

Half Year Results 2018

Presentation to Investors and Analysts

Basel, 28 August 2018



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Agenda

1. Half Year Results 2018 – In a Nutshell
2. Capitalisation
3. Non-Life
4. Life
5. Banking and Asset Management
6. Assets
7. Segment Reporting
8. Further Information

1. Half Year Results 2018 – In a Nutshell

Half Year Results 2018

- Growth and strong profitability in non-life despite higher nat-cat losses
- Germany's medical malpractice business now ring-fenced in Group run-off facility and equipped with additional reserves of CHF 47 mn
- Strong earnings contribution from the life business thanks to improved business mix, reserve releases and more benign interest rate environment
- Many further initiatives in going beyond traditional insurance

91.1% w/o the reserve strengthening

Non-Life
EBIT: CHF 145 mn

Net combined ratio

94.1%

Life
EBIT: CHF 194 mn

New business margin

46.9%

Interest rate margin

129 bp

Banking & Asset Management
EBIT: CHF 42 mn

Net investment yield
(on insurance assets,
not annualised)

1.2%

Group			
Growth	5.2% Non-Life	-8.7% Life	-9.4% Investment-type
Shareholders' net income	CHF 270 mn		
Capital	CHF 6.2 bn Equity	A+ S&P Rating	262% SST-Ratio

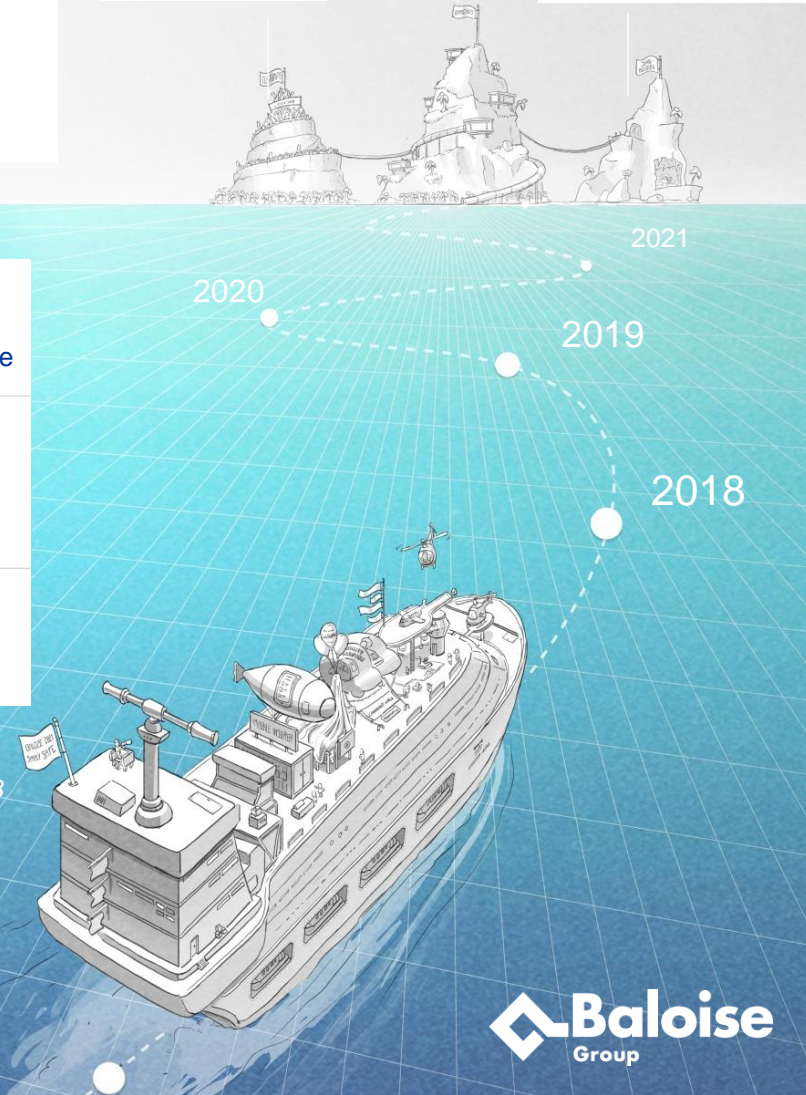
upgrade in
June 2018

as per
01.01.2018

The trusted choice for our customers: one million additional customers

A leading employer in the sector

A reliable and attractive investment: CHF 2 bn cash remittance to the Holding



2. Capitalisation

Economic Capitalisation

Swiss Solvency Test (SST)

SST ratio and sensitivities as of 01.01.2018

	-50%	-25%	Δ Equity 0%	+25%	+50%
100					
50					
25					
0			262%		
-25					
-50					
-100	> 140%				

> 140%

> 100%

> 80%

> 33%

≤ 33%

SST still characterised by high model volatility. The new standard model for Swiss Group Life developed by FINMA and the Swiss insurance industry will be used starting from 1 January 2019 onwards

For further details on SST as of 1 January 2018 see Baloise Financial Condition Report 2018

- › SST ratio as of 1 January 2018 at 262% (previous year: 214%)
- › 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 2017

For further details see Solvency and Financial Condition Reports (SFCR), May 2018

Standard & Poor's Rating

- › Standard & Poor's upgraded the rating for Baloise from 'A' with a positive outlook to 'A+' with a stable outlook in June 2018

For further details see S&P Research Update, June 2018

Capital – IFRS Total Equity

Change in equity

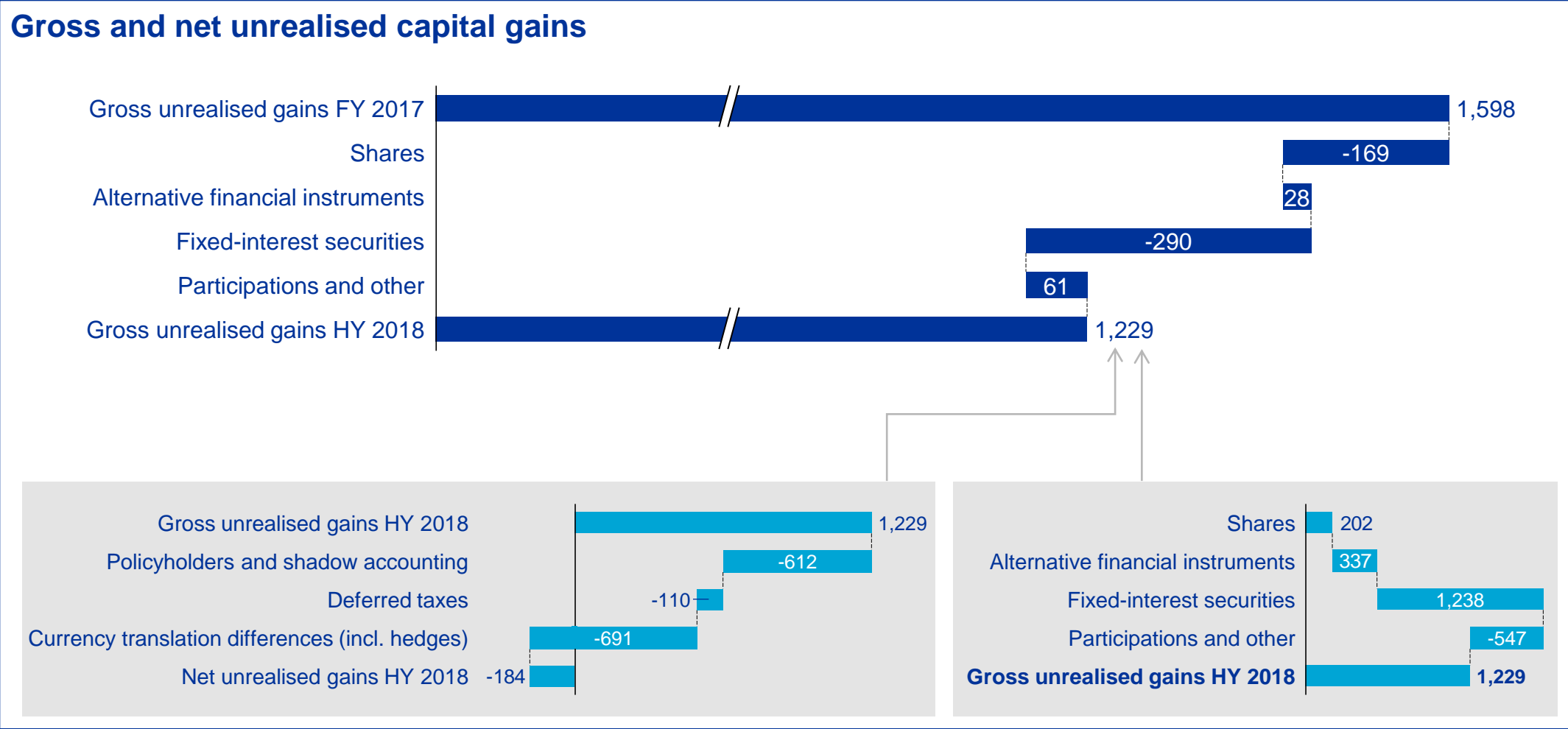
Current share buy-back started April 2017

- Shares to be repurchased: up to 3 mn
- Expected buy-back period: 3 years
- Completion rate (17.08.2018): 34%

In CHF mn, incl. non-controlling interests	2018	Per share ¹⁾
Total equity at January 1	6,409	133.2
Other comprehensive income	-166	
Dividends	-264	
Profit for the period	269 $\Delta = -4.0\%$	$\Delta = -3.1\%$
Purchase / sale of treasury shares	-94	
Change in non-controlling interests	-1	
Total equity at June 30	6,153	129.1

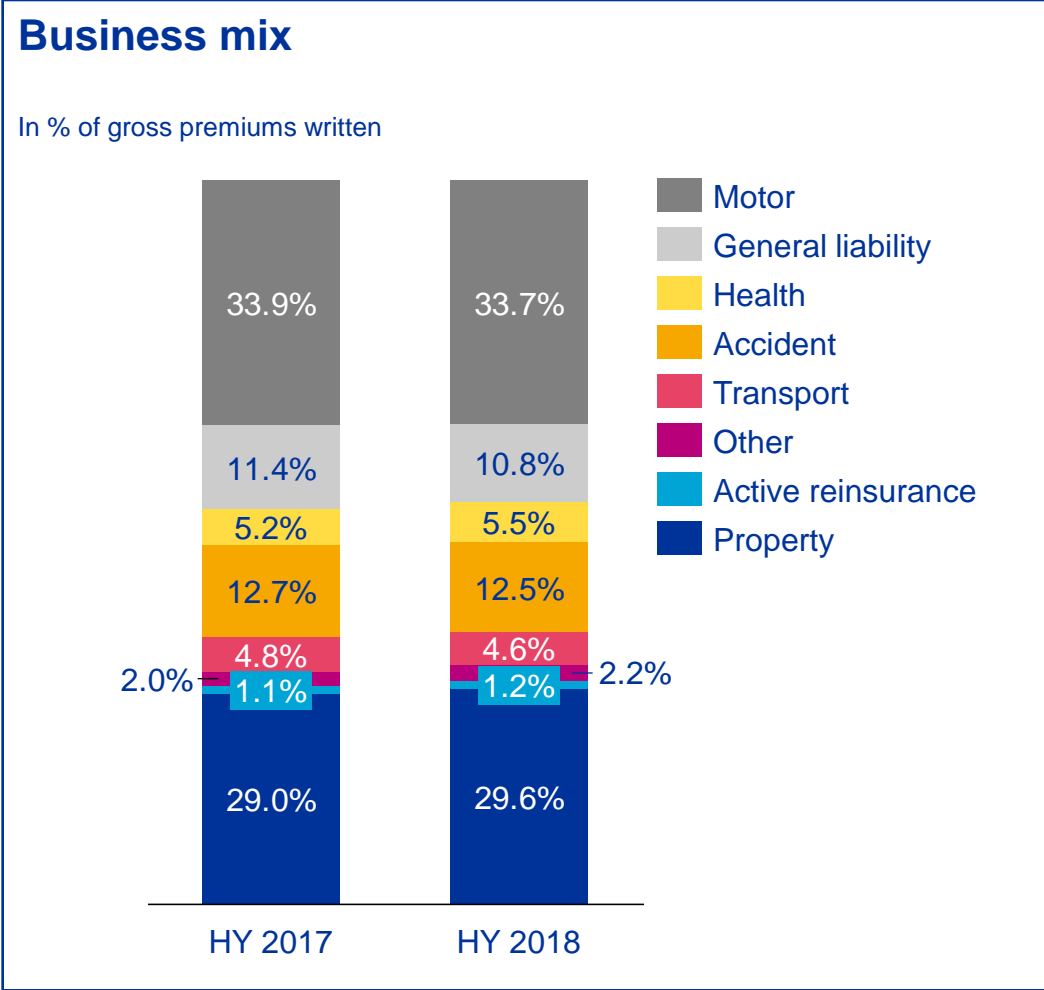
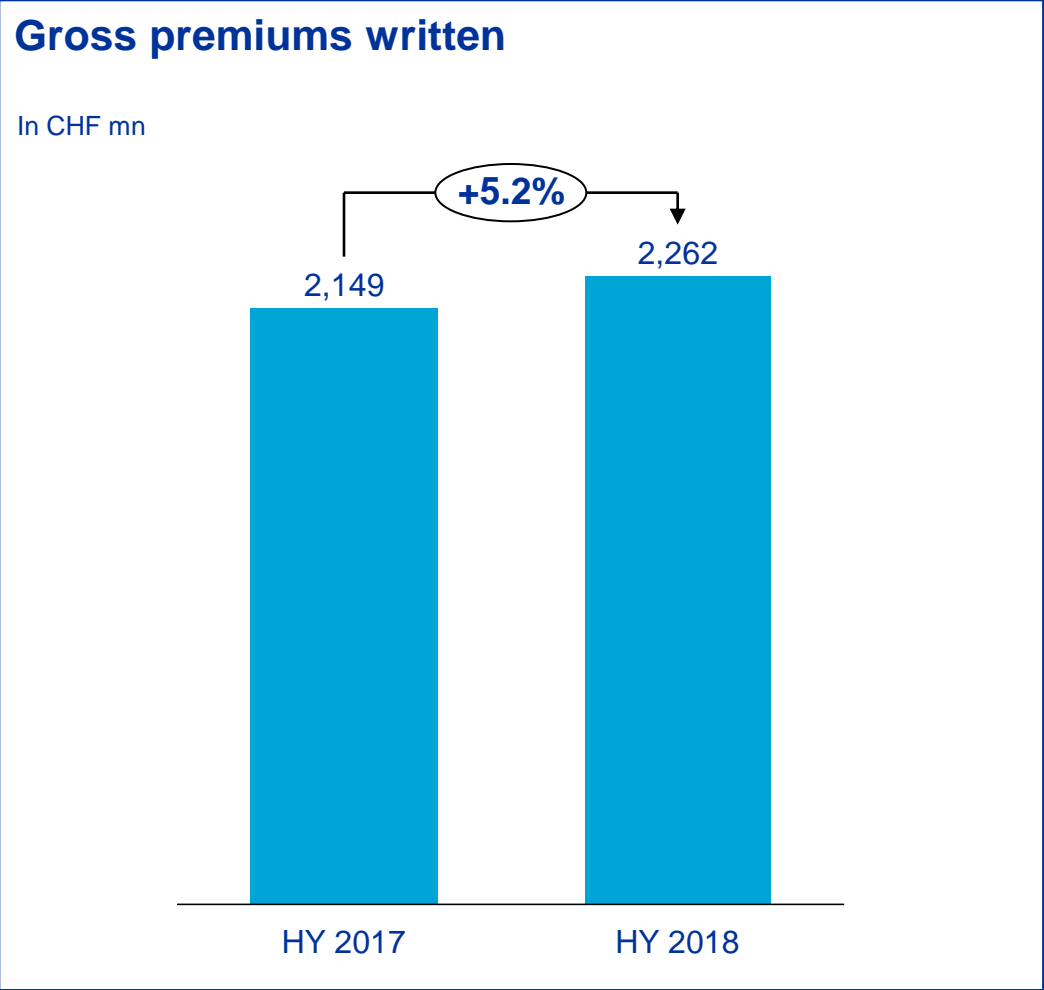
¹⁾ based on consolidated equity (excl. non-controlling interests) and on average shares outstanding

Capital – Unrealised Capital Gains



3. Non-Life

Non-Life – Business Volume and Business Mix



Non-Life – Earnings and Combined Ratio

Profit & Loss

In CHF mn	HY 2017	HY 2018
Premiums earned (net)	1,490	1,579
Premiums earned (gross)	1,559	1,659
Reinsurance premiums ceded	-70	-80
Claims and benefit paid (net)	-844	-988
Claims and benefits paid (gross)	-898	-1,003
Reinsurers' share of claims incurred	19	45
Change in technical reserves	35	-29
Technical costs	-476	-503
Acquisition costs	-225	-235
Operating and administrative expenses	-251	-268
Net investment result	127	99
Other	-35	-42
EBIT	261	145

Lower EBIT due to reserve strengthening in Germany, higher nat-cat losses and less realised gains

Margin – Net combined ratio

In %	HY 2017	HY 2018
Net combined ratio	89.7	94.1
Loss ratio	57.7	62.3
Claims and benefit paid (net) / premiums earned (net)	56.7	62.6
Adjustment for non-life annuities ¹⁾	-0.5	-0.3
Adjustment for impending losses ²⁾	1.5	0.0
Expense ratio	32.0	31.8
Technical costs / premiums earned (net)	32.0	31.8
Expense adjustment	0.0	0.0

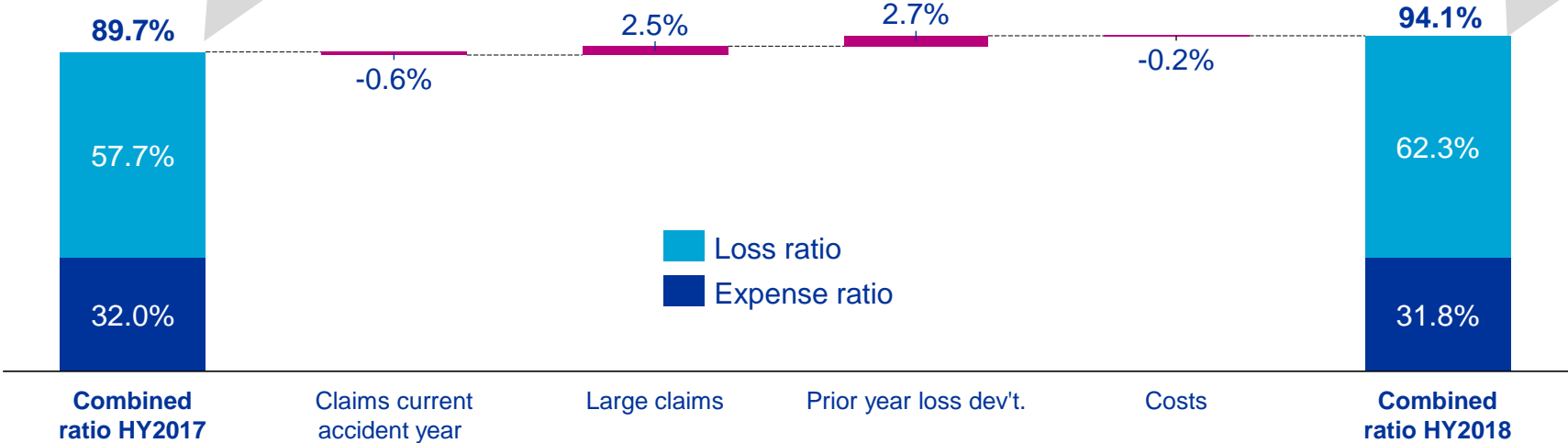
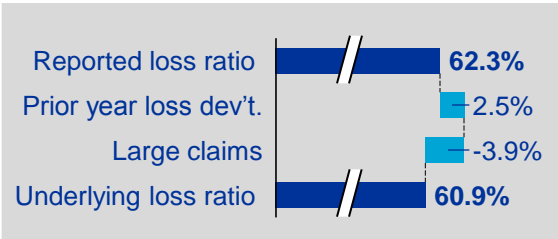
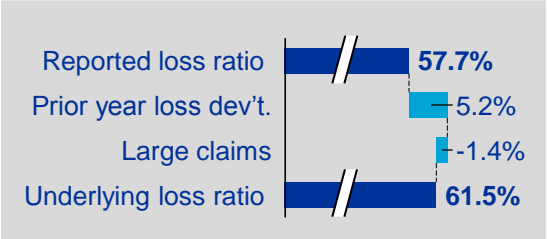
¹⁾ for interest effect from discounted non-life annuity reserves

²⁾ relating to future reporting periods

Non-Life – Analysis of Change





Net combined ratio and underlying loss ratio

In % of net premiums earned



Loss ratio incl. surplus sharing

Non-Life – Margins by Country

Net combined ratio					
	Switzerland	Germany ¹⁾	Belgium	Luxembourg	Group
In % of net premiums earned					
Loss ratio	56.7	60.6	60.3	58.6	62.3
Expense ratio	26.9	35.8	34.8	32.3	31.8
Combined ratio HY 2018	83.6	96.4	95.1	90.9	94.1
Change vs. HY 2017 (in pts)					
Δ Loss ratio	2.3	+2.5	0.8	0.2	4.6
Δ Expense ratio	-0.1	-2.5	0.3	1.0	-0.2
Δ Combined ratio	2.2	0.0	1.1	1.2	4.4

91.1% adjusted for reserve strengthening of the medical malpractice run-off portfolio

Loss ratio incl. surplus sharing
¹⁾ HY 2017 restated for the German medical malpractice portfolio transferred to the Group run-off facility

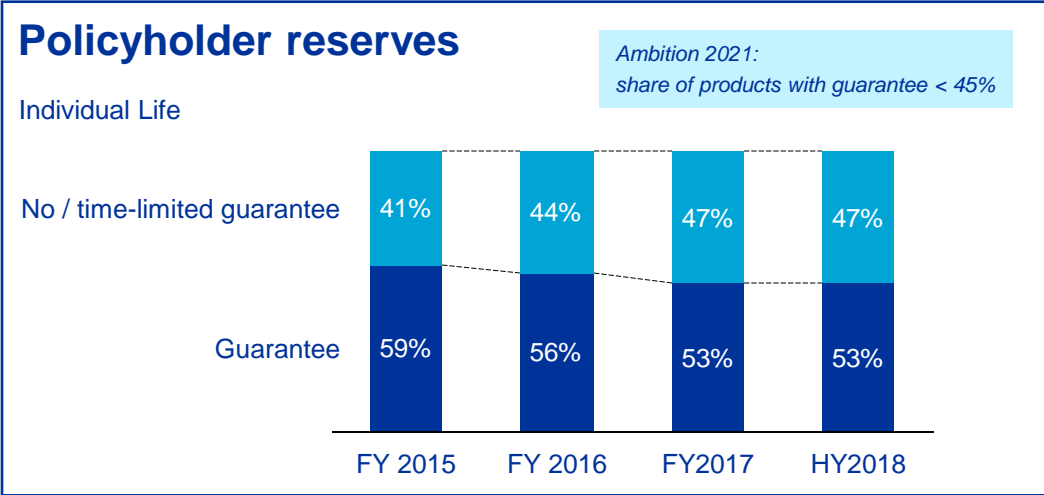
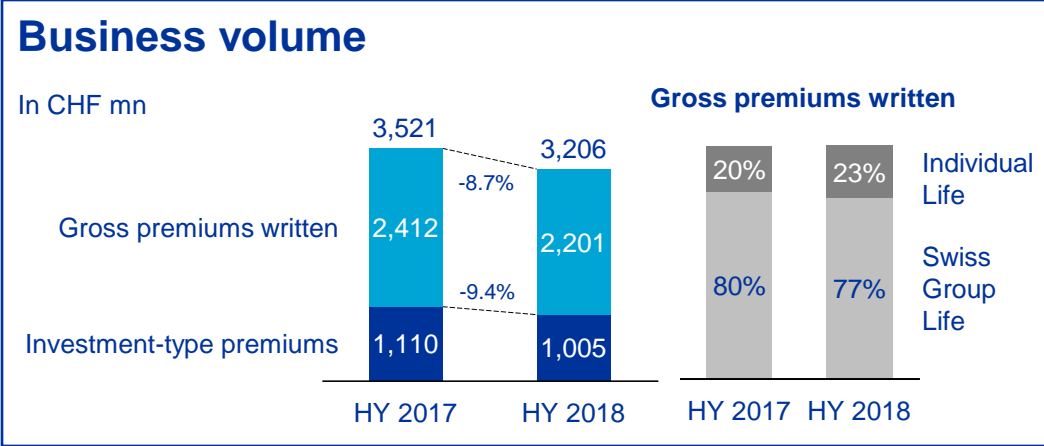
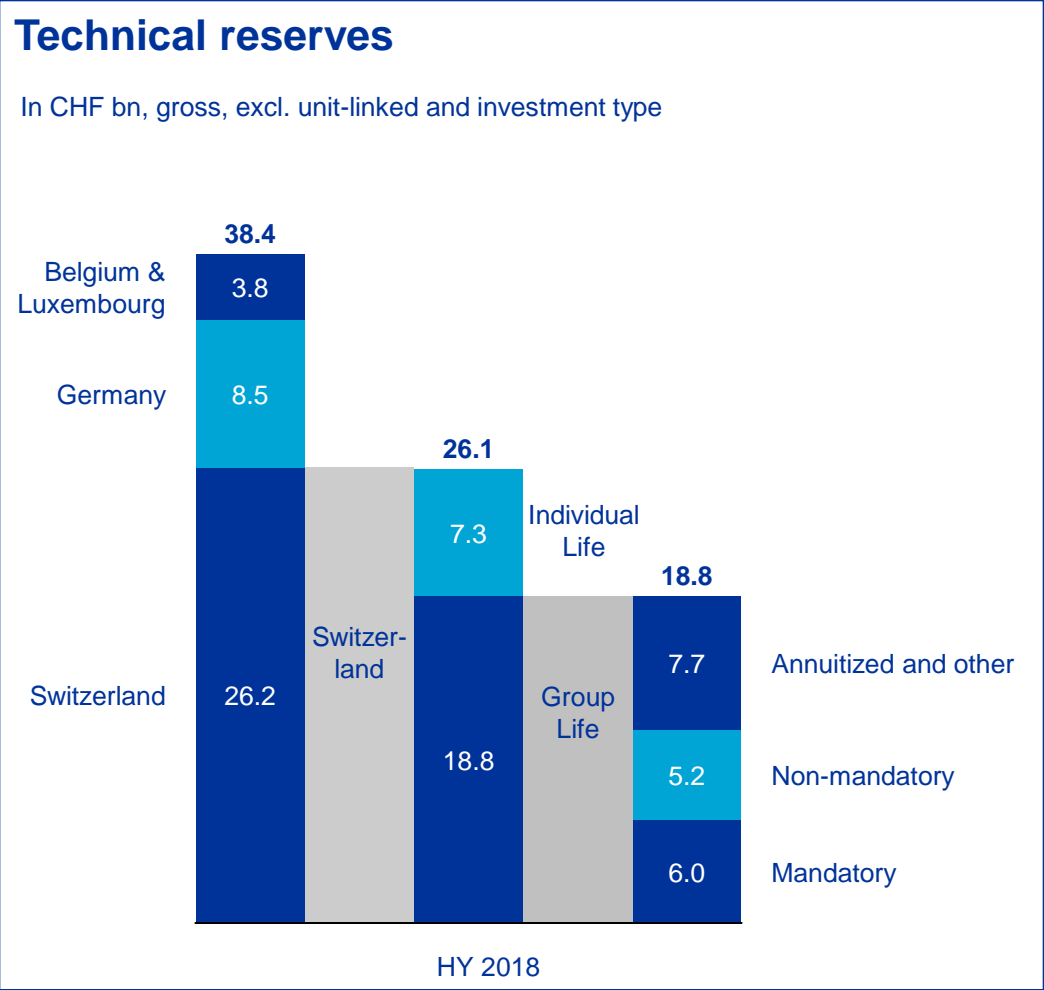
Non-Life – Investment Result

Investment income and yield							
In CHF mn	HY 2018		HY 2018 Gains and losses through income statement			HY 2018	HY 2017
	Current investment income	Impairments	On underlying	On derivatives	Net	Net investment result	Net investment result
Fixed-income securities ¹⁾	49	-	-2	-	-2	47	50
Equities	31	-5	26	-6	20	45	53
Investment property	22	-	-1	-	-1	21	26
Other ²⁾	11	-1	4	-	4	14	23
Total before FX and investment expenses	113	-6	27	-6	21	127	152
FX: gains / losses and hedging costs			-6	-7		-13	-11
Investment expenses						-15	-13
Net investment result						99	127
Average investments						9,785	9,486
Net investment yield						1.0%	1.3%

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

4. Life

Life – Business Volume and Business Mix

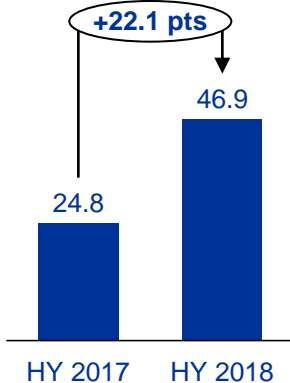


Life – Volume and Value of New Business

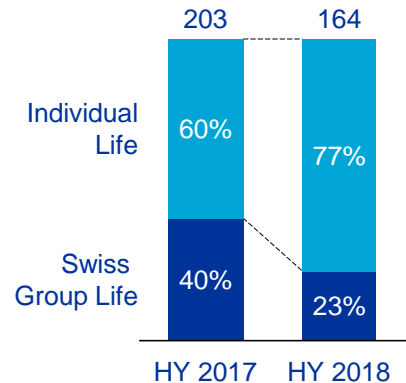
New business

Margin
in % APE

Improved margin due to improved business mix and selective underwriting

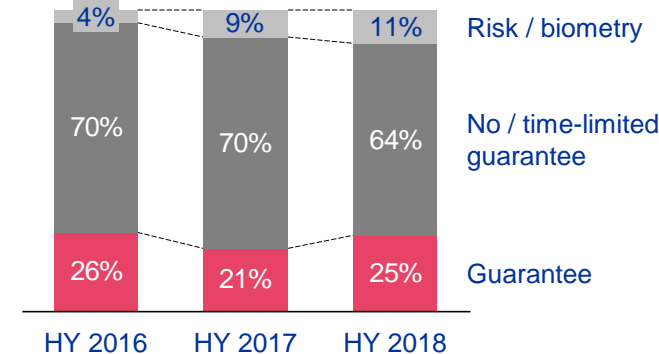


Volume
APE, in CHF mn



Business mix
Individual Life, in % APE

Ambition 2021:
share of products with guarantee < 15%



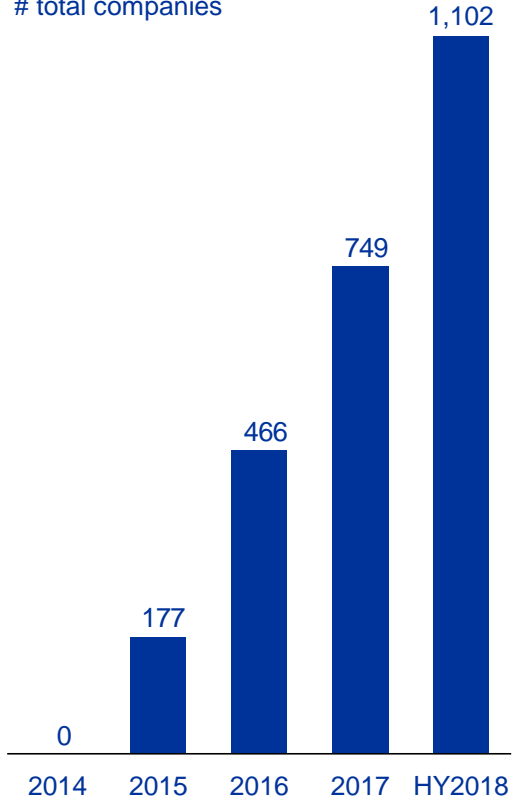
	HY 2017					HY 2018				
	CH	D	B	Lux ¹⁾	Group	CH	D	B	Lux ¹⁾	Group
Margin (in % APE)	21.5%	20.8%	62.5%	17.2%	24.8%	51.2%	47.5%	97.0%	10.1%	46.9%
Volume (APE)	96	21	23	62	203	54	26	33	51	164
Value (MVCNB)	21	4	15	11	50	28	12	32	5	77

¹⁾ excl. Baloise Life Liechtenstein

Swiss Group Life

Semi-autonomous solution
«Perspectiva»

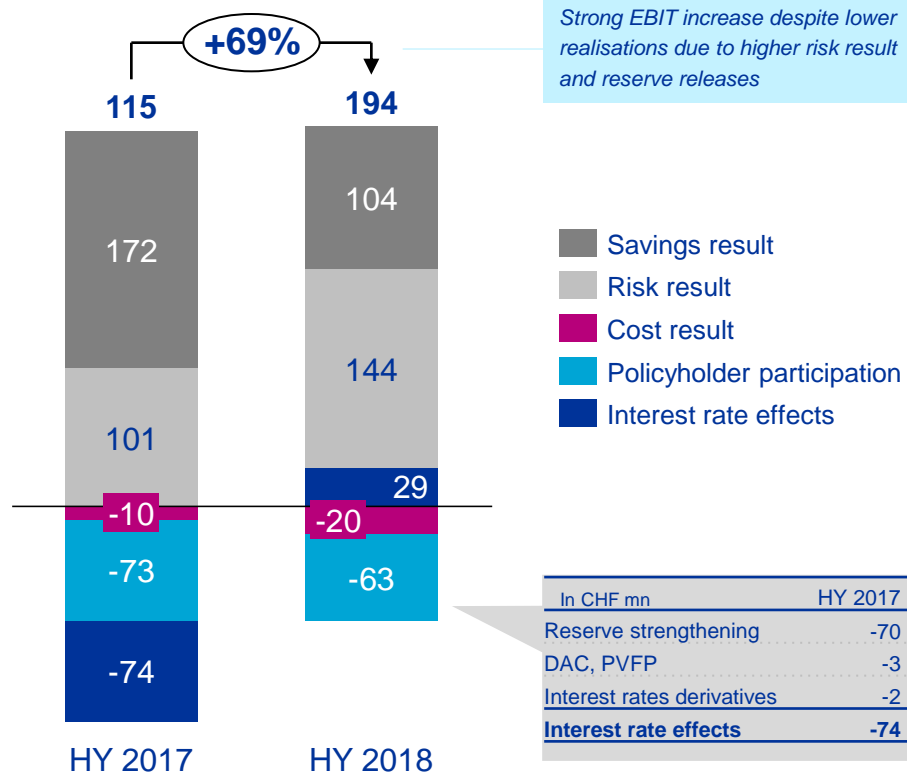
total companies



Life – Earnings and Value

EBIT Life – Profit by sources

IFRS, in CHF mn

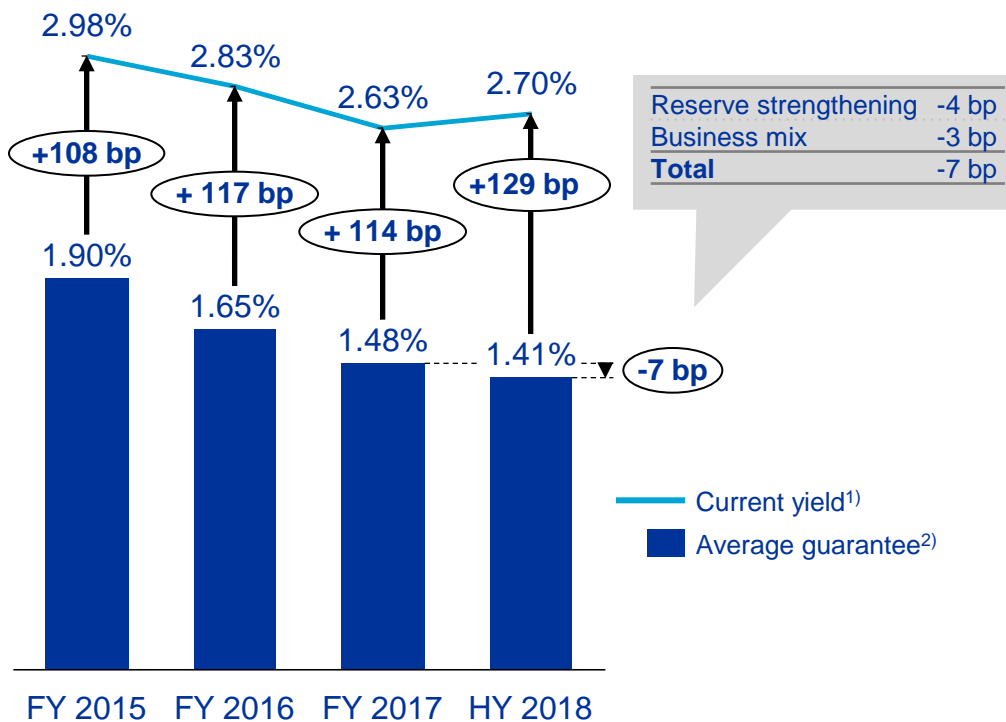


In CHF mn	HY 2017	HY 2018
Savings results	172	104
Risk result	101	144
Cost result	-10	-20
Policyholder participation	-73	-63
Interest rate effects	-74	29
EBIT	115	194

In CHF mn	HY 2017	HY 2018
Reserve strengthening	-70	38
DAC, PVFP	-3	-1
Interest rates derivatives	-2	-9
Interest rate effects	-74	29

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. next year

Technical reserves and average guarantees

Statutory basis

	CH Ind. Life	CH Group Life	CH +	D +	B +	Lux +	Group
Technical reserves³⁾							
As at 31.12. resp. 30.06., in CHF bn							
FY 2016	8.1	16.6	24.7	5.9	5.3	0.5	36.4
FY 2017	7.9	16.9	24.8	6.4	6.1	0.5	37.8
HY 2018	7.8	17.2	25.0	6.3	6.3	0.5	38.2

Average guarantees

As at 1.1. resp. 1.7. next reporting period

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%
HY 2018	1.3%	0.9%	1.0%	2.0%	2.4%	2.5%	1.4%

³⁾ excl. unit-linked

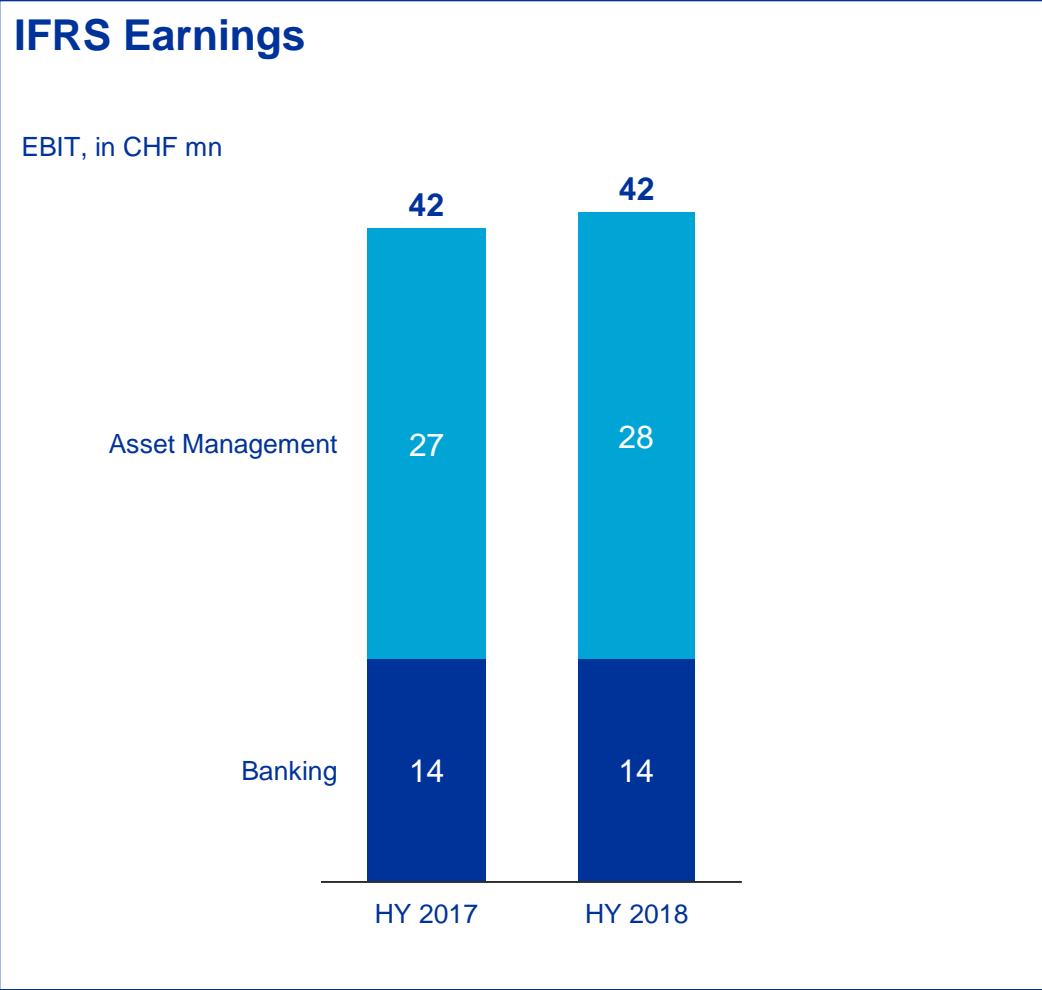
Life – Investment Result

Investment income and yield							
In CHF mn	HY 2018		HY 2018 Gains and losses through income statement			HY 2018	HY 2017
	Current investment income	HY 2018 Impairments	On underlying	On derivatives	Net	Net investment result	Net investment result
Fixed-income securities ¹⁾	296	-	30	-12	17	313	398
Equities	67	-10	16	-11	5	62	83
Investment property	115	-	63	-	63	178	126
Other ²⁾	87	-4	61	-	61	144	132
Total before FX and investment expenses	564	-14	170	-23	147	697	739
FX: gains / losses and hedging costs			-15	-62		-77	-51
Investment expenses						-49	-44
Net investment result						571	643
Average investments						47,750	46,653
Net investment yield						1.2%	1.4%

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

5. Banking and Asset Management

Banking and Asset Management – Earnings



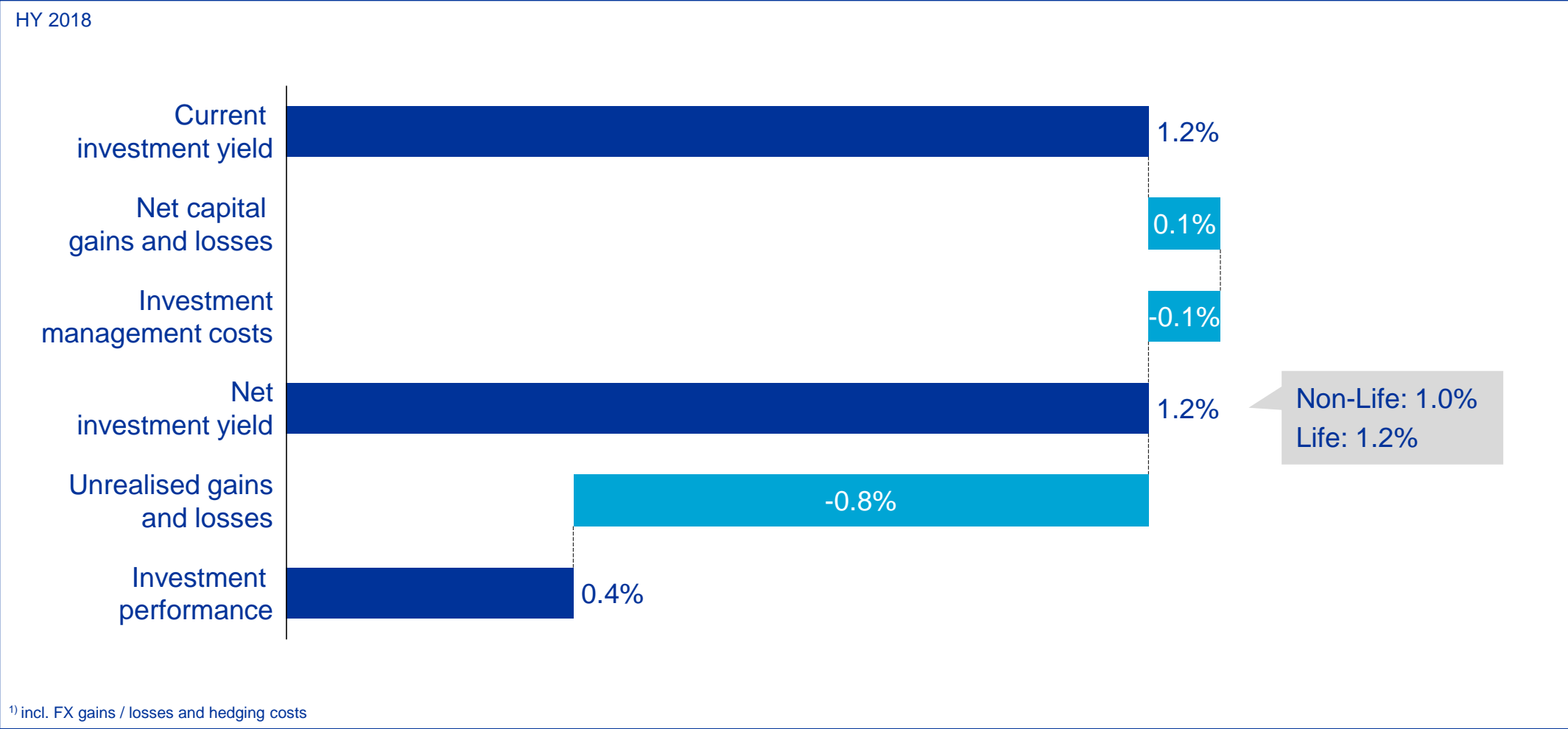
Baloise Bank SoBa

Local GAAP, in CHF mn	HY 2017	HY 2018
Profit for the period	13	14
Mortgage portfolio (FY2017)	6,213	6,211

- Profit growth, robust net interest income despite persistent low interest environment, hardly any impairments in mortgage business*
- Expansion of commission business is accelerating, continuing excellent growth in wealth management mandates (+27%)*
- Launch of a new modular mortgage offering, combining bank with insurance solutions to strengthen advisory business*

6. Assets

Investment Performance (Insurance)



Split of Assets and Insurance Asset Allocation

Split of total assets

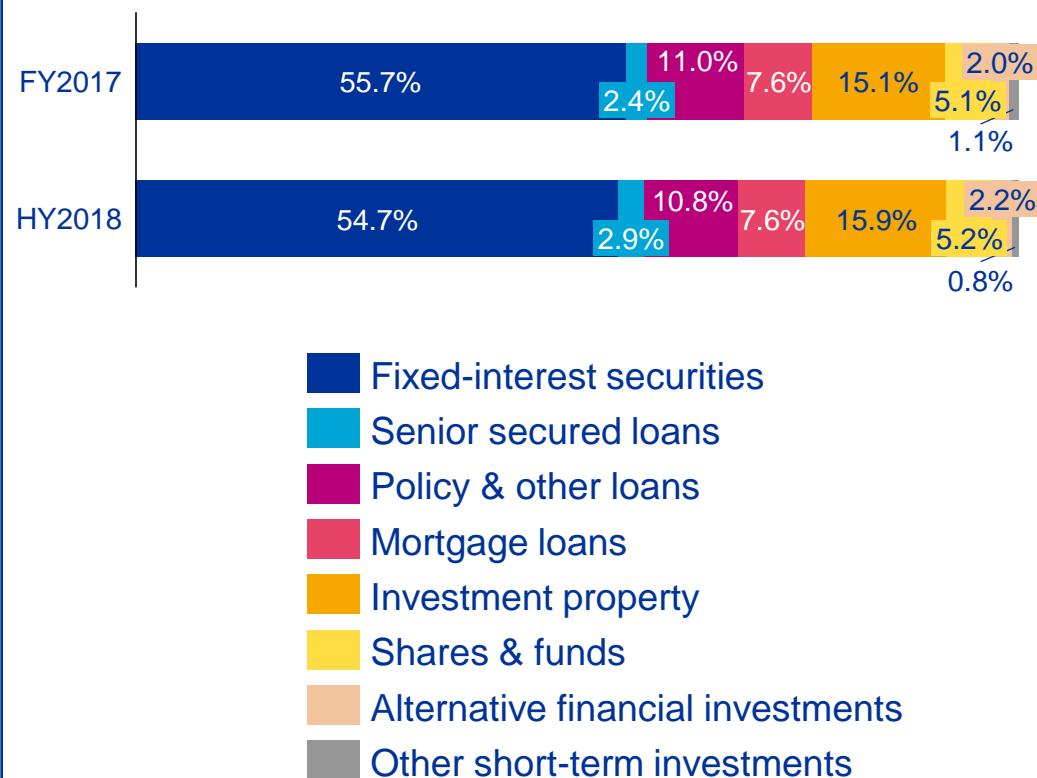
IFRS values, in CHF mn

	FY 2017	HY 2018
Insurance assets	57,747	57,277
Non-life	9,606	9,964
Life	48,141	47,313
Banking assets	7,398	7,513
Investment-linked life insurance	15,027	15,032
Other and elimination	-466	-412
Assets on Balance Sheet	79,706	79,410
Third party assets	8,959	8,991

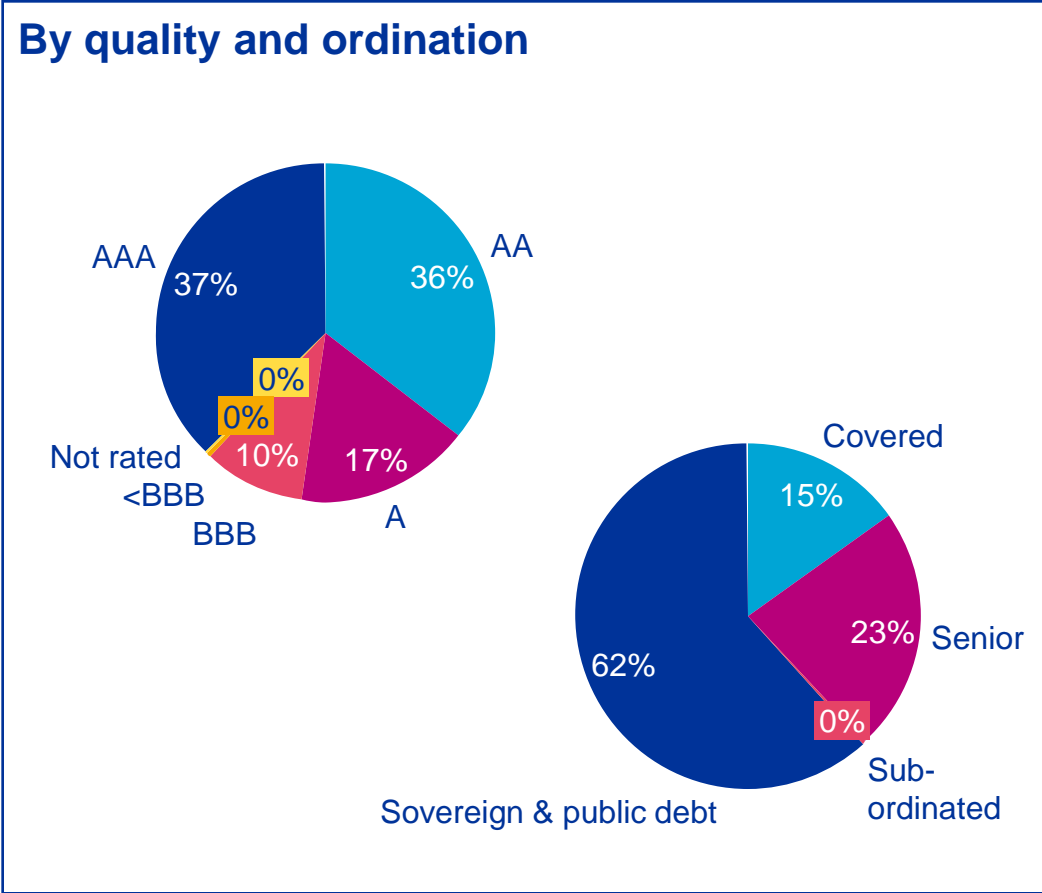
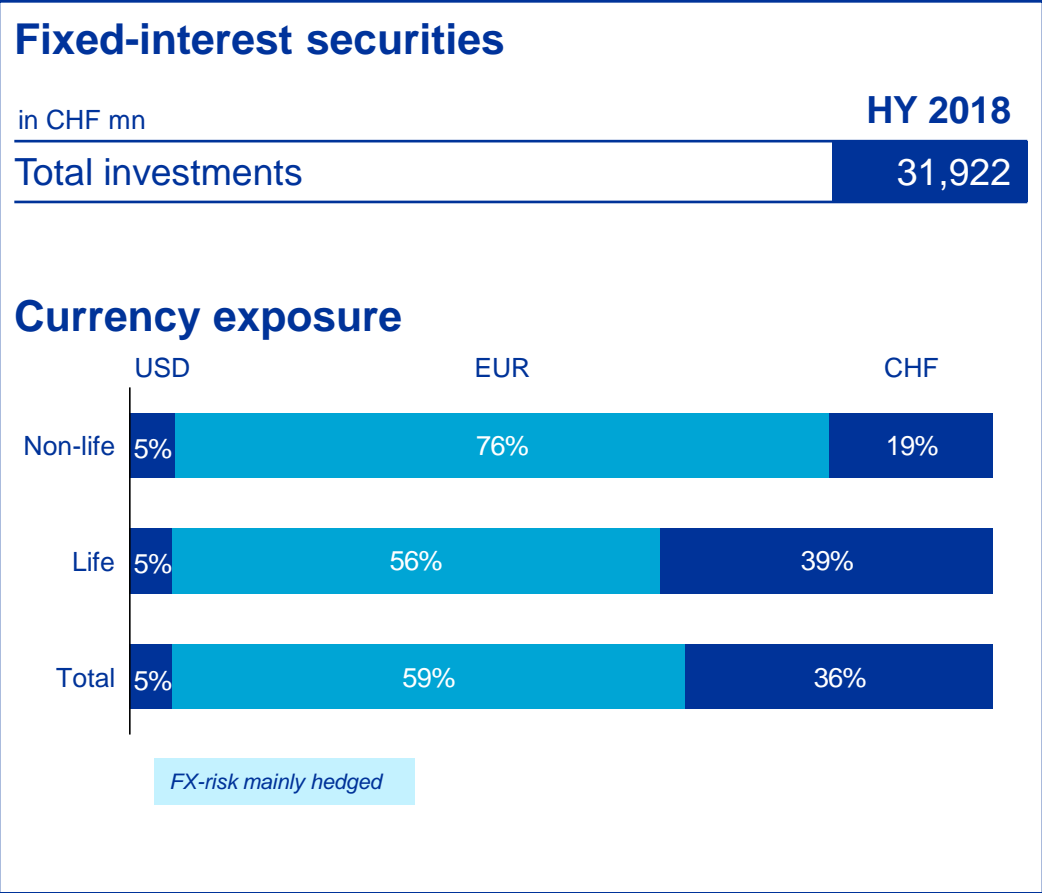
Net new assets in HY2018: CHF 354 mn

Insurance asset allocation

Market values



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

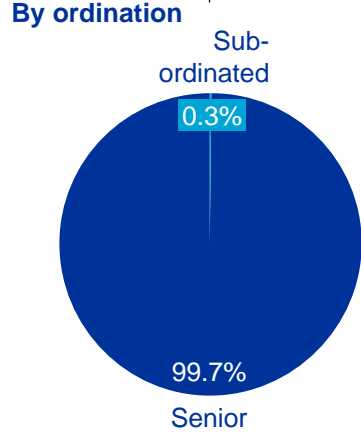
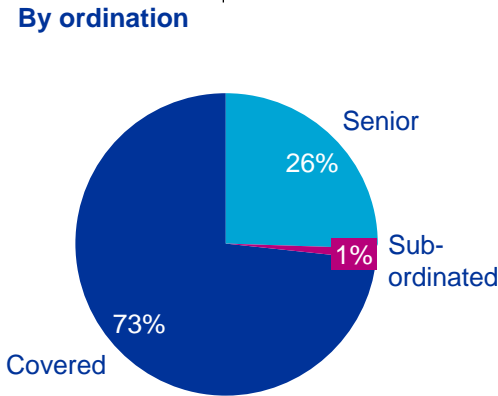
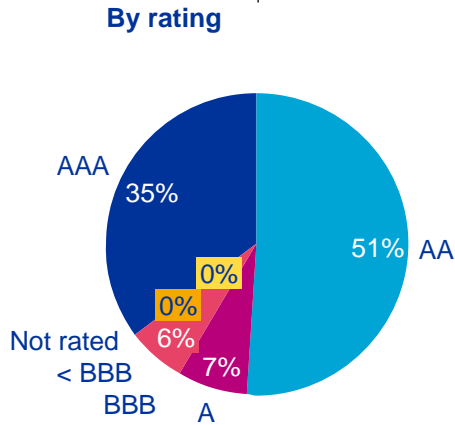
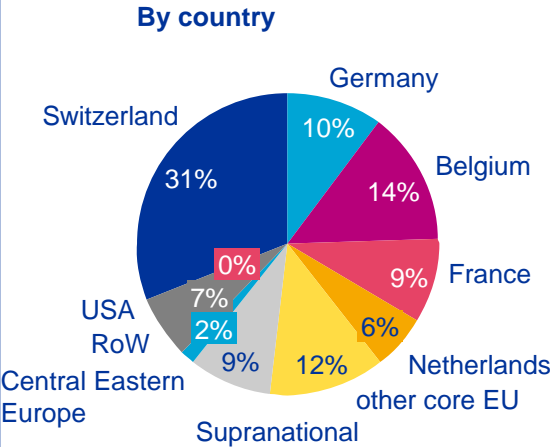


Insurance Assets: Fixed-Interest Securities (2/3)

HY 2018



Issuers



Duration: Fixed-Interest Securities (3/3)

HY 2018

54.7%

58,311

Duration of bonds and promissory notes

Duration by classification

	FY 2017		HY 2018	
	Years	in %	Years	in %
Duration bonds available-for-sale (AFS)	8.5	61.2	8.5	60.9
Duration bonds held-to-maturity (HTM)	10.0	25.5	9.8	25.5
Duration promissory notes	9.4	13.3	9.2	13.6
Duration portfolio	9.0	100	9.0	100

Duration by line of business

	FY 2017		HY 2018	
	Years	in %	Years	in %
Duration life bonds (incl. promissory notes)	9.5	84.9	9.5	84.4
Duration non-life bonds (incl. promissory notes)	6.0	15.1	6.1	15.6
Duration portfolio	9.0	100	9.0	100

Insurance Assets: Policy Loans, Mortgages, Investment Property

HY 2018



Senior secured loans

In CHF mn

	HY 2018
Total investments	1,666

Policy & other loans

In CHF mn

	HY 2018
Total investments	6,271

Mortgages

In CHF mn

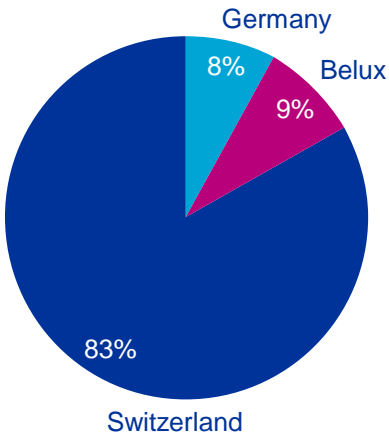
	HY 2018
Total investments	4,450

Investment property

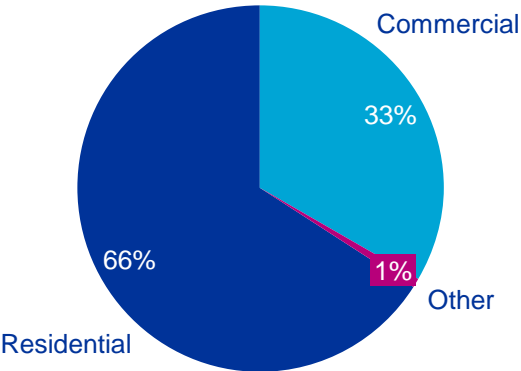
In CHF mn

	HY 2018
Total investments	9,251

By country



By type



Insurance Assets: Shares & Funds

HY 2018

5.2%

58,311

Shares & funds

in CHF mn

HY 2018

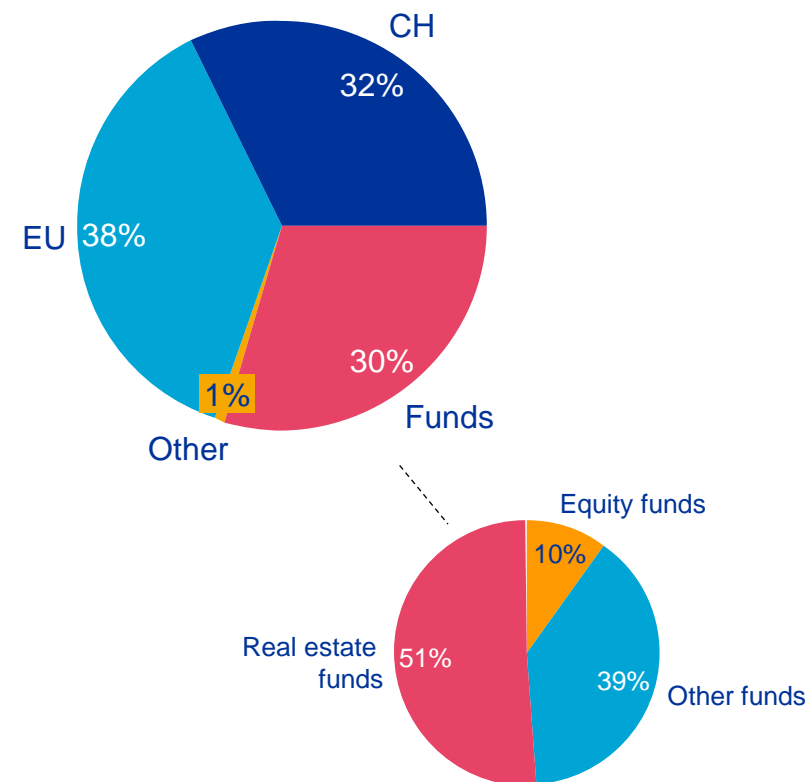
Total investments	3,027
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IFRS equity exposure

Equities	4.7%
Other equity classified assets ¹⁾	1.7%
Shares & funds	6.4%
Private equity	1.3%
Hedge funds (equity related)	0.2%
Equity derivatives	-0.6%
IFRS equity exposure	7.3%

¹⁾ e.g. bond & property funds treated as equity under IFRS

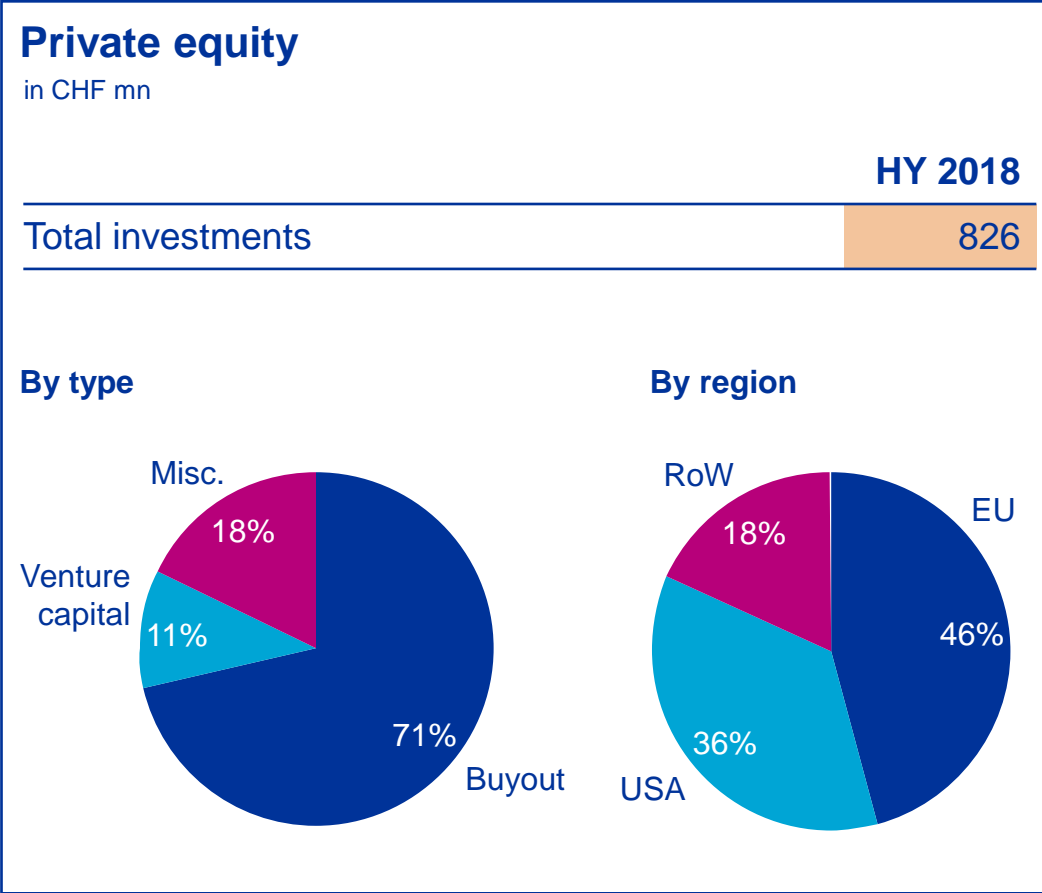
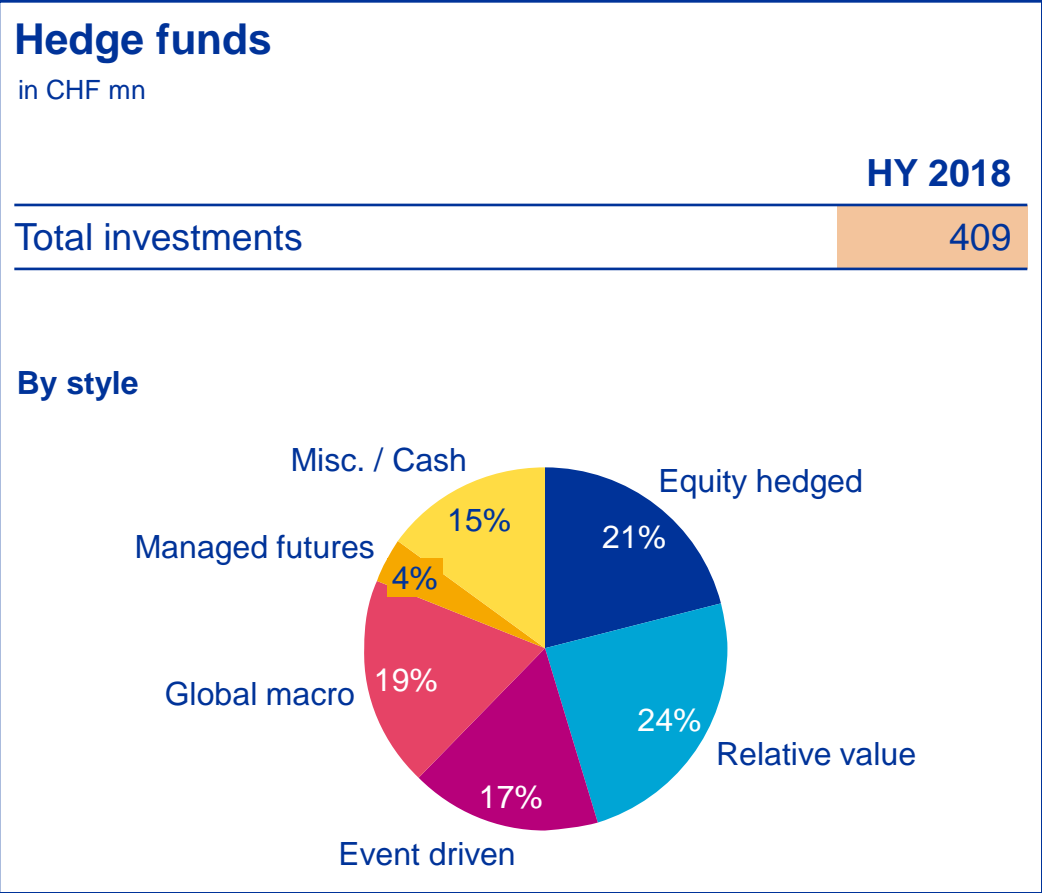
Regional exposure



Insurance Assets: Alternative Financial Investments

HY 2018

2.2% 58,311



7. Segment Reporting

Business Volume Matrix HY 2018

in CHF mn	Switzerland	Germany ¹⁾	Belgium	Luxembourg	Other ¹⁾	Total
Non-life	1,054.7 46.6% 35.3%	515.3 22.8% 62.2%	598.6 26.5% 66.4%	81.2 3.6% 11.0%	12.5 0.6% 100.0%	2,262.3 100.0% 41.4%
Life	1,891.3 85.9% 63.3%	193.1 8.8% 23.3%	78.4 3.6% 8.7%	38.0 1.7% 5.2%	- - -	2,200.8 100.0% 40.2%
Investment-type premiums	44.0 4.4% 1.5%	119.6 11.9% 14.4%	224.8 22.4% 24.9%	616.7 61.4% 83.8%	- - -	1,005.2 100.0% 18.4%
Total life	1,935.3 60.4% 64.7%	312.7 9.8% 37.8%	303.3 9.5% 33.6%	654.7 20.4% 89.0%	- - -	3,206.0 100.0% 58.6%
Total	2,990.0 54.7% 100.0%	828.0 15.1% 100.0%	901.9 16.5% 100.0%	735.9 13.5% 100.0%	12.5 0.2% 100.0%	5,468.3 100.0% 100.0%

¹⁾ In HY 2018 the German medical malpractice portfolio was transferred to the Group run-off facility

Growth Matrix HY 2018

in % in CHF (in % in LC)	Switzerland	Germany ¹⁾	Belgium	Luxembourg	Other ¹⁾	Total
Non-life	0.3%	7.6% (-1.0%)	13.5% (4.4%)	14.4% (5.3%)	-39.7% (-44.2%)	5.2% (0.8%)
Life	-11.0%	8.5% (-0.1%)	16.0% (6.7%)	-8.3% (-15.6%)	- -	-8.7% (-9.8%)
Investment-type premiums	-13.5%	15.6% (6.3%)	36.8% (25.9%)	-22.0% (-27.1%)	- -	-9.4% (-15.5%)
Total life	-11.1%	11.1% (2.2%)	30.7% (20.3%)	-21.3% (-26.5%)	- -	-9.0% (-11.6%)
Total	-7.4%	8.9% (0.2%)	18.8% (9.3%)	-18.5% (-24.0%)	-39.7% (-44.2%)	-3.6% (-6.9%)

¹⁾ HY 2017 restated for the German medical malpractice portfolio transferred to the Group run-off facility

EBIT Matrix HY 2018

in CHF mn (change in %)	Switzerland	Germany ¹⁾	Belgium	Luxembourg	Other ¹⁾	Eliminated	Total
Non-life	150.3 (-19.1)	3.1 (-82.5)	35.8 (-16.6)	6.1 (-6.2)	-41.4 (n.a.)	-8.8 (33.3)	145.1 (-44.4)
Life	106.1 (-14.0)	9.6 (-5.0)	101.4 (674.0)	7.3 (12.3)	-4.0 (-78.4)	-26.8 (35.4)	193.6 (68.6)
Banking & AM	6.5 (-48.8)	-1.4 (40.0)	- (n.a.)	- (n.a.)	10.7 (7.0)	26.2 (29.7)	42.0 (0.2)
Other	-7.1 (39.2)	-7.6 (-11.6)	- (n.a.)	0.0 (n.a.)	-14.2 (6.0)	9.3 (50.0)	-19.6 (-1.0)
Total	255.8 (-19.3)	3.6 (-80.2)	137.2 (145.0)	13.4 (-3.6)	-48.9 (613.0)	- (n.a.)	361.1 (-9.3)

¹⁾ In HY 2018 the German medical malpractice portfolio was transferred to the Group run-off facility

8. Further Information

Reporting Agenda and Contact Details

Reporting agenda

Q3 2018 interim statement	14 November 2018
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Full-year results 2018	28 March 2019
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Annual General Meeting	26 April 2019
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Further Disclosure

Half-Year Report



Half-Year Report 2018

Press Release




Press Release HY 2018

C-Level Insights



C-Level Insights HY 2018

Travel Guide




Travel Guide

Simply Safe Strategy



Strategy Map and Investor Day 2016 Presentation

Value Management



From Cash to Value