Financial ambition and outlook 2024

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Agenda

1 Outlook 2024

2 Deep dive: investments

3 Cost advantage

4 Key takeaways

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Financial ambition 2024 - 2026

Increasing earnings will support continued dividend growth

Staying Focused.
Thinking Ahead.

- Focus
- Grow
- Accelerate

Industry-leading performance

> 14% Return on Equity	**> 5%** EBIT growth

+

Economic value creation, capital strength & attractive dividends

> 2% CSM growth	**> 200%** Solvency ratio	**> prior year** Ordinary dividend

somewhat different

1 Outlook 2024

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Significant increase in group net income guidance for 2024

Increasing earnings contribution from all three profit engines

Property & Casualty

Life & Health

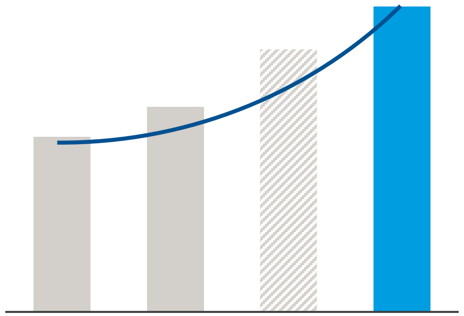
Investments

Expected contribution
from our business groups

Combined ratio	**< 89%**
Reinsurance service result	**> 850 m.**
Return on investment	**≥ 2.8%**

Group financial guidance 2024

Revenue growth	**> 5%**
Group net income	**EUR ≥ 2.1 bn.**



1) IFRS4

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Increasing earnings contribution from P&C underwriting
Strong underlying profitability will be better reflected in earnings

Property & Casualty

Life & Health

Investments

Diversified growth

- Positive expectation for 2024 renewals which will be reflected in revenue and new business CSM & LC

Reserving

- Continued prudent best estimate for new business
- No extraordinary change to confidence level of reserves planned

Combined ratio and finance result

- Combined ratio includes ~7% discount effect partly mitigated by prudent reserving
- Interest accretion ≥ 800 m. EUR (~2.2% of locked-in reserves)

KPI

Combined ratio
< 89%

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Investment income will compensate for increasing interest accretion

Strong asset-liability matching limits interest-rate induced P&L volatility

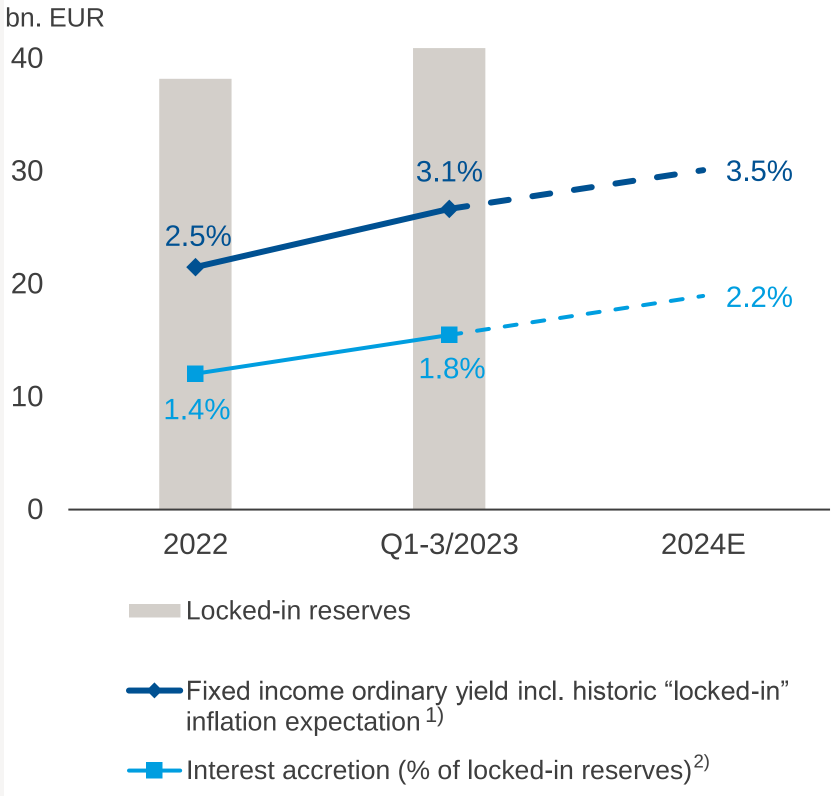
IFRS 17 General Measurement Model

- Impact from changing interest rates more gradual in GMM (vs. PAA), discount effect based on prevailing interest rate environment of last 2 - 3 years
- Interest accretion based on locked-in interest rates as of initial recognition of total reserves, changing at slower pace connected to duration of reserves

Earnings impact

- Sharp increase in interest rates results in temporary tailwind from discounting, partly mitigated by prudent reserving
- Ordinary yield from fixed income increases at similar pace compared to interest accretion due to strong ALM

Fixed income yield and interest accretion



1) Group fixed income investments
2) Excluding accounts payable and receivable as well as recognition through OCI

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Profitability in L&H to remain on favourable level

Growth in CSM to support future earnings progress

Property & Casualty

Life & Health

Investments

Diversified growth

- Moderate growth in reinsurance revenue
- Underwriting profitability remains at an attractive level
- New business CSM & LC and extension of existing contracts aims to outperform CSM release

Earnings

- Expected CSM release of 11% - 13%
- Expected RA release of 6% - 8%

Finance result

- Change in interest-rate level with limited impact on earnings level
- Interest accretion ~EUR 150 m.

KPI

Reinsurance service result

> 850 m.

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Current yield environment will support future earnings growth

Property & Casualty

Life & Health

Investments

Fixed income

- Current market yield ~200 bps higher than ordinary yield[1)]
- Actual reinvestment yield below market yield due to more defensive credit strategy in current environment
- Positive effect from inflation-linked bonds to fade in accordance with lower realised inflation and lower inflation expectation
- Strong cash flow and liquidity limits need for realised losses

Ordinary yield expected to increase by ~ 40bps

Private equity and real estate

- Highly diversified private equity portfolio proved to be resilient in current market environment
- Real estate (funds) expected to result in some P&L volatility

Overall stable performance of alternatives with potential for P&L volatility

KPI

Return on Investment
≥ 2.8%

1) As of September 2023

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2 Deep dive: investments

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Strategic positioning currently slightly defensive given volatile markets

Lower credit quota than in previous decade; Alternatives with valuation opportunities

Investment category	2022	Q3/2023
Fixed-income securities	83%	85%
- Governments	42%	41%
- Semi-governments	8%	9%
- Corporates	27%	28%
Investment grade	23%	24%
Non-investment grade	4%	4%
- Pfandbriefe, Covered bonds, ABS	7%	6%
Equities	3%	4%
- Listed equity	0%	0%
- Private equity	3%	4%
Real Assets	7%	7%
Others	3%	3%
Short-term investments & cash	3%	2%
Total market values in bn. EUR	57.4	58.2

Increased resilience and dry powder available

Liquids

- Stabilisation of increased risk-minimal government exposures
- Slight shift towards spread-bearing semi-governments
- Keeping higher quota of short-term investments and cash
- Active cash management, incl. use of Repos

Credits / Alternatives

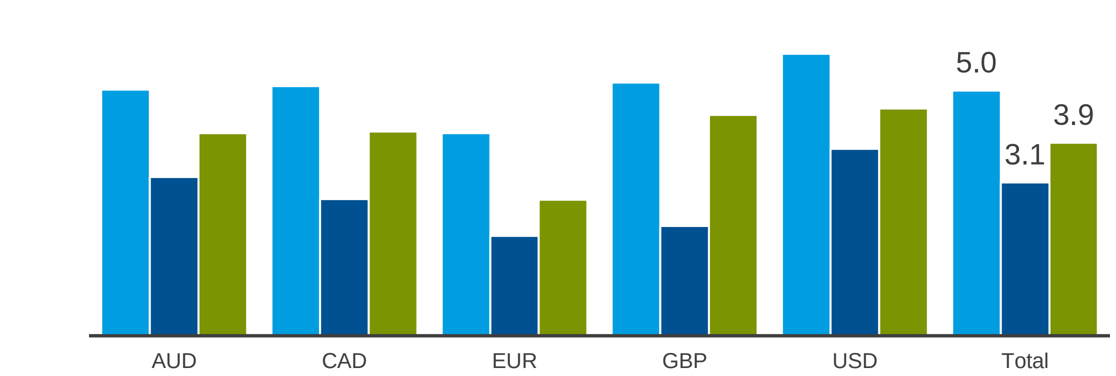
- Defensive credit strategy on large credit portfolios in developed markets
- Slight opportunistic increase of credits in emerging markets
- Constant investment into revalued private equity and real assets
- Active ALM management towards greatest possible neutrality to reduce volatility from yield curves and fx

Market reinvestment yields significantly above locked-in yields

Ordinary to benefit by mid-double-digit bps p.a. from increased yield curves

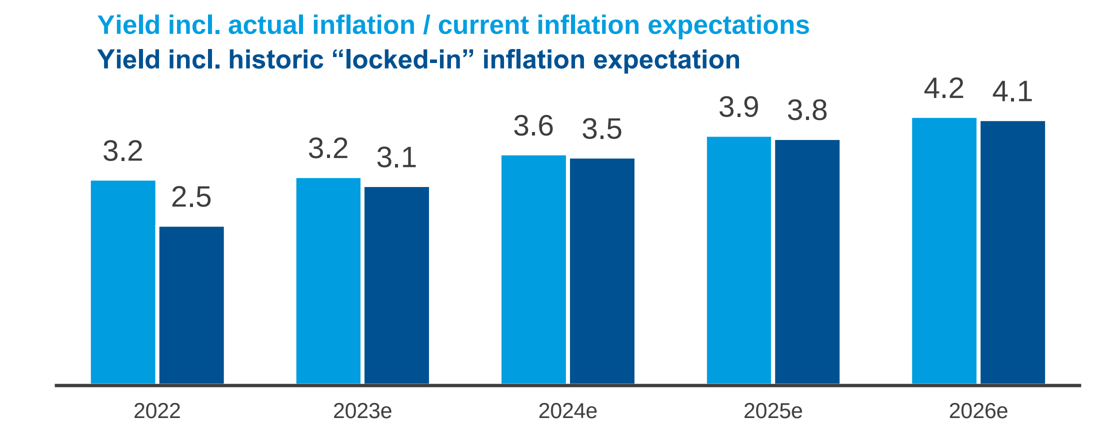
Fixed income portfolio yields

in %



Fixed income ordinary yield projections

in %



Impacts from higher reinvestment yields

Market Yields (Current market yield of actual portfolio if reinvested)

- Predominantly due to yield curve movements (less spread), market yields of portfolio across currencies exceed locked-in yield

Ordinary Yields (Locked-In yield of current portfolio; inflation linkers simulated according to current market inflation expectation until maturity)

- Modified duration of fixed income portfolio ~4.5, therefore it will take time for book yields to increase to market yields

Risk-Minimal Yields (Risk-minimal reinvestment yield per currency, i.e. government bonds with 5Y durations as reference)

- Currently, a more defensive credit strategy still in place which sightly extends the process of moving ordinary to market yields

Inflation linker

- Postive effect on ordinary yields fading in accordance with lower realised inflation and lower inflation expectations in markets

Analysis based on yields as of 09/30/2023 (non-audited figures - 10Y UST @ 4.6% and 10Y Bunds @ 2.8%)

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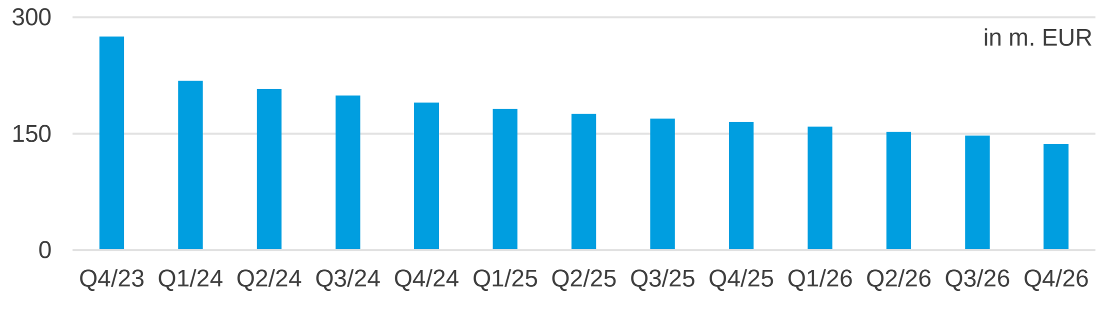
Unrealised gains / losses impacted by market yields

Significant roll-down expected over the next 3 years

Unrealised gains/losses of total investment portfolio

in m. EUR	2021	2022	Q3/2023
Governments	769	-1,778	-2,214
Semi-governments	276	-728	-789
Corporates	322	-2,055	-1,978
Pfandbriefe, Covereds, ABS	80	-394	-337
Equities/Equity funds	131	6	-1
Real Assets (Real Estates, Infrastructure Equity investments)	596	676	589
Alternative investments / Others (private equity, high yield funds, Participations etc.)	766	328	287
STI	0	1	0
Total	**2,939**	**-3,945**	**-4,444**

Projection of fixed income's unrealised roll-down



- Positive roll-down in ceteris paribus yield scenario > EUR 2 bn. within next three years
- Attractive reinsurance markets and growth support strong cash flows; strict ALM ensures liquidity without forced realisations
- Unrealised gains on real assets expected to smoothen with certain time lag as market values react at slower pace

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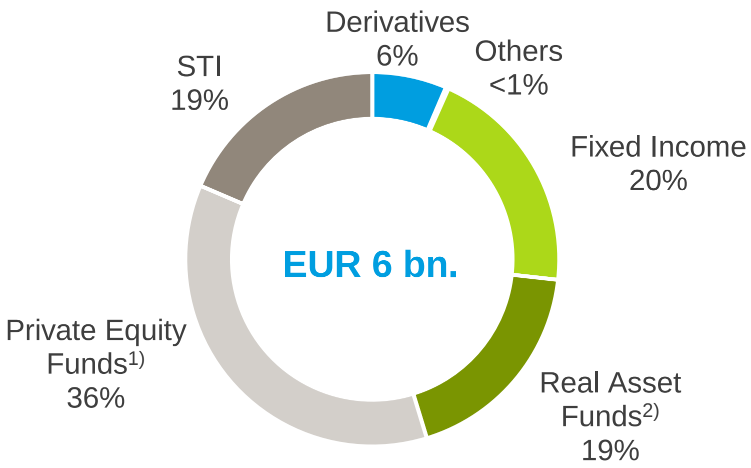
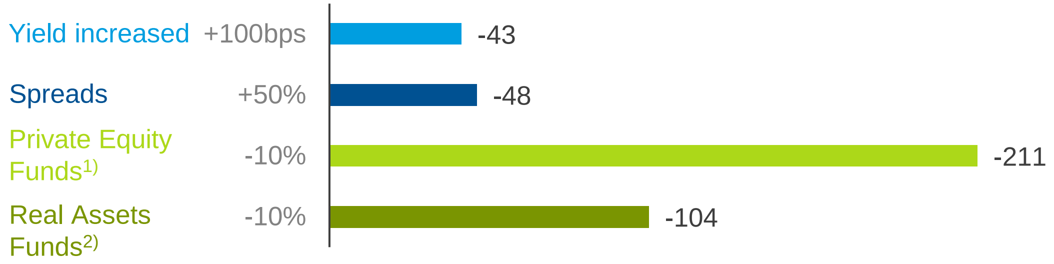
Stabilisation of contribution from alternative investments expected

But P/L volatility in next couple of quarters

Portfolio of investments at fair valuation through P/L



Stress tests of investments at fair value through P/L



Interpretation of effects of investments at fair value through P/L

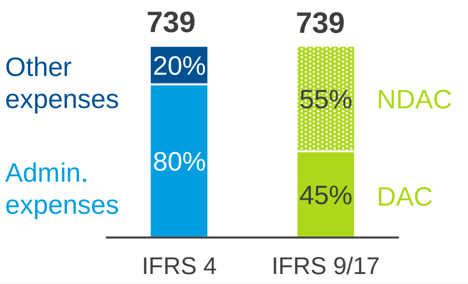
- Private Equity fund exposure dominates the market valuations through P/L but seems to be very resilient so far in 2023
- Real Assets fund exposure – as affected by unstable real estate markets with expectations to create P/L volatility in 2024
- Yield curve and credit effects rather secondary in size as widely diversified exposure

1) Private Equity Funds: due to joint venture structure of current exposure, fluctuations in valuation are predominantly reflected in Ordinary income as part of at-Equity valuations. Nevertheless, the volatility should be bound to kind of FVTPL effects.
2) Real Asset Funds: funds including Real Estate, Infrastructure, Impact Investing

3 Cost advantage

Low cost ratio remains an important competitive advantage

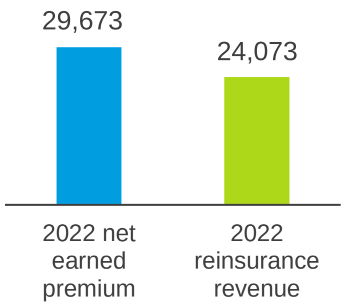
- IFRS 17 directly attributable expenses are lower than IFRS 4 administrative expenses
- IFRS 17 cost ratio reflects NDAC and DAC
- Similar split DAC and NDAC between P&C and L&H



Admin. expense ratio **1.9%**

Cost ratio **3.2%**

- New reference base reinsurance revenue gross
- Reinsurance revenue is lower than IFRS 4 premium mainly due to exclusion of commissions and NDIC



Lean operating model based on

Organisational **simplicity** and **fast decision-making**

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Strong **cost culture**

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Pure play reinsurance

Numbers are FY2022; DA: Directly attributable costs; NDAC: Non-directly attributable costs

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4 Key takeaways

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Key takeaways

- Profitable growth in 2024 - 2026 will support increasing ordinary dividend
- Group net income expected to grow to at least EUR 2.1 billion in 2024
- Investment portfolio well positioned to benefit from higher interest rates
- Lean operating model and cost leadership will remain in focus
- Strong capitalisation supports organic growth trajectory

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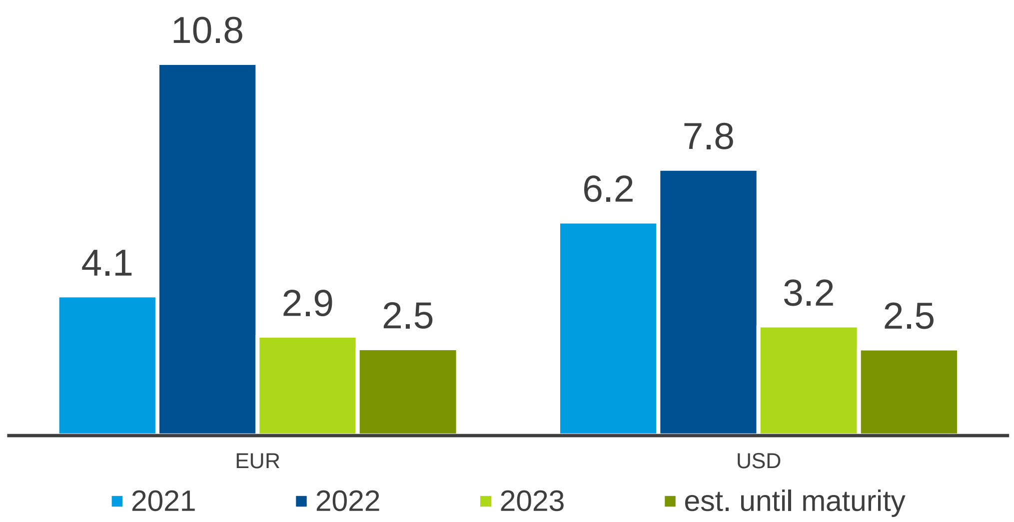
Excursus: inflation linker returns in ordinary income

Effects expected to start fading in accordance with realised inflation and inflation expectations

Inflation return in ordinary yield for Inflation-linked bonds in %



Comments

- Huge volatility in realised inflation in 2021 and 2022 helped Ordinary income to a good extent
- Effects started to fade in 2023 even with still well received positive amortisations with October prints of EUR 2.9% and USD 3.2% YoY inflation
- Expectation up from 2024 with disappearing extra amortisation effects with incorporated, currently traded market pricing[1)] for inflation

1) For 2024: 1Y-EUR-ISwap trade at 2.0%, 1Y-USD-ISwap at 2.1% (as of 11/17/2023)