

Annual Report 2019

Summary

Baloise key figures

	2018	2019	Change (%)
CHF million			
Business volume			
Gross non-life premiums written	3,405.9	3,542.1	4.0
Gross life premiums written	3,360.3	4,060.3	20.8
Sub-total of IFRS gross premiums written ¹	6,766.2	7,602.4	12.4
Investment-type premiums	1,912.1	1,907.5	-0.2
Total business volume	8,678.2	9,509.9	9.6
Operating profit (loss)			
Profit / loss for the period before borrowing costs and taxes			
Non-life	371.7	398.9	7.3
Life ²	333.2	274.8	-17.5
Asset Management & Banking	92.1	91.1	-1.1
Other activities	-59.4	-41.0	-31.0
Consolidated profit for the period	522.9	689.5	31.9
Balance sheet			
Technical provisions	46,575.2	48,333.3	3.8
Equity	6,008.2	6,715.6	11.8
Ratios (per cent)			
Return on equity (RoE)	8.6	11.1	-
Gross non-life combined ratio	89.2	88.3	-
Net non-life combined ratio	91.7	90.4	-
New business margin (life)	48.5	37.3	-
Investment performance (insurance) ³	0.7	4.7	-
New life insurance business			
Annual premium equivalent (APE)	293.9	413.5	40.7
Value of new business	142.4	154.0	8.1
Key figures on the Company's shares			
Shares issued (units)	48,800,000	48,800,000	0.0
Basic earnings per share ⁴ (CHF)	11.14	15.02	34.8
Diluted earnings per share ⁴ (CHF)	11.12	14.99	34.8
Equity per share ⁴ (CHF)	127.1	145.3	14.3
Closing price (CHF)	135.40	175.00	29.2
Market capitalisation (CHF million)	6,607.5	8,540.0	29.2
Dividend per share ⁵ (CHF)	6.00	6.40	6.7

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments (31 December 2018: CHF 10.2 million; 31 December 2019: CHF -1.8 million).

3 Excluding investments for the account and at the risk of life insurance policyholders.

4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.

5 2019 based on the proposal submitted to the Annual General Meeting.

At a glance

Profit (attributable to the shareholders) of CHF **694.2** million

Equity of CHF **6,715.6** million

Dividend of CHF **6.40** per share
(to be proposed to the Annual General Meeting on 24 April 2020)

Return on equity (RoE) of **11.1 %**

Net combined ratio of **90.4 %**

- 0.2 %
decline in volume of business with investment-type premiums

New business margin in the life business of **37.3 %**

Net investment yield on insurance assets of **2.3 %**

83 %
of employees recommend Baloise as an employer

- 7.1 %
CO₂ reduction

+209,000
additional customers

BBB
improved sustainability rating from MSCI



Dr Andreas Burckhardt, Chairman of the Board of Directors (right), and Gert De Winter, Group CEO (left), with a view from the 23rd floor of Baloise Park.

DEAR SHAREHOLDERS,

Baloise achieved very good results in 2019, reporting a profit attributable to shareholders of around CHF 694 million. This equates to a year-on-year increase of 32.7 per cent that was thanks to non-recurring positive effects (including tax-related) of CHF 148.6 million. The non-life business proved very profitable, improving its combined ratio yet again to 90.4 per cent. Margins in the life business remain adequate, despite the low interest rates. We are on track to achieve the targets defined for our Simply Safe strategic phase, which will continue until the end of 2021. In three years, Baloise has signed up 514,000 new customers and transferred CHF 1.3 billion in cash to the holding company, and we have now moved into the top 15 per cent of the most attractive employers in the European financial sector.

Last year, Baloise also sharpened its strategic focus. It used its insights from the first three years of the Simply Safe strategic phase to set priorities for its digital initiatives. Baloise had initially experimented in various different areas, gaining invaluable experience, but is now concentrating on the 'Home' and 'Mobility' ecosystems. This is where it sees the greatest opportunities for building on its robust core business by expanding

the portfolio of services for its customers. Baloise also made huge progress with strengthening, optimising and diversifying its core business. In the life business, it is continuing to improve the business mix by focusing on risk and unit-linked products. The Company also capitalised on the opportunities for growth in Switzerland presented by the withdrawal of a competitor. The strategic reallocation of the non-life portfolio in Germany is having a positive impact. The German business's turnaround is reflected in a considerable increase in new customers. The 2019 results for the Luxembourg business unit were also robust. Baloise unlocked opportunities and possibilities in Belgium's attractive non-life insurance market when it acquired insurance company Fidea NV in the first half of the year. The announced acquisition of Athora's non-life insurance portfolio will also markedly strengthen the market position of the Belgian business. These two acquisitions will underpin Belgium's role as a second key pillar within the Baloise Group alongside the Swiss business. They will also help to diversify the business. The Athora portfolio will significantly strengthen Baloise's position in the Wallonia region of Belgium. Baloise is now among the four

largest insurance companies in Belgium's attractive non-life insurance market. Baloise Asset Management expanded its range of asset management services for external customers in Switzerland and invested in a number of large-scale real-estate projects. In the context of Baloise's sustainability activities, the responsible investment policy applicable to insurance assets was extended to all of the products managed by Baloise Asset Management for external customers at the start of this year.

MOVING TOWARDS PLATFORM-BASED INTEGRATION OF SERVICES

Focusing on the 'Home' and 'Mobility' ecosystems, Baloise plans to widen the range of services that it offers outside its core business. To this end, it has expanded the 'Mobility' ecosystem last year. Baloise invested in companies such as Zurich-based start-up gowago.ch, a marketplace for car leasing platforms that enable customers to arrange leasing for used cars easily, transparently and affordably from the comfort of their own home. The two start-ups that we ourselves have established in European markets, Mobly in Belgium and FRIDAY in Germany, have enabled us to gain invaluable knowledge and experience in the 'Mobility' ecosystem. Building on this, we plan to expand the mobility platform even more. In the 'Home' ecosystem, we have developed various services in Switzerland and Belgium for homeowners, tenants and landlords. We have also expanded such services by cooperating with partners and through the acquisition of start-ups. One example is our long-term equity investment in devis.ch, a Swiss marketplace on which tradespeople and cleaners can offer services for inside and outside the home. We will expand this marketplace in cooperation with MOVU, our digital platform for home-moving services in Switzerland. In Belgium, another phase of a pilot project is just getting under way, in which various services for professional and private landlords will be offered on a platform. Integrating it with facilities management solutions would create the potential to bring together all landlord-relevant services on a single platform. Baloise will host its next Investor Day at the end of October 2020, at which we will provide further details about the ecosystems and market opportunities.

By sharpening our strategic focus, we are delineating the range of services for our future business activities more precisely. This focus makes it easier to accelerate the implementation of initiatives over the next two years of the Simply Safe strategic

phase. And we are optimistic about achieving our targets for this phase. At our Investor Day in October, we will provide a progress report and look ahead to the next strategic phase.

For several weeks now, the Company has been severely impacted by the coronavirus COVID-19 outbreak and the necessary measures taken by governments to contain it. We remain confident that the course taken by Baloise will bring us lasting success going forward, even during these difficult and still uncertain times. This confidence is also reflected in our dividend policy: the Board of Directors will ask the Annual General Meeting to increase the dividend by CHF 0.40 to CHF 6.40.

Basel, March 2020

Dr Andreas Burckhardt

Chairman of the Board of Directors

Gert De Winter

Group CEO

Baloise can look back on a very successful 2019

Great innovative strength, a very healthy core business and two acquisitions were the main features of an extremely successful 2019. Last year marked the half-way point in Baloise's current strategic phase, and firm foundations for the future were laid. Baloise is well on track to achieve its targets for employee satisfaction, customer growth and cash generation. The first two years of the five-year Simply Safe strategic phase were dominated by initial experiments with new digital products and services, whereas in the years ahead Baloise's focus will be trained on the 'Home' and 'Mobility' ecosystems.

OVERVIEW

Baloise can look back on a very successful 2019 that was impressive on all fronts. Boosted by a non-recurring tax effect, the profit attributable to shareholders of CHF 694.2 million was up by 32.7 per cent compared with 2018. Even adjusted for this effect, Baloise still achieved a very good profit that was higher than the 2018 profit of CHF 523.2 million. Earnings before interest and tax (EBIT) fell slightly, by 1.8 per cent, to CHF 723.9 million (2018: CHF 737.5 million).

The 9.6 per cent jump in the volume of business to CHF 9,509.9 million was very satisfying (2018: CHF 8,678.2 million). As well as robust organic growth in the national Baloise companies (in local currency terms), there were two main reasons for this increase. Firstly, the volume of premiums in the life business was pushed up by around CHF 560 million due to the withdrawal of a competitor from comprehensive insurance solutions in the group life business in Switzerland and by CHF 46.7 million due to the acquisition of Belgian insurer Fidea NV. Secondly, the acquisition of Fidea NV caused the volume of premiums in the non-life business to go up by around CHF 112.6 million. The effect on the volume of premiums of purchasing the non-life portfolio of Athora on 4 November 2019 will be visible for the first time in the financial results for the first half of 2020.

The profitability of Baloise's non-life business improved yet again year on year. The lowest ever net combined ratio of 90.4 per cent (2018: 91.7 per cent) is proof positive of the portfolio's outstanding quality and the favourable level of claims in 2019. The latter also benefited the German business, where the net combined ratio of 90.9 per cent was significantly lower than the target range of 96 per cent to 98 per cent.

BUSINESS VOLUME

	2018	2019	+/- %
CHF million			
Total business volume	8,678.2	9,509.9	9.6
Life	3,360.3	4,060.3	20.8
Non-life	3,405.9	3,542.1	4.0
Investment-type premiums	1,912.1	1,907.5	-0.2

In an environment characterised by uncertainty surrounding interest rates, EBIT attributable to the life business was at the good level of CHF 274.8 million, although this was lower than the 2018 figure of CHF 333.2 million, which had been boosted by a non-recurring effect. EBIT attributable to the life business was therefore much higher than the minimum expectation for 2019 of CHF 200 million, despite the signals to the contrary in the fourth quarter of 2019 in connection with the environment of persistently low interest rates.

Baloise expanded its range of asset management services for external customers and invested in a number of large-scale real-estate projects. There have been net inflows of more than CHF 2 billion since the start of the strategic phase in 2017 (2019: around CHF 841 million). In the context of Baloise's sustainability activities, the responsible investment policy for asset management applicable to insurance assets was extended to all of the products managed by Baloise Asset Management for external customers with effect from 1 January 2020. Overall, the markets take a positive view of the progress made regarding

sustainability. In July 2019, for example, MSCI upgraded Baloise's sustainability rating from BB to BBB.

During the Simply Safe strategic phase, Baloise is aiming to become more than just a traditional insurance company. To this end, it has been experimenting with various innovative partnerships, technologies and product ideas over the past few years. In 2019, the 'Home' and 'Mobility' ecosystems became the main focus, and this will be further accentuated in the years ahead.

BUSINESS VOLUME IN 2019 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

→ Switzerland	51.7
→ Germany	14.3
→ Belgium	20.4
→ Luxembourg	13.3



NON-LIFE DIVISION: COMBINED RATIO AT RECORD LOW

The volume of premiums in the non-life business rose once again thanks to the acquisition of Fidea and the related increase in premiums of CHF 112.6 million. The total volume increased by 4.0 per cent to CHF 3,542.1 million (2018: CHF 3,405.9 million). In local currency terms, the increase was 6.5 per cent. The volume of premiums in Switzerland was close to the prior-year level at CHF 1,344.2 million (down by 0.4 per cent below). Translated into Swiss francs, the volume of premiums in Germany fell by 1.6 per cent to CHF 790.0 million due to currency effects. But in local currency terms, the volume swelled by 2.1 per cent. Belgium and Luxembourg notched up growth in the volume of premiums, both in Swiss francs and in the local currency. The acquisition of Fidea provided a boost to premiums of CHF 112.6 million in Belgium, where the total volume jumped by 13.8 per cent to CHF 1,251.1 million (local currency terms: 18.1 per cent). Non-life premiums in the Belgian business are thus on a par with the volume in Switzerland, thereby diversifying the portfolio at Group level and helping to create stability. Luxembourg also delivered healthy growth of 1.7 per cent to reach CHF 136.7 million. In local currency terms, the increase was 5.6 per cent.

EBIT in the non-life business increased significantly year on year, advancing by 7.3 per cent to CHF 398.9 million (2018: CHF 371.7 million). The net combined ratio improved yet again to reach an excellent 90.4 per cent, which was 1.3 percentage points below the very good ratio reported a year ago (2018: 91.7 per cent). The main reasons for this improvement were the low level of claims in 2019 and a higher profit on claims reserves. The net combined ratio in the German business was also encouraging at 90.9 per cent, which was well below the target range of 96 per cent to 98 per cent.

NET COMBINED RATIO

As a percentage

2019	90.4
2018	91.7
2017	92.3
2016	92.2
2015	93.3

LIFE DIVISION: SHARP RISE IN THE VOLUME OF PREMIUMS

The volume of life business received a boost of around CHF 560 million owing to the withdrawal of a competitor from business involving comprehensive insurance solutions for occupational pensions in Switzerland. The total volume rose by 13.2 per cent to CHF 5,967.7 million (2018: CHF 5,272.4 million). In the traditional life business, the volume of premiums therefore increased by 20.8 per cent to CHF 4,060.3 million (2018: CHF 3,360.3 million). The volume of investment-type premiums remained on a par with the prior-year figure at CHF 1,907.5 million (2018: CHF 1,912.1 million).

EBIT in the life business amounted to CHF 274.8 million in 2019 (2018: CHF 333.2 million). EBIT attributable to the life business was therefore much higher than the minimum expectation for 2019 of CHF 200 million, despite the signals to the contrary in the fourth quarter of 2019 in connection with the environment of persistently low interest rates. The decrease in EBIT of 17.5 per cent arose mainly because the prior-year figure had been boosted by a non-recurring effect. Reserves no longer needed in the Belgian life business had been reversed in 2018.

Moreover, the risk result at Basler Switzerland had benefited from an adjustment to the biometric basis. The new business margin stood at 37.3 per cent in 2019 thanks to the selective underwriting policy and the better business mix.

ASSET MANAGEMENT AND BANKING

For the stock markets, 2019 was one of the best years in their history. The indices were at record levels at the end of the year. The SMI, for example, achieved an overall rate of return of around 30 per cent. Once again, this was made possible by the ultra-expansionary monetary policy of central banks worldwide, which has been keeping interest rates at persistently low levels. The trade dispute between the US and China created volatility in the markets at times. In these market conditions, and given the ongoing hunt for returns, the property market saw further compression of yields.

INSURANCE ASSETS: SOLID INVESTMENT YIELD

The start of 2019 was dominated by a global slowdown of growth that was triggered by greater political uncertainty, primarily relating to the trade dispute between the US and China. This held back the manufacturing industry and led to bouts of volatility in the financial markets. The central banks' U-turn in the middle of the year, which saw a return to interest-rate cuts and more expansionary monetary policy, helped to calm investors. As a result, the equity markets soared to record highs. The Swiss Market Index gained more than 25 per cent in value in 2019.

The gains on the investment of insurance assets amounted to CHF 1,355.7 million, which was above the 2018 level of

CHF 1,250.7 million. Current income fell to CHF 1,176.5 million owing to the persistently low level of interest rates (2018: CHF 1,282.6 million). Baloise largely avoided reinvesting maturing bonds denominated in Swiss francs, switching instead to euro-denominated bonds that offered higher yields after currency hedging costs. It specifically opted for investments in mortgages and senior secured loans with stable income, thereby slightly mitigating the effect of declining income.

At CHF 573.4 million, the capital gains recognised in the income statement were up by CHF 186.8 million compared with the prior year. These positive contributions stemmed from private equity, the wind-down of the hedge fund portfolio, gains realised on bonds and increases in the value of properties. Impairment losses were down by CHF 12.4 million year on year. The losses relating to currency hedging costs and currency effects arising on unhedged currency exposures improved by CHF 15.1 million to CHF 177.2 million owing to lower currency hedging costs.

The gains on investments achieved for insurance assets equated to a net return of 2.3 per cent, which was up a little on the 2018 figure of 2.2 per cent. Unrealised gains rose by CHF 1,354.7 million owing to changes in interest rates, the narrowing of spreads and the uptrend in equity markets. Consequently, the rate of return on insurance assets according to IFRS – which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments – was 4.7 per cent, representing a substantial increase on the 0.7 per cent rate of return according to IFRS in 2018.

PROPRIETARY INVESTMENTS BY CATEGORY¹

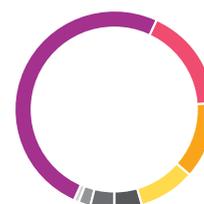
	31.12.2018	31.12.2019	+/- %
CHF million			
Investment property	7,904.0	8,120.1	2.7
Equities	2,834.6	3,576.6	26.2
Alternative financial assets	1,153.6	1,102.8	-4.4
Fixed-income securities	31,798.7	34,587.6	8.8
Mortgage assets	10,724.9	11,069.3	3.2
Policy loans and other loans	5,671.3	5,743.6	1.3
Derivatives	453.9	469.7	3.5
Cash and cash equivalents	2,543.5	2,412.6	-5.1
Total	63,084.5	67,082.4	6.3

¹ Excluding investments for the account and at the risk of life insurance policyholders and third parties.

INVESTMENT COMPONENTS IN 2019

As a percentage

Fixed-income securities	51.6
Mortgage assets	16.5
Investment property	12.1
Policy loans and other loans	8.6
Equities	5.3
Cash and cash equivalents	3.6
Alternative financial assets	1.6
Derivatives	0.7



ASSETS HELD BY BALOISE

as at 31 December 2018	Non-life	Life	Asset Management and Banking	Total for the Group
CHF million				
Investments for own account and at own risk	9,388.5	46,612.6	7,572.9	63,084.5
Asset portfolio for the account and at risk of life insurance policyholders and third parties ¹		13,640.8		14,133.7
Total recognised assets	9,388.5	60,253.4	7,572.9	77,218.2
Third-party assets				8,963.6

as at 31 December 2019	Non-life	Life	Asset Management and Banking	Total for the Group
CHF million				
Investments for own account and at own risk	10,396.8	49,711.3	7,911.1	67,082.4
Asset portfolio for the account and at risk of life insurance policyholders and third parties ¹		15,337.8		15,939.0
Total recognised assets	10,396.8	65,049.1	7,911.1	83,021.4
Third-party assets				10,748.6

¹ Including CHF 70.3 million (2018: CHF 54.1 million) in other assets (precious metal holdings from investment-linked life insurance policies).

BALOISE ASSET MANAGEMENT: SIGNIFICANT INCREASE IN EXTERNAL CUSTOMERS' ASSETS

As at 31 December 2019, the total assets under the management of Baloise Asset Management stood at CHF 59.7 billion, a rise of 7 per cent on the prior year. The large volume increase was due not only to a strong performance but also to additional inflows, which included both insurance assets and assets in external customer business. The increase in insurance assets was primarily due to the acquisition of Belgian insurance company Fidea, which contributed a volume of around CHF 1.5 billion.

The volume growth was also reflected in the increase in income, which rose by 3 per cent year on year to reach CHF 133.5 million (based on local accounting standards and excluding transfer transactions). Business with external customers was expanded substantially in 2019. Net new assets amounted to CHF 841 million, a year-on-year increase of 5 per cent.

At the start of September 2019, Baloise Immobilien Management AG carried out the first capital increase for the Baloise Swiss Property Fund, which it had launched in October 2018. The capital increase met with huge interest and was heavily oversubscribed. Inflows into the fund amounted to around CHF 200 million.

The Baloise Swiss Property Fund reached the end of its first financial year at the end of September 2019. A distribution yield of 2.83 per cent (relative to the OTC price) exceeded investors' expectations. The fair value of the portfolio, which now has 55 properties, amounted to CHF 565.9 million as at 30 September 2019. The fund managers intend to further expand the property portfolio during the second financial year (2019/2020).

When it purchased a long-term equity investment in Infracore in 2018, the Baloise Group broke into the highly promising niche market of healthcare real estate. It continued to pursue its strategy in this area in the reporting year. Baloise's stake stood at 25.9 per cent at the end of 2019.

The three new buildings being built at Baloise Park will be the Baloise Group's headquarters in Basel and are due for completion in 2020: Alongside the head office building, the two investment properties will be partly used as a hotel and partly as office space. Thanks to the excellent location, much of the space has already been rented out on the basis of long-term leases.

In 2019, Baloise further expanded its range of innovative asset management solutions for external customers, ensuring they were fully aligned with customers' requirements.

For example, Baloise Global Bond CHF Optimized provides Swiss pension funds with a bond solution that is geared entirely to the needs of this group of investors in the current low-interest-rate environment and thus stands out clearly from the competition. Furthermore, senior secured loan investments were repositioned and are now among the most attractive in the Swiss market, in terms of both performance and costs.

Baloise Asset Management is opting for innovation and technological advancements in order to stay competitive. For example, it has entered into a strategic partnership with Brainalyzed in the area of big data and artificial intelligence. The objective is to cover a much larger investment universe and to further increase the gains on investments in future, while keeping resources at their existing level.

As an asset manager with a long-term focus, Baloise has been taking aspects of socially responsible investing into consideration for many years. It formalised this in 2019 with its responsible investment (RI) policy. This policy was initially introduced for all new inflows from 1 January 2019 and was extended to all insurance assets in summer 2019. Since 1 July 2019, the RI policy has also applied to all assets managed by Baloise in products for external customers. The RI policy sets out the rules for the integration of environmental, social and corporate governance criteria into investment decisions. Baloise has signed up to the Principles for Responsible Investment (PRI) and joined the Swiss Sustainable Finance (SSF) network in order to strengthen engagement with its customers, shareholders and employees.

KEY FIGURES FOR SWITZERLAND

	2018	2019	+/- %
CHF million			
Business volume	4,189.5	4,920.5	17.4
Of which: life	2,840.3	3,576.4	25.9
Of which: non-life	1,349.2	1,344.2	-0.4
Net combined ratio (per cent)	84.5	87.9	3.4
Profit before borrowing costs and taxes	554.2	500.2	-9.7

BASLER VERSICHERUNGEN SWITZERLAND

Basler Versicherungen Switzerland remains the Group's strongest source of earnings and generates the greatest volume of premiums, as could be seen from its excellent results for 2019. Earnings before interest and tax, profitability and premium income remained at a high level, collaboration with Baloise Bank SoBa was further intensified across Switzerland and the innovation pipeline is full

of projects in the 'Home' and 'Mobility' ecosystems. The volume of business rose by 17.4 per cent to CHF 4'920.5 million (2018: CHF 4,189.5 million), with the bulk of this increase attributable to the growth of the volume of premiums in the group life business. EBIT was down by 9.7 per cent year on year to CHF 500.2 million (2018: CHF 554.2 million), mainly due to the reduction in realised gains on investments and due to a slightly higher combined ratio.

The volume of premiums in the non-life division remained on a par with the strong prior-year figure at CHF 1,344.2 million (2018: CHF 1,349.2 million). Once again, Basler Switzerland signed up numerous new customers for its services, thanks to the YouGo insurance line, which is aimed at customers up to the age of 30, the alliance with KASKO and a strong year for Movu.

The EBIT attributable to the Swiss non-life business fell to CHF 230.7 million (2018: CHF 317.5 million) owing to the aforementioned effects. Having been at an excellent 84.5 per cent in 2018, the net combined ratio returned to a normal level but was still very good at 87.9 per cent.

In the life division, a competitor in the group life business withdrew its comprehensive insurance products from the market, resulting in a sharp rise in the volume of premiums. In 2019, gross premiums written in the life business rose by 25.5 per cent overall to reach CHF 3,422.9 million (2018: CHF 2,728.0 million). Of this total, CHF 3,019.8 million was attributable to group life business (2018: CHF 2,331.7 million).

In individual life insurance, premium income advanced by 1.7 per cent to CHF 403.1 million (2018: CHF 396.3 million).

The partially autonomous collective foundation Perspectiva continued to generate strong growth, and the total number of companies signed up rose to 2,133 in 2019 (2018: 1,345), including around 9,800 policyholders and foundation assets of more than CHF 700 million.

EBIT in the life business came to CHF 208.4 million and was thus much higher than the prior-year figure (2018: CHF 176.9 million). This was primarily the result of higher gains realised on investments and higher gains on investment property.

The banking business continues to perform well, which is testament to the success of the unique business model of banking and insurance in Switzerland. The number of asset management and investment advice mandates increased by 23.4 per cent to 2,646. EBIT was on a par with the prior year at CHF 28.5 million (2018: CHF 29.1 million). Basler Insurance and Baloise Bank SoBa are increasingly offering additional advisory services provided by specially trained financial advisors at the general agents across Switzerland in order to further improve their proximity to customers. This trend is driven by the expansion of banking expertise, which is thus increasingly moving away from some of Baloise's own branches towards the general

agents of Basler Insurance that already exist across Switzerland. The additional expertise at the general agents of Basler Insurance make it easier to offer solutions on a broader basis that are tailored to customers' personal situations.

KEY FIGURES FOR GERMANY

	2018	2019	+/- %
CHF million			
Business volume	1,415.9	1,363.5	-3.7
Of which: life	612.8	573.5	-6.4
Of which: non-life	803.1	790.0	-1.6
Net combined ratio (per cent)	95.8	90.9	-4.9
Profit before borrowing costs and taxes	6.0	20.2	236.7

BASLER VERSICHERUNGEN IN GERMANY

The German business's turnaround is becoming increasingly evident and it delivered a solid set of results for 2019. EBIT jumped from CHF 6.0 million to CHF 20.2 million. One of the main contributors to this rise was the non-life business, where the ongoing portfolio restructuring and focus on profitable segments are bearing fruit.

At CHF 1,363.5 million, the volume of business was down by 3.7 per cent year on year (2018: CHF 1,415.9 million), although this decline was primarily due to currency effects. The business volume held steady in local currency terms. Business with investment-type premiums contracted slightly compared with 2018. The rise in profitability seen in the first half of the year in the non-life division is continuing. The volume of gross premiums written came to CHF 790.0 million, which was slightly lower than in the previous year due to currency effects (2018: CHF 803.1 million), while the net combined ratio stood at an excellent 90.9 per cent (2018: 95.8 per cent).

The improvement of the business mix – by reducing industrial business and instead focusing on growing the business with retail customers and with small and medium-sized enterprises – is increasingly paying off. At the same time, however, the German business benefited from the low level of claims in 2019 and the low cost of basic claims. In 2019, Basler Germany was therefore comfortably below its short- to medium-term target range for the net combined ratio of 96 to 98 per cent.

The volume of premiums in the life division was also impacted by currency effects. Gross premiums written in the traditional life insurance business fell by 2.0 per cent to CHF 377.9 million (2018: CHF 385.7 million), although they rose by

1.7 per cent in local currency terms. The new business mix in the life insurance segment remained positive with a very high proportion of risk products and products with investment-type premiums. These accounted for around 90 per cent of new business. Following a strong year in 2018, investment-type premiums decreased to CHF 195.6 million (2018: CHF 227.1 million). As well as delivering a healthy business performance, Basler Germany worked on strengthening its quality of service and improving customer satisfaction. It was awarded first place for the second time in succession in the property broker sales category and fourth place in the life insurance broker sales category. In a cross-sectoral survey, customers ranked Basler among Germany's top 50 companies for service for the third time in a row. These positive factors are one of the main reasons for the sustained significant increase in new customers for Basler in Germany over the past three years, thereby making a considerable contribution to the strategic target at Group level.

KEY FIGURES FOR BELGIUM

	2018	2019	+/- %
CHF million			
Business volume	1,722.3	1,936.9	12.5
Of which: life	622.7	685.8	10.1
Of which: non-life	1,099.6	1,251.1	13.8
Net combined ratio (per cent)	92.3	94.5	2.2
Profit before borrowing costs and taxes	199.0	195.2	-1.9

BALOISE INSURANCE BELGIUM

For Baloise Insurance in Belgium, 2019 was a transformational year. The acquisition of Fidea NV and the purchase of Athora's non-life portfolio enabled the Group's Belgian business unit to significantly strengthen its attractive non-life business and to gain a broader foothold in the Wallonia region. Baloise Insurance is now in the top four non-life insurance companies in Belgium.

The volume of business rose by a hefty 12.5 per cent to CHF 1,936.9 million (2018: CHF 1,722.3 million). All segments contributed to this very healthy growth, with the CHF 159.3 million increase in premiums as a result of the Fidea acquisition making the biggest impact. The effect of the full consolidation of the two acquisitions will be visible in the half-year and annual financial statements for 2020. In 2019, only some of Fidea's premiums and none of the increase in premiums resulting from acquisition of the Athora portfolio were included.

Baloise Insurance Belgium's EBIT was on a par with the prior year at CHF 195.2 million (2018: CHF 199.0 million). The prior-year figure had been boosted by the reversal of reserves that were no longer needed in the life business, whereas EBIT in 2019 benefited from a non-recurring effect in connection with the first-time consolidation of the Fidea acquisition.

Belgian non-life business again registered strong growth, expanding by 13.8 per cent to CHF 1,251.1 million owing to the aforementioned acquisition (2018: CHF 1,099.6 million). Excluding this acquisition, growth amounted to 3.5 per cent (or 7.5 per cent in local currency terms). As a result of this growth, the Belgian market now accounts for about a third of the Baloise Group's total non-life premiums. It is therefore becoming a second key pillar for non-life business within the Baloise Group. The non-life business remains profitable, although the net combined ratio of 94.5 per cent was not quite at the very good prior-year level of 92.3 per cent. This deterioration was mainly attributable to large and storm-related claims, above all in connection with storm Eberhard.

In the life business, there was good growth in both periodic and single premiums, which increased by 10.2 per cent and 3.8 per cent respectively. Total premiums in the traditional life business therefore grew by 9.4 per cent to CHF 181.7 million (2018: CHF 166.1 million). Investment-type premiums were up by 10.4 per cent to CHF 504.1 million (2018: CHF 456.6 million).

With regard to innovation, further progress was made and new initiatives were launched in 2019. Due to an increase in demand, Baloise is offering new services in Belgium aimed at preventing and protecting against cybercrime and bullying. Through the online platform Gonna.be and the Baloise Insurance Chair for Financial Welfare established at the Catholic University of Leuven, Baloise is helping its customers to better understand, and provide for, their financial future. B-Tonic, Baloise's health platform in Belgium, has introduced new ways of helping customers to improve their physical and mental health.

KEY FIGURES FOR LUXEMBOURG

	2018 (restated) ¹	2019	+ / - %
CHF million			
Business volume	1,330.1	1,267.9	- 4.7
Of which: life	1,195.6	1,131.1	- 5.4
Of which: non-life	134.5	136.7	1.7
Net combined ratio (per cent)	89.9	97.7	7.8
Profit before borrowing costs and taxes	30.7	22.7	- 26.1

¹ Change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein.

BÂLOISE ASSURANCES LUXEMBOURG

The 2019 results for the Luxembourg business unit were robust, although they were not as good as in 2018 owing to a higher volume of claims and higher personnel and IT expenses due to restructuring. Baloise's volume of business in Luxembourg fell by 4.7 per cent year on year to CHF 1,267.9 million (2018: CHF 1,330.1 million). As reported in the 2019 half-year financial statements, current market conditions for investment-type premiums are not very attractive. The decrease in these premiums is the main reason for the overall reduction in the volume of business in Luxembourg.

EBIT in the Luxembourg business was weighed down by a large storm claim in the second half of the year, falling by CHF 8.0 million to CHF 22.7 million (2018: CHF 30.7 million). This event caused the net combined ratio to increase by 7.8 percentage points to 97.7 per cent (2018: 89.9 per cent). Gross premiums in the non-life business went up by 1.7 per cent to CHF 136.7 million, partly due to expansion of the network of brokers (2018: CHF 134.5 million). In local currency terms, the rise was just over 5.6 per cent.

Despite the smaller volume of business involving investment-type premiums, they were the major driver of business volume in the Luxembourg business unit. They totalled CHF 1,054.3 million in 2019 (2018: CHF 1,116.0 million). The assets under management in Luxembourg increased by 17.4 per cent. This was thanks not only to new premiums but also the strong performance of the capital markets in 2019 and the Luxembourg business unit's good customer relationship management. In the traditional life business, gross premiums were down slightly on the prior year at CHF 76.8 million (2018: CHF 79.6 million).

EQUITY AND DIVIDEND: REQUESTED INCREASE IN THE DIVIDEND TO CHF 6.40

Consolidated equity went up by 11.8 per cent year on year to reach CHF 6,715.6 million at the end of 2019 (31 December 2018: CHF 6,008.2 million). This sharp rise was due to the level of profit for the period and the higher valuation of available-for-sale securities with characteristics of liabilities and equity. Baloise is thus strongly capitalised, as underlined when Standard & Poor's affirmed the Company's 'A+' credit rating in 2019. In the Swiss Solvency Test (SST)*, a ratio of around 200 per cent is expected as at 1 January 2020. The ratio is thus likely to be lower than at 1 January 2019 due to the acquisition of Fidea, capital market effects and adjustments to the model.

The total shareholder return, i.e. the increase in value for the shareholders of Baloise, stood at an excellent 34 per cent in 2019. The programme launched in April 2017 in order to repurchase more than three million shares had reached 96 per cent of its target as at 6 March 2020 and will be completed in April 2020. In 2019, a sum of CHF 190.0 million was returned to shareholders; the total returned in the period from the start of the share buy-back programme to 31 December 2019 was CHF 388.5 million. The Board of Directors of Baloise Holding Ltd intends to ask the 2020 Annual General Meeting to increase the dividend to CHF 6.40 per share (2018: CHF 6.00).

INNOVATION PIPELINE: EXPANSION OF THE 'HOME' AND 'MOBILITY' ECOSYSTEMS AND DIGITALISATION OF THE CORE BUSINESS

In 2019, the 'Home' and 'Mobility' ecosystems became the main focus, and this will be further accentuated in the years ahead.

In the 'Home' ecosystem, Baloise teamed up with Movu to invest in laundry services provider Bubble Box and in Devis.ch, a platform for the services of tradespeople. In February 2020, Baloise announced that it would invest in start-up Keypoint in Belgium. Baloise and Keypoint are developing a new digital assistant that is designed to simplify the work of property managers.

There were also more far-reaching projects in the 'Mobility' ecosystem. Baloise and 'ryd' launched a connected car pilot scheme. In autumn 2019, Baloise announced that it would invest in car leasing platform gowago.ch.

Last year, Antwerp-based start-up Mobly, which belongs to the Baloise Group, began offering a new type of personal transport insurance policy, under which the whole family is insured for every kilometre travelled, regardless of the mode of transport, and

only the actual kilometres driven in the policyholder's own car are paid for.

German digital insurer FRIDAY enjoyed another successful year in 2019. During this period, it attracted more than 50,000 new customers with its straightforward digital processes and products (2018: 30,000 new customers). One in two contracts was entered into via FRIDAY's direct channel. The published volume of premiums amounted to around CHF 17 million in 2019. Alongside car insurance, FRIDAY began offering home contents insurance in summer 2019. It thus began its transformation from a pure-play car insurance firm to a digital provider of property insurance. Since autumn 2019, FRIDAY has been offering legal insurance for motorists in cooperation with Roland Versicherung. Last year, FRIDAY received a 'media for equity' investment in a volume of around CHF 43 million from the ProSiebenSat.1 Media Group and partners of German Media Pool. These partnerships will enable FRIDAY to publicise its insurance products over the coming years in the advertising outlets of the ProSiebenSat.1 Group, which have a wide reach among the relevant target groups, as well as on TV channels such as RTL II and Sport1, on radio stations and in daily newspapers.

In its core business of insurance, Baloise invested in further simplifying its processes for customers. The Easy Ask project, for example, is resulting in a much leaner claims settlement process and won the Swiss insurance industry special prize in 2019.

An overview of the innovative projects launched at Baloise since the start of Simply Safe can be found here:

www.baloise.com/innovations

OUTLOOK

The World Health Organization (WHO) declared the coronavirus outbreak a pandemic on 11 March 2020. The global situation and the measures taken to contain the virus will have a significant impact on the worldwide economy. At this point in time, it is not possible to estimate the specific impact on Baloise. The very good results for 2019 would indicate that Baloise is well on track to achieve its targets for the Simply Safe strategic phase by 2021, even in these difficult circumstances. At its next Investor Day in October 2020, Baloise will be revealing how it plans to continue creating lasting value for all of its stakeholders during the next strategic phase after 2021.

* The SST ratio will be published at the end of April 2020.

Consolidated income statement

FIVE-YEAR OVERVIEW

	2015	2016	2017	2018	2019
CHF million					
Income					
Premiums earned and policy fees (gross) ¹	6,832.4	6,680.6	6,726.4	6,737.0	7,571.3
Reinsurance premiums ceded	-148.6	-168.2	-183.4	-209.0	-241.5
Premiums earned and policy fees (net)	6,683.7	6,512.4	6,542.9	6,528.0	7,329.8
Investment income	1,521.8	1,476.6	1,392.5	1,376.0	1,257.0
Realised gains and losses on investments ²					
For own account and at own risk	379.1	303.1	427.8	96.1	336.1
For the account and at risk of life insurance policyholders and third parties	7.1	364.1	696.5	-1,087.8	1,709.5
Income from services rendered	112.6	110.1	116.9	130.4	126.0
Share of profit (loss) of associates	36.8	7.1	5.5	6.2	10.8
Other operating income	136.6	136.8	235.0	227.6	227.7
Income	8,877.9	8,910.2	9,417.1	7,276.6	10,996.9
Expense					
Claims and benefits paid (gross)	-5,352.4	-5,664.2	-5,726.5	-5,904.4	-6,090.4
Change in technical reserves (gross)	-1,241.9	-669.1	-535.0	412.4	-956.7
Reinsurance share of claims incurred	97.9	108.2	80.8	83.3	117.0
Acquisition costs	-472.4	-502.9	-482.1	-535.8	-554.6
Operating and administrative expenses for insurance business	-761.3	-763.9	-765.8	-810.8	-816.0
Investment management expenses	-60.4	-60.3	-77.2	-82.2	-91.4
Interest expenses on insurance liabilities	-34.1	-30.5	-21.9	-19.2	-17.2
Gains or losses on financial contracts	-0.9	-342.9	-613.4	801.2	-1,388.0
Other operating expenses	-333.1	-300.9	-591.8	-483.6	-475.7
Expense	-8,158.6	-8,226.6	-8,733.0	-6,539.1	-10,273.0
Profit before borrowing costs and taxes	719.2	683.6	684.1	737.5	723.9
Borrowing costs	-40.0	-38.0	-34.3	-39.9	-37.7
Profit before taxes	679.3	645.6	649.8	697.6	686.2
Income taxes	-168.2	-111.7	-117.9	-174.7	3.3
Profit for the period	511.1	533.9	531.9	522.9	689.5
Attributable to					
Shareholders	512.1	534.8	548.0	523.2	694.2
Non-controlling interests	-1.0	-0.9	-16.1	-0.3	-4.7
Earnings / loss per share					
Basic (CHF)	10.96	11.53	11.50	11.14	15.02
Diluted (CHF)	10.65	11.22	11.48	11.12	14.99

1 In line with the accounting principles applied by the Baloise Group, investment-type insurance premiums are not included in premiums earned and policy fees.

2 Including financial liabilities held for trading purposes (derivative financial instruments).

Consolidated balance sheet

FIVE-YEAR OVERVIEW

as at 31.12.	2015 (restated)	2016	2017	2018	2019
CHF million					
Assets					
Property, plant and equipment	399.1	349.3	353.3	318.3	362.8
Intangible assets	838.2	836.1	1,002.5	1,041.2	1,034.7
Investments in associates	162.3	160.4	138.4	221.1	387.4
Investment property	6,251.9	6,817.5	7,480.3	7,904.0	8,120.1
Financial instruments with characteristics of equity	13,770.8	14,305.6	15,874.9	14,137.9	16,232.9
Financial instruments with characteristics of liabilities	33,248.4	33,766.5	35,360.1	33,775.1	36,749.0
Mortgages and loans	16,656.6	16,354.7	16,568.6	16,396.2	16,812.9
Derivative financial instruments	653.9	757.3	800.4	914.8	1,048.1
Other assets / receivables	3,921.5	4,024.3	3,305.1	2,036.6	2,184.3
Deferred tax assets	39.8	69.3	88.8	73.5	97.4
Cash and cash equivalents	2,839.8	3,173.3	3,551.6	4,036.1	3,988.0
Total assets	78,782.3	80,614.3	84,523.9	80,854.8	87,017.8

as at 31.12.	2015 (restated)	2016	2017	2018	2019
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	5,418.9	5,741.3	6,346.2	5,970.6	6,714.0
Non-controlling interests	34.7	32.4	63.0	37.6	1.6
Total equity	5,453.6	5,773.7	6,409.2	6,008.2	6,715.6
Liabilities					
Gross technical reserves	45,776.6	46,209.0	48,008.5	46,575.2	48,333.3
Liabilities arising from banking business and financial contracts	19,012.0	20,317.7	22,696.5	21,539.0	24,540.4
Derivative financial instruments	250.8	299.0	145.3	117.3	117.5
Other accounts payable	7,379.5	7,070.0	6,341.9	5,707.2	6,372.6
Deferred tax liabilities	909.7	944.9	922.4	907.8	938.5
Total liabilities	73,328.7	74,840.6	78,114.7	74,846.6	80,302.2
Total equity and liabilities	78,782.3	80,614.3	84,523.9	80,854.8	87,017.8

Business volume, premiums and combined ratio

BUSINESS VOLUME

2018	Group	Switzerland	Germany	Belgium	Luxembourg (restated) ¹
CHF million					
Non-life	3,405.9	1,349.2	803.1	1,099.6	134.5
Life	3,360.3	2,728.0	385.7	166.1	79.6
Sub-total of IFRS gross premiums written ²	6,766.2	4,077.2	1,188.7	1,265.7	214.0
Investment-type premiums	1,912.1	112.3	227.1	456.6	1,116.0
Total business volume	8,678.2	4,189.5	1,415.9	1,722.3	1,330.1

2019	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,542.1	1,344.2	790.0	1,251.1	136.7
Life	4,060.3	3,422.9	377.9	181.7	76.8
Sub-total of IFRS gross premiums written ²	7,602.4	4,767.1	1,167.9	1,432.8	213.5
Investment-type premiums	1,907.5	153.4	195.6	504.1	1,054.3
Total business volume	9,509.9	4,920.5	1,363.5	1,936.9	1,267.9

1 Change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein.

2 Premiums written and policy fees (gross).

NET COMBINED RATIO

2018	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ¹	59.9	57.5	59.7	57.9	56.6
Expense ratio	31.8	27.0	36.1	34.4	33.3
Combined ratio	91.7	84.5	95.8	92.3	89.9

2019	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ¹	57.9	60.6	54.6	59.8	63.1
Expense ratio	32.5	27.3	36.3	34.7	34.6
Combined ratio	90.4	87.9	90.9	94.5	97.7

¹ Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2018	2019	2018	2019
as a percentage of premiums earned				
Claims ratio ¹	58.6	57.2	59.9	57.9
Expense ratio	30.6	31.1	31.8	32.5
Combined ratio	89.2	88.3	91.7	90.4

¹ Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2018	2019
CHF million		
Technical reserve for own account ¹	5,777.1	5,984.9
Premiums written and policy fees for own account	3,220.1	3,329.4
Funding ratio (per cent)	179.4	179.8

¹ Not including capitalised settlement premiums.

Income statement of Bâloise Holding Ltd

	2018	2019
CHF million		
Income from long-term equity investments	432.2	646.6
Income from interest and securities	21.6	38.5
Other income	37.3	17.4
Total income	491.1	702.5
Administrative expenses	-37.6	-51.7
Depreciation, amortisation and impairment	-1.8	-62.5
Interest expenses	-35.2	-32.7
Other expenses	-2.6	-3.7
Total expenses	-77.2	-150.6
Tax expense	-2.0	-0.2
Profit for the period	411.9	551.7

Balance sheet of Bâloise Holding Ltd

	31.12.2018	31.12.2019
CHF million		
Assets		
Cash and cash equivalents	36.5	46.2
Receivables from Group companies	341.7	361.0
Receivables from third parties	7.5	4.0
Current assets	385.7	411.2
Financial assets		
Loans to Group companies	529.7	1,063.2
Long-term equity investments	1,786.1	1,836.4
Non-current assets	2,315.8	2,899.6
Total assets	2,701.5	3,310.8
Equity and liabilities		
Current liabilities		
Liabilities to Group companies	7.4	6.8
Liabilities to third parties	3.5	12.6
Current interest-bearing liabilities to third parties	175.0	300.0
Deferred income	21.2	23.2
Non-current liabilities		
Long-term interest-bearing liabilities to Group companies	620.0	580.0
Long-term interest-bearing liabilities to third parties	1,075.0	1,525.0
Provisions	4.4	0.3
Liabilities	1,906.5	2,447.9
Share capital	4.9	4.9
Statutory retained earnings		
General reserve	11.7	11.7
Reserve for treasury shares	6.4	8.3
Voluntary retained earnings		
Free reserves	566.1	683.2
Distributable profit:		
– Profit carried forward	0.7	0.8
– Profit for the period	411.9	551.7
Treasury shares	– 206.7	– 397.7
Equity	795.0	862.9
Total equity and liabilities	2,701.5	3,310.8

Financial calendar

12 MARCH 2020

Preliminary annual financial results

Media conference

Conference call for analysts

26 MARCH 2020

Annual Report

Publication of the 2019 annual report

24 APRIL 2020

Annual General Meeting

Bâloise Holding Ltd

27 AUGUST 2020

Half-year financial results

Conference call for analysts and the media

Publication of the 2020 half-year report

29 OCTOBER 2020

Investor Day

12 NOVEMBER 2020

Q3 interim statement

9 MARCH 2021

Preliminary annual financial results

Media conference

Conference call for analysts

30 MARCH 2021

Annual Report

Publication of the 2020 annual report

30 APRIL 2021

Annual General Meeting

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