Baloise Gruppe – Swiss Solvency Test as at 1 January 2019

Results for the Baloise Group

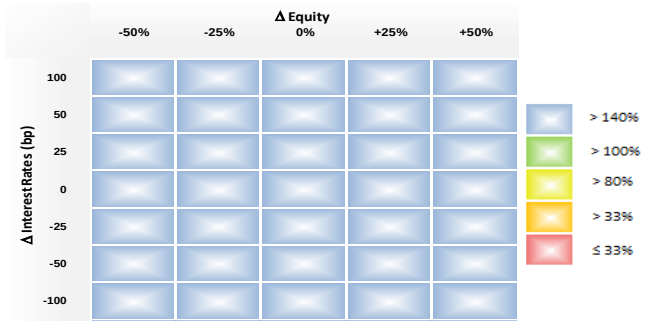
In CHF mn	1 January 2018	**1 January 2019**
Risk-bearing capital (RBC)	10'214	10'954
Target capital (TC)	4'369	4'993
Solvency ratio	**262%**	**242%**

- **Risk-bearing capital** increased year on year. The change is mainly attributable to the first time application of the new SST standard model.
- **Target capital** also rose year on year. This was mostly due to higher market risks which mainly increased as a result of the first time application of the new SST standard model.
- Because target capital grew at a stronger rate than risk-bearing capital, the **solvency ratio** reduced to 242%.
- The solvency ratios of the two Swiss companies Baloise Life Ltd and Baloise Insurance Ltd stood at 211% and 321% respectively as at 1 January 2019 (1 January 2018: 200% and 348%).

Sensitivities of the solvency ratio

(as at 1 January 2019)

- 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 modern measure of the solvency of insurance companies, documenting the 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%.

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

- The Baloise Group uses an adjusted standard model to calculate the SST. Because of the **transition to the standard model**, the SST model significantly changed year on year. Also in future years, further model changes and model volatility in the results can not be excluded.

30 April 2019