

Baloise Group – Swiss Solvency Test as at 1 January 2023

Results for the Baloise Group

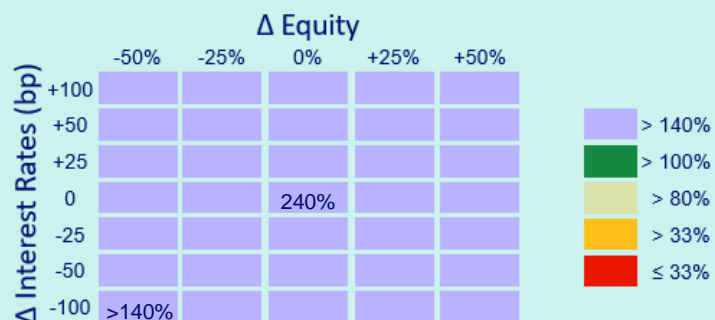
| In CHF mn | 1 January 2022 | 1 January 2023 |
|----------------------------|----------------|----------------|
| Risk-bearing capital (RBC) | 13'036 | 11'288 |
| Target capital (TC) | 6'533 | 5'214 |
| Solvency ratio | 220% | 240% |

- **Risk-bearing capital** decreased year on year. This was mainly due to the rise in spreads and the negative development of the stock markets.
- **Target capital** also decreased year on year. This was mostly driven by the rise in interest rates and spreads as well as the negative development of the stock markets.
- Because risk bearing capital shrank relatively less than target capital, the **solvency ratio** increased to 240%.¹⁾
- The solvency ratios of the two Swiss companies Baloise Life Ltd and Baloise Insurance Ltd stood at 230% and 226% respectively as at 1 January 2023.

Sensitivities of the solvency ratio

(as at 1 January 2023)

- Even in an economic stress scenario, such as a reduction in interest rates of 100 bp and a stock market fall of 50%, the solvency ratio would still be above 140%.



General remarks

The **Swiss Solvency Test (SST)** is a framework for measuring and documenting the solvency and economic risk situation of insurance companies. This regulatory instrument is aimed at protecting policyholders against the consequences of an insurance company becoming insolvent.

The Swiss Financial Market Supervisory Authority (FINMA) sets the capital requirement at a level that ensures an insurance company will be able to maintain an adequate level of capital even if a negative event materialises that only occurs every 100 years. The capital calculated in this way is called **target capital (TC)**. The available capital is known as **risk-bearing capital (RBC)**.

The **solvency ratio** is the ratio of available to required capital, after deduction of the market value margin (MVM) in both cases. To meet the solvency requirements, this ratio must be above 100%.

$$\text{solvency ratio} = \frac{\text{RBC} - \text{MVM}}{\text{TC} - \text{MVM}}$$

To calculate the SST the Baloise Group uses an **adjusted standard model**, which in the past was subject to various changes. Also in future years, further model changes and model volatility in the results can not be excluded.

¹⁾ The Market Value Margin (MVM, see right side), taken into account in the calculations is CHF 869 mn as at 1 January 2023 (CHF 1'116 mn as at 1 January 2022)