Q4 2018 Earnings Call

Company Participants

- Carsten Stolz, Chief Financial Officer
- Gert De Winter, Group Chief Executive Officer
- Markus Holtz, Head of Investor Relations
- Matthias Henny, Head-Asset Management

Other Participants

- Frank Kopfinger, Analyst
- Kevin Ryan, Analyst
- Luke Stratford-Higton, Analyst
- Michael Huttner, Analyst
- Peter D. Eliot, Analyst
- René Locher, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the Bâloise Group Annual Results 2018 Analyst Conference Call. I am Andre, the Chorus Call operator. The conference must not be recorded for publication or broadcast. At this time, it's my pleasure to hand over to Markus Holtz, Head of Investor Relations. Please go ahead, sir.

Markus Holtz {BIO 20240672 <GO>}

Good morning and welcome to Bâloise Q&A call on our annual results 2018. On our call today are our CEO, Gert De Winter, our CFO, Carsten Stolz, and our CIO, Matthias Henny.

And now, I would like to hand over to Gert, who will give a quick overview on our results before we open the Q&A.

Gert De Winter {BIO 19720616 <GO>}

Yeah. Thank you, Markus, and also warm welcome from all of us here and from me personally. Quickly running through the main points of our 2018 annual results, so clearly our bottom line result over CHF 500 million, strong, robust. Clear growth in our target segment of non-life with growth over 5%, and while maintaining and even improving the technical profitability of the non-life business with a combined ratio of 91.7%.

In life, despite the, let's call it, continuous low interest environment; we have been able to generate more bottom line, giving our business mix portfolio and giving our strategy to go into capital-light products. And as stated, we are and remain very strongly capitalized. You can see that we the S&P rating increase to A+. On the cash flow generation, it's clearly that from an operation's point of view, we have been able to increase the cash flows into the holding again and that is the reasons we are proposing at the General Assembly to increase the dividend to CHF 6. Also from a Simply Safe point of view, there are three targets to 2021. We are fully in line with them. Cash, I already mentioned that. Employee engagement clearly in the top quartile of the best financial institutions in Europe.

And also in terms of winning new clients, we have actually won in 2018 over or almost 200,000 net new clients. So, also from a Simply Safe, strategic goals, we are fully on track and I think that is the main message from our annual results 2018. We are very proud to say that we are fully on track with our strategic goals and with our strategy.

Having said that, we are glad to open up for questions.

Q&A

Operator

We will now begin the question-and-answer session. The first question comes from the line of Michael Huttner from JPMorgan. Please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Hi there. Thank you so much, and well done for the dividend and the cash and on your targets, it's lovely. And I had four questions if I may, they're very brief. One is the 18% stake in FRIDAY for that deal at CHF 43 million value from the media companies, does that give – am I right in thinking it gives a valuation of FRIDAY of about CHF 300 million, and how does that compare with your investment so far?

The second is, what's – the reserve release is the only number I was wondering about, so it's up from 2.9% to 4.3%. If I add back the extraordinary reserve additions made last year for Germany, that would be 6%. I don't know which is the right figure but it's higher, and I just wondered if you can give a little bit more color on this.

I've been assuming, but maybe wrongly that this is – IFRS 17 is beginning to have an impact here. Certainly, it's something that (00:03:04). Then on in life, and the life growth in cash is wonderful up to CHF 170 million from about CHF 140 million and EBIT is also up. And I just wondered if you can give a feel for whether these numbers can progress. Are we now at the right level given that in the past you said EBIT would be about CHF 300 million, and the cash is clearly – total cash is above your target run rate? And, finally, on Solvency, you said over 200%. But given that it was 262% or 263% last year, I just wondered does it mean that 200% that is down massively. How can I interpret this? Thank you?

A - Operator

Thank you for the questions. I think we'll split them a bit amongst the different people of the team here. Let me start with FRIDAY. So, the 18% commitment or engagement of two media companies is actually based on a strong partnership. I think we absolutely see strategic partnerships with these media companies. And indeed, if you would derive, let's call it, the CHF 40 million as more or less 20%, we would be in evaluation of FRIDAY today of about CHF 200 million.

We ourselves invested over the last three years CHF 45 million in FRIDAY, and have committed to another €75 million over the next years to come together with a CHF 40 million of the media companies, so that's more or less the investment so far and the evaluation or the valuation of Friday as we speak.

High level reserve release, we actually – we release reserves in non-life on a case-by-case basis and that's why indeed it might be somewhat higher this year than it was previous years. I think, we remain with the guidance of 2% to 3% prior year loss development, but I'm sure that Carsten will or can detail on that.

On life, indeed, cash generation and EBIT is satisfactory. We have been able to increase it given the strategy to move away from capital-heavy products into much lighter or capital-lighter business mix. That's clearly the strategy which is working and which has allowed us to increase both, the EBIT and the cash generation of the life business. But Carsten, maybe on non-life, life and the Solvency or SST maybe your additional remarks or answers.

A - Carsten Stolz {BIO 6055047 <GO>}

Well, thank you, Michael for your questions. On non-life in addition to what's Gert already said. It's true that in 2018, we've been a little bit above the guidance of the 2- to 3-percentage point, but there's no special reason behind that. So, I think that's just the way it developed in 2018.

On life EBIT, we keep our guidance of an area of CHF 300 million. We have had a good year last year, we've had a good year in 2017. We've also seen and you saw that in the end of this presentation, that the interest rate effect has come down again. But I would like also to remind you that if we stay in that environment due to the mechanics of reserve strengthening further down the road. Even if we stay unchanged, we will have some further reserve strengthening. So for the moment, we keep the life guidance as unchanged. We're very happy with as Gert (00:06:48) already mentioned, that the life business segment is also contributing to the cash remittance. So, the cash remittance is also standing on three strong feet.

Now with regard to SST, we expect the SST to be above 200%. We're in the midst of currently doing the final calculations and we'll disclose the final number at the end of April, in the context of the financial condition report. So for the time being, we expect above 200% as we expect it last year as well.

Q - Michael Huttner {BIO 1556863 <GO>}

(00:07:23), thank you very much.

Operator

The next question comes from the line of Peter Eliot from Kepler Cheuvreux. Please go ahead.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Hi. Good morning. Thank you very much. Yeah. I probably would have pushed a little bit on the SST ratio as well. I guess we're not going to get much more guidance of how we compare now to where you were this time last year, but it was always worth a try. Perhaps just on the SST, would you be able to comment even sort of qualitatively on how the volatility is looking like under the new models, whether you expect the ratio to move around a little bit more.

And second question, your cash radar I mean you present (00:08:14) the same one as last year, it gets (00:08:17) constraints on the annual payments. But I guess it doesn't give us perhaps a complete view of the sort of one-off distribution capabilities. And I mean I'm guessing that SSTs are not going to be a constraint. And I think your pre-reserves could be higher if you could upstream capital. So, I was wondering if you could comment on that and where you see the sort of constraints really in terms of one-offs payments.

And then final question, the investments-type premium showed a big decline. I was just wondering if you could go into that a little bit. So, I mean, I know you commented on the sort of the underwriting prudence (00:09:02), but great focus (00:09:03) more comments there. Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

I will propose that Carsten take question one and two and I will actually allude and elaborate on the Luxembourg question. Carsten, please.

A - Carsten Stolz {BIO 6055047 <GO>}

Yeah. So, thanks for your question and thanks for pushing on SST. At this stage we're still in the calculation mode. The models have changed as you know in many substantial components, so I think it's too early to make any statement on that. You can be sure that we will be above 200% and we'll have to wait for the financial condition report, so we can state the answer to your well-understood question on the back of the numbers in the end of April. So, we think it might be a little bit higher the volatility of the number in the new models. But it's not a very mature statement yet.

On cash radar and I'm referring to slide 8, in the analyst presentation that's I think your reference point as well. You know that we have a pure holding on top of the corporate structure, so there is no insurance operations in the Holding. And this is the cash rate of Bâloise Holding, where the dividend is paid out.

So, it's a simpler cash radar as we have it for the operational entities. And it spreads out the relevant constraints with regards to the Holding balance sheet, when it comes to dividend payments. And as you see, capital is not a constraint in considering what we do with everything that is remitted to the Holding.

The free reserves that stem from prior financial years, another constraint either. So, we are well within the boundaries of the Holding constraints. The cash radar looks different if you look at the operational entities, because there different criteria coming to play. But from a Holding level, you see the picture that we are well inside the constraints with the proposed dividend payment of CHF 6.

A - Gert De Winter {BIO 19720616 <GO>}

On the Luxembourg question, I understood the question as what is the reason for actually lower freedom of service or premium volumes. So, investment-linked or investment-linked life insurance. So in Luxembourg, we actually do the unit-linked life insurance throughout Europe.

And I think there are mainly two reasons why the volume has decreased in 2018. The first is, of course, that the markets were pretty volatile, which has actually decreased the demand for these kinds of products and solutions, that is one. And, secondly, in the beginning of 2018, there were a number of regulatory let's call it challenges like GDPR, IDD and so forth, which has certainly slowed down I would say the volume of this type of business.

However, what is important is that we actually generate profit on the assets under management of this business. And if you look at the freedom of services business driven out of Luxembourg, we have doubled the assets under management since 2012-2013, so we are at CHF 10 billion assets under management and this is where we generate the profit and the bottom line, not on the premiums as such, which are by default giving the market volatility also volatile. And we expect the market to stabilize and normalize again in the years to come.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Okay. Thank you very much.

Operator

The next question comes from the line of Frank Kopfinger from Deutsche Bank. Please go ahead.

Q - Frank Kopfinger {BIO 16342277 <GO>}

Yes. Good morning, everybody. I have two questions. My first question is on your interest rate margin in life, which you widened in 2018. And driver was a reserve strengthening of 10 basis points, and you mentioned that the there is more to come on this and in respect to reserves strengthenings.

I would like to understand what the mechanical guidance there is, because just from the PowerPoint perspective it even looked like as if you would have not needed a reserves strengthening on this side as simply the reserves mix or the business mix would have been sufficient to keep the margin stable.

And then secondly, on FRIDAY also, there were some past comments that you also intend to enter other markets. I would like to know whether you can comment on the markets, where you like to go and especially whether Switzerland, your home base, would be one as it's one of the most profitable ones.

A - Gert De Winter {BIO 19720616 <GO>}

Should I start with FRIDAY, Carsten?

A - Carsten Stolz {BIO 6055047 <GO>}

Yes, please. Go ahead.

A - Gert De Winter {BIO 19720616 <GO>}

Let me first pick on the question on FRIDAY. Obviously, you see in terms of the plans, we are - given the media for equity transaction of course giving a lot of opportunities in publicity in Germany, we are focusing on actually further increasing the growth in the motor business in Germany. If you look at the plans moving forward, clearly there are other products than motor-only in Germany. So, that's certainly an element we're looking at or an additional growth engine that we are looking at.

And in addition, we are of course also looking at internationalization and expansion. We don't necessarily expect that to happen this year. But moving forward, it is certainly an option. Given the technology platform, given the efficient processes, given the convenience for customers and given the data analytics capacities, these kinds of alternative business models are actually easier to export in other countries than traditional M&A. So, we are certainly thinking about extending the FRIDAY model into other markets, but focusing in 2019 on motor in Germany, and other actually branches in Germany.

A - Carsten Stolz {BIO 6055047 <GO>}

So, your question on interest rate margin development and further reserves strengthening in the context of the EBIT strength of the life segment. I start with the question, why do we need to make further reserves strengthenings in that context and that is due to regulation in different countries. And I take an example from your country, Germany, with the mechanics from the so-called (00:16:16), where we have moved in 2018 into a new method called corridor method.

The good news is that that triggers less requirement to realize capital gains to nurture the liability side. The bad news is that the reference interest rate comes down much slower since it's an average interest rate over 10 years. So, that means that even if interest rates stay the way they are, this averaging down over time will take a couple more years and therefore also then trigger through that mechanism further the reserves strengthenings. But you see also on slide 23, where we have the profit by sources, that's the reserve strengthening have come further down. So, the need for further reserves strengthening is leveling out as we go ahead.

Now, on the interest rate margin that has increased on slide 24 that has increased to 130 basis points, we had an effect - pretty strong effect on lower average guarantees that has to do with the way we managed bank books. It has also to do with the structure of maturing policies. So, that's not a linear development.

And when it comes to the current yield. That has only come down 2 basis points last year, we just had less maturing bonds and therefore less reinvestment needs, that kept the pressure on the current yield lower than in former years. So, by and large, and there I look more at the development over time, and that's the – that we have been able to establish a certain stable corridor between the current yield stemming from the investment side and the average guarantees in the back book.

Q - Frank Kopfinger {BIO 16342277 <GO>}

Okay. Thank you.

Operator

The next question comes from the line of Luke Stratford-Higton from UBS. Please go ahead.

Q - Luke Stratford-Higton {BIO 21041344 <GO>}

Hi, there. Thanks for taking my questions. Two from me, please. So, the first one is on the combined ratio in Switzerland, that seems deteriorated and I was wondering if you could provide any comments around that? And the second one is on the cash remittances of CHF 449 million (00:18:51). Were there any one-offs in there, or was that just normal remittances? Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

Let me take the first question on the combined ratio in Switzerland. We are still at a very, very profitable level. So, there are no exceptional things and no underlying trends that we see. So, profitability is clearly stable. What we had of course is the winter storms in the beginning of the year, 2018, and some bigger claims that we have also in – especially in fire (00:19:26). Those are the two, I would say, effects that have slightly increased the combined ratio in Switzerland, but absolutely normal going forward. So, no reason whatsoever to actually be worried there.

On cash remittance, Carsten?

A - Carsten Stolz {BIO 6055047 <GO>}

Yes.

A - Gert De Winter {BIO 19720616 <GO>}

Yeah.

A - Carsten Stolz {BIO 6055047 <GO>}

Thank you, Gert. On cash remittance, our overall ambition is that we improved the cash content of IFRS earnings on an – moving forward, which we have achieved this year, so I'm quite happy about this. You asked if there were one-offs in the cash remittance. It's quite clean. It is coming out of the operating earnings and it may vary a little bit from year-to-year with regard to the sources. But by and large, I think that's a pretty sustainable picture.

Q - Luke Stratford-Higton {BIO 21041344 <GO>}

Sure. Thanks. And just one follow-up question if I may, where would you peg a sort of (00:20:25) normalized combined ratio levels (00:20:27)?

A - Gert De Winter {BIO 19720616 <GO>}

I think if you would take the combined ratio over the last couple of years, that's sort of the average. You have some elements going up, some elements going down, but there is no specific trend to be expected. So, it's I would say, stable moving forward.

Q - Luke Stratford-Higton {BIO 21041344 <GO>}

Okay. Perfect. Thank you very much.

Operator

The next question comes from the line of Kevin Ryan from Bloomberg Intelligence. Please go ahead.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you very much. I'd just like to ask about your new customer targets, you've had a very impressive haul in 2018 with 186,000 new customers. Could you give us a little bit of background on where you were targeting the growth in 2019 and beyond? Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

Let me first tackle the 2018. So, indeed, close to 200,000 net new customers. If you look at where they come from, actually they come from all the different geographies, which is - so we're actually growing in clients everywhere. It's especially the non-life clients we're growing,

So it's actually the target segment in which we are developing these growth of new customers. And it is across the what I would call the core of our business on one side and the innovation initiatives on the other side. FRIDAY for example is bringing close to 30,000 new customers in 2018. So, that's actually 2018. We're close to 200,000 net new customers.

If you look at the years forward, we have both in the core of our business and in the innovation initiatives actually already launched a number of initiatives, so large number of initiatives, which are maturing. So actually the target is in 2021. That's the target of our Simply Safe strategy, is to achieve the 1 million net new customers. And we are well on our way having reached over 300,000 in two years. And actually with the different initiatives in core and in the innovation part maturing, we expect this to steadily increase over the years to come.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thanks.

Operator

We have our follow-up question from Michael Huttner from JPMorgan. Please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you so much for this opportunity. So, I have three. One is tax, the other one is accounting for FRIDAY. And the other one is more philosophical. On the tax, I was speaking with your wonderful IR, who I think - and I understood that the guidance for tax is now below 20 (00:23:03), the actual tax is 25 (00:23:05), and before the guidance was around or below 23 (00:23:10). So, I wonder if you could talk a little bit about the extra from this uplift. Does it mean the cash goes up basically?

The second is accounting for FRIDAY. So, if I remember the numbers you've very kindly cited, so CHF 45 million invested so far and then you've got next to CHF 40 million from your new media partners. You've got another CHF 70 million kind of outlined for future investments. How is this capitalized? And then you kind of match it against revenues or contracts or whatever or is this expense? The reason I asked is, isn't to say FRIDAY is good or bad. It sounds really good. It's just to understand if there's a potential for uplift when the spend, if you like, slows down.

And the final one is on the margin. So, if I compare your margins with those of your peers, they're very high, which is great. And, clearly getting new clients, the clients appreciate it too. But in life, I noticed in some countries, the new business margin over 50% in non-life. The combined ratio, as you just said, in Switzerland, around somewhere between 80% and 85%.

Now, how do you - how sustainable are these very long-term? The question we always have from investors is, if, I don't know, 10 or 20 years ago and the (00:24:37) happier to operate at 95% or 100% combined ratio. And a new business margins of around 1% to 2% and now they're much, much higher. How sustainable is this or is this a little bit one-off and suddenly will revert to the old one (00:24:51)? Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

Well, thank you, Michael. I start with the tax question. So, what has happened between 2017 and 2018 was that we had a very favorable tax year in 2017. That was mainly due to tax reforms in some countries, especially Belgium. And the depressed earnings situation in other countries to be Germany. So, that has reversed in 2018.

And so from a local and taxable revenue perspective the profits has been higher and that triggered the development onto the 25% that we have in this year. Now, in many jurisdictions, there is considerations about the tax regimes overall and that's by and large will contribute to the lower run rate as indicated into the future.

Part of it will be taxes that will have to be paid or less paid and part of it is then reflected in latent taxes and IFRS. That's accounting effect only, but the overall trend in the tax regimes is a track trend towards lower taxes on income.

In some regimes then there is a compensation by taxing on capital in a different way. But if you look at income taxes that's probably fair to say that that that's overall trend.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay.

A - Carsten Stolz {BIO 6055047 <GO>}

And that should hopefully close the loop to what the wonderful IR team has already told you.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

If I take question number two on FRIDAY, if you look at the track of the investments being done by Bâloise and by the two media companies today. Actually indeed, in 2016 we decided to launch the direct digital insurer (00:27:00) in Germany, which was an investment of CHF 45 million until the end of 2018 to actually build up the team, build up the technology, the processes, the brand, and so forth.

If you look at approximately CHF 40 million that SevenVentures and German Media Pool is bringing in now in the transaction that was announced today. This is actually a sort of counter value for the publicity that we will be able to use using these two stronger media companies. And we are also investing together with the media companies approximately CHF 75 million. Important to say is CHF 50 million of this CHF 75 million is actually Solvency II capital actually which is being bound given the growth that is being expected, so CHF 25 million is further investments in technology, customer convenience, data analytics capabilities and so forth. CHF 50 million is actually, let's call it, tier (00:27:57) - Solvency II capital. So, that's more or less the situation on the investments.

Of course, moving forward in other branches in Germany or international expansion will require additional investments. But the basis of the digital insurer with the technology and the data analytics capabilities and the user convenience capabilities is existing, so it's a stable IT technology process platform.

On sustainability, maybe I should open and then Carsten can jump in. I think what you see in new business margins, of course, is the actual results of the business strategy that we have been following for the last couple of years is to move away from capital-intensive products into capital-life products, is lowering the guarantees when possible. It is actually working on the portfolio as we speak, so this is clearly a result of our strategy in life.

If you look at the combined ratios in to different countries and in Switzerland, this doesn't come automatically. It's hard work. I mean, we are continuing our very successful target customer management and operational excellence strategy in re-underwriting and in underwriting our book of business in a continuous way. And that is why we think, having built up this capability for the last 10 to 15 years, we are a very strong in OpEx and customer target management and that's why we think and we do believe absolutely that it's sustainable moving forward.

But as said, it doesn't come by accident it doesn't come automatically. It's continuous daily hard work.

Q - Michael Huttner {BIO 1556863 <GO>}

Perfect. That's really helpful. Thank you.

Operator

The next question is a follow-up question from Peter Eliot from Kepler Cheuvreux. Please go ahead.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thanks very much. I just want to follow-up on a few points actually. First, your question just now to - or your answer just now to Michael's questions on the tax. Sorry, if I missed it. But I didn't catch whether you gave your current view or guidance on what tax rate do you expect. Would you be able to clarify that what you expect as an underlying tax rate for 2019?

Then secondly, just pretty much on the non-life reserves. I mean if we look at H2 in isolation, I mean, I appreciate you said there are some one-off in there, but we're looking at a sort of 6% run rate for H2. Are you able to tell us which countries there were coming from and maybe especially what the result from Germany was?

And then third question, the risk results within life was very strong. Are you able to quantify how much of that was due to biometric assumption changes and what your view on the underlying profitabilities going forward? Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

Yes. Thank you, Peter. On the tax rate, we said in the past that we expect it to be between 20% to 23%. Now, I would say we are more in the 20% area maybe looking from below upwards to 20% if I may use that as a picture. So, the 20% area is probably a good figure. On the risk results, if you look at the profit by source analysis, you're right. We have had a pretty strong risk result with CHF 274 million. And we had an updated in biometric assumptions, that's correct. Our guidance that has been always in the area between CHF 200 million and CHF 250 million, we would keep that also moving forward. So in that respect, this year's risk result was maybe kind of CHF 25 million, above the upper level - of the upper range of that guidance. But we would stick to the CHF 200 million and CHF 250 million run rate for the risk result.

A - Gert De Winter {BIO 19720616 <GO>}

Maybe on non-life and actually the Carsten please feel free to comment. I think a question on the first half year, second half year, we don't manage actually by half year. So, you have indeed some variations in the first half year, second half year, which are a bit different than last year. So, that's actually the main result. So, it's actually just – we look at the full year. Where does the prior year loss development come from? Actually mainly from Switzerland and Belgium, but also, for example, from Germany.

So, clearly Germany has been a topic over the last couple of years. And during the Investor Day in 2016, we announced the five-year plan to bring Germany back into profitability. We are executing against this plan and full on-track. The combined ratio guideline for Germany was 96% to 98%. So, we are slightly below that. So, we achieved 2018 the objective. And what you clearly see is in non-life, that we are completely shifting the portfolio.

So, away from a big industrial risks, which are not our taste, almost minus 50% over the last two years in this segment of industry risks and over plus 35% in the retail business, which is the good profitable business with a combined or claims ratio below 60% and we have growth there for 20%. So, actually, we're shifting the portfolio in non-life and this is where we actually are achieving a much more stable combined ratio in the target area that we are looking for.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Great. Thanks very much.

Operator

The next question comes from the line of René Locher from MainFirst. Please go ahead.

Q - René Locher

Yes. Hello, everyone. Can you hear me?

A - Carsten Stolz {BIO 6055047 <GO>}

Absolutely.

A - Gert De Winter {BIO 19720616 <GO>}

Sure, René.

Q - René Locher

Absolutely. That's nice. So, I missed the beginning of the call. So, just want to make sure the life EBIT guidance of CHF 300 million still stands. The reason why I'm asking is that I'm looking at 10-year risk coherence such as now in (00:34:34) negative territory again, so just a confirmation of the CHF 300 million EBIT guidance in life.

And then on slide 27, I mean, I see that asset management improved the IFRS earnings 20%. And while this is capital-light income, very much appreciate it. So, I was just wondering if there is some one-off in there which explain that there's a strong increase in IFRS earnings.

And then other question on – you note that 20% in Infracore, which is healthcare property project for CHF 87 million. So, could you comment a little bit what was the rationale? Where are you going from here with these investment in Infracore? Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

I propose that Carsten takes question one and that questions two and three for Matthias.

A - Carsten Stolz {BIO 6055047 <GO>}

Yup. With pleasure. Thank you, René for your questions. Yes. The life guidance remained unchanged at CHF 300 million at this stage.

Q - René Locher

Thanks.

A - Matthias Henny {BIO 17600048 <GO>}

Good. Coming to questions two and three, higher EBIT from asset management, an increase of CHF 11 million is coming from two factors. About two-third is from the real estate investment company that we set up and with the launch of the real estate investment fund that generated quite substantial fees. And one-third of this increase is actually coming from a shift in results. But in the end, two-third of the shift is coming from the growth in the real estate investment business.

Coming to your third question, rationale for Infracore, for us this is investment into a niche segment of the real estate market. It is a segment that shows quite some growth rate. We have a quite high investment yield on that portfolio. And combined with a very long-term lease contracts with duration of more than 20 years. This is a perfect investment category to generate stable and high investment yields for the insurance business, be it non-life, be it life.

Q - René Locher

Yes. And I think this is really a sweet spot for a life insurance company and I was wondering, this 20% are you happy with the 20% or could it be that you go a little bit higher?

A - Matthias Henny {BIO 17600048 <GO>}

Currently we hold 20%. This is for us the right quarter to be a strategic partner for Infracore and an anchor investor. We might increase a little bit the quota, but it's not planned to increase it substantially.

Q - René Locher

Okay. Thank you.

Operator

Gentlemen, that was the last question.

A - Gert De Winter {BIO 19720616 <GO>}

Good. And thank you very much for the attention. Thank you very much for the questions and we hope we have been able to answer at least to a large extent your questions. Thank you very much and have a wonderful day.

Operator

Ladies and gentlemen, the conference is now over. Thank you for choosing Chorus Call and thank you for participating in the conference. You may now disconnect your lines. Goodbye.

FINAL

Bloomberg Transcript