

Half Year Results 2013

«Strong set of results»

Basel, 29 August 2013



Making you safer. For 150 years.

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01 Highlights

Martin Strobel
Group CEO

Highlights HY 2013

Strong set of results

→ Strong profit of CHF 245 mn, up by 11.8%

→ High growth in target segments, business volume up by 5.1%

→ Despite large claims, good portfolio quality delivers a solid net combined ratio of 94.5%

→ Good investment yield of 1.7%¹⁾, equity exposure increased

→ Rebound of life result, operating profit doubled

→ Strong capitalisation: shareholders' equity of CHF 4,555 mn, S&P raised outlook to "positive"

→ On track to deliver on financial targets

¹⁾ not annualized

02 Financials

German Egloff
Group CFO

Key Figures

Profit up by 11.8%

in CHF mn	HY 2012	HY 2013	+/-
Half-year consolidated profit (attributable to shareholders)	219	245	11.8%
Earnings per share (undiluted)	4.68	5.22	11.5%
Total equity	4,641 ²⁾	4,555	-1.9%
Book value per share	98.3 ²⁾	96.3	-2.0%
Total business volume	5,190	5,455	5.1%
Gross premiums written	4,438	4,783	7.8%
Investment yield ¹⁾	1.8%	1.7%	-0.1 pts
Combined ratio, net	92.6%	94.5%	1.9 pts
New business margin	7.1%	17.3%	10.1 pts
Annual premium equivalent (APE)	144	176	22.0%
Consolidated solvency I ³⁾	277% ²⁾	260%	-17pts

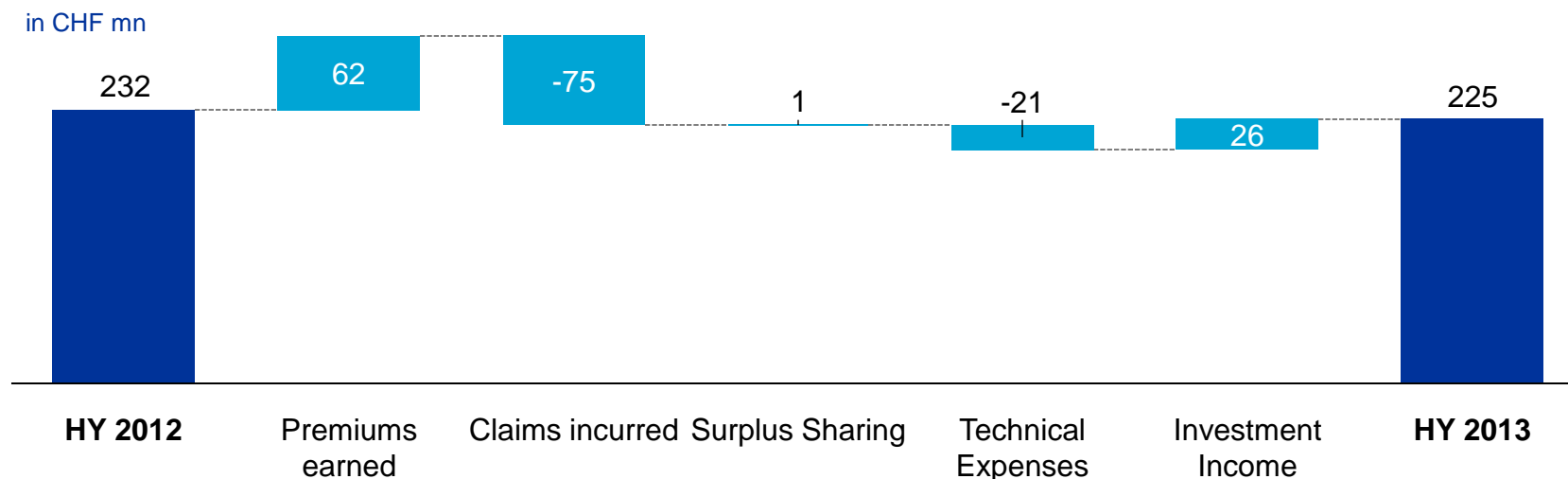
¹⁾ insurance assets excl. investment-type assets; investment yield incl. costs, excl. movements in unrealised capital gains

²⁾ as per 31.12.2012, restated

³⁾ excl. banking

Non-life Earnings

Strong growth & high profitability

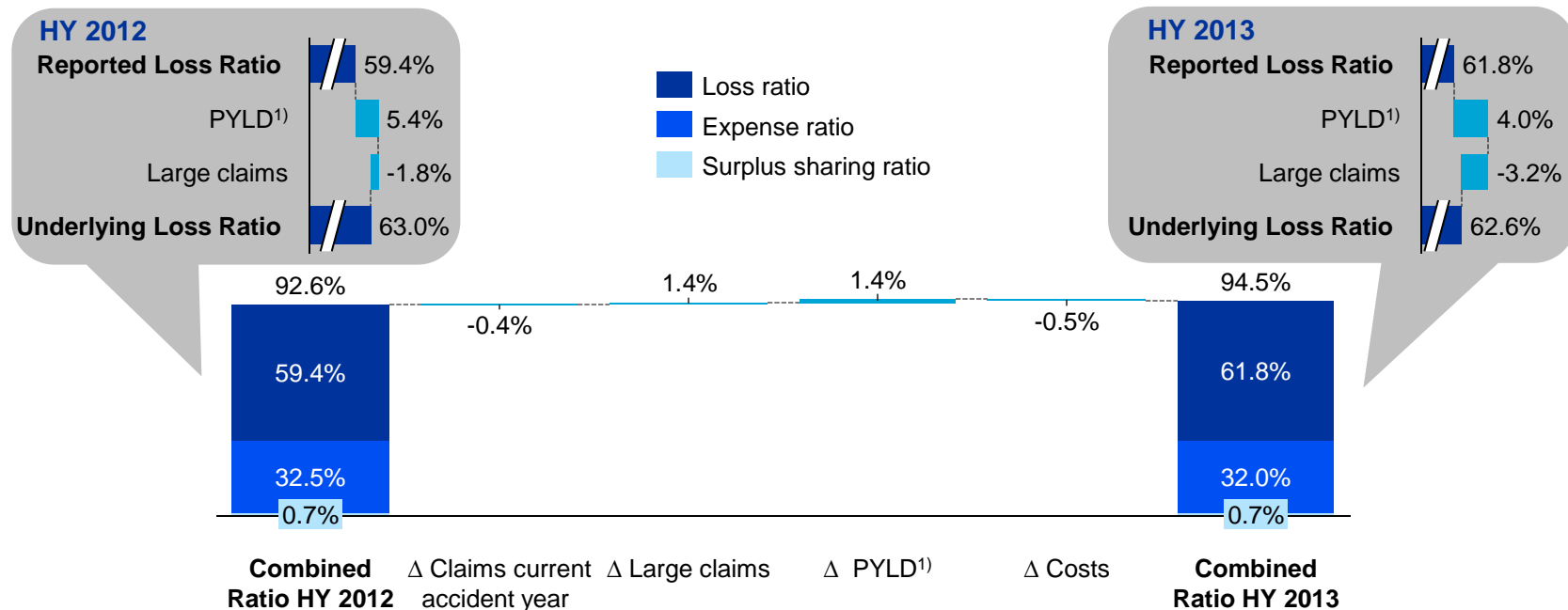


in CHF mn	HY 2012	HY 2013	+/-
Gross premiums written	2,215	2,301	3.9%
Net premiums earned	1,547	1,609	4.0%
Investment income	155	190	23.0%
Claims incurred	-930	-1,005	8.0%
Technical expenses	-516	-537	3.9%
EBIT	232	225	-3.0%

Non-life Net Combined Ratio

Despite large claims underlying profitability improved

net, in % of premiums earned









- Improved underlying loss ratio demonstrates high portfolio quality
- Large claims of CHF 51 mn due to floods in Germany and hail storms in Switzerland
- Efficiency measures visible in lower cost ratio

¹⁾ prior year loss development

Non-life Gross Combined Ratio by Country

Reliable cashflow engine

gross, in %	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia (incl. Serbia)	Group
							
Loss ratio	60.4	69.4	57.7	47.2	61.2	50.2	61.3
Expense ratio	25.0	34.5	35.5	33.3	32.4	47.9	31.0
Surplus sharing ratio	1.3	0.4	0.3	-0.1	-	-	0.7
Combined ratio HY 2013	86.7	104.3	93.5	80.4	93.6	98.1	93.0
Change vs. HY 2012 (in pts)							
Δ Loss ratio	5.3	3.3	0.0	-37.2	-1.0	-9.4	1.9
Δ Expense ratio	-0.3	0.0	-0.9	-2.1	-1.4	-4.9	-0.5
Δ Surplus sharing ratio	0.0	0.0	0.1	-0.1	-	-	0.0
Δ Combined ratio	5.0	3.3	-0.8	-39.4	-2.4	-14.3	1.4

Life Earnings

Excellent growth and strong rebound in result

in CHF mn, excl. investment-type assets	HY 2012	HY 2013	+/-
Business volume	2,975	3,154	6.0%
Gross premiums written	2,224	2,481	11.6%
Net premiums earned	2,211	2,470	11.7%
Investment-type premiums	751	673	-10.5%
Investment income	749	671	-10.3%
Benefits to policyholders ¹⁾	-2,487	-2,862	15.1%
Technical expenses	-375	-172	-54.1%
EBIT	49	99	100.8%
Value of new business	10	30	195.8%
Annual premium equivalent (APE) ²⁾	144	176	22.0%
New business margin	7.1%	17.3%	10.1 pts

¹⁾ incl. change in technical reserves

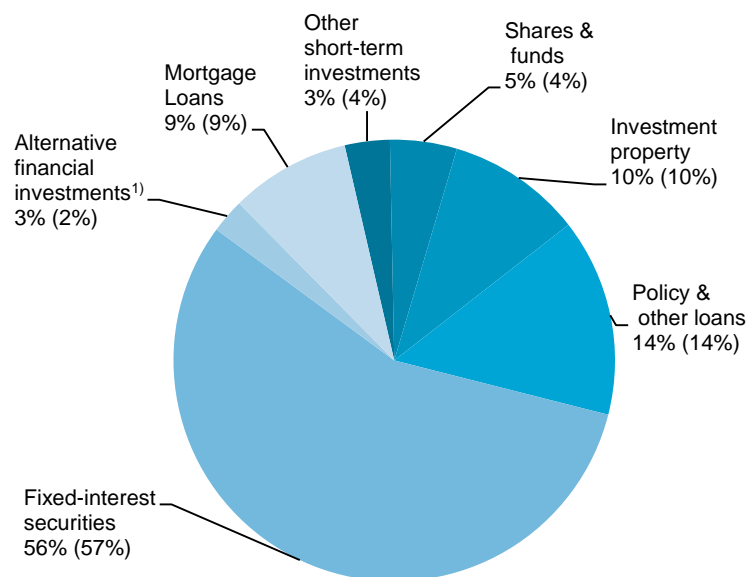
²⁾ excl. APE from Austria, Croatia, Baloise Life Liechtenstein and Serbia

Asset Allocation: Insurance

Equity exposure in attractive dividend stocks increased

excluding banking assets and assets from investment-type premiums

HY 2013 (FY 2012)



¹⁾ private equity & hedge funds

<i>Equity & equity related investments</i> <i>In % total insurance assets</i>	HY 2013
Equities	3.5%
Equity derivatives	-0.2%
Equities incl. derivatives	3.3%
Private Equity	1.0%
Hedge Funds (equity related)	0.1%
Other ²⁾	1.4%
Equity & equity related investments	5.8%

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

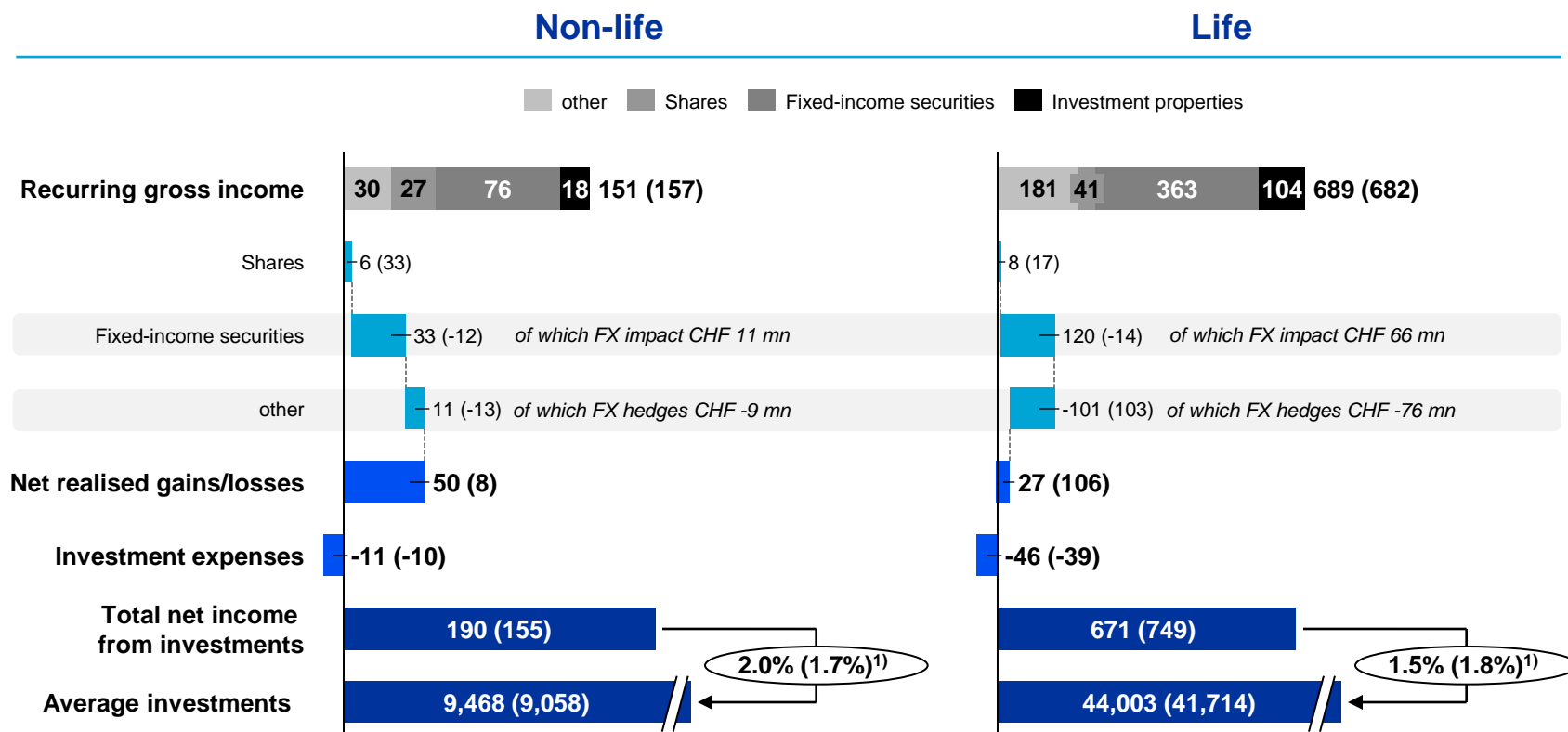
in CHF mn, %

	FY 2012	HY 2013
Equity & equity-related investments (net)	5.1%	5.8%
Total insurance assets	53,115	53,837

Investment Yield

High and reliable recurring income

HY 2013 (HY 2012) 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

Strong capitalisation

in CHF mn, incl. non-controlling interests	HY 2013		Per share ¹⁾
Total equity at January 1	4,873		
Restatements (IAS 19)	-232		
Total equity at January 1 (restated)	4,641		98.3
Other comprehensive income	-107		
Dividends	-212		
Half-year consolidated profit	247	$\Delta = -1.9\%$	$\Delta = -2.0\%$
Purchase / sale of treasury shares	-15		
Change in non-controlling interests	1		
Total equity at June 30	4,555		96.3

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

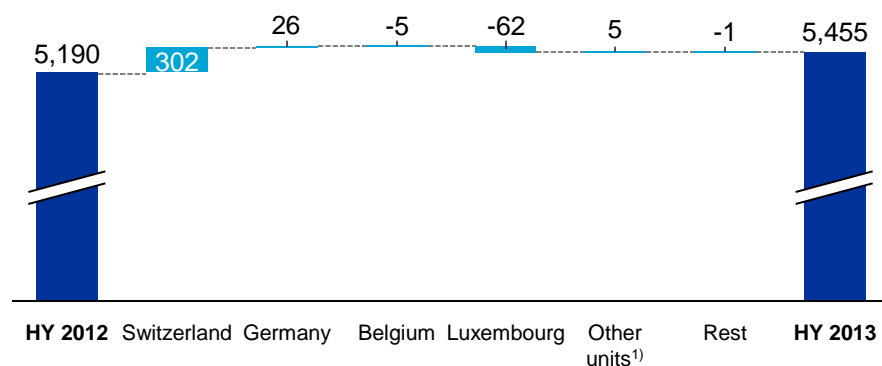
03 Operations

Martin Strobel
Group CEO

Business Volume

Strong growth in target segments

By country

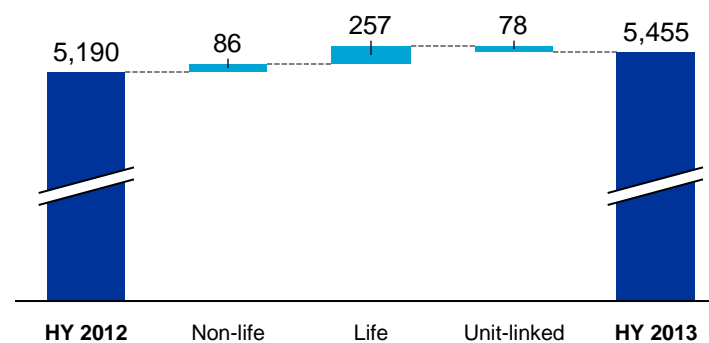


in CHF mn	HY 2012	HY 2013	+/-	+/- LC ²⁾
Switzerland	2,859	3,161	10.6%	10.6%
Germany	974	1,000	2.6%	0.6%
Belgium	715	710	-0.7%	-2.7%
Luxembourg	523	461	-11.8%	-13.4%
Other units ¹⁾	115	120	4.7%	2.7%
Rest	4	3	-20.7%	-20.7
Total	5,190	5,455	5.1%	4.2%

¹⁾ Austria, Croatia and Serbia

²⁾ local currency (LC)

By line of business



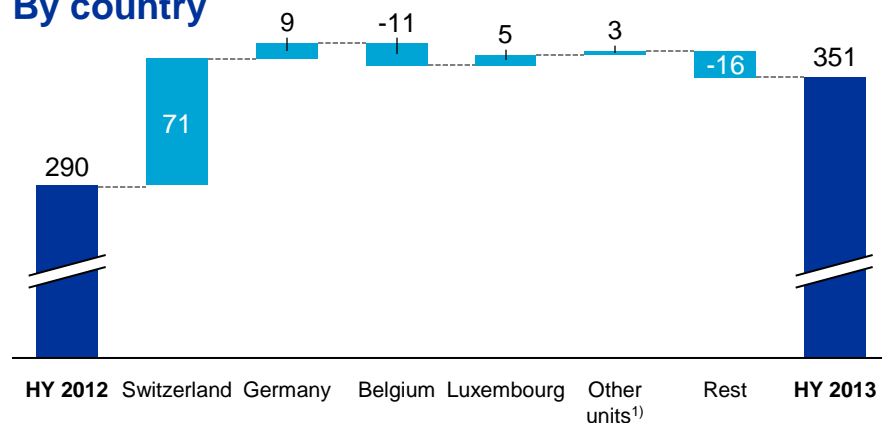
in CHF mn	HY 2012	HY 2013	+/-	+/- LC ²⁾
Non-life	2,215	2,301	3.9%	2.8%
Life	2,224	2,481	11.6%	11.2%
Unit-linked	751	673	-10.5%	-12.0%
Total	5,190	5,455	5.1%	4.2%

EBIT

Operational profitability up by 21.3%

See also new EBIT-matrix in the appendix, p.28

By country

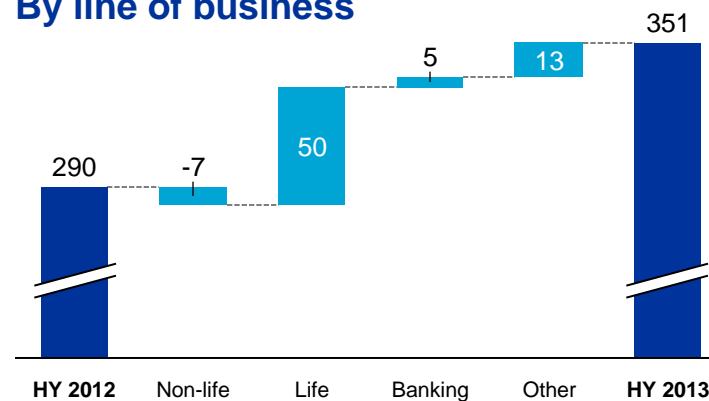


in CHF mn	HY 2012	HY 2013	+/-
Switzerland	137	208	51.9%
Germany	14	23	72.1%
Belgium	77	66	-15.3%
Luxembourg	4	9	132.4%
Other units ¹⁾	5	8	68.6%
Rest ²⁾	53	37	-28.6%
Total	290	351	21.3%

¹⁾ Austria, Croatia and Serbia

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

By line of business



in CHF mn	HY 2012	HY 2013	+/-
Non-life	232	225	-3.0%
Life	49	99	104.9%
Banking	36	41	12.7%
Other ³⁾	-27	-14	-50.0%
Total	290	351	21.3%

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

Highlights Swiss Operations

Still going strong

Non-life:

Gross premiums written:	CHF 1,062 mn (2.4%)	→ Solid growth in non-life achieved
Combined Ratio, gross:	86.7% (5.0 pts)	→ High operational profitability confirmed
EBIT:	CHF 104 mn (16.6%)	→ Safety World at the core of the market positioning with measurable customer success

Life:

Gross premiums written:	CHF 2,038 mn (14.6%)	→ Strong growth in Group Life business
Investment-type premiums:	CHF 61 mn (38.9%)	→ Modern products meet client needs in individual life
EBIT:	CHF 92 mn (130.8%)	→ New annual premium product in individual life launched
New business margin:	18.7% (12.6 pts)	

Baloise Bank SoBa¹⁾: (local GAAP)

Profit for the period:	CHF 13 mn (0.9%)	→ Growth and cost efficiency lead to higher net profit
Client deposits:	CHF +79 mn (1.6%)	→ Solid growth in client deposits, sound growth in client loans. No impairments at the expense of P/L statement
Client loans:	CHF +63 mn (1.0%)	
Cost income ratio:	62.8% (-0.2 pts)	

¹⁾ balance sheet positions compared to 31.12.2012, profit and loss positions compared to 30.06.2012

Highlights International Operations

Steady growth; operational excellence gathers pace

Germany: → Good results despite significant claims load from floods
→ Next steps of the restructuring measures are initiated

Belgium: → Non-life: growth well above market average
→ Cost and claims ratio improved

Luxembourg: → Continuous growth in target segments combined with high technical performance
→ Process optimisation leads to further decrease of costs

Austria: → Strong growth above market in non-life and excellent combined ratio

Croatia → Beyond break-even: improving operations

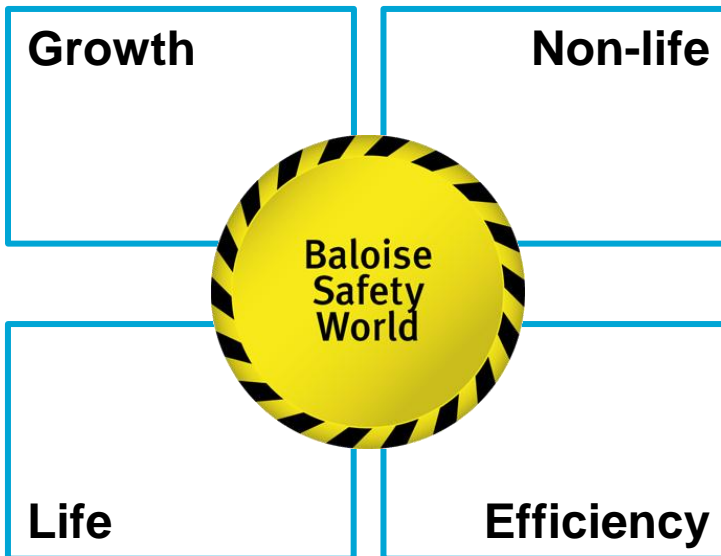
04 Strategy & Outlook

Martin Strobel
Group CEO

Investor Day – 22 October 2013

Sneak peak

Going forward – enhance the platform



Scope of Investor Day:

- **Switzerland:** Execute next step in operational non-life & life excellence
 - **Germany:** Focus on profitable segments and reduce cost base to market standards
 - **Belgium:** Capture healthy growth in an attractive market
 - **Capital and Cashflow Management:** Assure attractive dividend practice while maintaining high flexibility in volatile frameworks
-

Financial Targets

On track

Strong operations

Non-life Combined Ratio	93 – 96%
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Life New Business Margin	> 10%
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Good profitability

Return on Equity (RoE)	8 -12%
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Attractive and reliable Dividend	
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Q&A

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I Operations

Business Matrix HY 2013

in CHF mn	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia/ Serbia	Rest	Total
Life	2,038 82.1% 64.5%	303 12.2% 30.3%	79 3.2% 11.1%	37 1.5% 8.1%	10 0.4% 11.6%	14 0.6% 41.7%	- - -	2,481 100.0% 45.5%
Unit-linked	61 9.1% 1.9%	121 18.0% 12.1%	108 16.1% 15.2%	374 55.5% 81.0%	9 1.3% 10.1%	0 0.0% 0.0%	- - -	673 100.0% 12.3%
Non-life	1,062 46.1% 33.6%	576 25.0% 57.6%	523 22.7% 73.6%	50 2.2% 10.9%	67 2.9% 78.3%	20 0.9% 58.3%	3 0.1% 100.0%	2,301 100.0% 42.2%
Total	3,161 57.9% 100.0%	1,000 18.3% 100.0%	710 13.0% 100.0%	461 8.5% 100.0%	86 1.6% 100.0%	35 0.6% 100.0%	3 0.1% 100.0%	5,455 100.0% 100.0%

Growth Matrix HY 2013

in % in CHF (in % in LC)	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia/ Serbia	Rest	Total
Life	14.6%	-3.9% (-5.8%)	11.3% (9.1%)	6.8% (4.7%)	-1.2% (-3.2%)	-2.2% (-3.8%)	-	11.6% (11.2%)
Unit-linked	38.9%	5.9% (3.7%)	-24.9% (-26.5%)	-15.1% (-16.6%)	-1.8% (-3.8%)	594.4% (582.8%)	-	-10.5% (-12.0%)
Non-life	2.4%	5.7% (3.6%)	4.5% (2.4%)	5.3% (3.2%)	7.9% (5.7%)	5.7% (4.0%)	-20.7% (-20.7%)	3.9% (2.8%)
Total	10.6%	2.6% (0.6%)	-0.7% (-2.7%)	-11.8% (-13.4%)	5.7% (3.6%)	2.3% (0.6%)	-20.7% (-20.7%)	5.1% (4.2%)

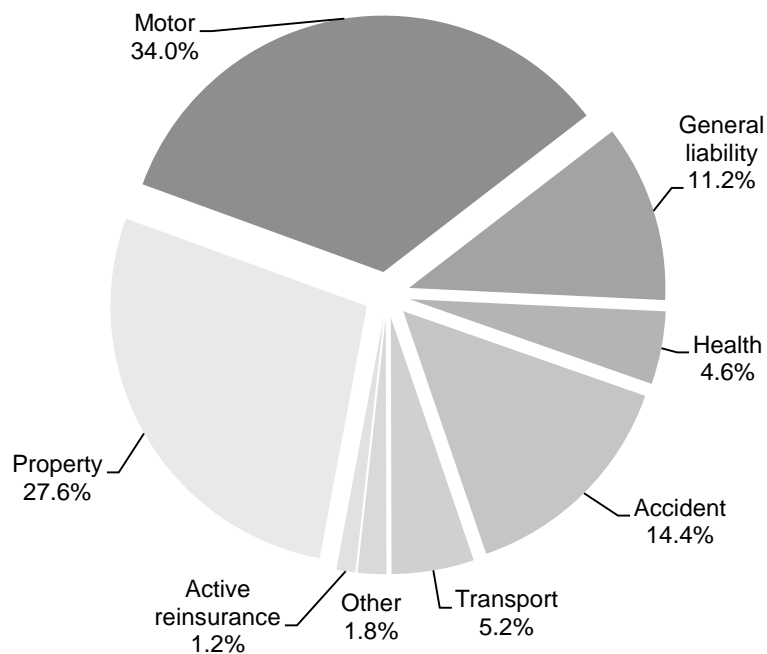
EBIT Matrix HY 2013

in CHF mn	Non-life	Life	Banking	Other	Total
Switzerland	104 (16.4%)	92 (130.8%)	15 (26.3%)	-3 (n.m.)	208 (52.0%)
Germany	23 (23.3%)	4 (n.m.)	2 (n.m.)	-5 (n.m.)	23 (71.5%)
Belgium	45 (3.4%)	14 (-56.9%)	-	7 (266.4%)	66 (-15.2%)
Luxembourg	4 (-13.7%)	5 (343.6%)	-	0 (n.m.)	9 (133.7%)
Other units	2 (-9.5%)	5 (71.4%)	-	0 (n.m.)	8 (55.1%)
Rest	50 (-23.6%)	-4 (n.m.)	10 (13.3%)	-18 (n.m.)	38 (-28.5%)
Eliminated	-3	-17	15	5	-
Total	225 (-3.0%)	99 (105.1%)	41 (12.7%)	-14 (n.m.)	351 (21.3%)

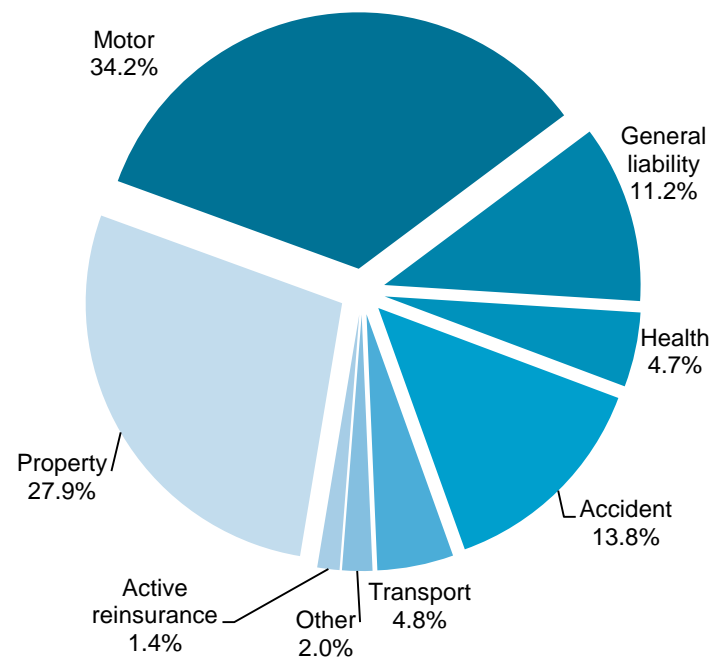
Business Mix Non-life

in % of gross premiums written

HY 2012



HY 2013



in CHF mn

Gross premiums written non-life

HY 2012

2,215

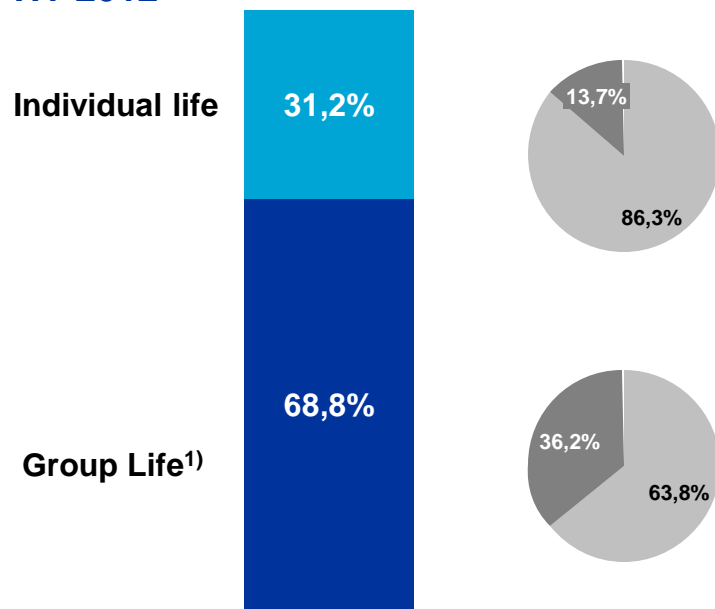
HY 2013

2,301

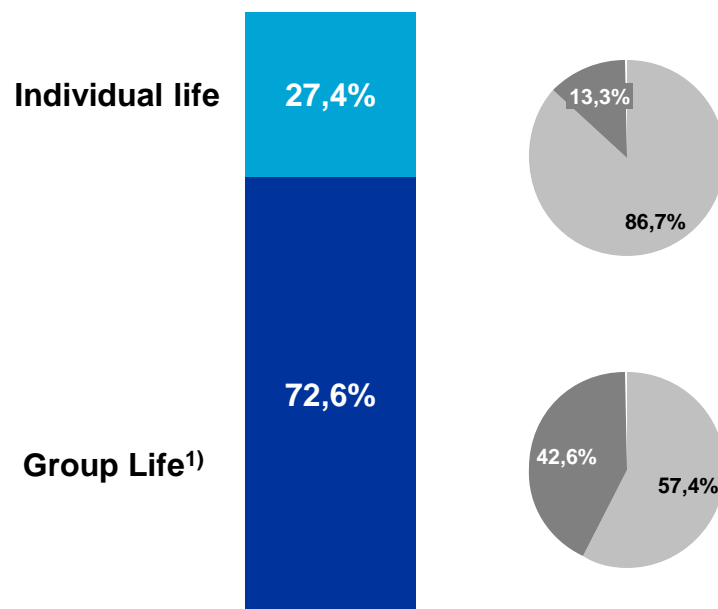
Business Mix Life

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

HY 2012



HY 2013



■ Single Premiums ■ Periodic premiums

¹⁾ Swiss Group life business only

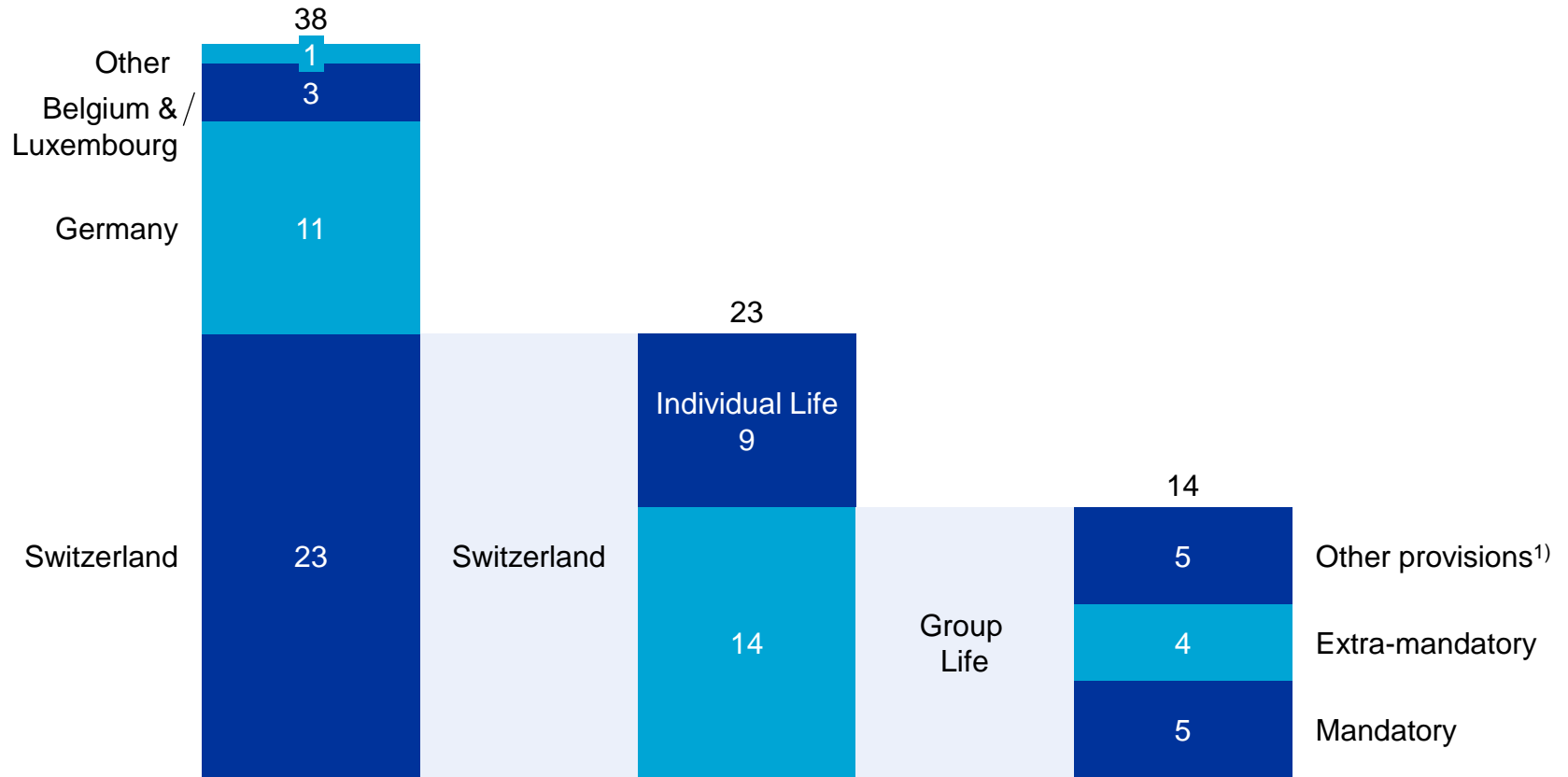
MCEV: New Business Margin

in CHF mn, based on statutory financial statements

	HY 2012					HY 2013				
	CH	D	B	Lux	Group	CH	D	B	Lux	Group
MCVNB	5	4	-2	3	10	20	5	2	4	30
APE	76	28	19	22	144	106	22	12	35	176
NB Margin on APE	6.1%	16.2%	-8.7%	12.4%	7.1%	18.7%	22.7%	15.2%	10.2%	17.3%
PVNBP	985	206	196	217	1,605	1,468	188	132	353	2,141
NB Margin on PVNBP	0.5%	2.2%	-0.8%	1.3%	0.6%	1.4%	2.7%	1.4%	1.0%	1.4%

Technical Reserves Life

FY 2012: gross, in CHF bn

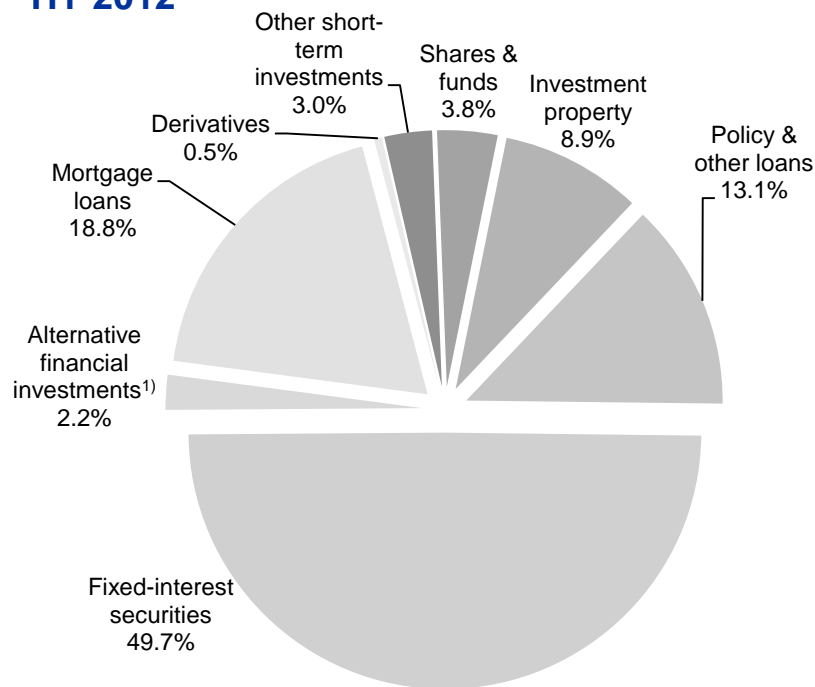


¹⁾ provisions for annuities, mortality, disability, reserve strengthening, cost of living adjustment fund

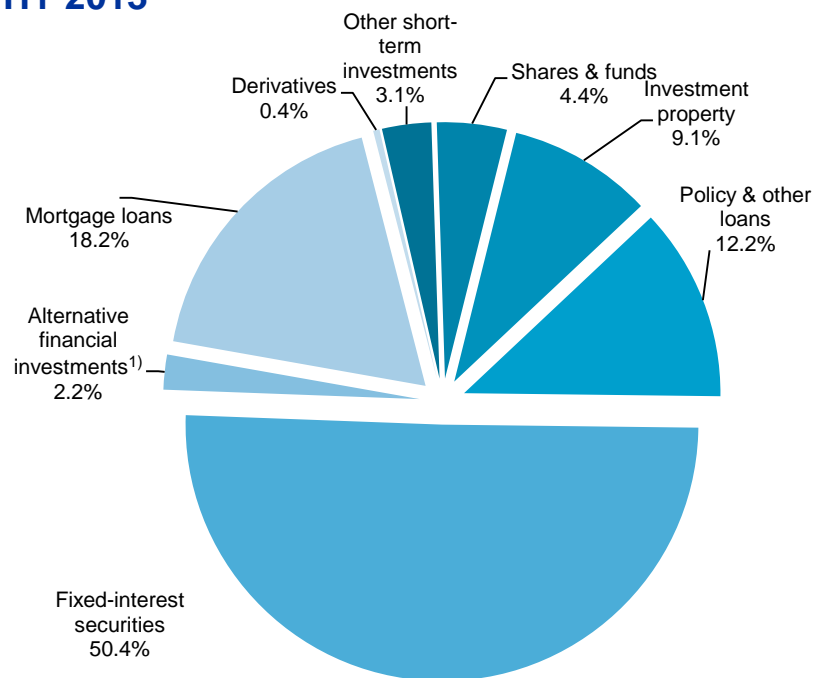
II Financials

Group Asset Allocation

HY 2012



HY 2013



in CHF mn

HY 2013

Total group assets²⁾

60,871

¹⁾ private equity and hedge funds

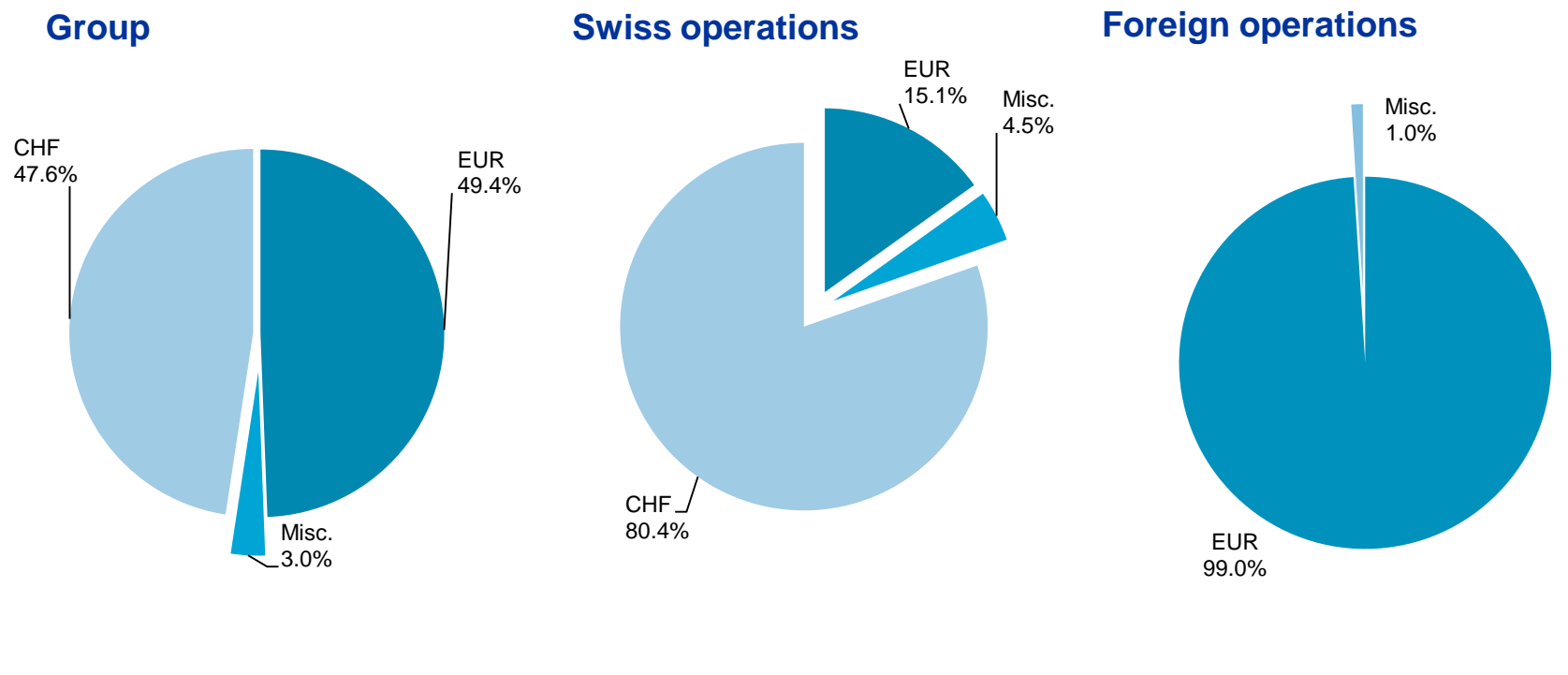
²⁾ incl. banking assets, excl. assets from investment-type premiums

Impairments in HY 2013

Financial assets of an equity nature		Financial assets of a debt nature	
Impairments (in CHF mn), gross	20	Impairments (in CHF mn), gross	1
Impairments in % of \emptyset asset of an equity nature	0.6%	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

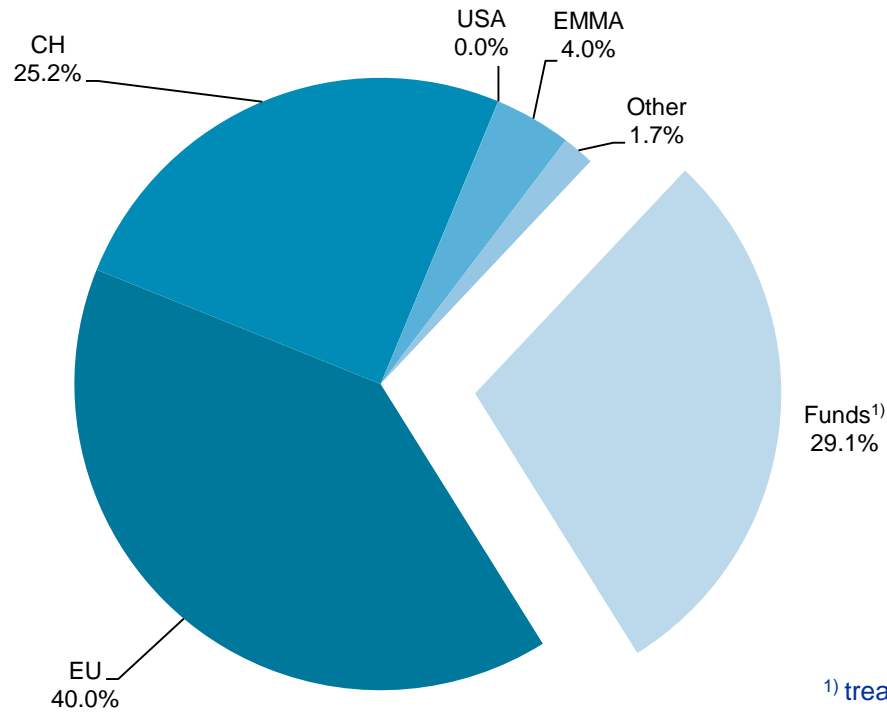
HY 2013

Total insurance assets

53,837

Equity Portfolio: Regional Exposure

excluding banking assets and assets from investment-type premiums



in CHF mn

HY 2013

Total equity investments

2,638

Hedge Fund Portfolio

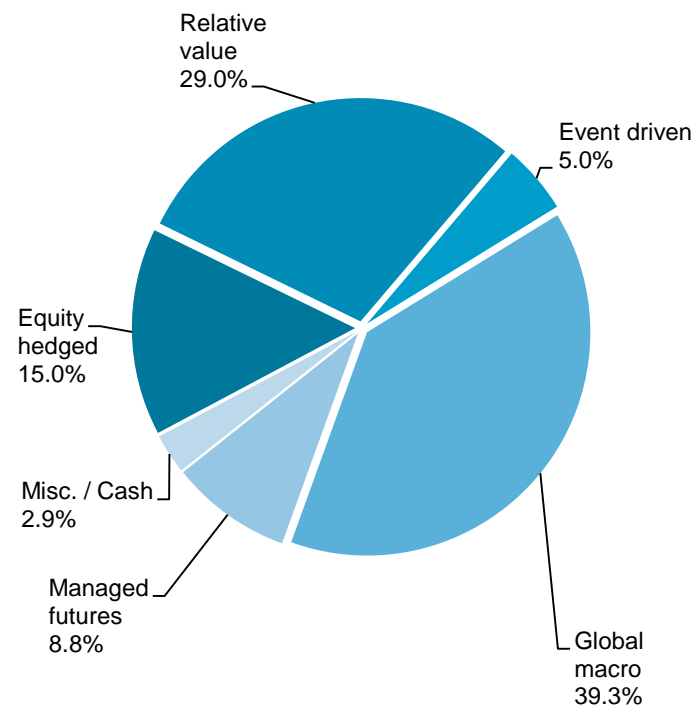
excluding banking assets and assets from investment-type premiums

	HY 2013
Total hedge fund investments (in CHF mn)	834
Performance (in USD)	3.2%
Impairments ¹⁾ (in CHF mn), gross	3
Impairments in % of ø Hedge Funds	0.4%

- Broadly diversified portfolio
- FX-risk mainly hedged

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

By style



Private Equity Portfolio

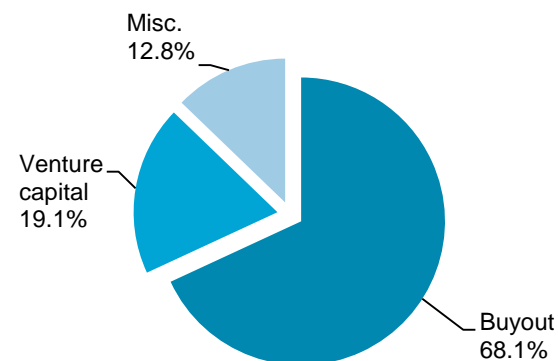
excluding banking assets and assets from investment-type premiums

	HY 2013
Total private equity investments (in CHF mn)	503
Performance (in USD, Sep 12 - Mar 13)	1.4%
Impairments ¹⁾ (in CHF mn), gross	5
Impairments in % of ø Private Equity	1.0%

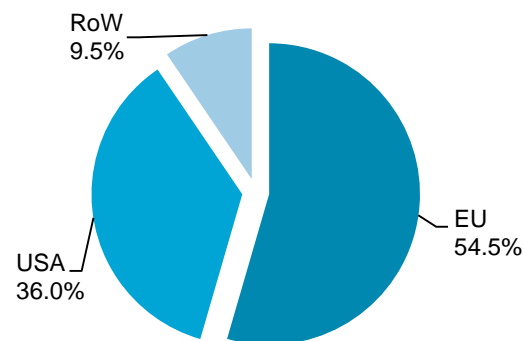
→ FX-risk mainly hedged

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

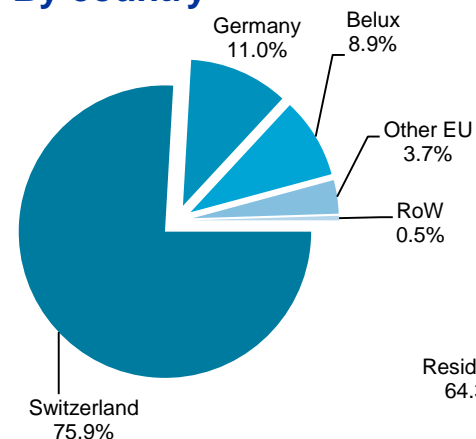
in CHF mn

HY 2013

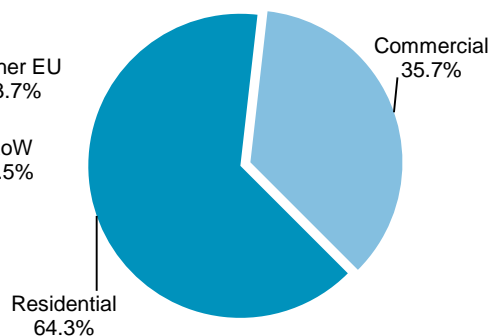
Total investment property

5,348

By country



By type



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

in CHF mn

HY 2013

Total mortgages

4,718

Gross yield¹⁾

2.4%

administration costs

-4 bps

risk costs

-1 bps

Net yield¹⁾

2.3%

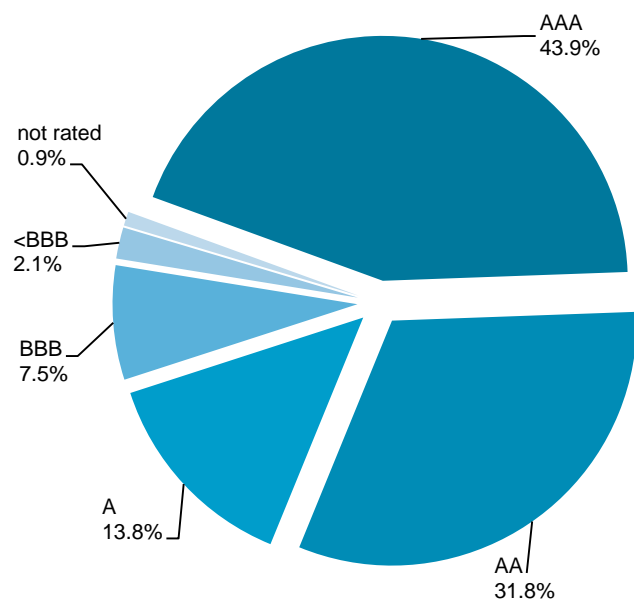
¹⁾ in % of mortgage investments

- Portfolio of excellent quality due to credit guidelines of high standing

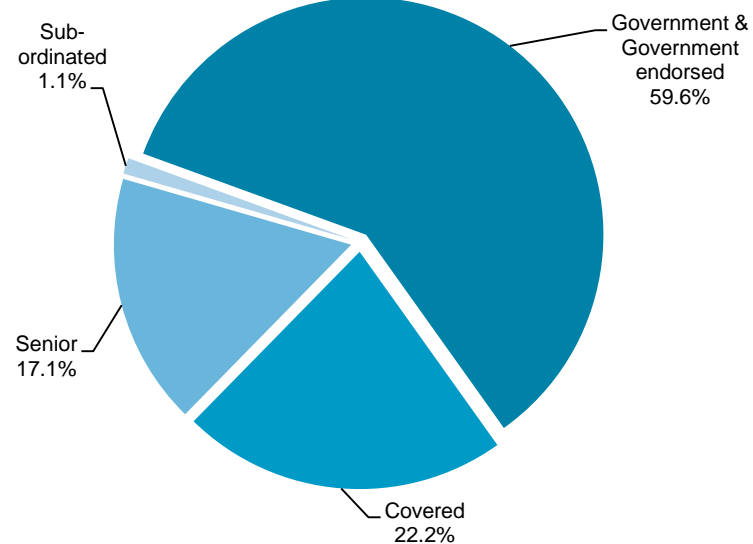
Bond Portfolio

excluding banking assets and assets from investment-type premiums

By quality



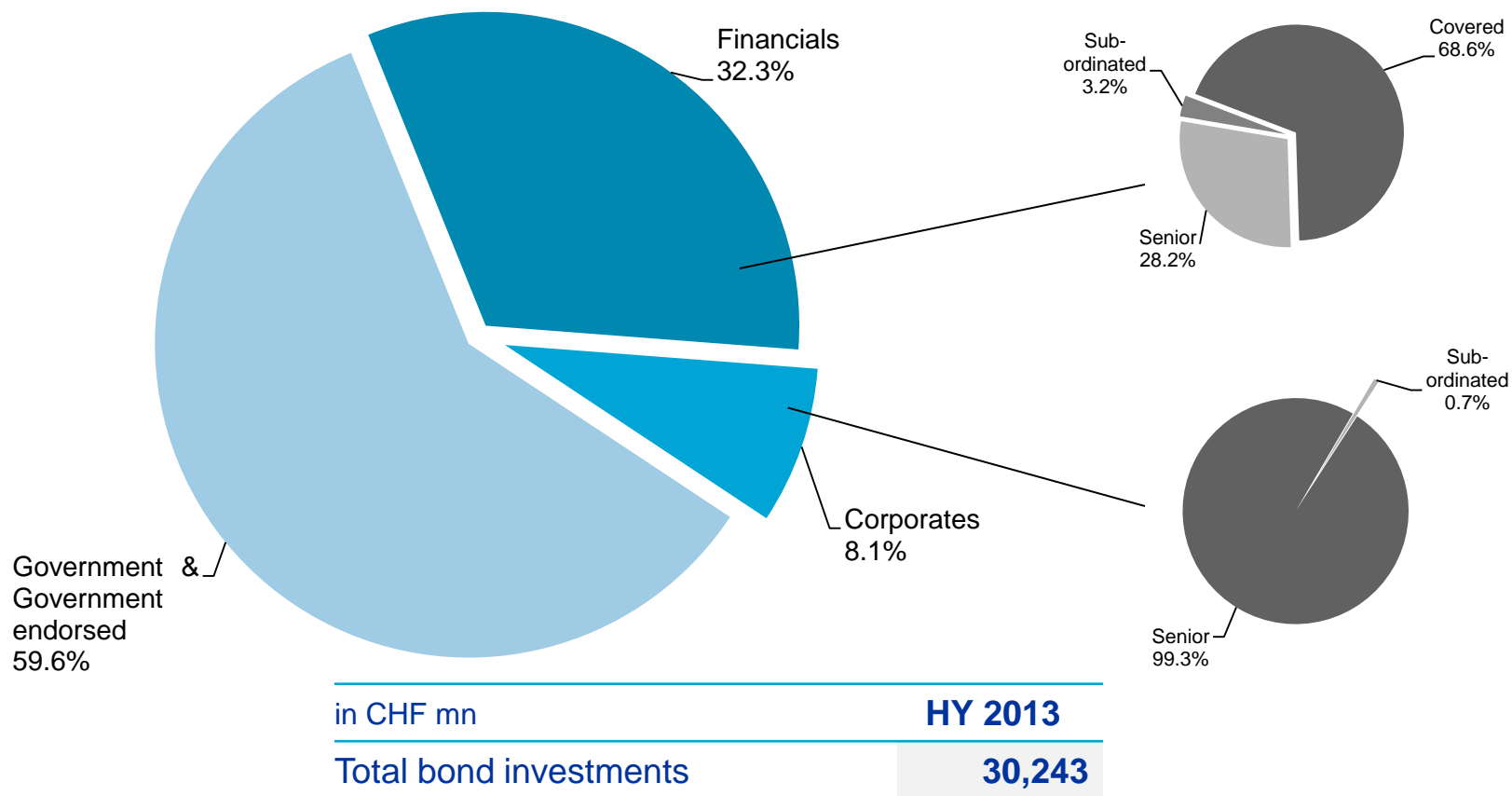
By ordination



in CHF mn	HY 2013
Total bond investments	30,243

Bond Portfolio: Issuers

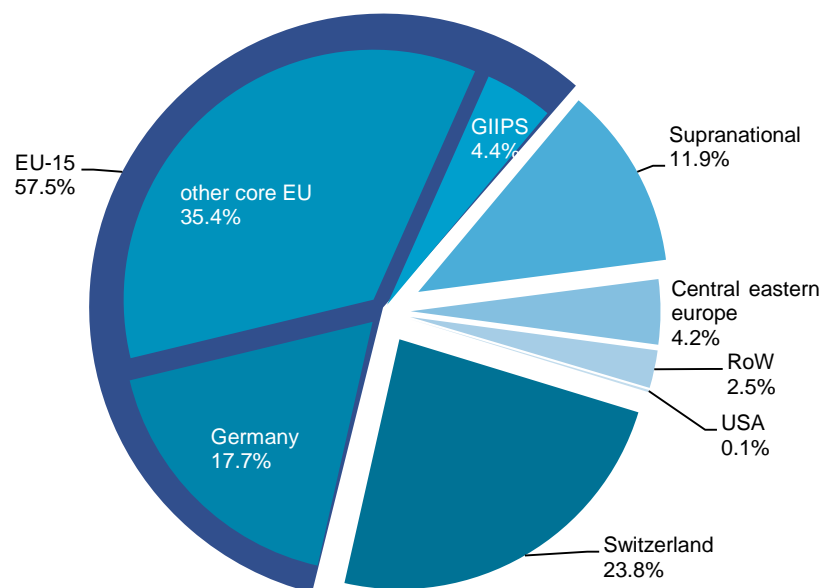
excluding banking assets and assets from investment-type premiums



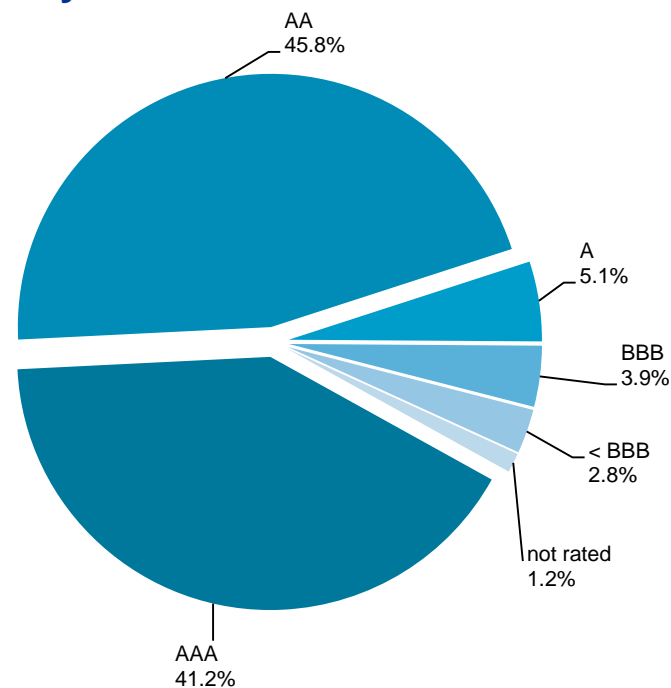
Bond Portfolio: Sovereign and Public Debt

excluding banking assets and assets from investment-type premiums

By region



By quality



in CHF mn

HY 2013

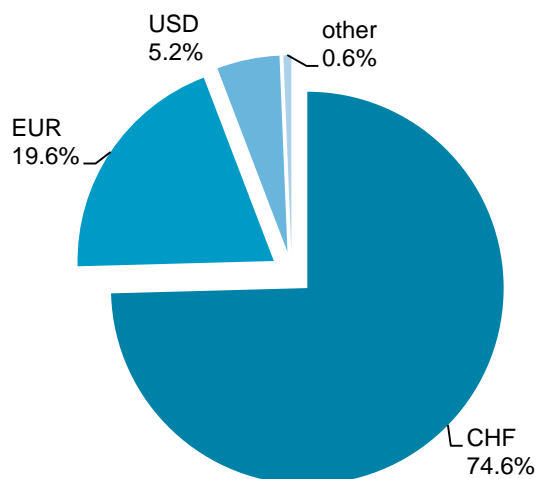
Total Sovereign and Public Debt

18,067

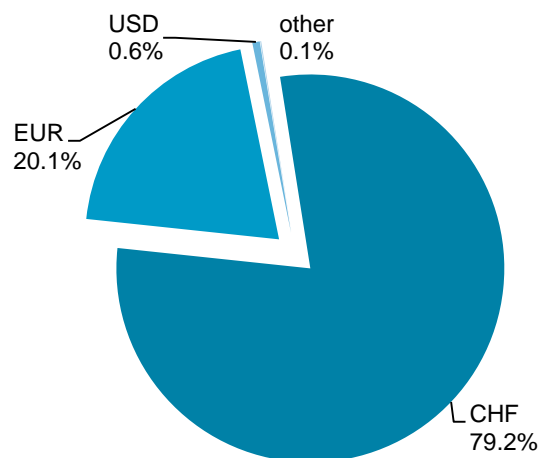
Bond Portfolio: Currency Exposure of Swiss Operations

excluding banking assets and assets from investment-type premiums

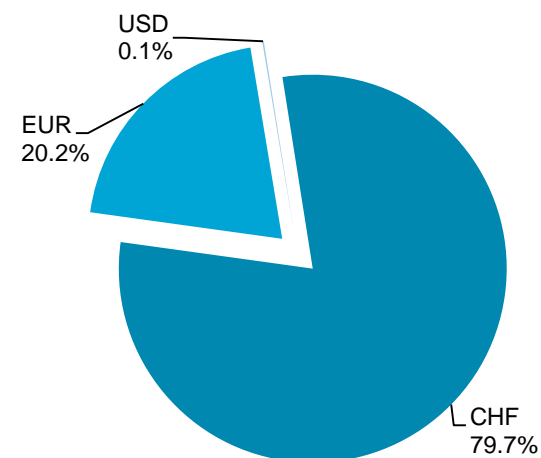
Non-life



Total bonds



Life



→ Total net currency exposure after hedges & liabilities: 1.7% EUR, 0.2% USD

in CHF mn

HY 2013

Total bonds investments¹⁾

19,815

¹⁾ held by Swiss operations

Duration of Bonds and Promissory Notes

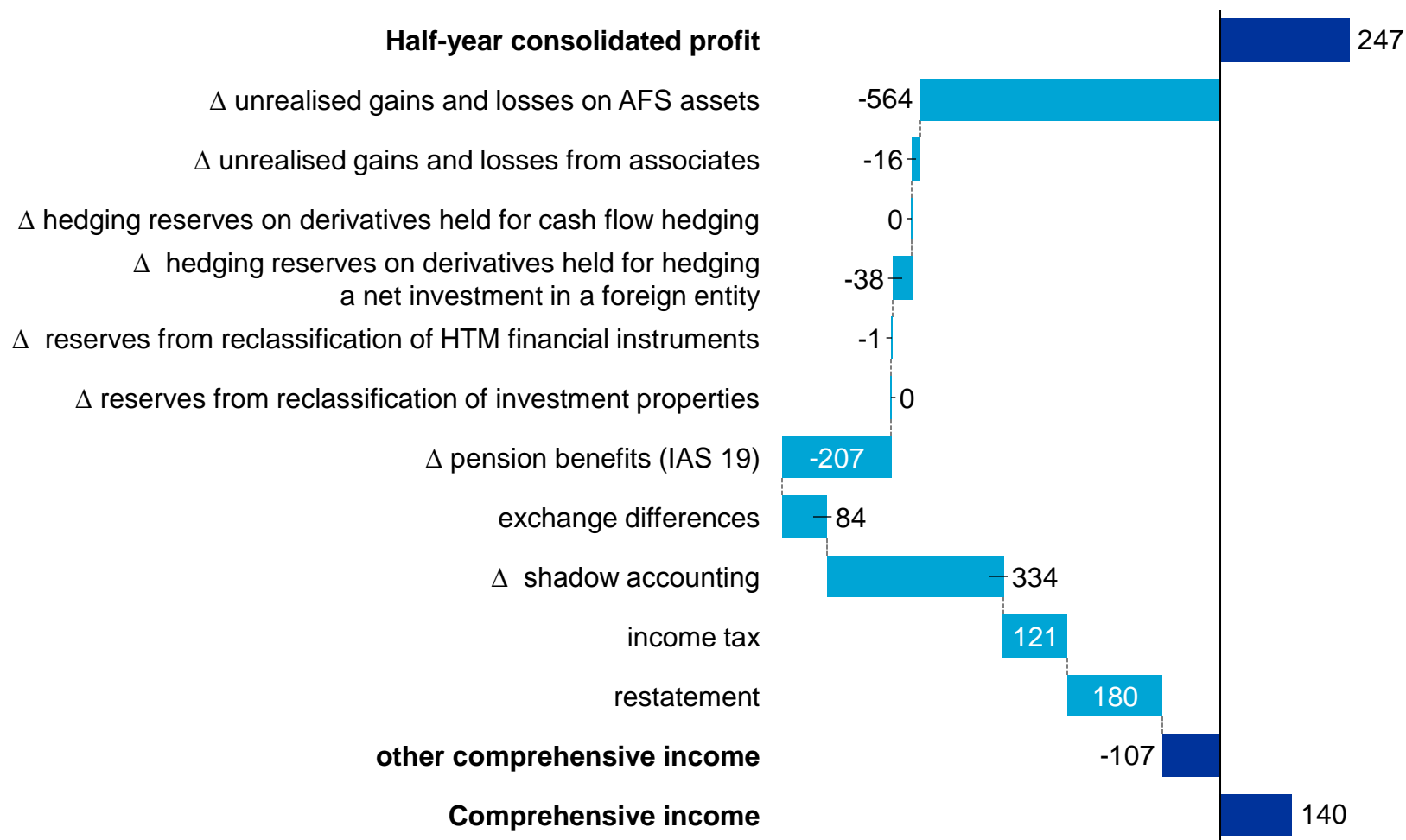
excluding banking assets and assets from investment-type premiums

Duration by classification	2012		HY 2013	
	Years	% of total	Years	% of total
Duration bonds available-for-sale (AFS)	6.9	58.9%	6.8	59.6%
Duration bonds held-to-maturity (HTM)	8.7	23.6%	8.7	22.9%
Duration promissory notes	6.4	17.5%	6.4	17.5%
Duration portfolio	7.2	100%	7.2	100%

Duration by line of business	2012		HY 2013	
	Years	% of total	Years	% of total
Duration life bonds (incl. promissory notes)	7.5	85.4%	7.5	85.3%
Duration non-life bonds (incl. promissory notes)	5.4	14.6%	5.4	14.7%
Duration portfolio	7.2	100%	7.2	100%

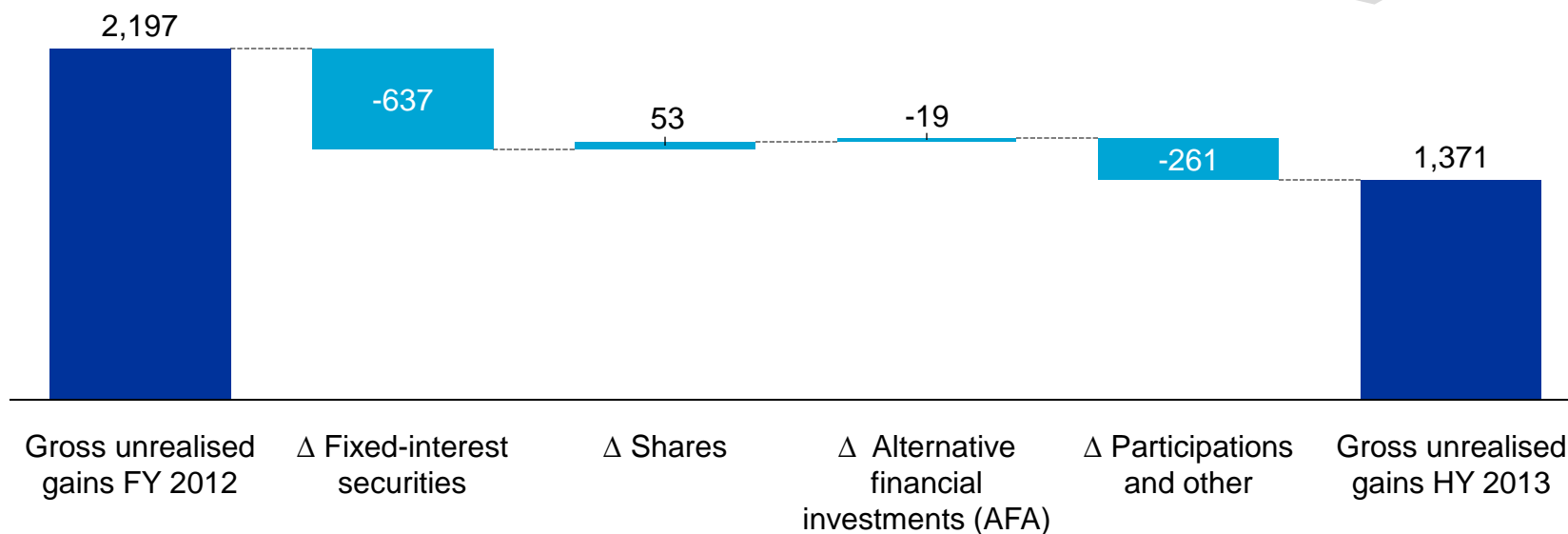
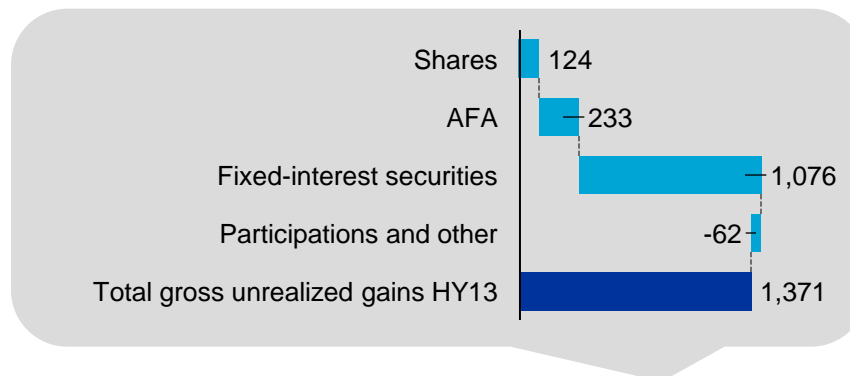
Comprehensive Income

in CHF mn



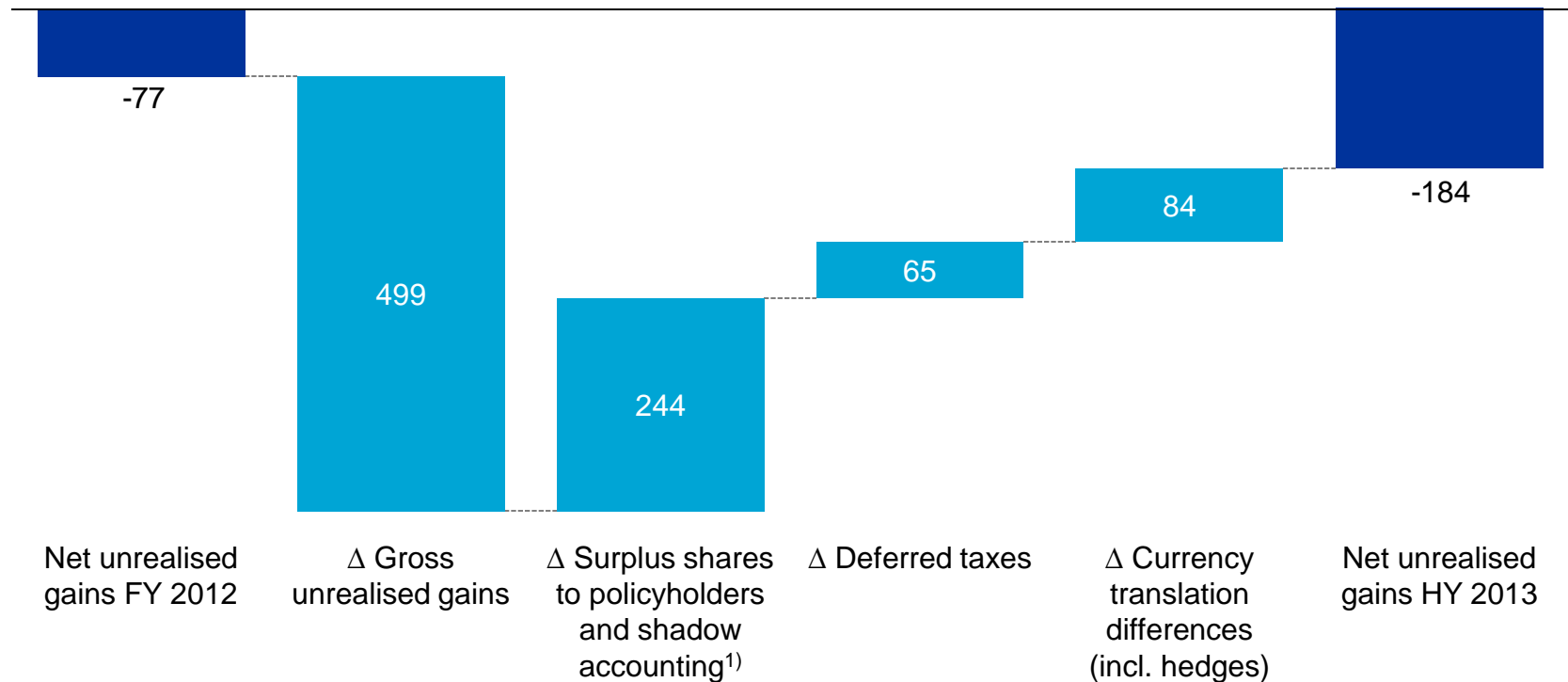
Gross Unrealised Capital Gains

in CHF mn, incl. non-controlling interests



Net Unrealised Capital Gains

in CHF mn, incl. non-controlling interests

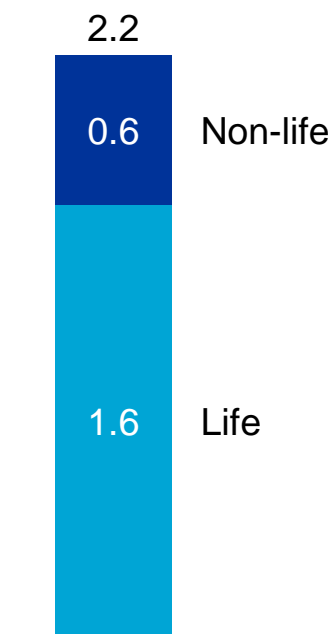


¹⁾ incl. DAC, URR, terminal policyholders' dividends

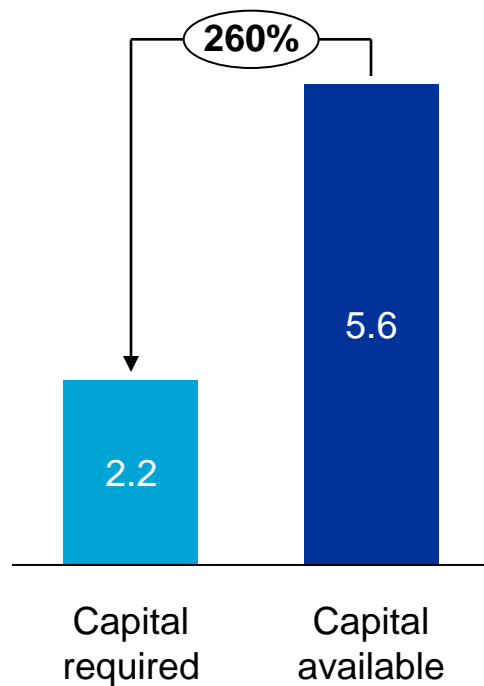
Consolidated Solvency I

in CHF bn, excluding banking assets

Capital required



Required vs. available capital



Available funds

	HY 2013
Total equity	4.6
Goodwill / intangibles	-0.3
DAC non-life	-0.2
Unallocated surplus	1.9
Other	-0.0
Banking assets	-0.4
Total	5.6

Currency

in CHF	B/S		P/L	
	FY 2012	HY 2013	HY 2012	HY 2013
EUR	1.21	1.23	1.20	1.23
USD	0.92	0.95	0.93	0.94

III Reporting Agenda & Contact Details

Reporting Agenda

→ Investor Day 2013

Tuesday, 22 October 2013

→ Q3 Interim Statement

Thursday, 14 November 2013

→ Full Year Results 2013

Tuesday, 25 March 2014

→ Annual General Meeting

Thursday, 24 April 2014

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

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