

Half Year Results 2014

«Excellent profit and attractive growth»

Basel, 28 August 2014



Making you safer.

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01 Highlights

Martin Strobel
Group CEO

Highlights HY 2014

Excellent profit and attractive growth

→ Excellent profit of CHF 350 mn, up by 43%

→ Persistent attractive growth in target segments, business volume up by 6.9%

→ Strong net combined ratio of 93.2% thanks to improved underlying portfolio quality

→ Reliable investment result, investment yield of 2.0%¹⁾

→ Leap in life earnings backed by improved business mix and strong investment income

→ Strong capitalisation: consolidated solvency I of 316%, S&P rating upgraded to "A"

→ Fully on track to deliver financial targets

¹⁾ not annualized

02 Financials

German Egloff
Group CFO

Key Figures

Profit up by 42.9%

in CHF mn	HY 2013	HY 2014	+/-
Half-year consolidated profit (attributable to shareholders)	245	350	42.9%
Earnings per share (undiluted)	5.22	7.45	42.7%
Total equity	4,906 ¹⁾	5,296	7.9%
Book value per share	103.5 ¹⁾	111.9	8.1%
Total business volume	5,455	5,831	6.9%
Gross premiums written	4,783	4,920	2.9%
Investment yield ²⁾	1.7%	2.0%	0.3 pts
Combined ratio, net	94.5%	93.2%	-1.3 pts
New business margin	17.3%	11.3%	-6.0 pts
Annual premium equivalent (APE)	176	226	28.6%
Consolidated solvency I	267% ³⁾	316%	49 pts

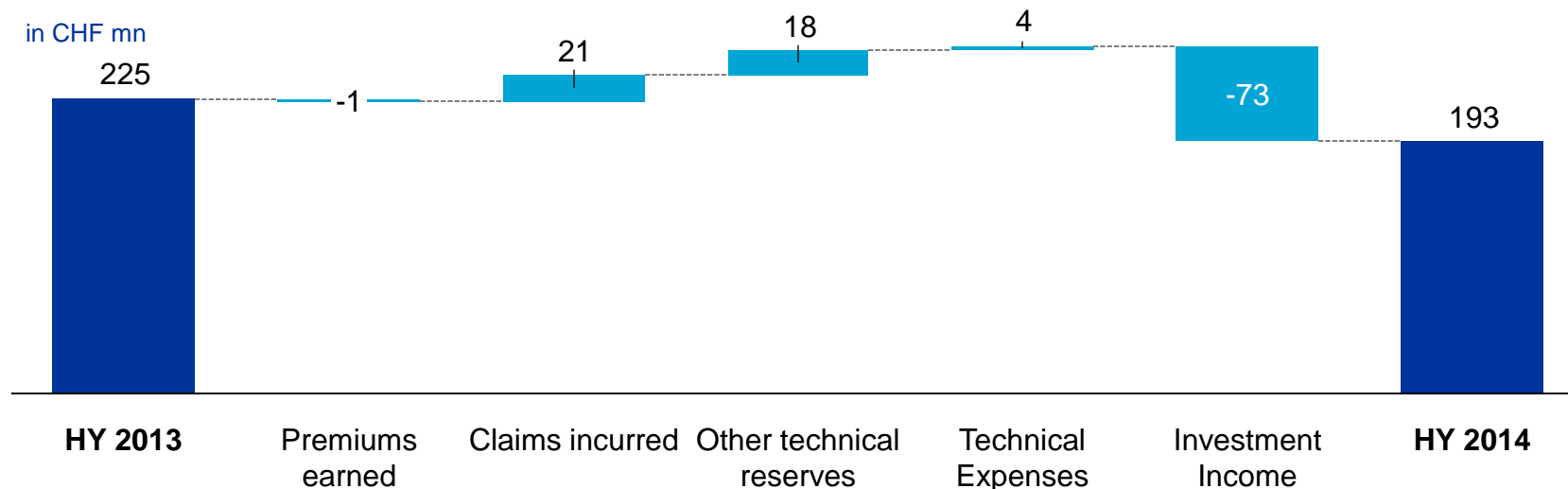
¹⁾ as per 31.12.2013

²⁾ insurance assets excl. investment-type assets; investment yield incl. costs, excl. movements in unrealised capital gains

³⁾ as per 31.12.2013, excl. banking

Non-life Earnings

Improved technical result offset by lower realised gains

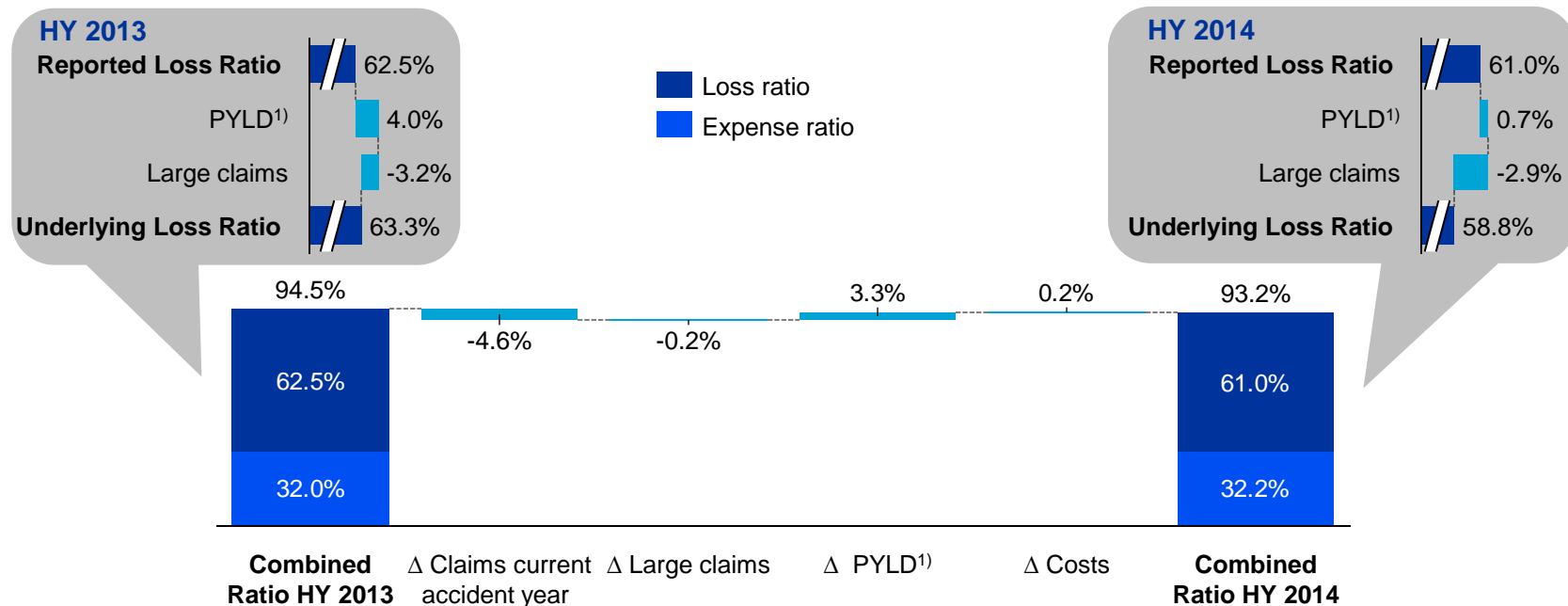


in CHF mn	HY 2013	HY 2014	+/-
Gross premiums written	2,301	2,291	-0.4%
Net premiums earned	1,609	1,608	-0.1%
Investment income	190	143	-24.9%
Claims incurred	-1,005	-984	-2.1%
Technical expenses	-537	-533	-0.7%
EBIT	225	193	-14.1%

Non-life Net Combined Ratio

Underlying loss ratio improved by 4.5 pts

net, in % of premiums earned








- Underlying loss ratio improved by 4.5 pts due to excellent underwriting quality
- Lower underlying claims pattern mirrors improved business mix
- PYLD below long-term average, however unchanged high reserving ratio

¹⁾ prior year loss development
Loss ratio incl. surplus sharing

Non-life Gross Combined Ratio by Country

Persistent strong cashflow generation

gross, in %	Switzerland	Germany	Belgium	Luxembourg	Austria	Group
						
Loss ratio	58.1	67.6	67.0	47.8	60.9	62.3
Expense ratio	25.2	35.7	34.6	33.8	31.5	31.0
Combined ratio HY 2014	83.3	103.3	101.6	81.6	92.4	93.3
Change vs. HY 2013 (in pts)						
Δ Loss ratio	-3.6	-2.2	8.9	0.8	-0.3	0.3
Δ Expense ratio	0.2	1.2	-0.9	0.5	-0.9	0.1
Δ Combined ratio	-3.4	-1.0	8.1	1.2	-1.2	0.3

Loss ratio incl. surplus sharing

Life Earnings

Attractive growth and leap in profit

in CHF mn, excl. investment-type assets	HY 2013	HY 2014	+/-
Business volume	3,154	3,539	12.2%
Gross premiums written	2,481	2,629	5.9%
Net premiums earned	2,470	2,617	6.0%
Investment-type premiums	673	910	35.3%
Investment income	671	945	40.8%
Benefits to policyholders ¹⁾	-2,862	-3,079	7.6%
Technical expenses	-172	-211	22.4%
EBIT	99	249	150.6%
Value of new business	30	25	-16.0%
Annual premium equivalent (APE)	176	226	28.6%
New business margin	17.3%	11.3%	-6.0 pts

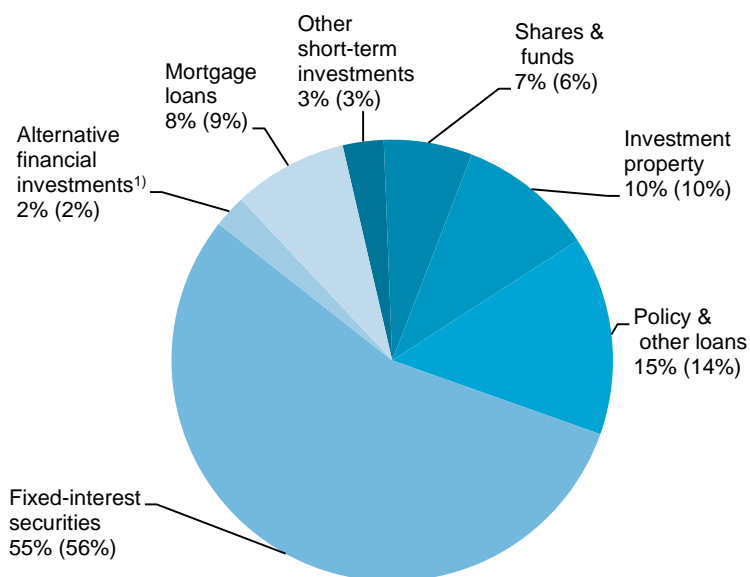
¹⁾ incl. change in technical reserves

Asset Allocation: Insurance

Equity exposure in life increased

excluding banking assets and assets from investment-type premiums

HY 2014 (FY 2013)



¹⁾ private equity & hedge funds

<i>Equity & equity related investments</i> <i>In % total insurance assets</i>	HY 2014
Equities	4.4%
Equity derivatives	-0.6%
Equities incl. derivatives	3.8%
Private Equity	1.0%
Hedge Funds (equity related)	0.2%
Other ²⁾	2.1%
Equity & equity related investments	7.1%

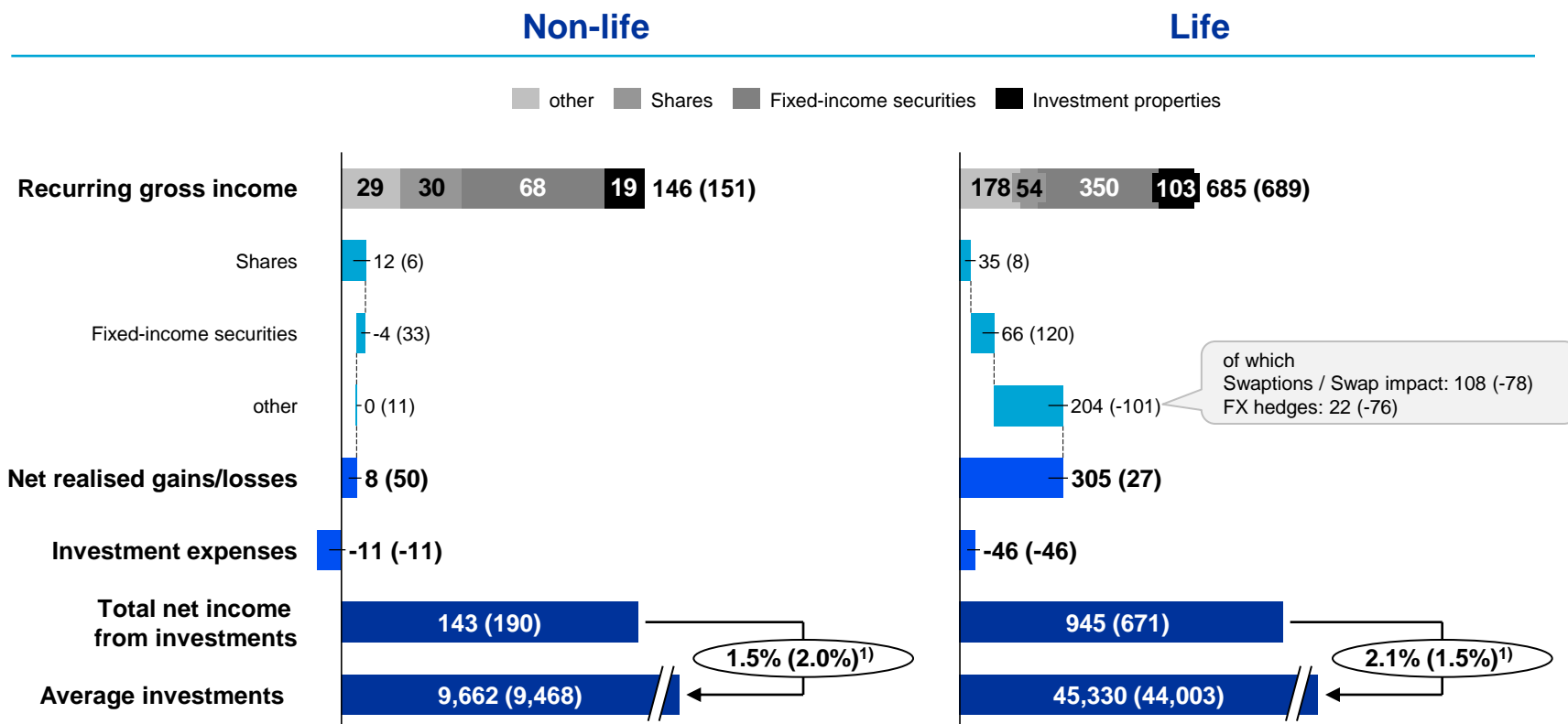
²⁾ e.g. bond & property funds treated as equity under IFRS

in CHF mn, %	FY 2013	HY 2014
Equity & equity-related investments (net)	6.3%	7.1%
Total insurance assets	54,106	55,877

Investment Yield

Life benefits from gains on interest hedging instruments

HY 2014 (HY 2013) in CHF mn, excl. income on investment-type insurance contracts, before PH participation



¹⁾ investment yield including costs, excluding movements in unrealised capital gains, excluding investment-type assets

Change in Equity

Book value per share up by 8.1%

in CHF mn, incl. non-controlling interests	HY 2014		Per share ¹⁾	
Total equity at January 1	4,906		103.5	
Other comprehensive income	284			
Dividends	-224			
Half-year consolidated profit	352	$\Delta = 7.9\%$		$\Delta = 8.1\%$
Purchase / sale of treasury shares	-12			
Change in non-controlling interests	-11			
Total equity at June 30	5,296		111.9	

¹⁾ based on consolidated total equity (excluding non-controlling interests) and on average shares outstanding

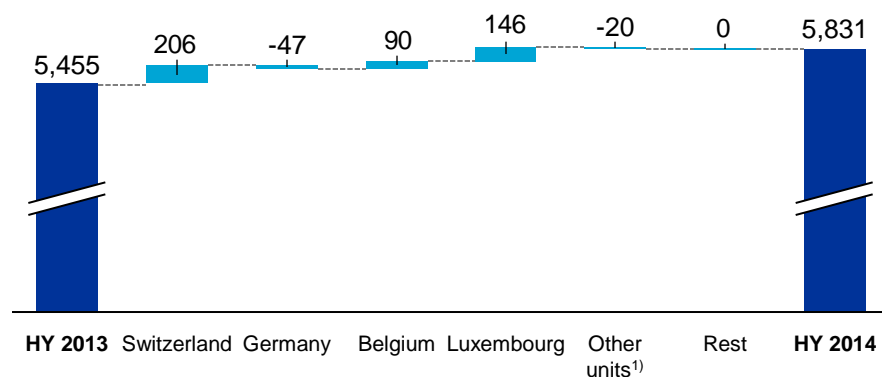
03 Operations

Martin Strobel
Group CEO

Business Volume

Attractive growth in target segments

By country

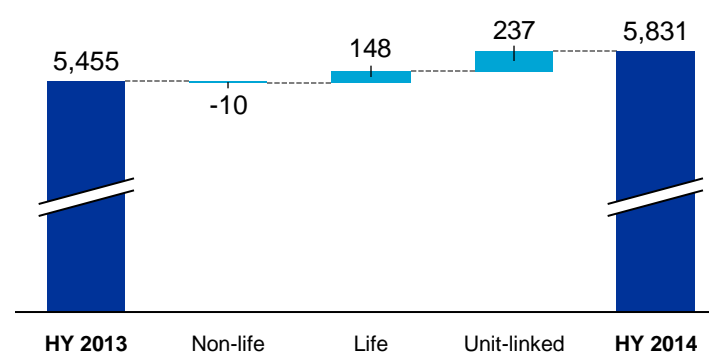


in CHF mn	HY 2013	HY 2014	+/-	+/- LC ²⁾
Switzerland	3,161	3,367	6.5%	6.5%
Germany	1,000	953	-4.7%	-4.0%
Belgium	710	800	12.7%	13.5%
Luxembourg	461	607	31.7%	32.5%
Other units ¹⁾	120	100	-16.6%	-15.9%
Rest	3	3	0.2%	0.2%
Total	5,455	5,831	6.9%	7.2%

¹⁾ Austria, Croatia and Serbia

²⁾ local currency (LC)

By line of business

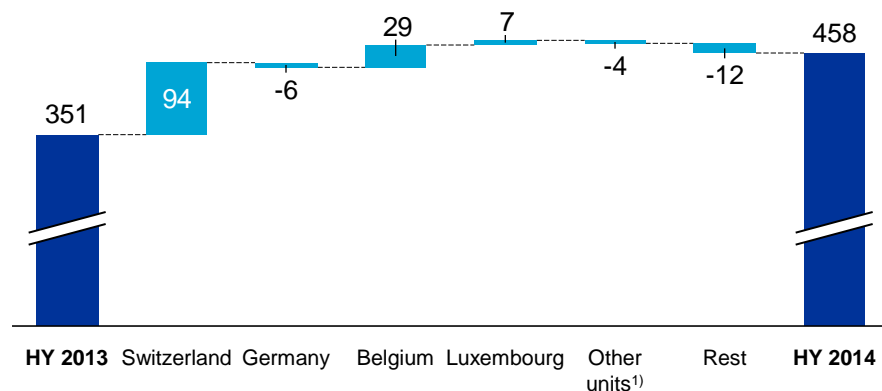


in CHF mn	HY 2013	HY 2014	+/-	+/- LC ²⁾
Non-life	2,301	2,291	-0.4%	-0.1%
Life	2,481	2,629	5.9%	6.1%
Unit-linked	673	910	35.3%	36.1%
Total	5,455	5,831	6.9%	7.2%

EBIT

Operational profitability up by 30.5%

By country

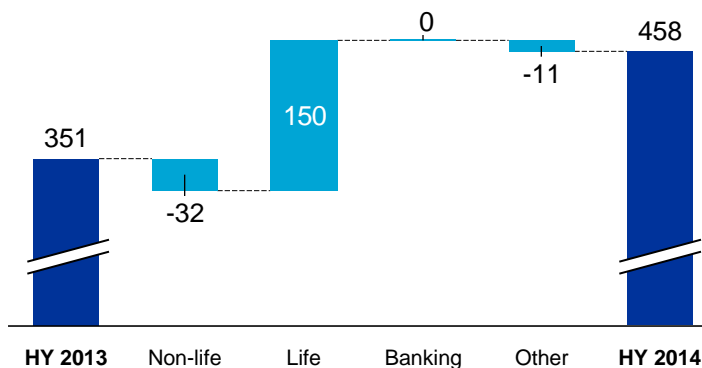


in CHF mn	HY 2013	HY 2014	+/-
Switzerland	208	302	45.1%
Germany	23	17	-26.7%
Belgium	66	95	45.4%
Luxembourg	9	16	82.3%
Other units ¹⁾	8	4	-53.7%
Rest ²⁾	37	25	-34.2%
Total	351	458	30.5%

¹⁾ Austria, Croatia and Serbia

²⁾ incl. Baloise Holding AG, internal reinsurance, Corporate IT

By line of business



in CHF mn	HY 2013	HY 2014	+/-
Non-life	225	193	-14.1%
Life	99	249	150.6%
Banking	41	41	-0.2%
Other ³⁾	-14	-25	79.9%
Total	351	458	30.5%

³⁾ incl. Baloise Holding AG, Corporate IT, Baloise Incentive Foundation

Highlights Swiss Operations

Outstanding profitability

Non-life:

Gross premiums written: CHF 1,060 mn (-0.2%)

Combined Ratio, gross: 83.3% (-3.4 pts)

EBIT: CHF 110 mn (5.6%)

- Solid growth in highly attractive lines of business
 - Restrictive underwriting policy in group health and accident business
 - Very good technical result due to strategic positioning and benign claims environment
-

Life:

Gross premiums written: CHF 2,202 mn (8.1%)

Investment-type premiums: CHF 104.6 mn (71.0%)

EBIT: CHF 185 mn (100.9%)

New business margin: 11.9% (-6.8 pts)

- Strong growth in group life business; above-average risk premium growth
 - Strong increase in EBIT due to improved business mix and strong investment income
 - Solid new business margin in a low interest rate environment
-

Baloise Bank SoBa¹⁾: (local GAAP)

Profit for the period: CHF 12.8 mn (0.9%)

Client deposits: CHF 5,145 mn (3.6%)

Client loans: CHF 6,349 mn (0.9%)

Cost income ratio: 63.2% (0.5 pts)

- Higher net profit despite lower interest margin
 - No provisions for credit risks needed
-

¹⁾ balance sheet positions compared to 31.12.2013, profit and loss positions compared to 30.06.2013

Highlights International Operations

Steady growth; operational excellence gathers pace

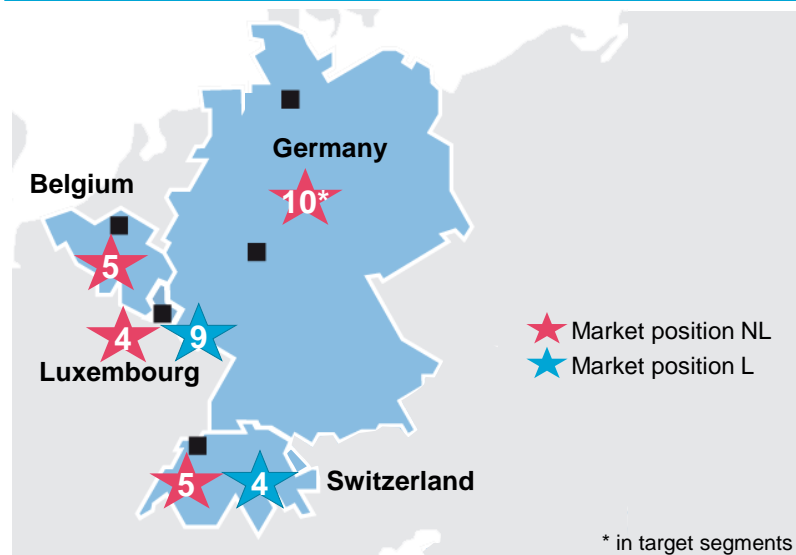
- Germany:
- Optimisation measures well on track
 - Non-life: Attractive growth in target segments; re-underwriting measures lead to improved business mix
-
- Belgium:
- Above market growth in life driven by new established partnerships with banks, business volume up by 45%
 - Improved cost ratio, hailstorm 'Ela' weights on gross combined ratio
-
- Luxembourg
- Market share above 10% after acquisition of local P&V; integration process fully on track
 - Continuous growth combined with strong technical performance lead to an excellent result
-

04 Outlook

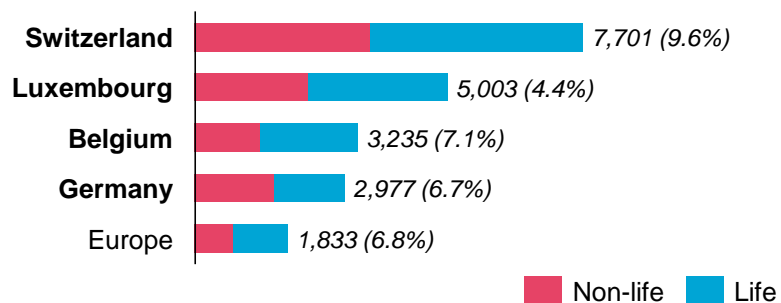
Martin Strobel
Group CEO

Strategic Footprint

Highly focused & highly profitable – success story to be continued



Premium per person, in USD; (% GDP)



Source: Swiss Re, sigma 3/2014

→ Target customer & target broker management.

For a decade, Baloise walks the talk in executing its strategy in focusing on target customers and target brokers – with the result of having one of the most profitable insurance portfolios in Europe

→ Making you safer.

Baloise's unique selling proposition is its Safety World - a blue ocean of endless opportunities - making insurance way more than a sole commodity product

→ 4 very attractive markets.

Baloise is strongly committed to its 4 attractive core markets which are the basis of its success by sharing similar market trends, culture and growth prospects

→ Cash is King.

Baloise is committed to a very attractive and sustainable dividend policy, demonstrated by its strong distribution track record and is hence an appealing investment opportunity with 100% free-float

Financial Targets

Fully on track

Strong operations

Non-life combined ratio 93 – 96%

Life New Business Margin > 10%

Good profitability

Return on Equity (RoE) 8 -12%

Attractive and reliable dividend

Q&A

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I Operations

Business Matrix HY 2014

in CHF m	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia/ Serbia ¹⁾	Rest	Total
Life	2,202 83.8% 65.4%	285 10.8% 29.9%	72 2.8% 9.1%	54 2.0% 8.9%	9 0.4% 10.8%	6 0.2% 48.4%	- - -	2,629 100.0% 45.1%
Unit-linked	105 11.5% 3.1%	115 12.6% 12.1%	198 21.8% 24.8%	483 53.1% 79.6%	9 1.0% 10.3%	- - -	- - -	910 100.0% 15.6%
Non-life	1,060 46.3% 31.5%	553 24.1% 58.0%	530 23.1% 66.2%	70 3.1% 11.5%	69 3.0% 78.9%	7 0.3% 51.6%	3 0.1% 100.0%	2,291 100.0% 39.3%
Total	3,367 57.7% 100.0%	953 16.3% 100.0%	800 13.7% 100.0%	607 10.4% 100.0%	88 1.5% 100.0%	13 0.2% 100.0%	3 0.1% 100.0%	5,831 100.0% 100.0%

¹⁾ Business volume only included until closing in March 2014

Growth Matrix HY 2014

in % in CHF (in % in LC)	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia/ Serbia ¹⁾	Rest	Total
Life	8.1%	-5.9% (-5.3%)	-8.3% (-7.6%)	44.0% (45.0%)	-4.3% (-3.6%)	-57.2% (-56.7%)	-	5.9% (6.1%)
Unit-linked	71.0%	-4.9% (-4.2%)	83.1% (84.4%)	29.4% (30.3%)	4.7% (5.4%)	-100.0% (-100.0%)	-	35.3% (36.1%)
Non-life	-0.2%	-4.0% (-3.4%)	1.3% (2.0%)	39.2% (40.2%)	3.0% (3.7%)	-67.5% (-67.1%)	0.2% (0.2%)	-0.4% (-0.1%)
Total	6.5%	-4.7% (-4.0%)	12.7% (13.5%)	31.7% (32.5%)	2.3% (3.0%)	-63.2% (-62.7%)	0.2% (0.2%)	6.9% (7.2%)

¹⁾ Business volume only included until closing in March 2014

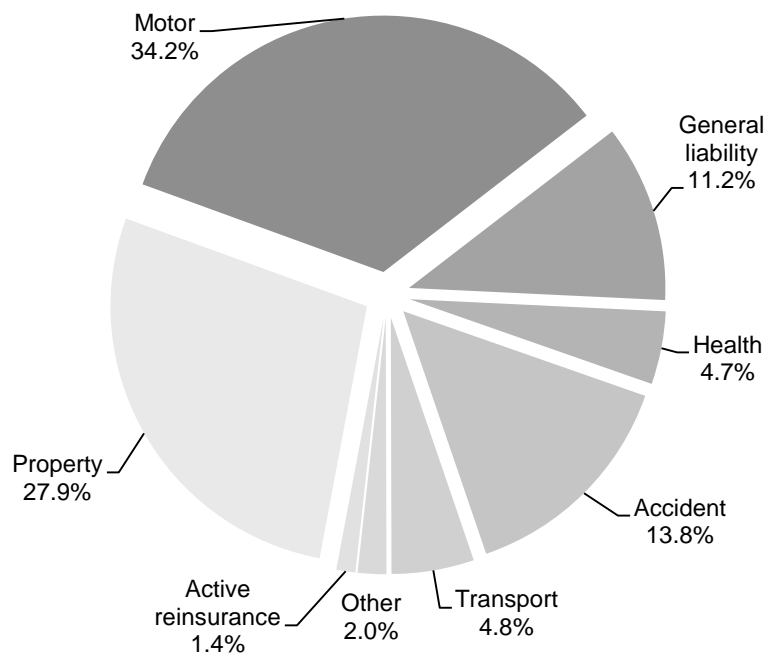
EBIT Matrix HY 2014

in CHF mn	Non-life	Life	Banking	Other	Total
Switzerland	110 (5.6%)	185 (100.9%)	15 (5.8%)	-9 (196.6%)	302 (45.1%)
Germany	12 (-48.9%)	12 (238.4%)	0 (-70.2%)	-8 (48.0%)	17 (-26.7%)
Belgium	18 (-60.1%)	71 (407.3%)	- (n.m.)	7 (-4.7%)	95 (45.4%)
Luxembourg	8 (121.2%)	9 (86.5%)	- (n.m.)	-1 (n.m.)	16 (82.3%)
Other units	3 (31.3%)	0 (-94.0%)	- (n.m.)	0 (-29.6%)	4 (-53.7%)
Rest	35 (-29.0%)	-3 (-3.8%)	10 (6.7%)	-18 (-3.8%)	25 (-34.2%)
Eliminated	7 (n.m.)	-25 (49.2%)	14 (-3.1%)	3 (-29.8%)	- (n.m.)
Total	193 (-14.1%)	249 (150.6%)	41 (-0.2%)	-25 (79.9%)	458 (30.5%)

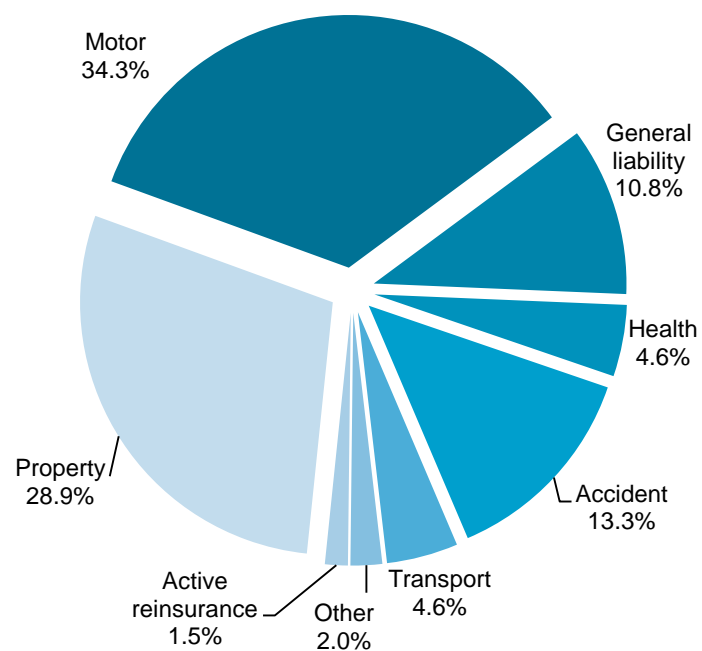
Business Mix Non-life

in % of gross premiums written

HY 2013



HY 2014



in CHF mn

Gross premiums written non-life

HY 2013

2,301

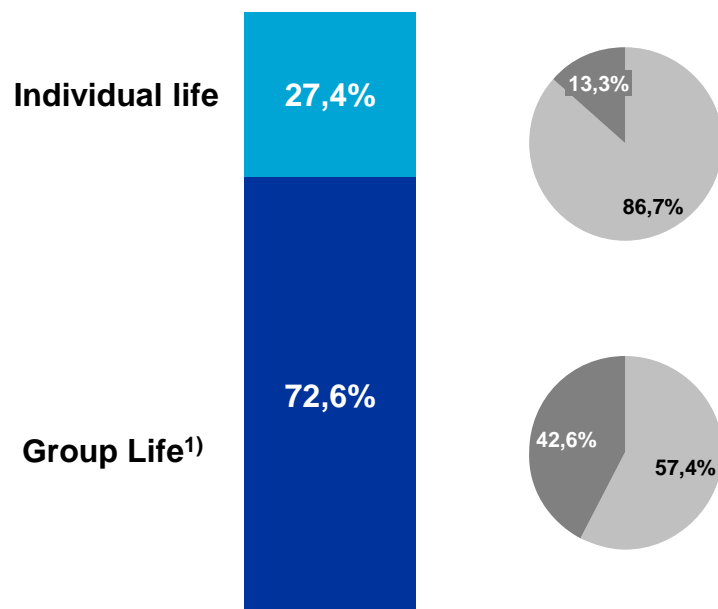
HY 2014

2,291

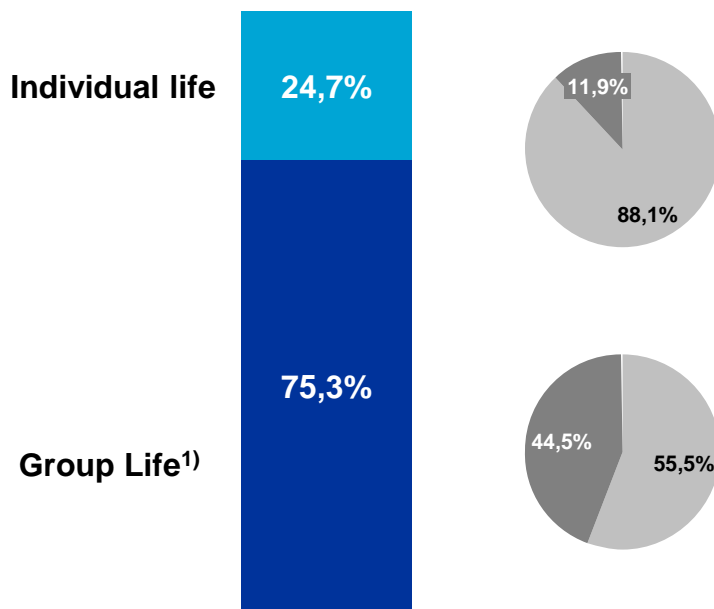
Business Mix Life

in % of gross premiums written, excl. investment-type premiums

HY 2013



HY 2014



■ Single Premiums ■ Periodic premiums

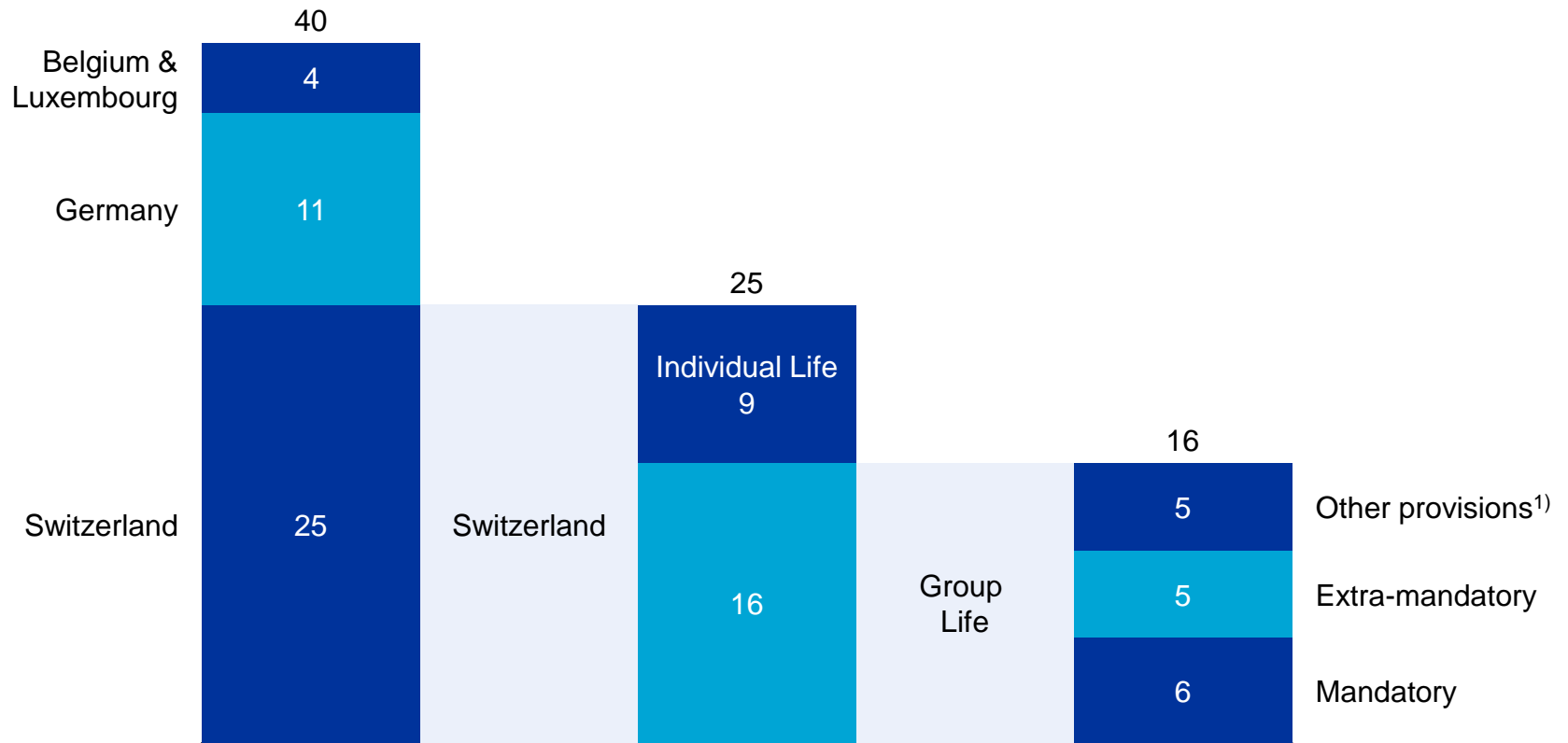
¹⁾ Swiss Group life business only

MCEV: New Business Margin

in CHF mn, based on statutory financial statements	HY 2013					HY 2014				
	CH	D	B	Lux	Group	CH	D	B	Lux	Group
MCVNB	20	5	2	4	30	16	3	1	5	25
APE	106	22	12	35	176	137	17	23	49	226
NB Margin on APE	18.7%	22.7%	15.2%	10.2%	17.3%	11.9%	16.1%	4.6%	10.8%	11.3%
PVNBP	1,468	188	132	353	2,141	1,962	151	255	494	2,863
NB Margin on PVNBP	1.4%	2.7%	1.4%	1.0%	1.4%	0.8%	1.8%	0.4%	1.1%	0.9%

Technical Reserves Life

HY 2014: gross, in CHF bn

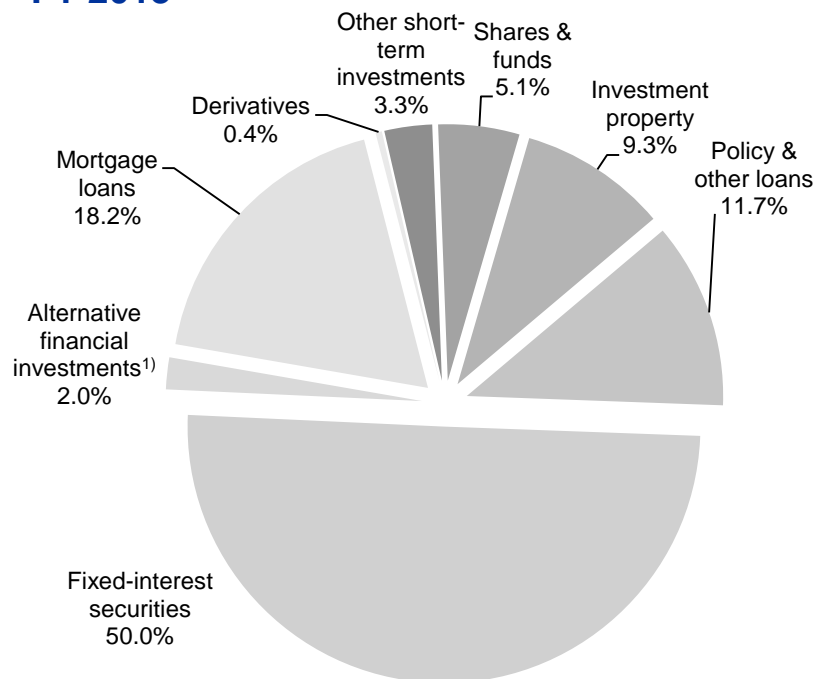


¹⁾ provisions for annuities, mortality, disability, reserve strengthening, cost of living adjustment fund

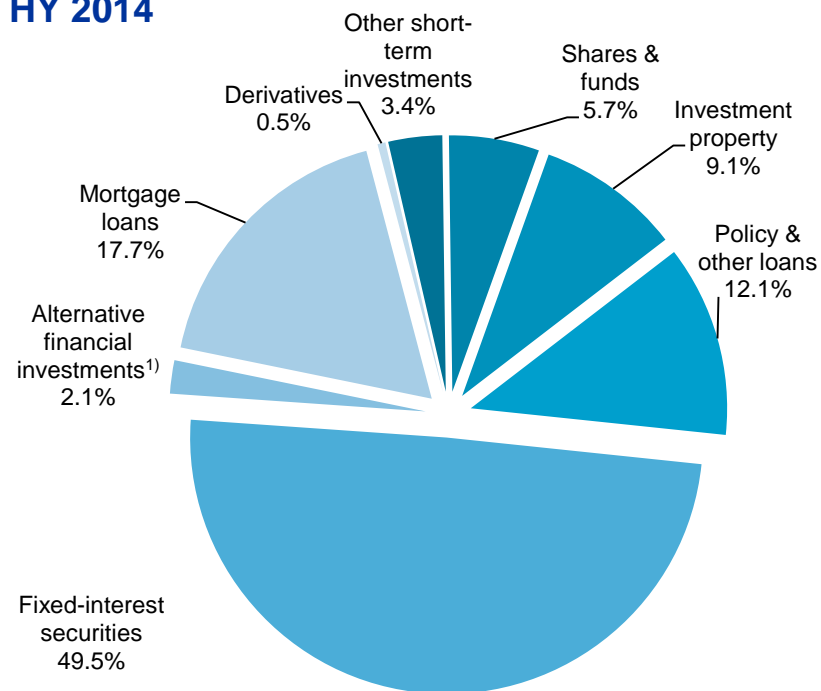
II Financials

Group Asset Allocation

FY 2013



HY 2014



in CHF mn

HY 2014

Total group assets²⁾

63,311

¹⁾ private equity and hedge funds

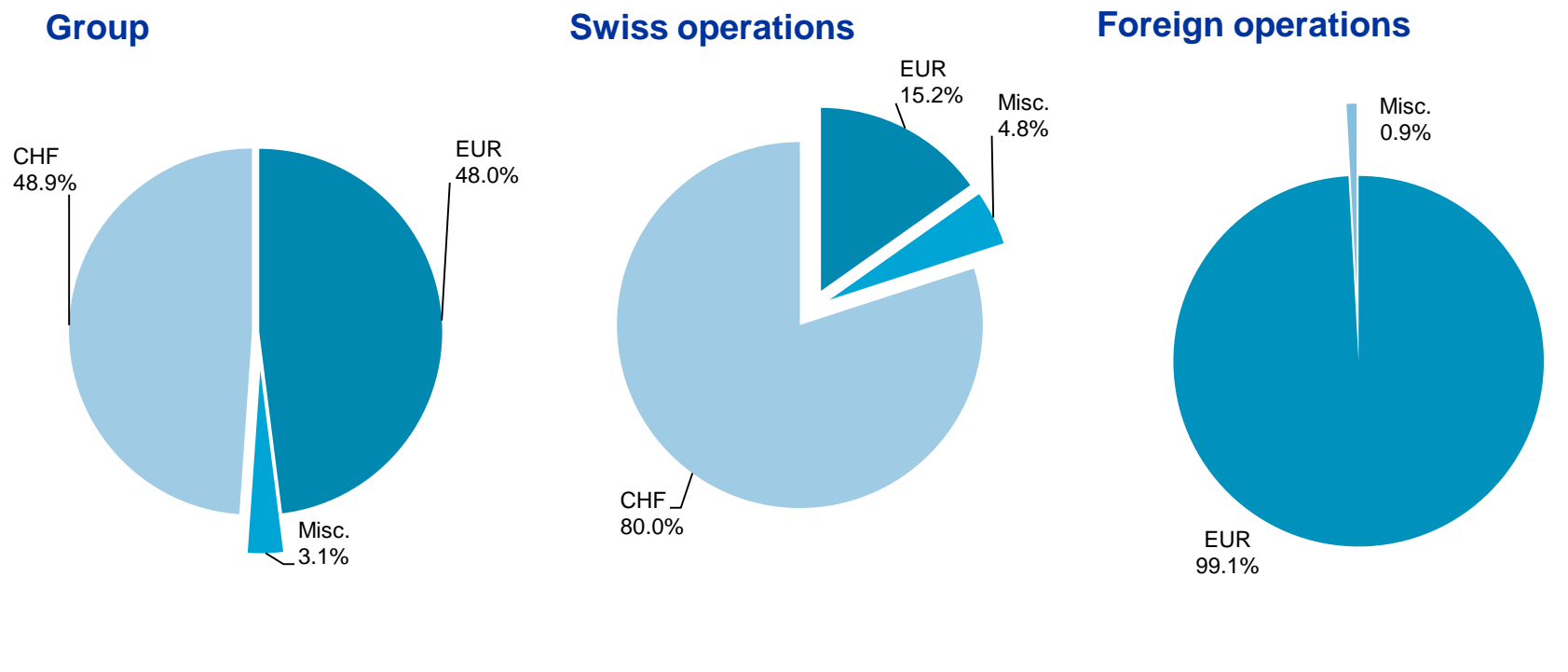
²⁾ incl. banking assets, excl. assets from investment-type premiums

Impairments in HY 2014

Financial assets of an equity nature		Financial assets of a debt nature	
Impairments (in CHF mn), gross	9	Impairments (in CHF mn), gross	0
Impairments in % of \emptyset asset of an equity nature	0.2%	Impairments in % of \emptyset assets of a debt nature	0.0%
→ Negligible impairments		→ Broadly diversified portfolio of high quality bonds	

Total Insurance Assets: Currency Exposure, Gross

excluding banking assets and assets from investment-type premiums



in CHF mn

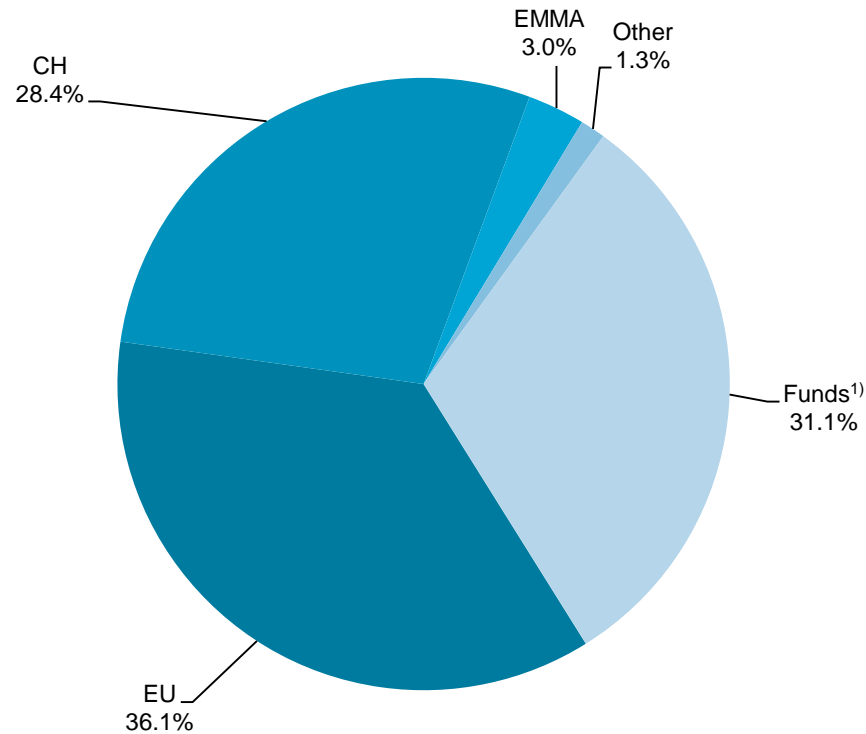
HY 2014

Total insurance assets

55,877

Equity Portfolio: Regional Exposure

excluding banking assets and assets from investment-type premiums



¹⁾ treated as equity under IFRS

in CHF mn	HY 2014
Total equity investments	3,608

Hedge Fund Portfolio

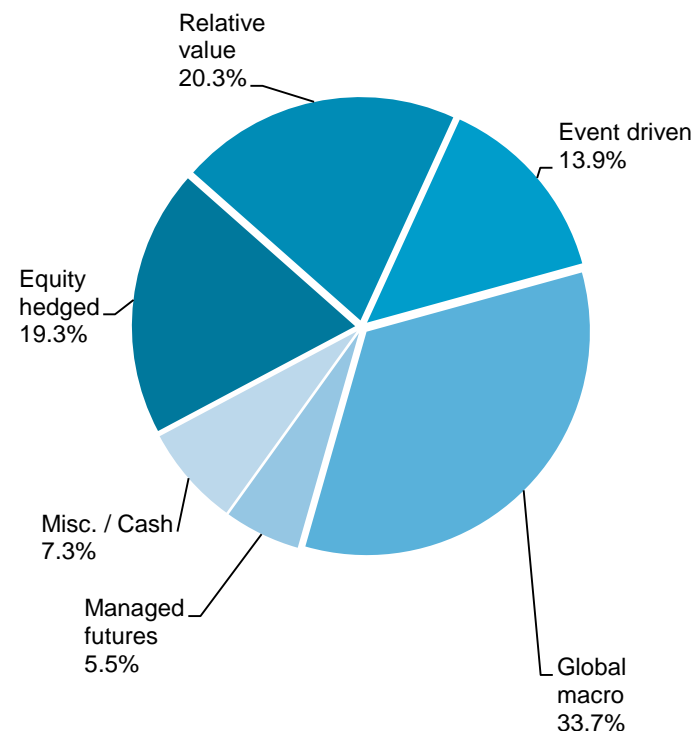
excluding banking assets and assets from investment-type premiums

	HY 2014
Total hedge fund investments (in CHF mn)	760
Performance (in USD)	1.2%
Impairments ¹⁾ (in CHF mn), gross	0.5
Impairments in % of ø Hedge Funds	0.1%

- Broadly diversified portfolio
- FX-risk mainly hedged

¹⁾ part of the impairments on financial assets with an equity nature

By style



Private Equity Portfolio

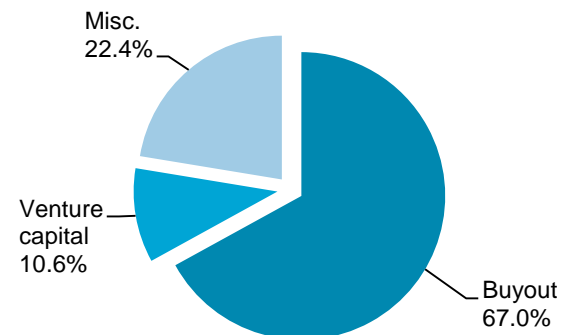
excluding banking assets and assets from investment-type premiums

	HY 2014
Total private equity investments (in CHF mn)	560
Performance (in USD, Sep 13 - Mar 14)	6.5%
Impairments ¹⁾ (in CHF mn), gross	2
Impairments in % of ø Private Equity	0.4%

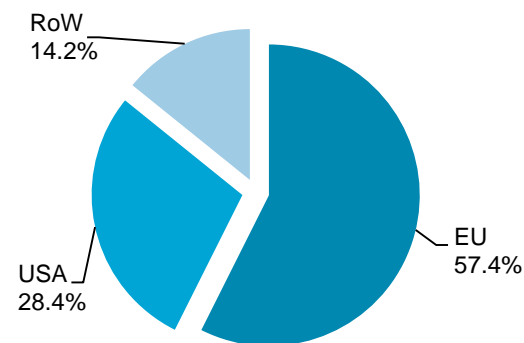
→ FX-risk mainly hedged

¹⁾ part of the impairments on financial assets with an equity nature

By type



By region

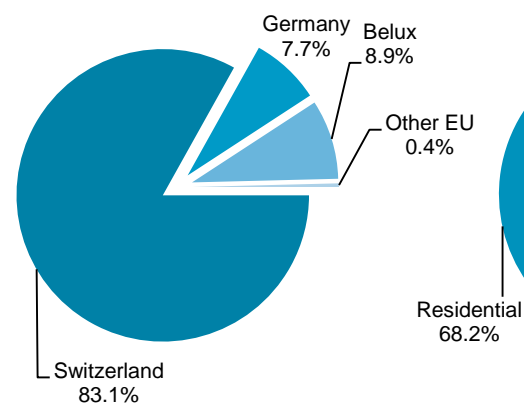


Investment Property and Mortgages

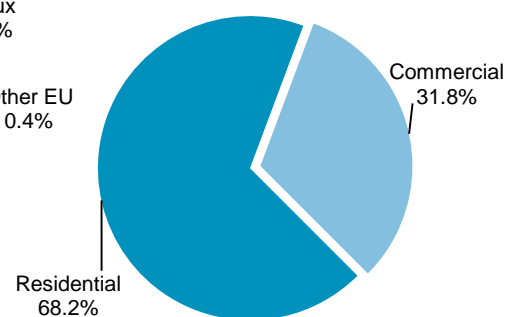
excluding banking assets and assets from investment-type premiums

in CHF mn	HY 2014
Total investment property	5,563
Net yield	2.3%

By country



By type



- Well diversified portfolio, only invested in solid markets
- Stable valuation generating regular periodic income

in CHF mn	HY 2014
Total mortgages	4,677
Gross yield ¹⁾	2.2%
administration costs	-3 bps
risk costs	3 bps
Net yield ¹⁾	2.2%

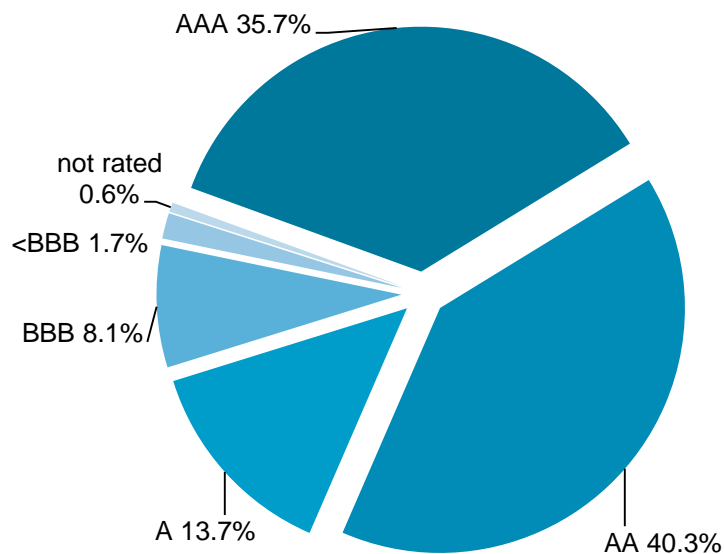
¹⁾ in % of mortgage investments

- Portfolio of excellent quality due to credit guidelines of high standing
- reversal of impairments and realised gains result in positive return contribution of risk costs

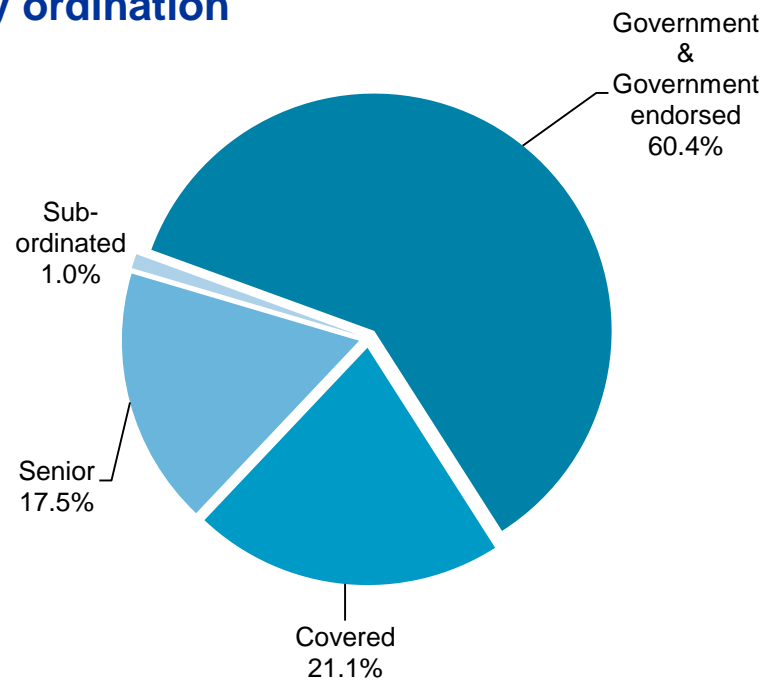
Bond Portfolio

excluding banking assets and assets from investment-type premiums

By quality



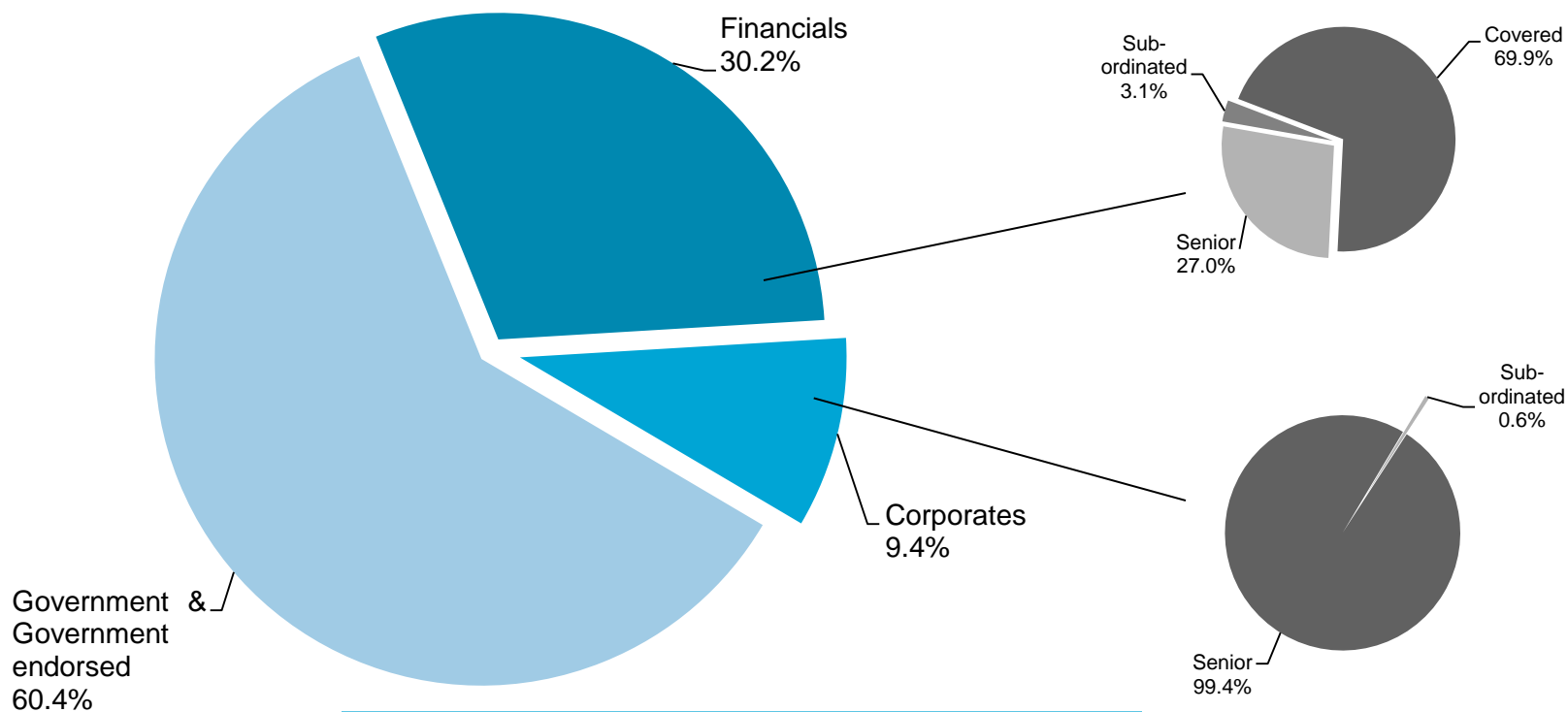
By ordination



in CHF mn	HY 2014
Total bond investments	30,912

Bond Portfolio: Issuers

excluding banking assets and assets from investment-type premiums



in CHF mn

HY 2014

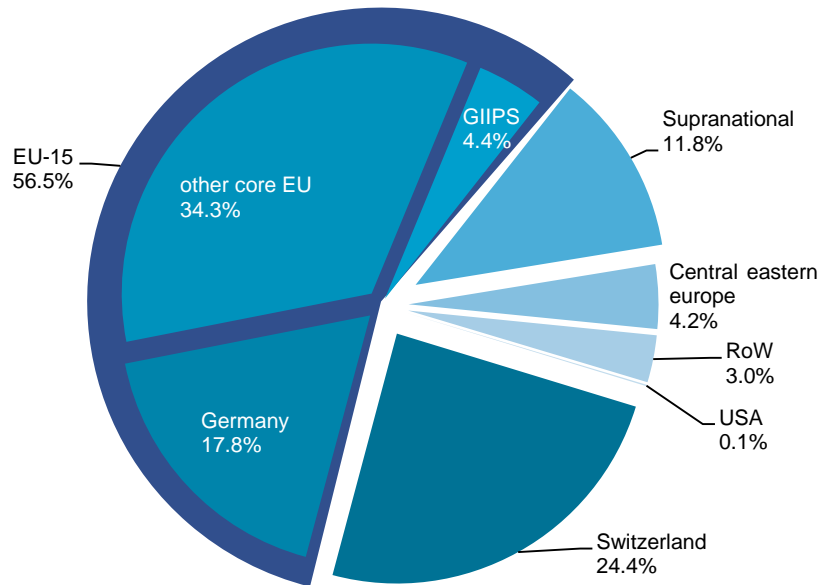
Total bond investments

30,912

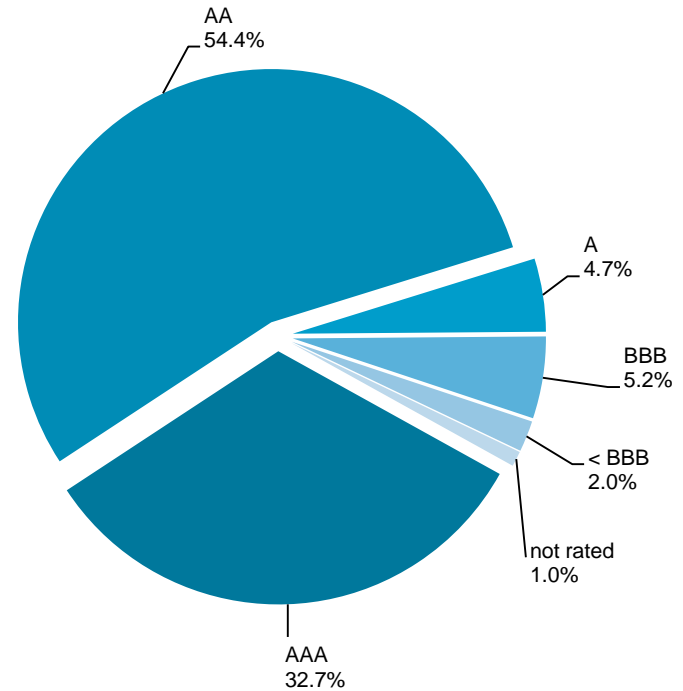
Bond Portfolio: Sovereign and Public Debt

excluding banking assets and assets from investment-type premiums

By region



By quality



in CHF mn

HY 2014

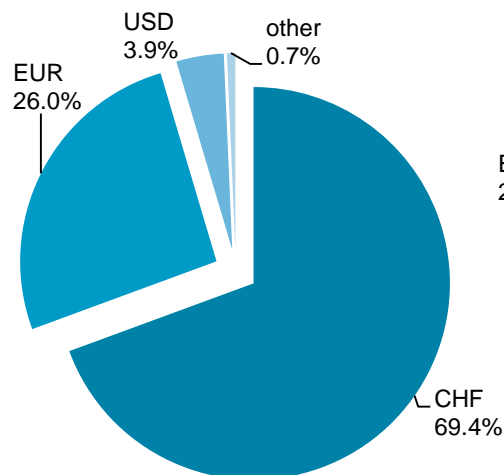
Total Sovereign and Public Debt

20,051

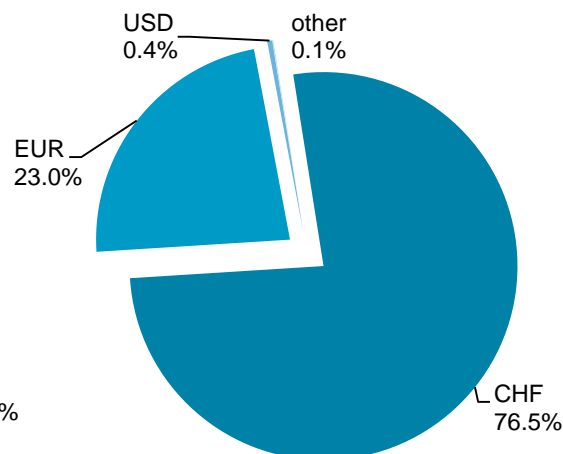
Bond Portfolio: Currency Exposure of Swiss Operations

excluding banking assets and assets from investment-type premiums

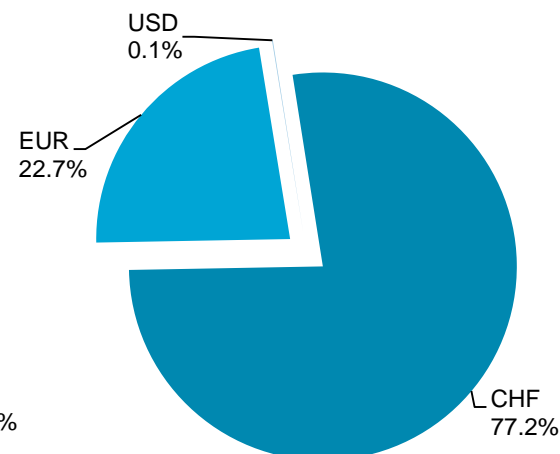
Non-life



Total bonds



Life



→ Total net currency exposure after hedges & liabilities: 5.6% EUR, 0.1% USD

in CHF mn

HY 2014

Total bonds investments¹⁾

20,473

¹⁾ held by Swiss operations

Duration of Bonds and Promissory Notes

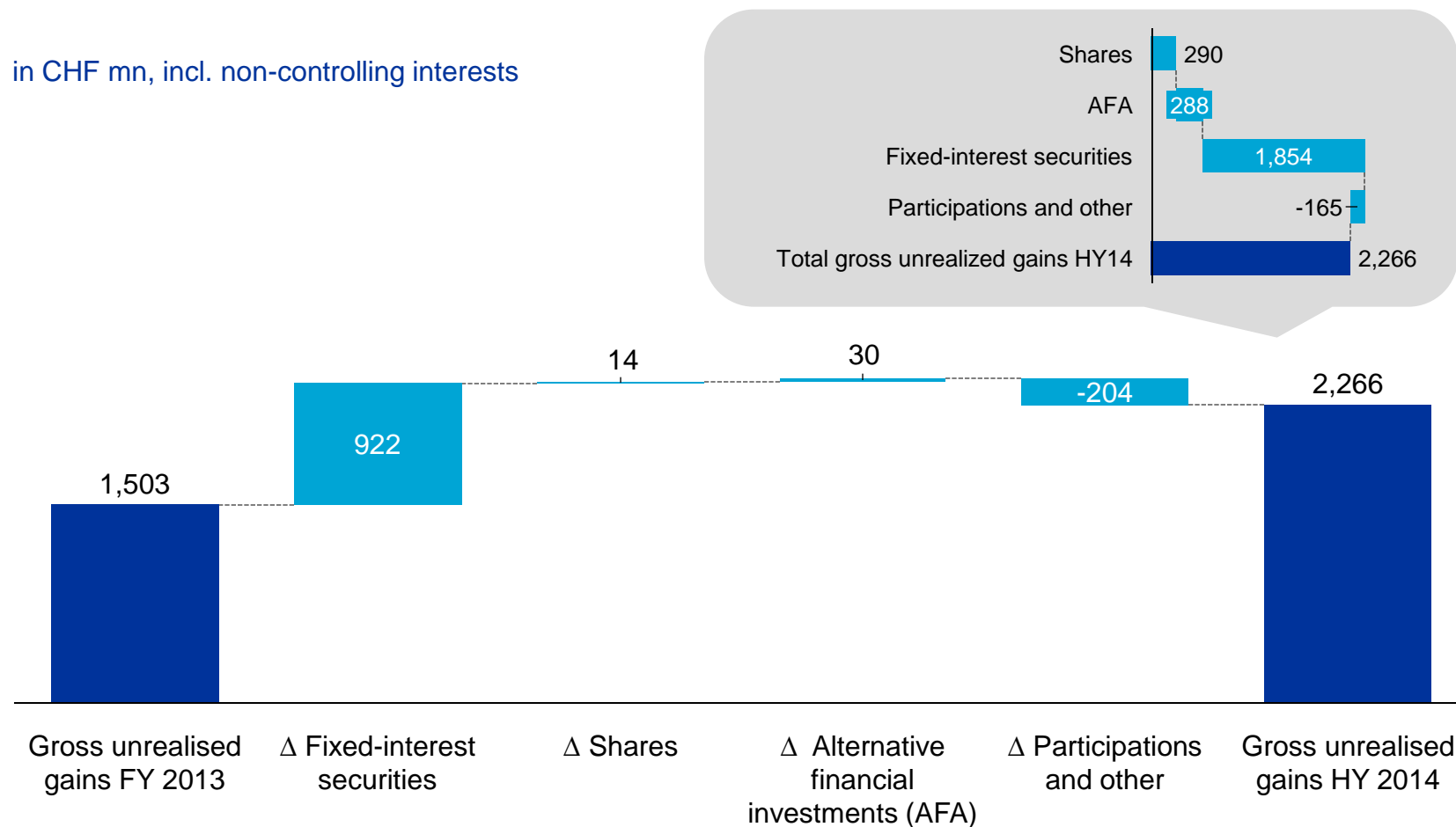
excluding banking assets and assets from investment-type premiums

Duration by classification	2013		HY 2014	
	Years	% of total	Years	% of total
Duration bonds available-for-sale (AFS)	6.8	59.8%	7.1	59.3%
Duration bonds held-to-maturity (HTM)	8.6	22.8%	9.2	23.6%
Duration promissory notes	6.8	17.4%	7.1	17.1%
Duration portfolio	7.2	100%	7.6	100%

Duration by line of business	2013		HY 2014	
	Years	% of total	Years	% of total
Duration life bonds (incl. promissory notes)	7.5	85.6%	8.0	85.6%
Duration non-life bonds (incl. promissory notes)	5.3	14.4%	5.4	14.4%
Duration portfolio	7.2	100%	7.6	100%

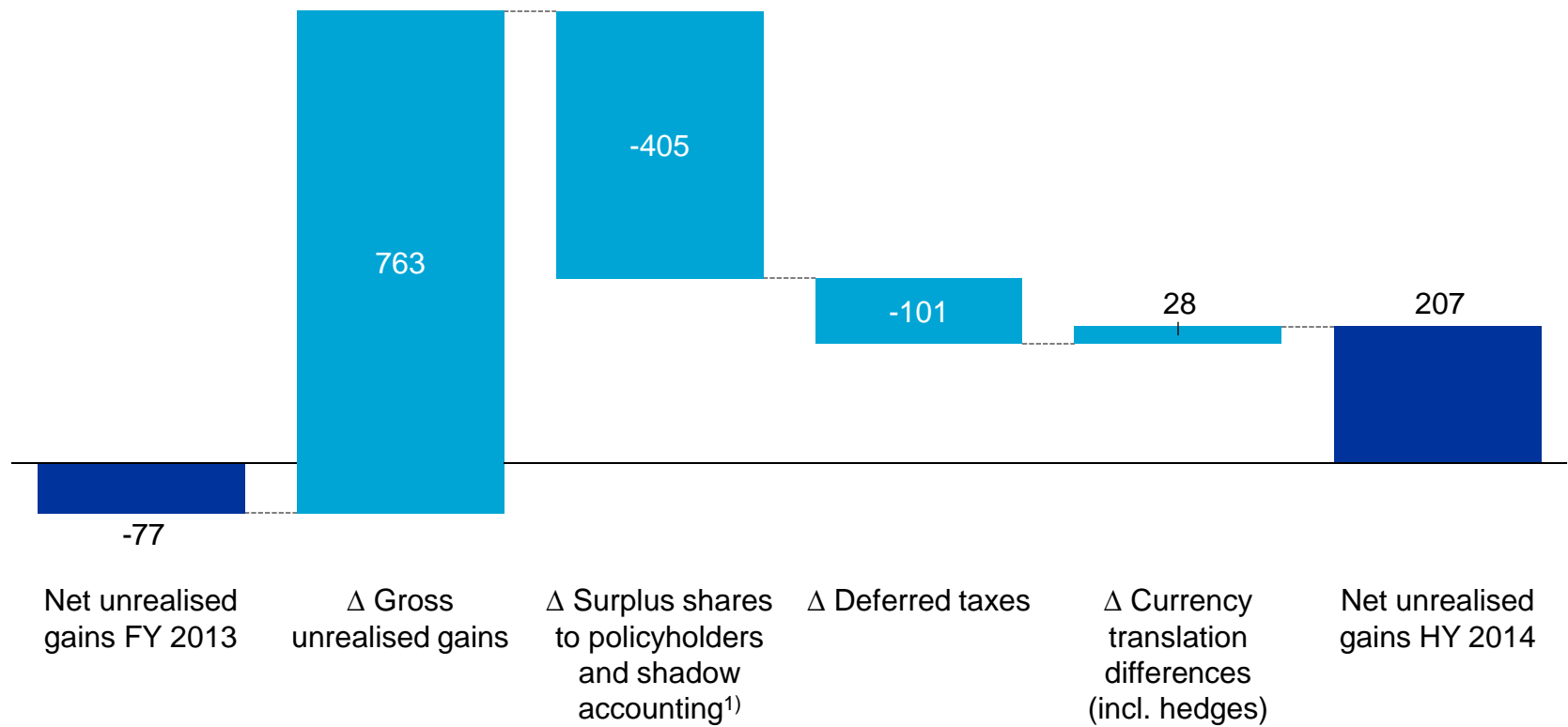
Gross Unrealised Capital Gains

in CHF mn, incl. non-controlling interests



Net Unrealised Capital Gains

in CHF mn, incl. non-controlling interests

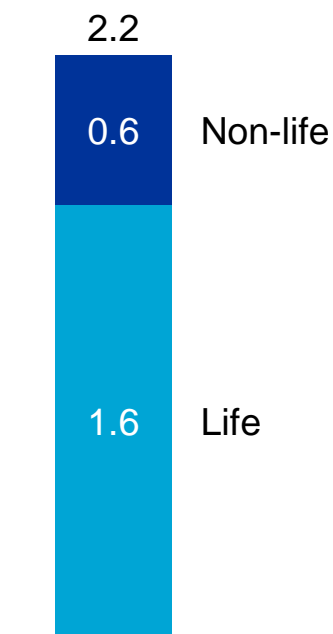


¹⁾ incl. DAC, URR, terminal policyholders' dividends

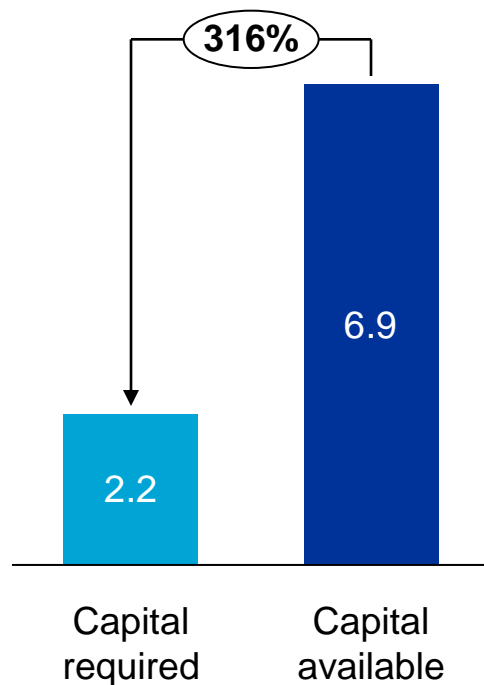
Consolidated Solvency I

in CHF bn, excluding banking assets

Capital required



Required vs. available capital



Available funds

	HY 2014
Total equity	5.3
Goodwill / intangibles	-0.2
DAC non-life	-0.2
Unallocated surplus	2.5
Other	-0.0
Banking assets	-0.4
Total	6.9

Currency

in CHF	B/S		P/L	
	FY 2013	HY 2014	HY 2013	HY 2014
EUR	1.23	1.21	1.23	1.22
USD	0.89	0.89	0.94	0.89

III Reporting Agenda & Contact Details

Reporting Agenda

→ Q3 Interim Statement

Friday, 14 November 2014

→ Full Year Results 2014

Thursday, 26 March 2015

→ Annual General Meeting

Thursday, 30 April 2015

You will find all published documentation at www.baloise.com

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