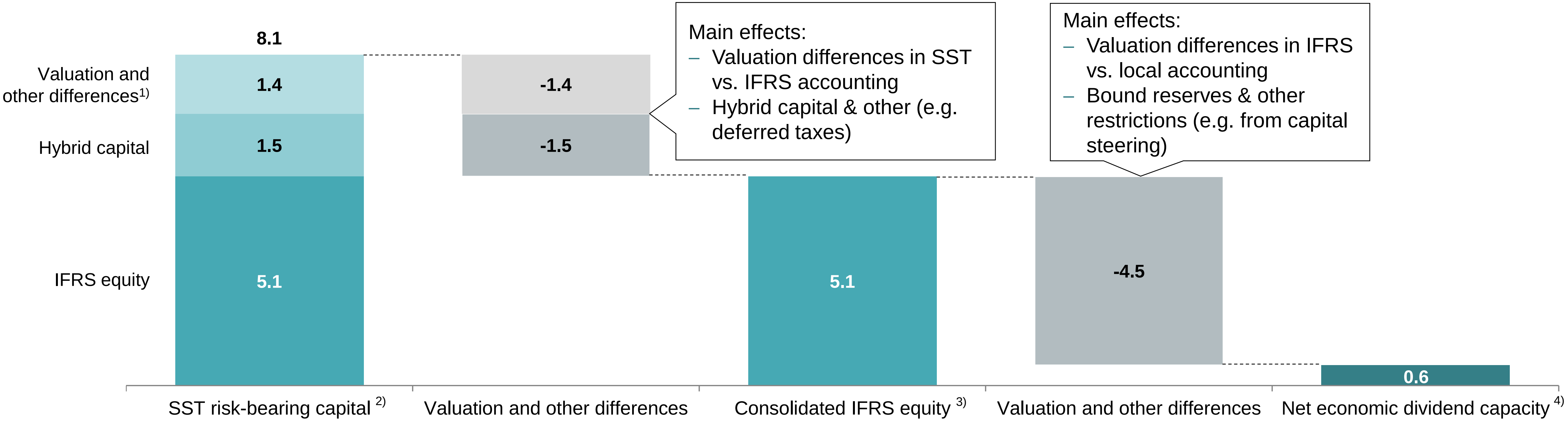
Net economic dividend capacity.

Net economic dividend capacity supporting sustainable dividends

Capital walk: from SST capital to net economic dividend capacity (2018)

(as of 31/12/2018; in CHF billion)



[1)] Valuation reserves less deductions
[2)] SST RBC as of 01/01/2019
[3)] IFRS equity excluding preferred securities
[4)] Net economic dividend capacity after taking into account capital and additional buffer

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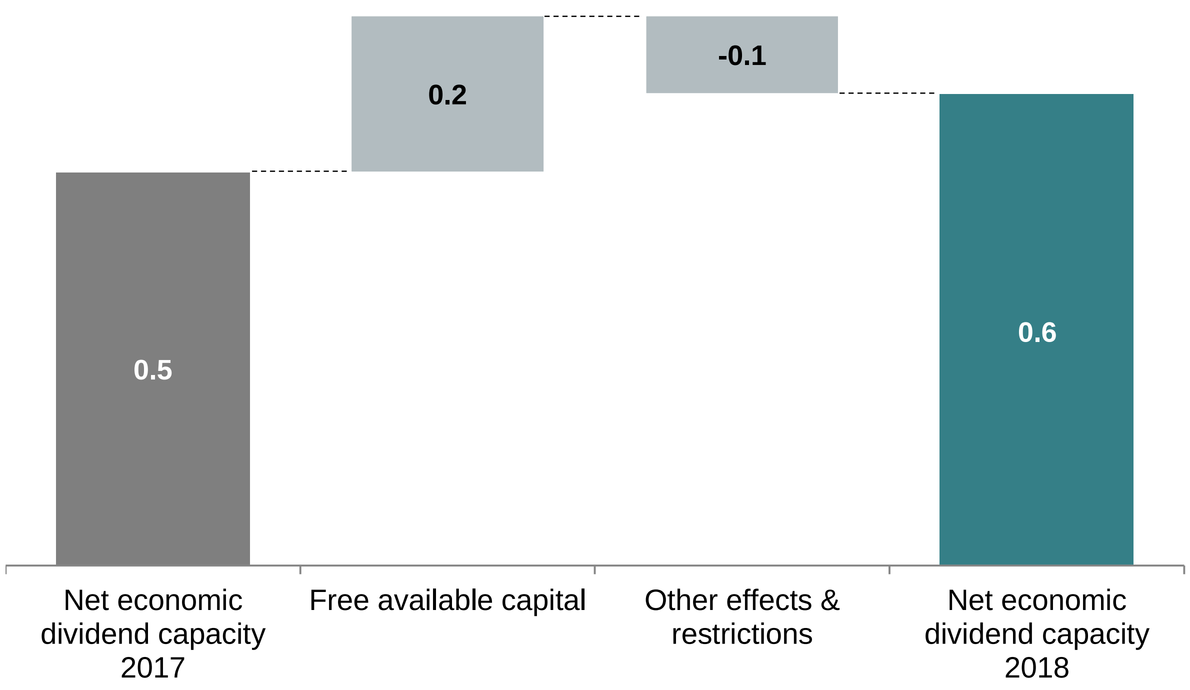
Higher local profits drive increase in net economic dividend capacity (NEDC)

(in CHF billion)



- Free available capital (CHF +0.2 billion)
  - Available free local equity driven by higher net profits, in particular of Swiss life and non-life
- Other effects & restrictions (CHF -0.1 billion)
  - Other reduction e.g. resulting from slight increase of capital buffers on top of solvency requirements

= positive effect on NEDC   = neutral effect on NEDC   = negative effect on NEDC

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