Baloise Gruppe – Swiss Solvency Test as at 1 January 2021

Results for the Baloise Group

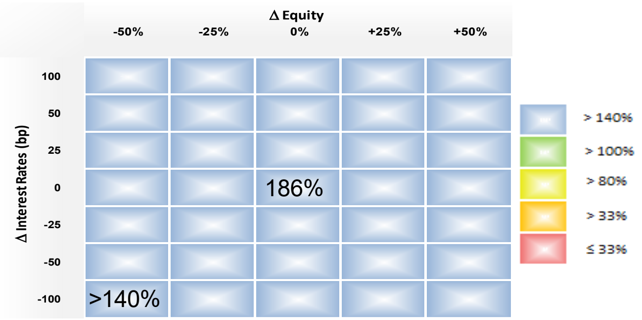
In CHF mn	1 January 2020	**1 January 2021**
Risk-bearing capital (RBC)	11’473	11’526
Target capital (TC)	6’226	6’725
Solvency ratio	**201%**	**186%**

- **Risk-bearing capital** slightly increased year on year. The negative effects of the Covid-19-pandemic were more than offset by the positive developments of the real estate portfolio and changes of the business in force.
- **Target capital** rose year on year more significantly. This was mostly driven due to the negative impacts of the Covid-19-pandemic (higher market volatility assumptions) and use of market opportunities in asset management (controlled growth in corporate bonds).
- Because target capital grew at a stronger rate than risk-bearing capital, the **solvency ratio** reduced to 186%.[1)]
- The solvency ratios of the two Swiss companies Baloise Life Ltd and Baloise Insurance Ltd stood at 209% and 282% respectively as at 1 January 2021.

Sensitivities of the solvency ratio

(as at 1 January 2021)

- 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 adjustments to the standard model, the SST model changed year on year. 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 1’122 Mio. CHF as at 1 January 2021 (1’047 Mio. CHF as at 1 January 2020)

April 30th 2021