

Half Year Results 2019

Presentation to Investors and Analysts

Basel, 28 August 2019



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Agenda

1. Half Year Results 2019 – In a Nutshell
2. Capitalisation
3. Non-Life
4. Life
5. Asset Management and Banking
6. Insurance Assets
7. Segment Reporting
8. Further Information

1. Half Year Results 2019 – In a Nutshell

Half Year Results 2019

- Exceptionally strong half-year result which benefited from a one-off tax effect
- Strong underlying performance in the non-life business based on an excellent combined ratio
- Very solid margins and strong growth in the life business

Non-Life EBIT: CHF 226 mn

Growth	0.1%
Net Combined Ratio	87.4% (-6.7%-pts)

Life EBIT: CHF 106 mn

Growth	30.4% Life *	-12.4% Investment-type
Margins	34.2% New business margin	118 bps Interest rate margin

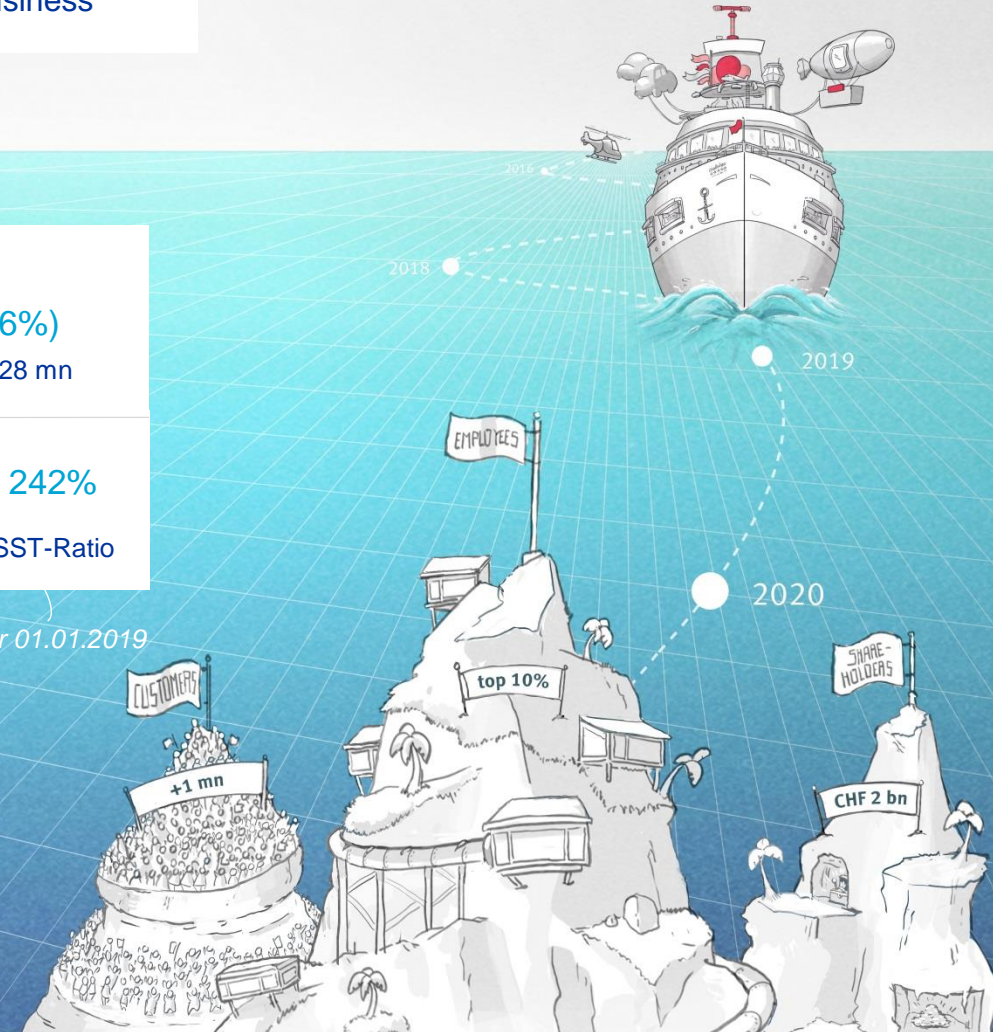
Asset Mgmt & Banking EBIT: CHF 43 mn

Net Investment Yield (on insurance assets, not annualised)	1.2% (+0.0%-pts)
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Group

Shareholders Net Income	CHF 395 mn (+46%) incl. one-off tax effect of CHF 128 mn		
Capital	CHF 6.6 bn Equity	A + S&P Rating	242% SST-Ratio

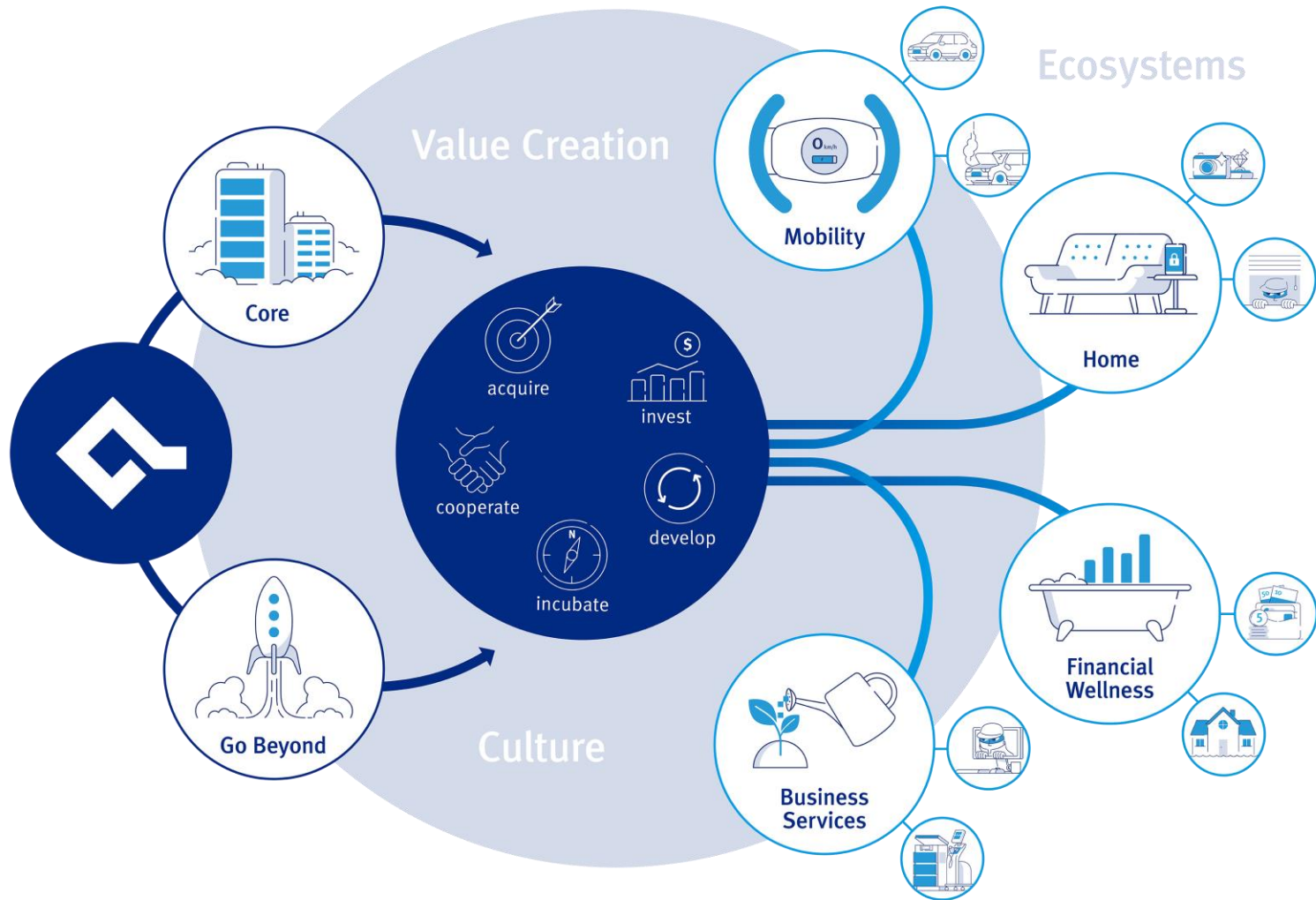
as per 01.01.2019



*) Growth in life business driven by an extraordinary high demand for full insurance in the Swiss group life business

Baloise «Simply Safe» Strategy Fully on Track

[Click here to learn more about our innovation timeline](#)



- › On track with our 'Simply Safe' strategy to leverage our strong core business and to go beyond traditional insurance
- › We will evolve from a traditional claims handler, life insurer and pension provider to an easy-to-work-with customer-focused provider of assistance, care and prevention solutions
- › We strive to consequently develop our Ecosystems further with particular focus on "Mobility" and "Home"
- › Our approach is steered towards value creation and based on our unique corporate culture

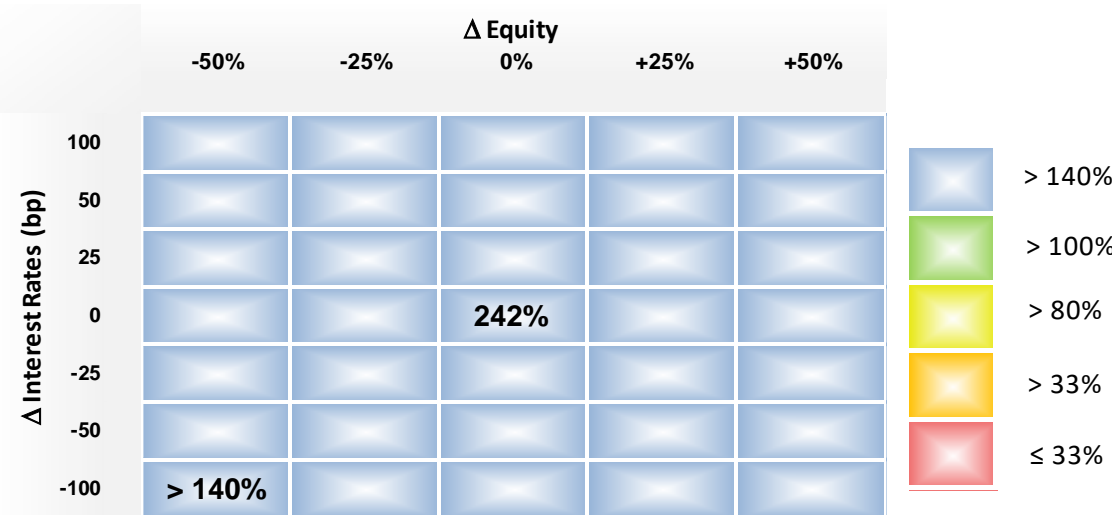
2. Capitalisation

Economic Capitalisation

Strong economic capitalisation

Swiss Solvency Test (SST)

SST ratio and sensitivities as of 1 January 2019



Since 1 January 2019 the new SST standard models are used. For further details see Baloise Financial Condition Report 2019 (SST public disclosure)

- › SST ratio as of 1 January 2019 at 242%
- › SST ratio above 140% even in economic stress events such as if interest rates would drop by 100 bp and equity markets would simultaneously crash by 50%

Solvency II

- › All SII-quotas without transitionals and without volatility adjustment 'in the green' as of 31 December 2018

For further details see Solvency and Financial Condition Reports (SFCR), April 2019

Standard & Poor's Rating

- › Standard & Poor's rating of 'A+ with a stable outlook'

Standard & Poor's acknowledges Baloise's sizable market shares and very profitable technical results, the sustainable and extremely strong capital adequacy and Baloise's high quality investment portfolio

Capital - IFRS Total Equity

Change in equity

In CHF mn, incl. non-controlling interests

	2019	Per share¹⁾
Total equity at January 1	6,008	127.1
Other comprehensive income	552	
Dividends	-279	
Profit for the period	394 $\Delta = 9.7\%$	$\Delta = 11.6\%$
Purchase / sale of treasury shares	-49	
Change in non-controlling interests	-34	
Total equity at June 30	6,592	141.9

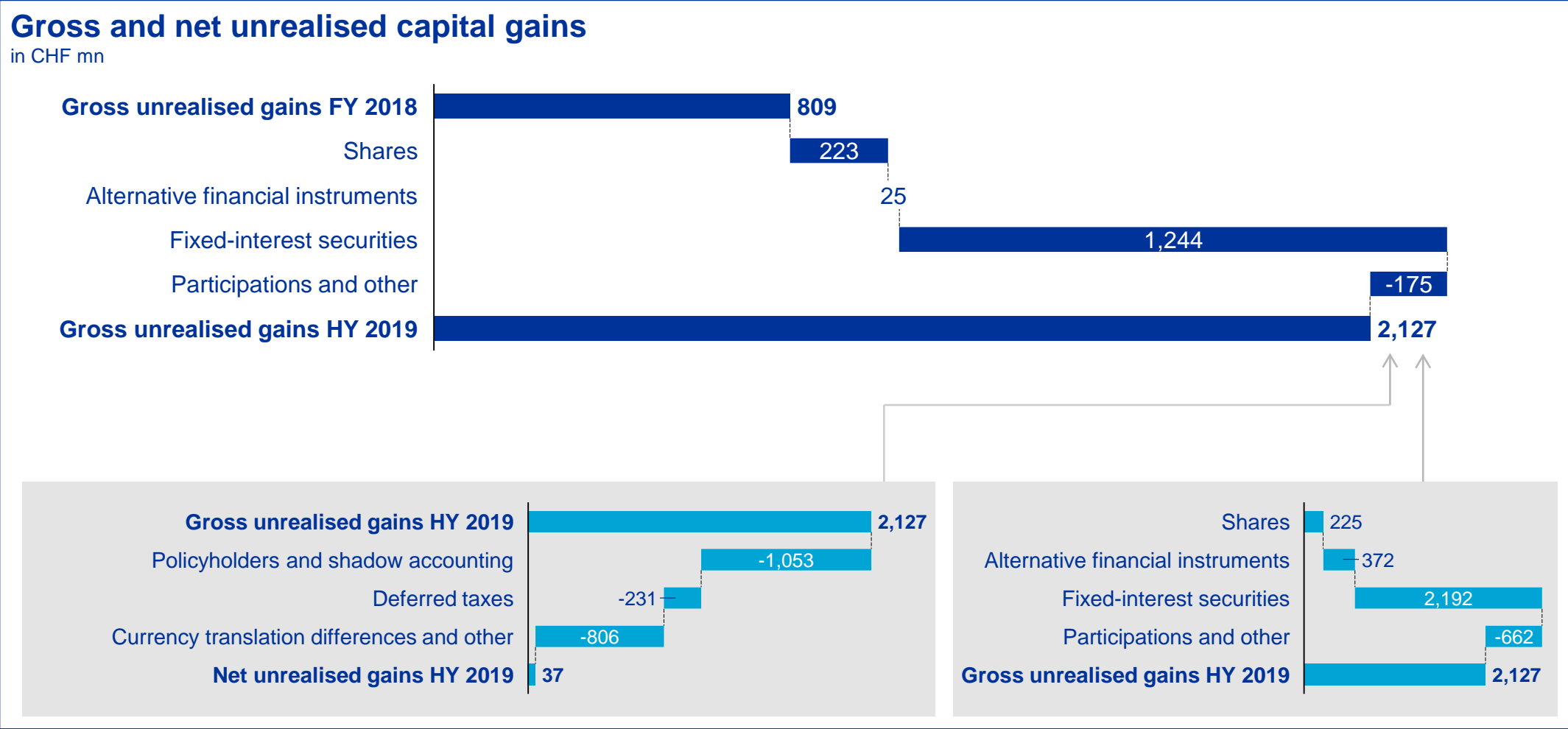
¹⁾ based on consolidated equity (excl. non-controlling interests) and on average shares outstanding

Share buy-back

Current share buy-back, started April 2017, accelerated

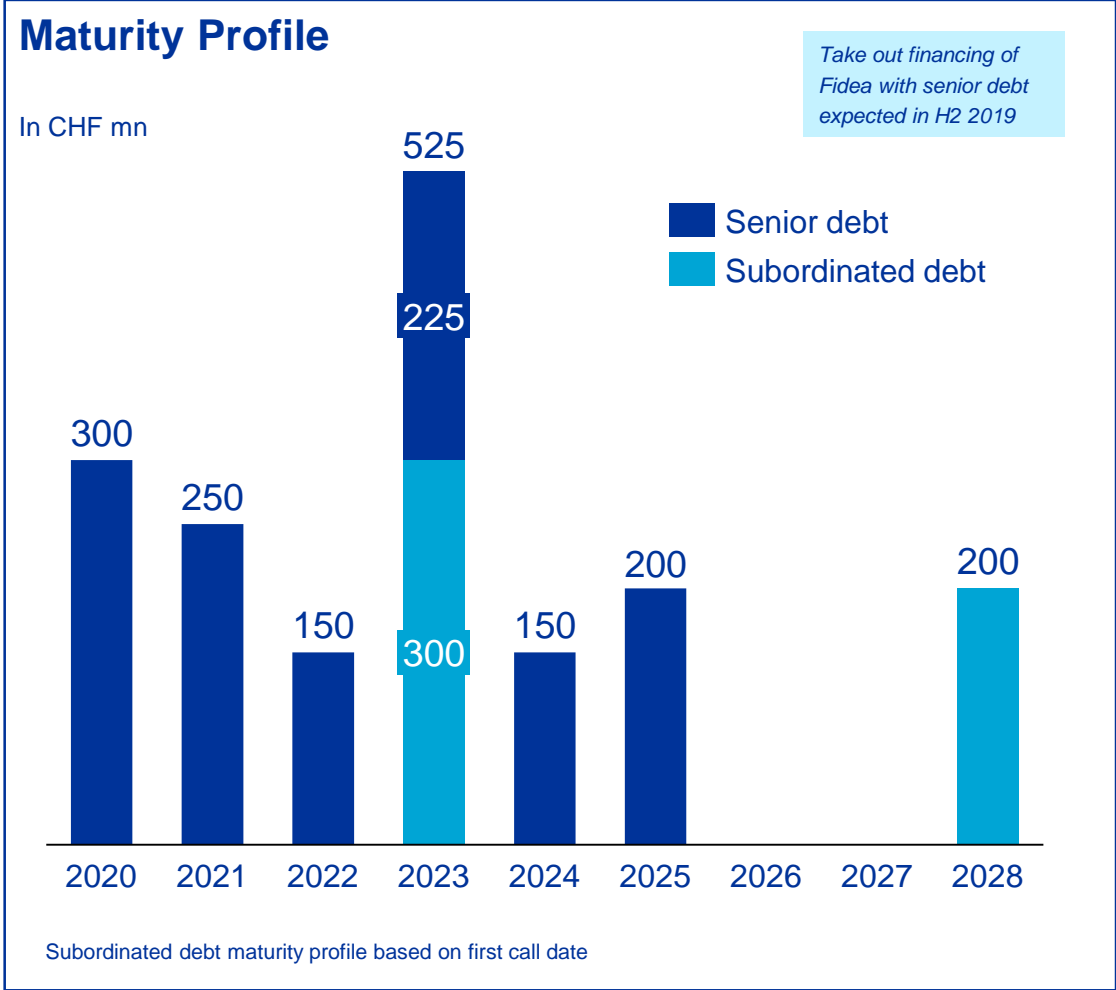
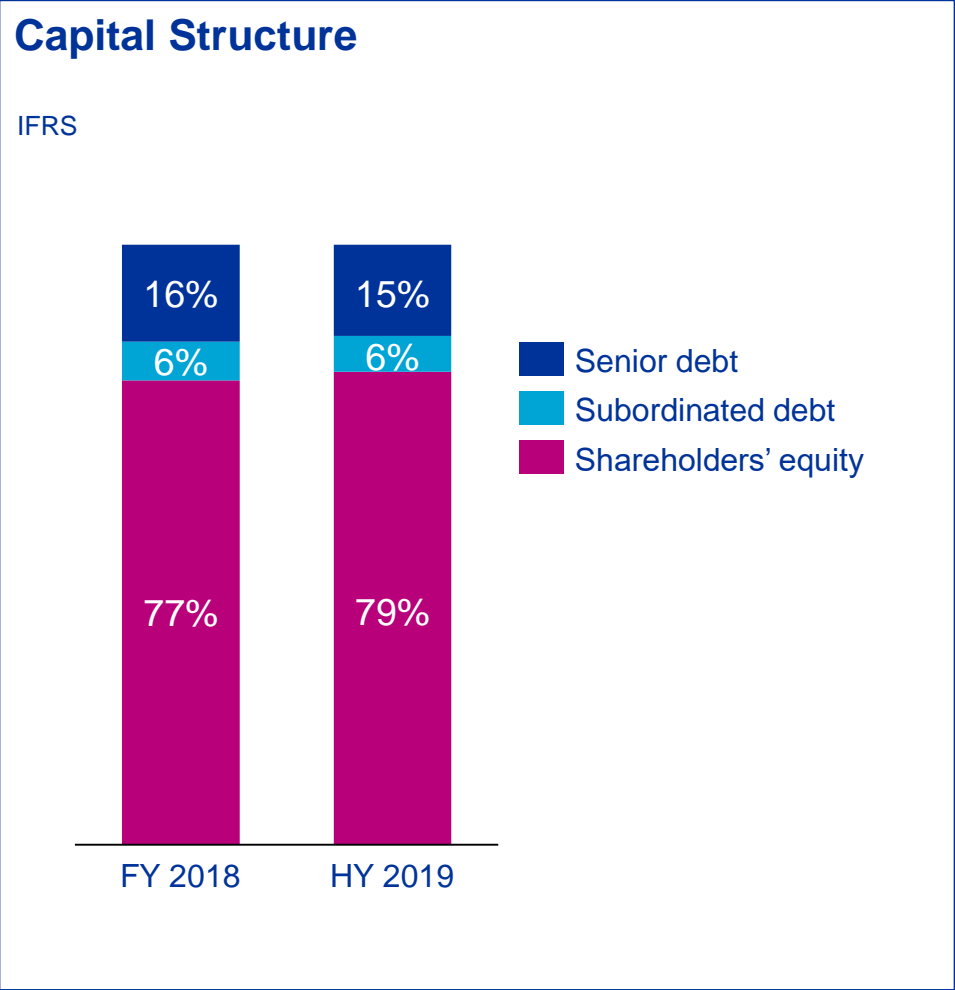
- › Shares to be repurchased: up to 3 mn
- › Completion rate (23.08.2019): 56%
- › Fulfillment anticipated until April 2020

Capital – Unrealised Capital Gains



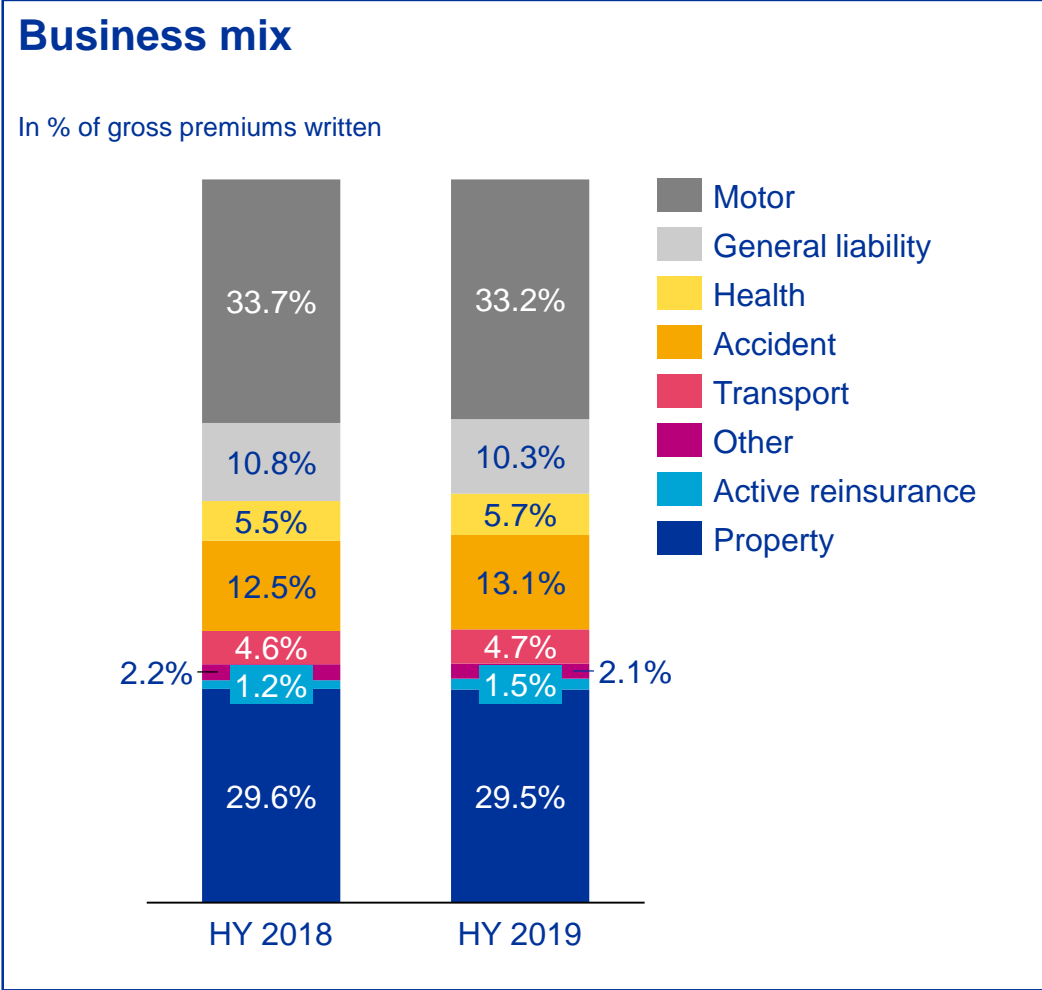
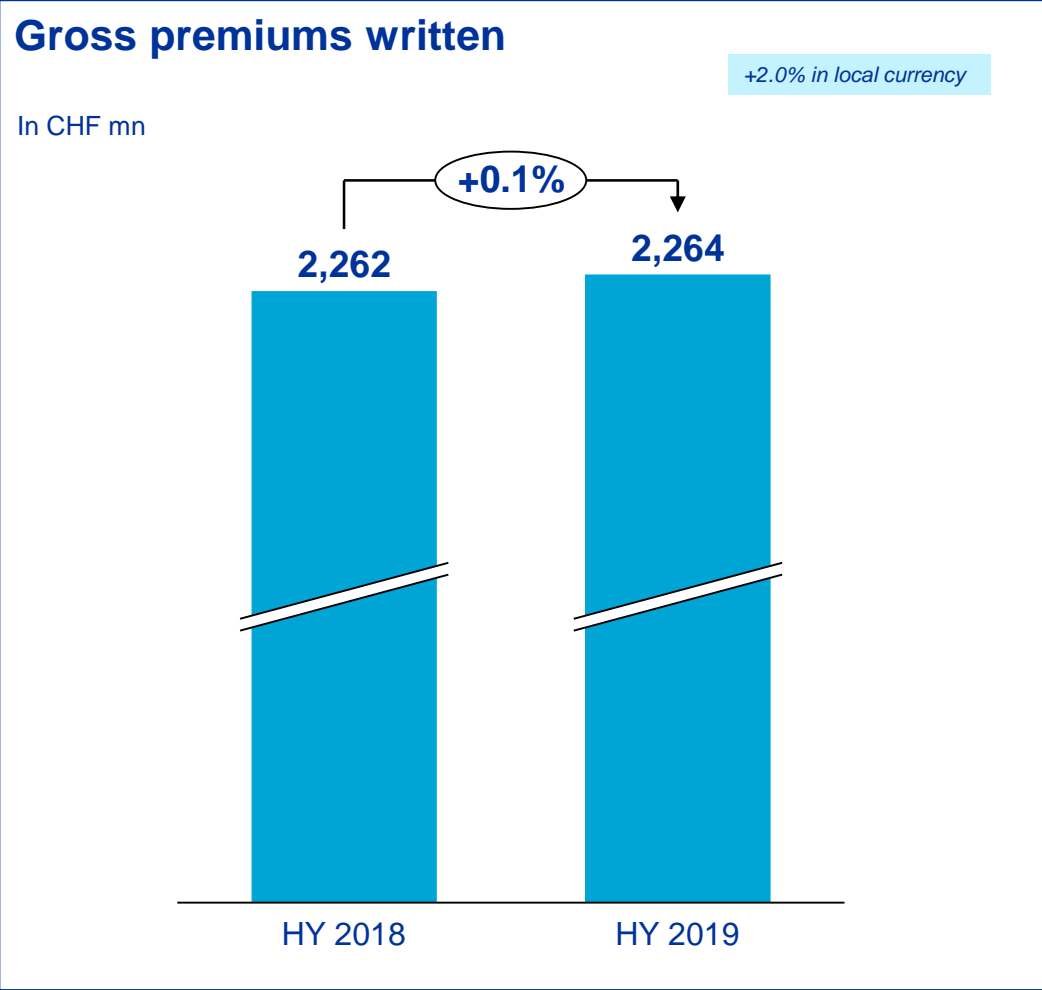
Capital – Structure and Debt Maturity Profile

Conservative capital structure allowing for significant financial flexibility



3. Non-Life

Non-Life – Business Volume and Business Mix



Non-Life – Earnings and Combined Ratio

Profit & Loss		
In CHF mn	HY 2018	HY 2019
Premiums earned (net)	1,579	1,573
Premiums earned (gross)	1,659	1,679
Reinsurance premiums ceded	-80	-106
Claims and benefit paid (net)	-988	-868
Claims and benefits paid (gross)	-1,003	-1,034
Reinsurers' share of claims incurred	45	88
Change in technical reserves	-29	78
Technical costs	-503	-502
Acquisition costs	-235	-239
Operating and administrative expenses	-268	-263
Net investment result	99	87
Other	-42	-63
EBIT	145	226

Margin – Net combined ratio		
In %	HY 2018	HY 2019
Net combined ratio	94.1	87.4
Loss ratio	62.3	55.2
Claims and benefit paid (net) / premiums earned (net)	62.6	55.2
Adjustment for non-life annuities ¹⁾	-0.3	-0.5
Adjustment for impending losses ²⁾	0.0	0.5
Expense ratio	31.8	32.2
Technical costs / premiums earned (net)	31.8	31.9
Expense adjustment	0.0	0.3

¹⁾ for interest effect from discounted non-life annuity reserves
²⁾ relating to future reporting periods

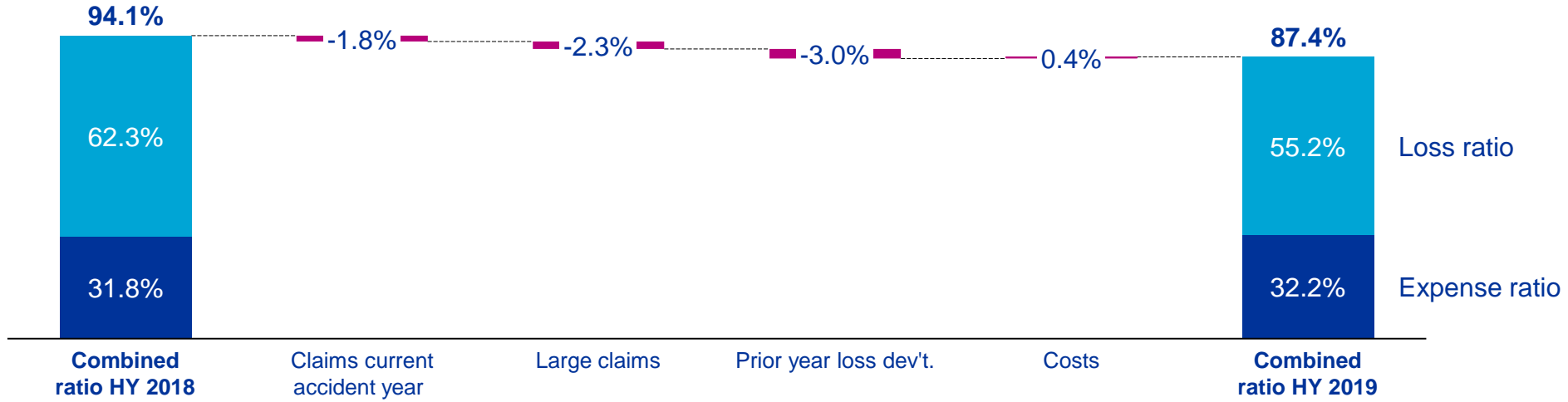
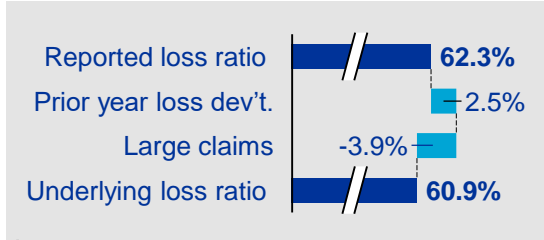
Non-Life – Analysis of Change

Net combined ratio and underlying loss ratio

In % of net premiums earned





Improved underlying loss ratio

+2.4 pts PYLD due to sale of small run-off portfolio in H1 2019



Loss ratio incl. surplus sharing

Non-Life – Margins by Country

Net combined ratio					
	Switzerland	Germany	Belgium	Luxembourg	Group
In % of net premiums earned					
Loss ratio	55.4	56.0	62.2	55.1	55.2
Expense ratio	27.2	35.2	34.0	36.9	32.2
Combined ratio HY 2019	82.6	91.2	96.2	92.0	87.4
Change vs. HY 2018 (in pts)					
Δ Loss ratio	-1.3	-4.6	1.9	-3.5	-7.1
Δ Expense ratio	0.3	-0.6	-0.8	4.6	0.4
Δ Combined ratio	-1.0	-5.2	1.1	1.1	-6.7
Loss ratio incl. surplus sharing					

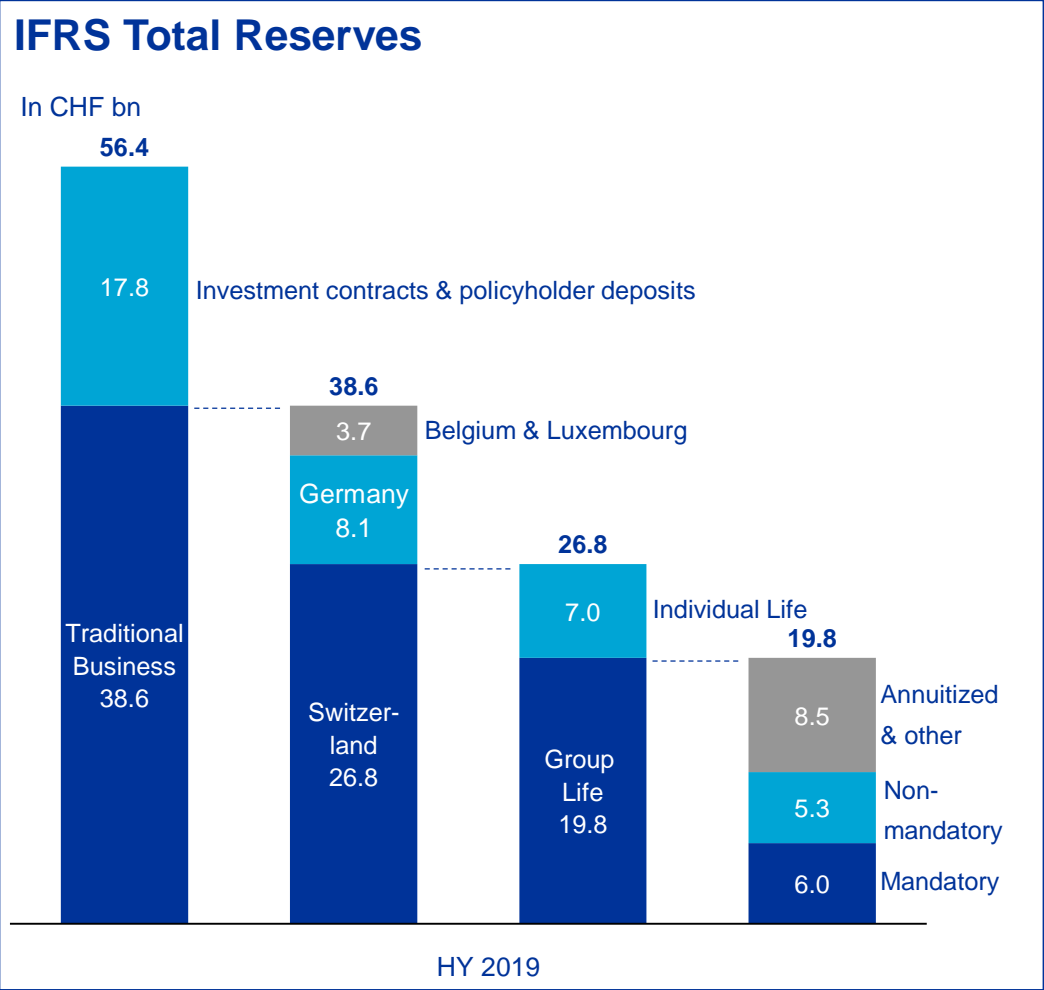
Non-Life – Investment Result

Investment income and yield							
In CHF mn	HY 2019		HY 2019 Gains and losses through income statement			HY 2019	HY 2018
	Current investment income	HY 2019 Impairments	On underlying	On Derivatives	Net	Net investment result	Net investment result
Fixed-income securities ¹⁾	42	-	4	-	4	46	47
Equities	23	-12	37	-42	-5	6	45
Investment property	22	-	24	-	24	46	21
Other ²⁾	11	-1	13	-	13	22	14
Total before FX and investment expenses	98	-13	77	-42	35	119	127
FX: gains / losses and hedging costs			-15	-3		-18	-13
Investment expenses						-15	-15
Net investment result						87	99
Average investments						9,546	9,785
Net investment yield						0.9%	1.0%

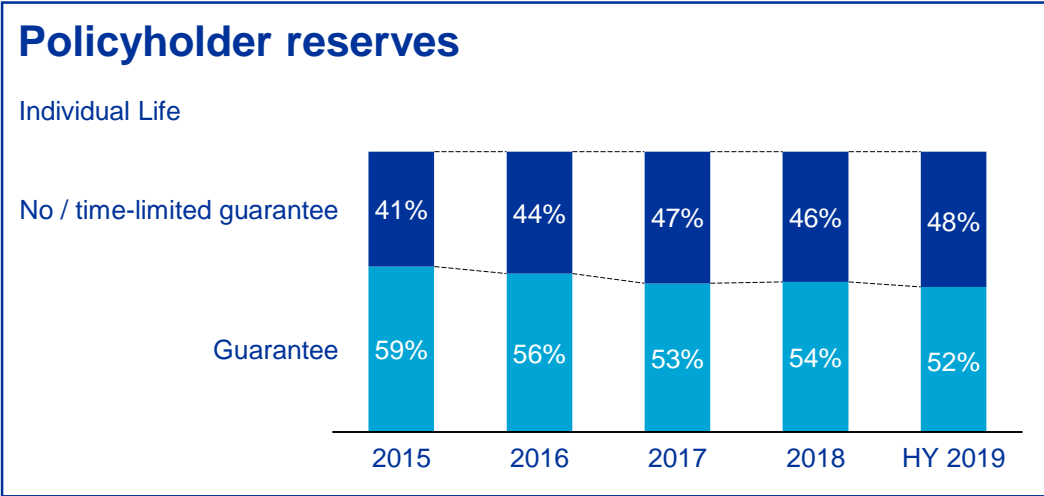
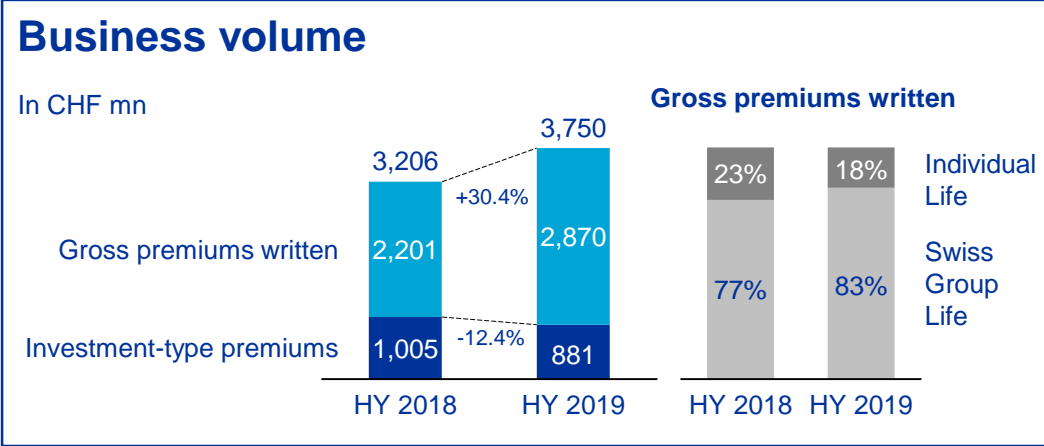
¹⁾ incl. senior secured loans ²⁾ incl. mortgages and loans

4. Life

Life – Business Volume and Business Mix

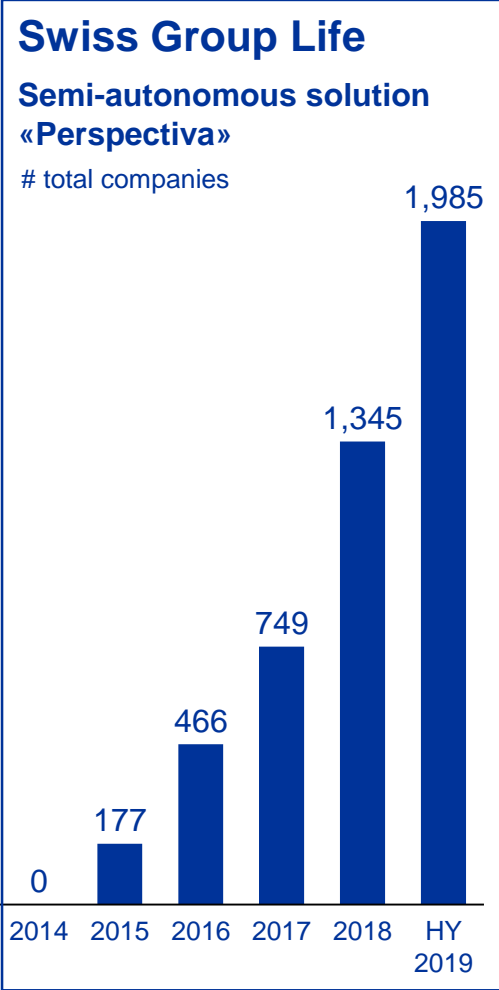
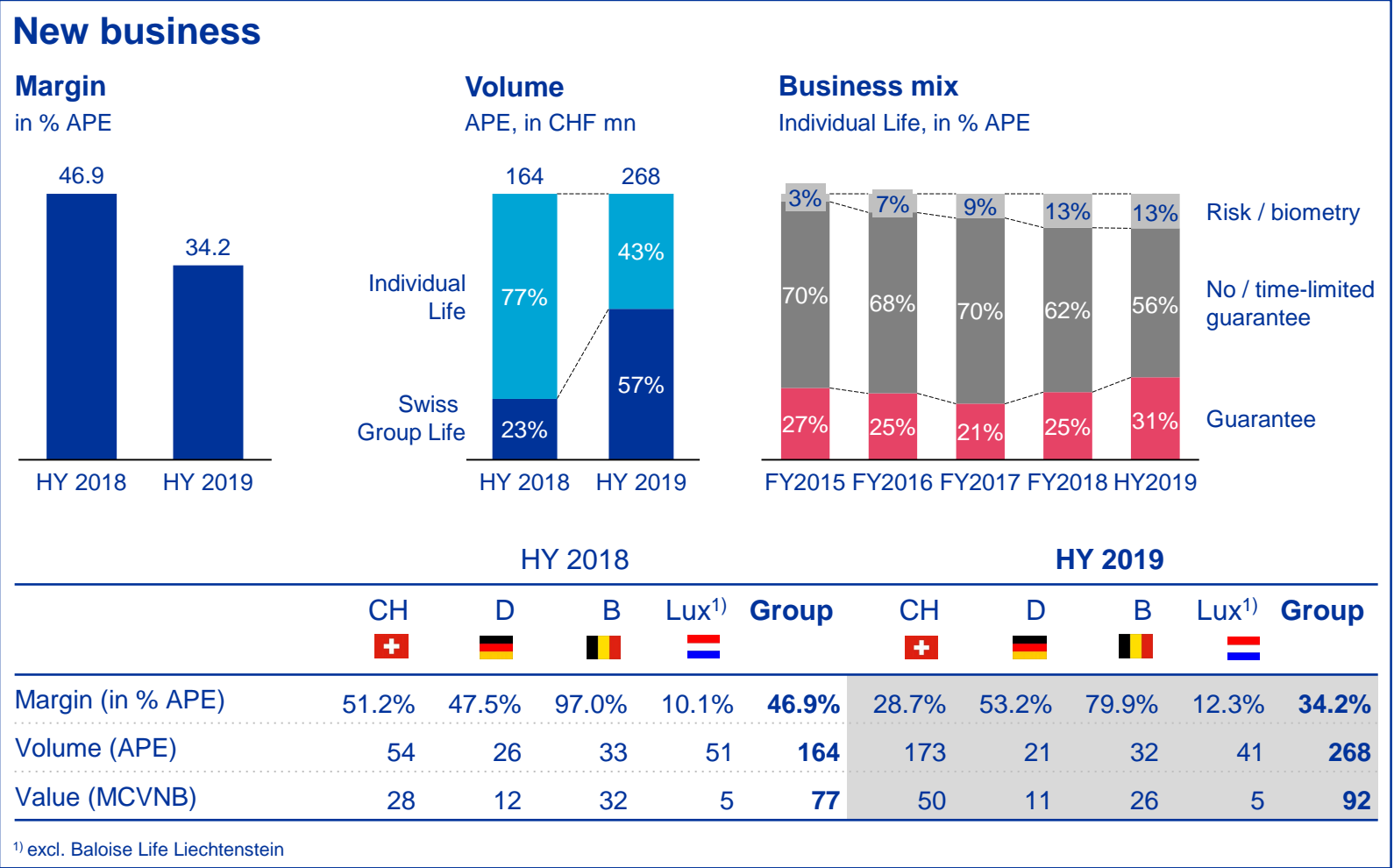


Growth in Life driven by an extraordinary high demand for full insurance in the Swiss group life business



Life – Volume and Value of New Business

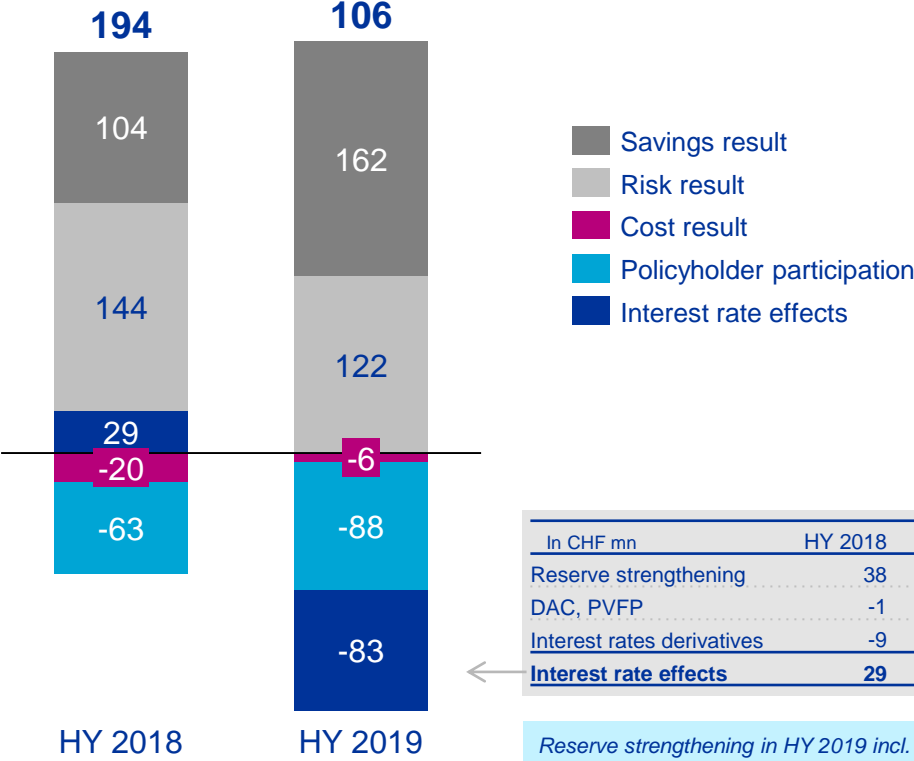
Profitable new business with a high share of capital light products and strong growth in Swiss Group Life



Life – Profit by Sources

EBIT Life

IFRS, in CHF mn



Lower EBIT due to negative interest rate effects

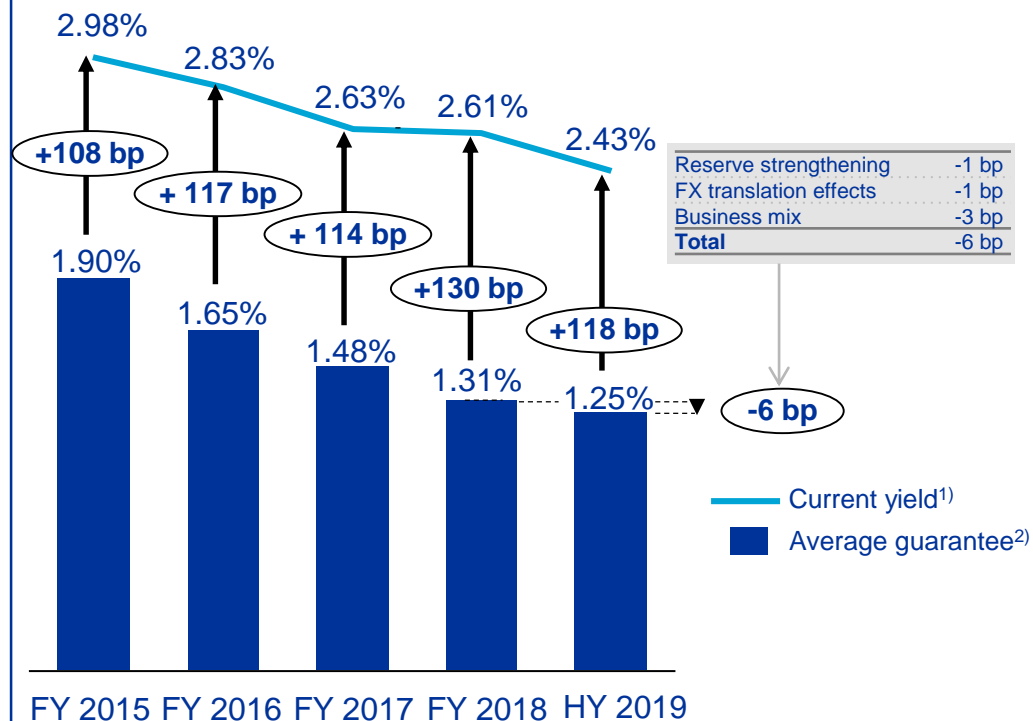
In CHF mn	HY 2018	HY 2019
Savings results	104	162
Risk result	144	122
Cost result	-20	-6
Policyholder participation	-63	-88
Interest rate effects	29	-83
EBIT	194	106

In CHF mn	HY 2018	HY 2019
Reserve strengthening	38	-81
DAC, PVFP	-1	-12
Interest rates derivatives	-9	11
Interest rate effects	29	-83

Reserve strengthening in HY 2019 incl. one-off effect of CHF 26 mn due to an interest rate driven reduction of lapse assumptions in a run-off portfolio

Life – Average Guarantees and Interest Rate Margin

Current yield and guarantees



¹⁾ Current investment income (IFRS) in % of statutory reserves, excl. realised capital gains / losses and FX hedging costs, incl. investment costs

²⁾ Average guarantee (statutory basis), as at 1.1. resp. 1.7. next reporting period

Technical reserves and average guarantees

Statutory basis

	CH Ind. Life	CH Group Life	CH +	D +	B +	Lux +	Group
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Technical reserves³⁾

As at 31.12. resp. 30.06. current year, in CHF bn

	CH Ind. Life	CH Group Life	CH +	D +	B +	Lux +	Group
FY 2018	7.7	17.1	24.9	6.0	6.2	0.5	37.6
HY 2019	7.6	17.9	25.5	6.0	6.3	0.5	38.3

Average guarantees

As at 1.1. resp. 1.7. next reporting period

	CH Ind. Life	CH Group Life	CH +	D +	B +	Lux +	Group
FY 2015	1.9%	1.3%	1.5%	2.8%	2.9%	2.7%	1.9%
FY 2016	1.7%	1.0%	1.2%	2.4%	2.6%	2.6%	1.6%
FY 2017	1.4%	0.9%	1.1%	2.1%	2.5%	2.5%	1.5%
FY 2018	1.1%	0.7%	0.9%	2.1%	2.3%	2.4%	1.3%
HY 2019	1.0%	0.7%	0.8%	2.0%	2.2%	2.3%	1.2%

Active management of guarantees via reserve strengthening, guarantee decreases and improved business mix

³⁾ excl. unit-linked

Life – Investment Result

Investment income and yield							
In CHF mn	HY 2019		HY 2019 Gains and losses through income statement			HY 2019	HY 2018
	Current investment income	HY 2019 Impairments	On underlying	On derivatives	Net	Net investment result	Net investment result
Fixed-income securities ¹⁾	279	-5	55	2	57	332	313
Equities	40	-26	47	-75	-28	-14	62
Investment property	121	-	103	-	103	224	178
Other ²⁾	77	-5	79	-	79	152	144
Total before FX and investment expenses	517	-35	284	-73	212	694	697
FX: gains / losses and hedging costs			-50	-10		-60	-77
Investment expenses						-50	-49
Net investment result						584	571
Average investments						47,179	47,750
Net investment yield						1.2%	1.2%

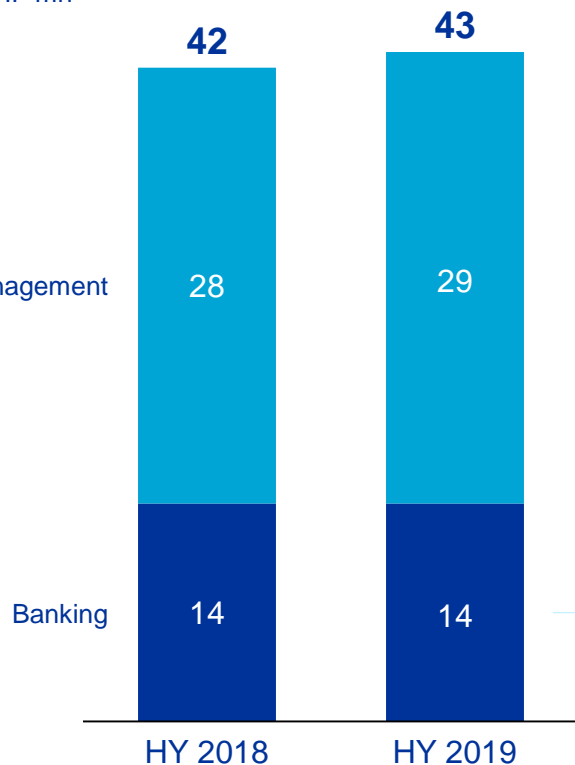
¹⁾ incl. senior secured loans ²⁾ incl. mortgages and loans

5. Asset Management and Banking

Asset Management and Banking

IFRS Earnings

EBIT, in CHF mn



High and reliable contribution from Asset Management and Banking

Business model combining banking and insurance with encouraging trend in wealth management mandates and very high reinvestment rates

Split of total assets

IFRS values, in CHF mn

	FY 2018	HY 2019
Insurance assets	56,001	57,447
Non-life	9,388	9,703
Life	46,613	47,745
Banking assets	7,573	7,666
Investment-linked life insurance	13,641	14,496
Other	3	89
Assets on balance sheet	77,218	79,796
Third party assets	8,964	10,088
Total Assets under Management	86,182	89,786

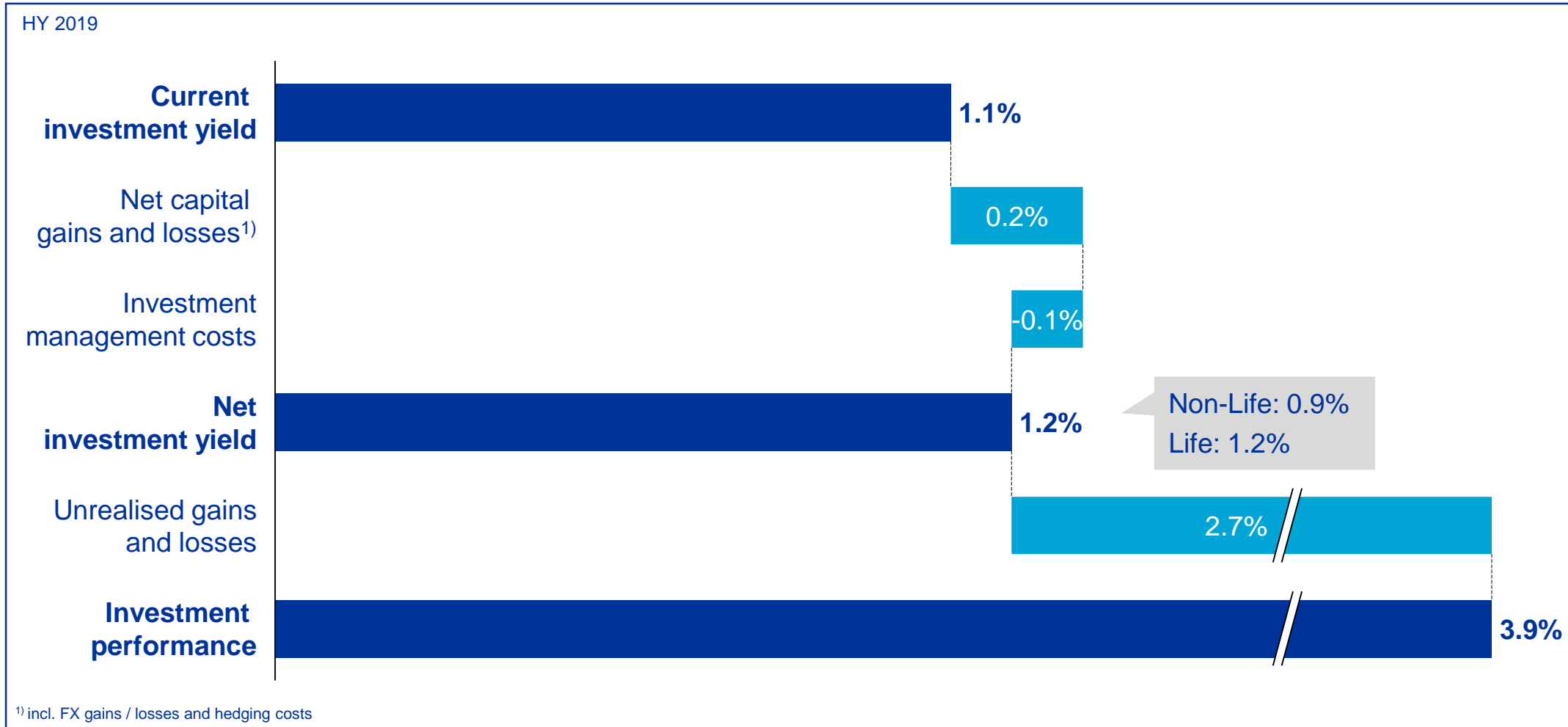
Net new assets (in CHF mn)

Ambition 2017 – 2021: CHF + 5 bn

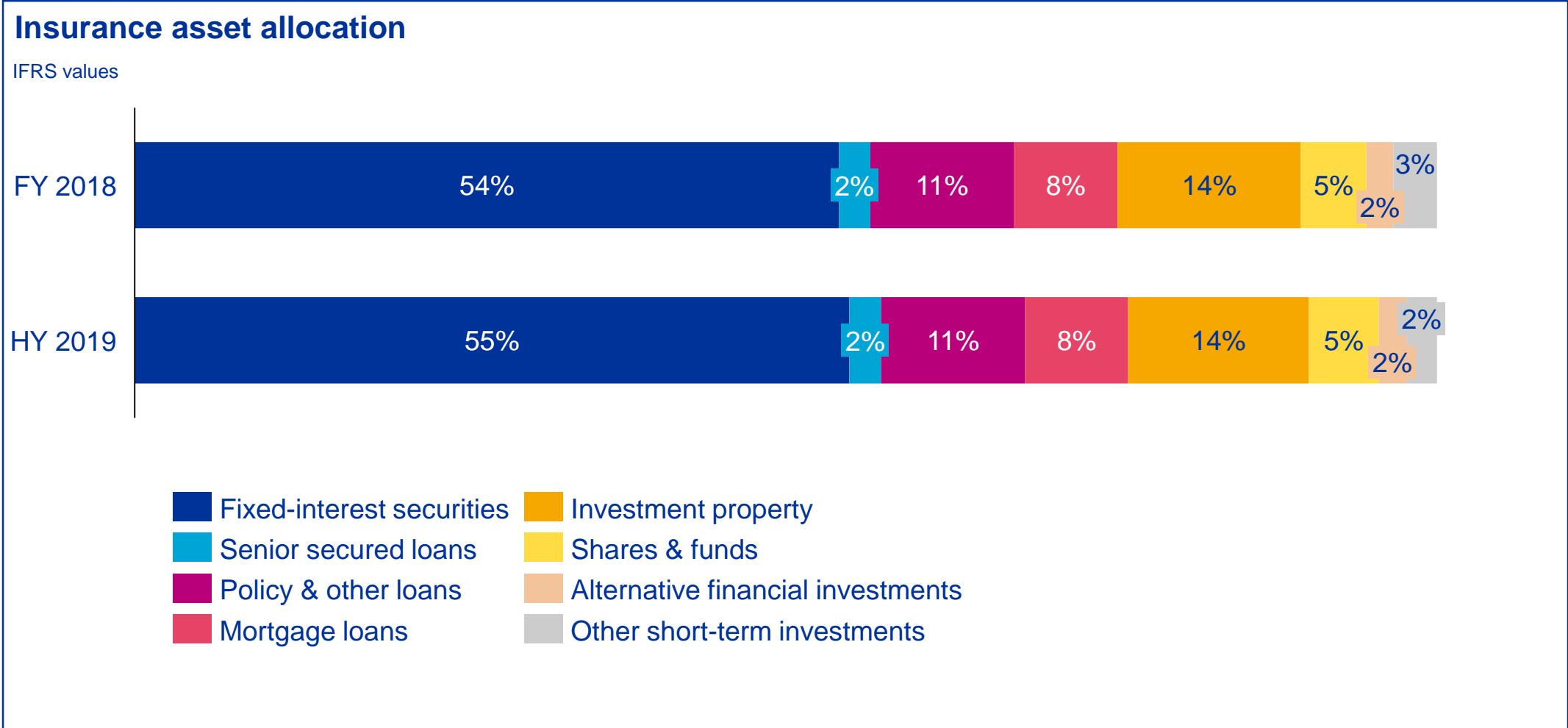


6. Insurance Assets

Investment Performance (Insurance)



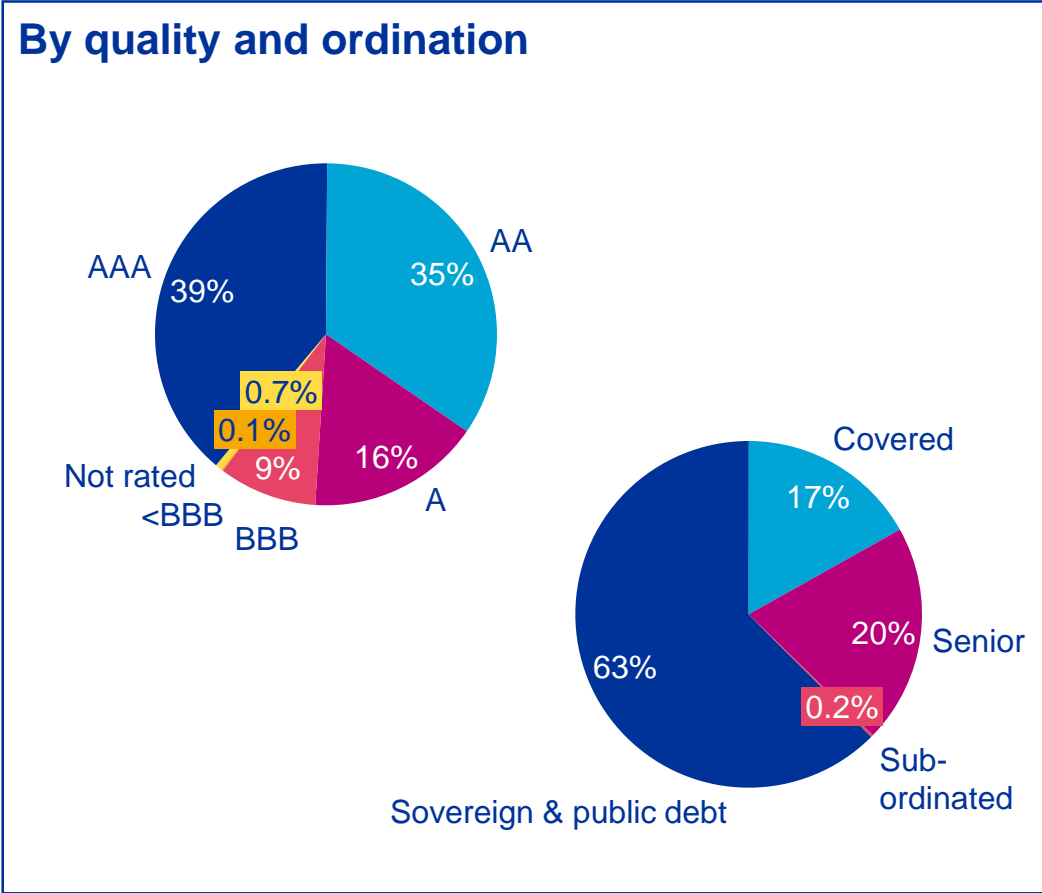
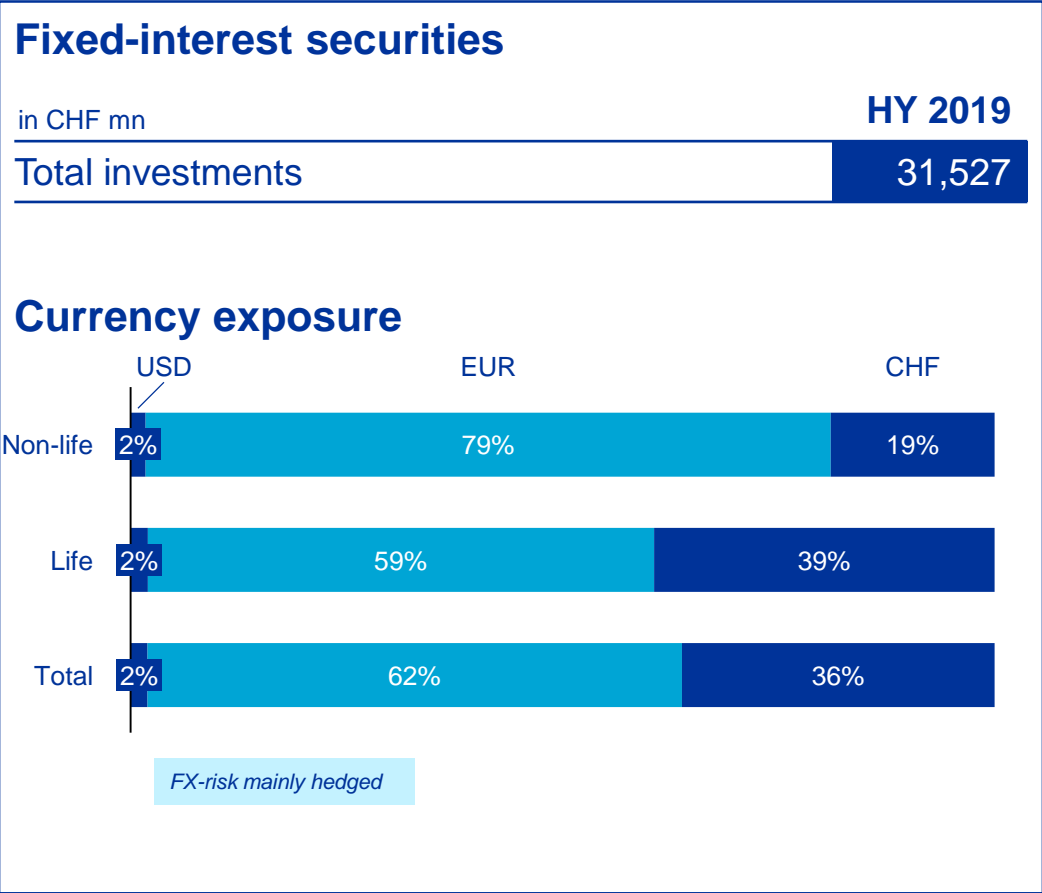
Insurance Asset Allocation



Insurance Assets: Fixed-Interest Securities (1/3)

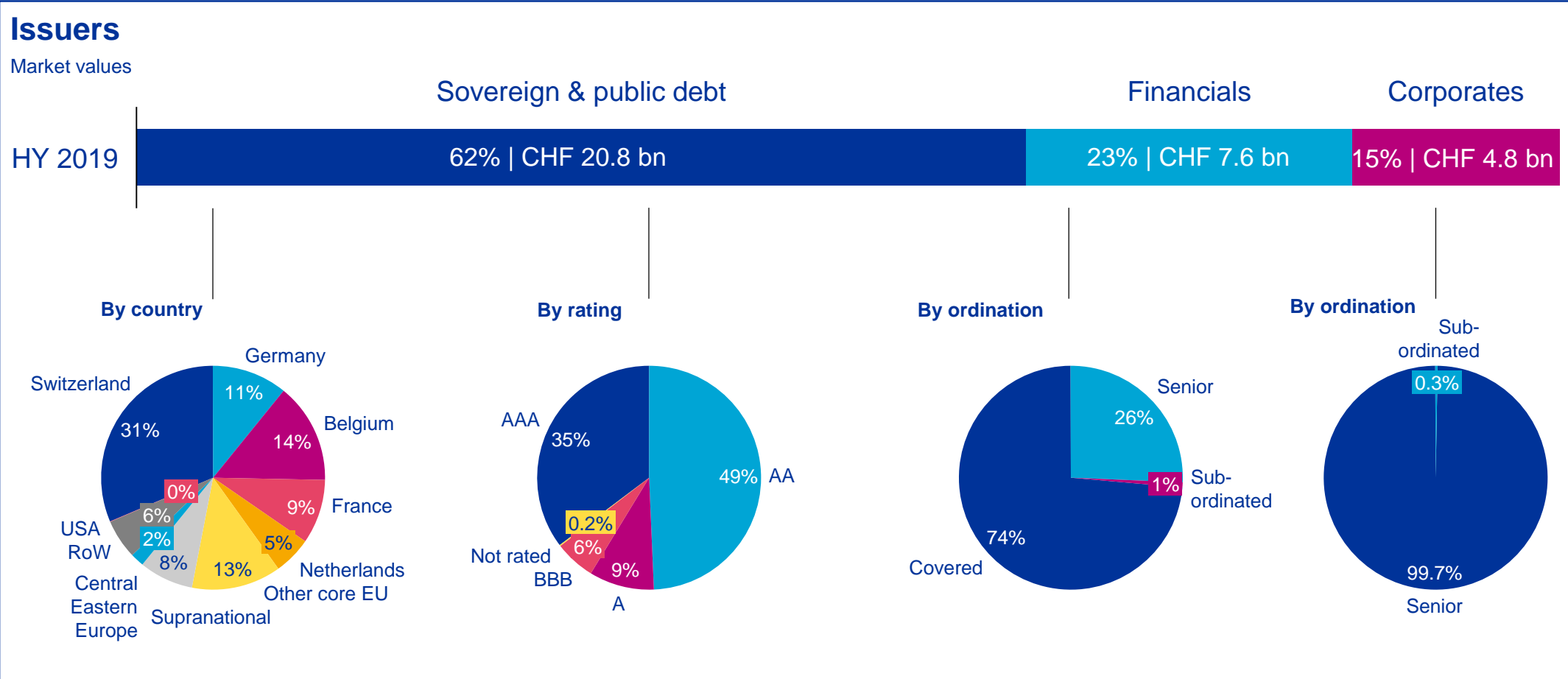


74% of fixed-interest securities with rating of AA or AAA and 99% in investment grade



Insurance Assets: Fixed-Interest Securities (2/3)

HY 2019



Duration: Fixed-Interest Securities (3/3)

HY 2019

55%

57,447

Duration of bonds and promissory notes

Duration by classification

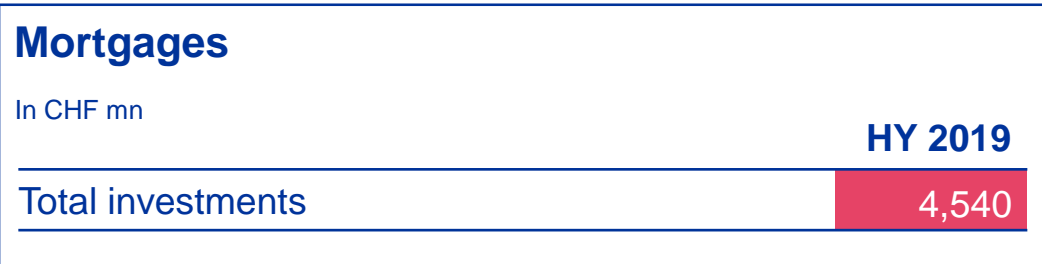
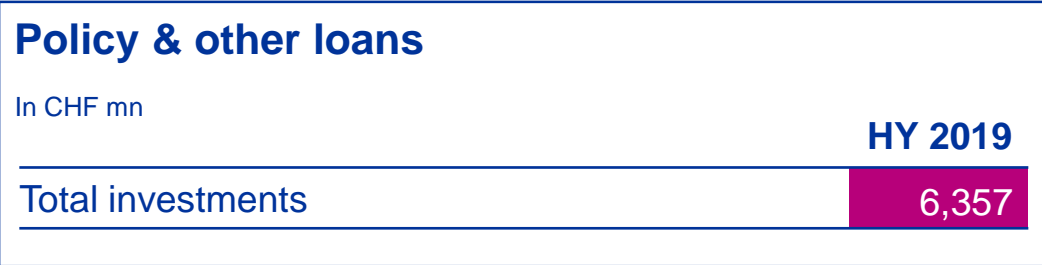
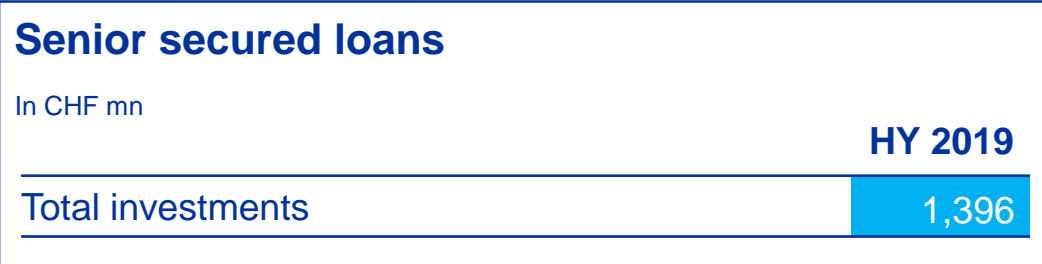
	FY 2018		HY 2019	
	Years	in %	Years	in %
Duration bonds available-for-sale (AFS)	8.6	61.9	8.8	62.2
Duration bonds held-to-maturity (HTM)	9.6	25.3	9.8	24.3
Duration promissory notes	9.6	12.9	9.4	13.4
Duration portfolio	9.0	100	9.1	100.0

Duration by line of business

	FY 2018		HY 2019	
	Years	in %	Years	in %
Duration life bonds (incl. promissory notes)	9.5	84.9	9.7	84.2
Duration non-life bonds (incl. promissory notes)	6.2	15.1	6.3	15.8
Duration portfolio	9.0	100	9.1	100.0

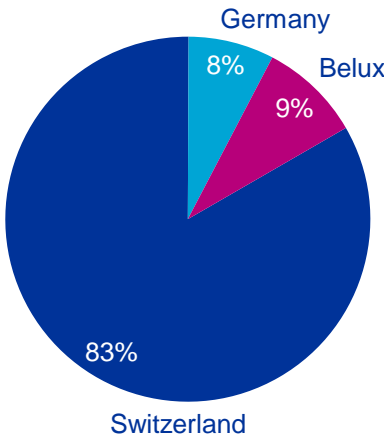
Insurance Assets: Policy Loans, Mortgages, Investment Property

HY 2019

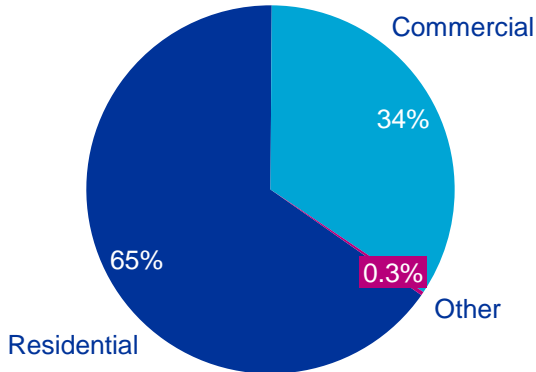


High quality and well diversified real estate portfolio with a high share of residential property

By country



By type



Insurance Assets: Shares & Funds

HY 2019

5%

57,447

Shares & funds

in CHF mn

HY 2019

Total investments	3,080
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IFRS equity exposure

Equities	3.3%
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Other equity classified assets ¹⁾	2.1%
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Shares & funds	5.4%
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Private equity	1.5%
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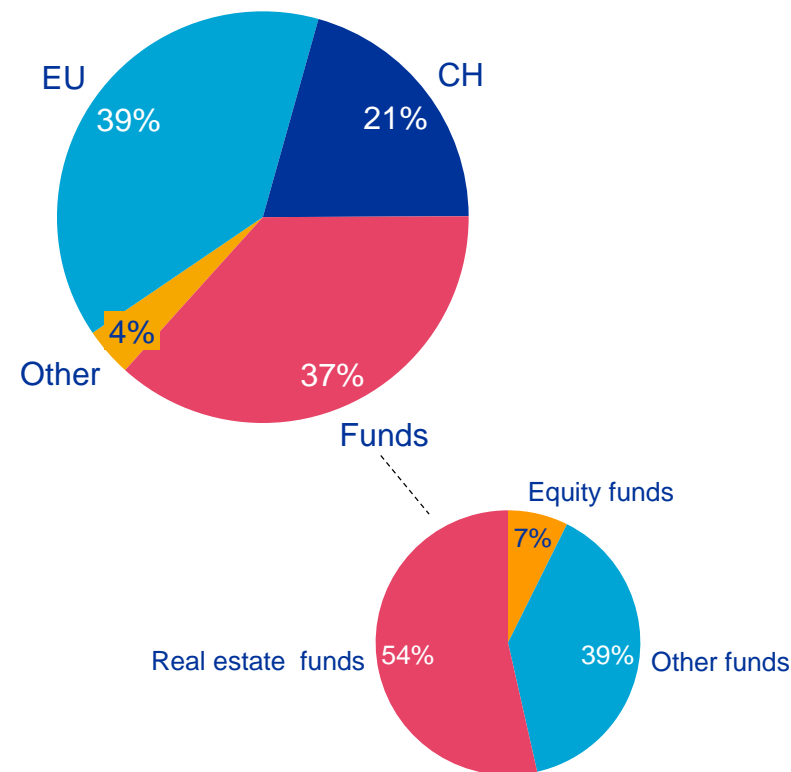
Hedge funds (equity related)	0.1%
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Equity derivatives	-1.7%
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IFRS equity exposure	5.3%
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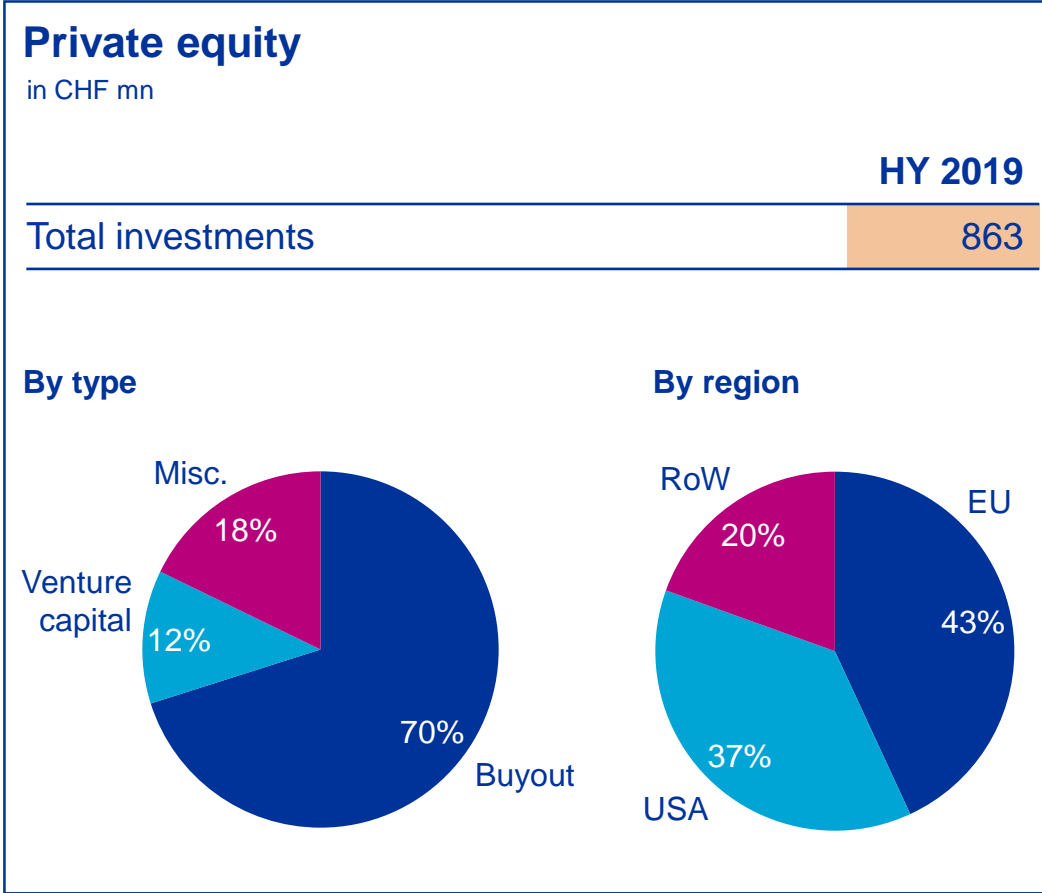
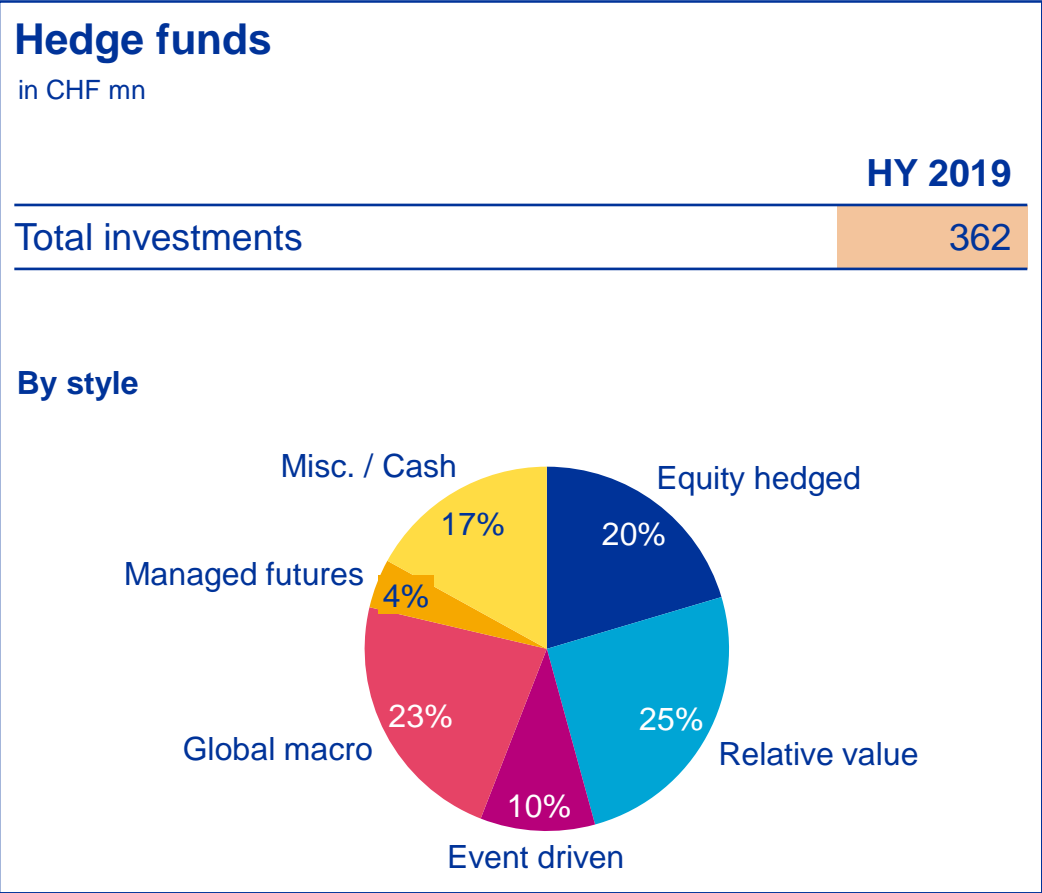
¹⁾ e.g. bond & property funds treated as equity under IFRS

Regional exposure



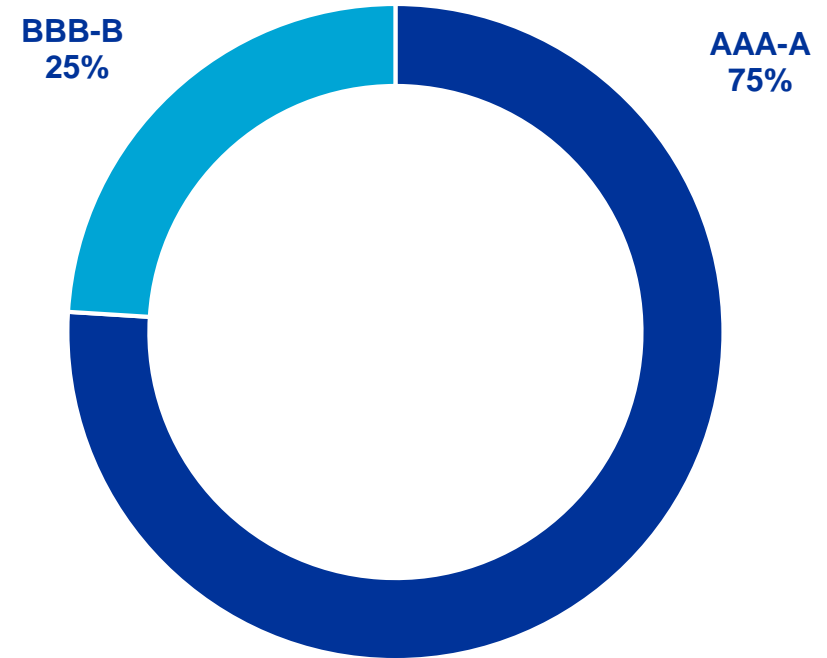
Insurance Assets: Alternative Financial Investments

HY 2019



Responsible Investment Policy and ESG-Rating Distribution

- › As a long term investor we integrate **ESG (Environmental, Social and Governance)** factors in our investment process as we are convinced that this will positively impact our long term risk-return profile
- › Our **Responsible Investment Policy** consists of 3 strategic pillars:
 - 1. ESG-Integration:** We invest only in securities with an ESG-rating of at least B (according to MSCI data)
 - 2. Exclusion:** We do not invest in producers of controversial weapons according to e.g. the SVVK-ASIR exclusion list and companies generating more than 30% of their revenues through thermal coal
 - 3. Proxy Voting:** We fulfil our responsibility as shareholders and exercise our voting rights on Swiss shares
- › As a member of the PRI and the SSF, we take our responsibility seriously and actively participate in the further development of the market



Based on available ESG ratings (MSCI), June 2019

7. Segment Reporting

Business Volume Matrix HY 2019

in CHF mn	Switzerland	Germany	Belgium	Luxembourg	Other	Total
Non-life	1,042.3 46.0% 28.6%	507.3 22.4% 63.3%	619.3 27.4% 67.0%	85.0 3.8% 13.5%	9.6 0.4% 95.1%	2,263.6 100.0% 37.6%
Life	2,556.4 89.1% 70.0%	188.9 6.6% 23.6%	82.1 2.9% 8.9%	41.9 1.5% 6.7%	0.5 0.0% 4.9%	2,869.8 100.0% 47.7%
Investment-type premiums	51.0 5.8% 1.4%	105.1 11.9% 13.1%	223.3 25.4% 24.1%	501.2 56.9% 79.8%	0.0 0.0% 0.0%	880.7 100.0% 14.6%
Total life	2,607.4 69.5% 71.4%	294.0 7.8% 36.7%	305.4 8.1% 33.0%	543.1 14.5% 86.5%	0.5 0.0% 4.9%	3,750.4 100.0% 62.4%
Total	3,649.7 60.7% 100.0%	801.3 13.3% 100.0%	924.7 15.4% 100.0%	628.2 10.4% 100.0%	10.1 0.2% 100.0%	6,014.1 100.0% 100.0%

Growth Matrix HY 2019

in % in CHF (in % in LC)	Switzerland	Germany	Belgium	Luxembourg	Other	Total
Non-life	-1.2%	-1.5% (2.0%)	3.5% (7.2%)	4.7% (8.5%)	-22.6% (-20.2%)	0.1% (2.0%)
Life	35.2%	-2.2% (1.3%)	4.7% (8.4%)	11.7% (15.7%)	2.5% 2.5%	30.4% (30.9%)
Investment-type premiums	15.8%	-12.1% (-8.9%)	-0.7% (2.9%)	-18.7% (-16.4%)	- -	-12.4% (-9.8%)
Total life	34.7%	-6.0% (-2.6%)	0.7% (4.3%)	-17.0% (-14.6%)	2.5% (2.5%)	17.0% (18.1%)
Total	22.1%	-3.2% (0.3%)	2.5% (6.2%)	-14.6% (-12.0%)	-21.7% (-19.4%)	10.0% (11.5%)

EBIT Matrix HY 2019

in CHF mn (change in %)	Switzerland	Germany	Belgium	Luxembourg	Other	Eliminated	Total
Non-life	144.9 (-3.6)	22.4 (622.6)	43.0 (20.1)	3.2 (-47.5)	24.2 (n.a.)	-11.6 (31.8)	226.1 (55.8)
Life	129.1 (21.7)	-4.4 (n.a.)	28.7 (-71.7)	6.5 (-11.0)	-31.2 (n.a.)	-22.4 (-16.4)	106.3 (-45.1)
Asset Mgmt & Banking	5.5 (-15.4)	- (n.a.)	- (n.a.)	- (n.a.)	10.8 (0.9)	26.3 (0.4)	42.6 (1.4)
Other	-1.6 (-77.5)	-6.1 (-19.7)	- (n.a.)	0.0 (n.a.)	-17.0 (19.7)	7.7 (-17.2)	-17.0 (-13.3)
Total	277.9 (8.6)	11.9 (230.6)	71.7 (-47.7)	9.7 (-27.6)	-13.2 (-73.0)	- (n.a.)	358.0 (-0.9)

8. Further Information

Reporting Agenda and Contact Details

Reporting agenda

Q3 2019 interim statement	13 November 2019
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Publication of the Preliminary Annual Financial Results 2019	12 March 2020
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Publication of the Annual Report 2019	26 March 2020
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Annual General Meeting	24 April 2020

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