

Annual Report 2021

Summary

Baloise key figures

	2020	2021	Change (%)
CHF million			
Business volume			
Gross non-life premiums written	3,802.5	4,063.4	6.9
Gross life premiums written	3,291.3	3,389.7	3.0
Sub-total of IFRS gross premiums written ¹	7,093.8	7,453.1	5.1
Investment-type premiums	1,832.7	2,138.0	16.7
Total business volume	8,926.5	9,591.1	7.4
Operating profit (loss)			
Profit / loss for the period before borrowing costs and taxes			
Non-life	302.2	303.9	0.6
Life ²	282.2	406.7	44.1
Asset Management & Banking	79.4	82.5	3.9
Other activities	-61.0	-70.5	15.6
Consolidated profit for the period	428.3	583.3	36.2
Balance sheet			
Technical provisions	48,585.0	48,661.4	0.2
Equity	6,985.7	7,299.9	4.5
Ratios (per cent)			
Return on equity (RoE)	6.4	8.3	-
Gross non-life combined ratio	91.7	99.3	-
Net non-life combined ratio	91.2	92.6	-
New business margin (life)	42.7	39.0	-
Investment performance (insurance) ³	3.0	1.4	-
New life insurance business			
Annual premium equivalent (APE)	294.5	340.5	15.6
Value of new business	125.9	133.1	5.7
Key figures on the Company's shares			
Shares issued (units)	48,800,000	45,800,000	-6.1
Basic earnings per share ⁴ (CHF)	9.65	13.06	35.3
Diluted earnings per share ⁴ (CHF)	9.63	13.05	35.5
Equity per share ⁴ (CHF)	155.1	161.7	4.3
Closing price (CHF)	157.50	149.10	-5.3
Market capitalisation (CHF million)	7,686.0	6,828.8	-11.2
Dividend per share ⁵ (CHF)	6.40	7.00	9.4

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments (31 December 2020: CHF -3.2 million; 31 December 2021: CHF -2.5 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 2021 based on the proposal submitted to the Annual General Meeting.

At a glance

Profit attributable to
shareholders
CHF **588.4** million

Equity of
CHF **7,299.9** million

Dividend of
CHF **7.00** per share
(proposal to the
Annual General Meeting
on 29 April 2022)

Cash upstream
CHF **431** million

Net combined ratio of
92.6 per cent

7.4 per cent
increase in the volume
of business

New business margin
in the life business of
39.0 per cent

Net investment yield on
insurance asset of
2.2 per cent

81 per cent
of employees
recommend Baloise
as an employer

- 20 per cent
reduction in carbon
emissions since 2017

+ 223,000
additional customers

75 per cent
A-AAA MSCI ESG
rating for rated insurance
investments

Letter to shareholders



Dr Thomas von Planta, Chairman of the Board of Directors (right), and Gert De Winter, Group CEO (left), with a view from the first floor of the Group headquarters at Baloise Park.

DEAR SHAREHOLDERS,

Baloise achieved strong results in 2021, reporting a profit attributable to shareholders of CHF 588.4 million, and is in an excellent position for the start of Simply Safe: Season 2. All operating segments and units contributed to this improved result. In the life insurance business, we also benefited from rising interest rates. The result affirms the success of our business model, which is based on sustainable value creation. Insurance is all about managing risk. What sets Baloise apart is that we aim for and achieve sustainable success for everyone: customers, employees and shareholders. Our stakeholders can rely on this stability, especially in difficult times.

The ongoing measures to tackle the coronavirus pandemic continued to put a strain on employees and customers in 2021. Much of the past year was marked by extreme weather events in Europe. Hailstorms, strong winds, heavy rain and the associated flooding took their toll on those affected, who included our customers in Belgium, Germany, Luxembourg and Switzerland. The exceptional weather events were also very challenging for many of our employees who were there by our customers' side, ready to support them during this stressful time. The record

storm damage reduced profit by CHF 121 million, making it the biggest ever loss event in the history of Baloise. But we still achieved a strong set of figures even in this difficult environment. This once again illustrates the stability and resilience of our balance sheet, the effectiveness of our risk management and the performance of our employees, who deserve our very special thanks.

Goals as drivers of the transformation

At the close of last year, we successfully completed Simply Safe: Season 1 and transitioned smoothly to the next strategic phase: Simply Safe: Season 2. Building on what we have achieved so far, we are aiming for more growth and to be an important part of people's lives as a service provider. The three strategic targets have been retained and are now even more ambitious. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and to have generated CHF 2 billion in cash. The experience gained from Simply Safe: Season 1 has shown that ambitious targets accelerate Baloise's transformation. During our strategic

journey, the Company has gained a lot of momentum, enabling us to operate sustainably and effectively for all stakeholders. In this context, we are also monitoring the conflict in Ukraine and its potential implications very carefully. In the short term, what is happening there will not impact on our business, as Baloise does not operate in Ukraine or Russia and has only a small investment exposure to Russia. What remains unclear at this stage is how the conflict will affect economies in Europe, and thus our customers, over the medium term.

“Ambitious goals accelerate the transformation”

The roll-out of the global vaccination campaign against coronavirus that began in spring 2021 was reflected in a positive response from the markets. The Baloise share price stood at CHF 168.80 on 8 March 2021, following a strong performance in the first four years of ‘Simply Safe: Season 1’, but came under increasing pressure over the course of the year.

In 2021, we also embedded sustainability even more deeply within our business processes. The Baloise value creation model has been the basis of our value generation for all stakeholders since 2018. While excellent progress has been made in the area of responsible investment, we are now also turning our attention to underwriting. The question of which risks we are able and willing to insure in future not only affects the stability of Baloise but can also help to nudge the behaviour of our customers towards acting in a more sustainable way. The challenges we face in this regard will become even greater in future. This is one reason why the Board of Directors is adapting and reorganising its committee structure. Changes include transforming the Chairman’s Committee into a Strategy and Governance Committee in order to address the strategic topics that will be relevant going forward.

A sustainable approach in policymaking

However, more sustainability is also required in policymaking to strengthen the stability of national economies and to ensure an equitable society. In Switzerland, we are once again facing attempts to place the funding of pensions on a sustainable footing. For years, there has been generational cross-subsidisation where those currently in work are funding the pensions of those who have retired because too much has been promised and current returns are too low. Parameters set by the state such as the conversion rate, minimum returns and the inflexible retirement age are partly to blame. Today’s contribution payers are bearing the ever-increasing burden of successive failures to implement the necessary reforms. This makes it all the more important that efforts to reform the pension system should succeed.

Arming ourselves against future large risks is also important. Insurance can be part of the solution here. The coronavirus pandemic has shown that we can rely on the support of the state in a crisis. However, it is not sustainable always to turn to the state – and thus ultimately to taxpayers – after a crisis has already happened. Insurance companies have the specialist expertise required to identify, assess and prevent risks and to deal with large-scale loss events. The industry brought this expertise to bear when it came to covering losses from future pandemics with pandemic insurance. Unfortunately, policy-makers currently rely on mitigating damage after the event, using taxpayers’ money. Government and business should work together to develop solutions for preventing major risks. We are prepared to contribute our know-how and to play our part for society.

As ‘Simply Safe: Season 1’ comes to an end, Baloise is starting the next phase of its ‘Simply Safe’ strategic journey with a strong set of results. Stability, reliability, growth, innovation and sustainable value creation combined with a motivated workforce and a focus on customers and services are what set us apart. We will continue with this approach in the future. And you, our shareholders, should also be able to continue reaping the benefit in future. The Annual General Meeting will therefore be asked to approve an increase in the dividend of CHF 0.60 to CHF 7.00 this year.

Basel, March 2022



Dr Thomas von Planta

Chairman of the Board of Directors



Gert De Winter

Group CEO

Baloise heads into the ‘Simply Safe: Season 2’ strategic phase with a strong profit for the period

In 2021, we successfully completed the first stage of our ‘Simply Safe’ strategy. We made tremendous strides with our three strategic targets in relation to employees, customers and shareholders while also reporting robust results from operations over the entire period. This is an incredibly positive outcome given that we faced huge challenges during this strategic period in the shape of two once-in-a-century events: the COVID-19 pandemic and the storms in summer 2021. At the same time, we pushed ahead with Baloise’s cultural and digital transformation. We collaborate more efficiently, have become faster, make greater use of digital technologies, are easier to interact with for our customers and by establishing the Home and Mobility ecosystems, have laid the foundations for our future business model.

OVERVIEW OF TARGET ATTAINMENT, PROFIT AND BUSINESS VOLUME

Completion of the 2017–2021 strategic phase

The ‘Simply Safe’ strategic phase began in 2017 with three ambitious targets related to employees, customers and shareholders, heralding the Company’s strategic realignment and transformation. In a changing society, we want to further strengthen our core business by providing innovative solutions that extend beyond traditional insurance. This first phase ended in 2021 and we can look back with pride on our achievements.

Employees

Baloise had set itself the target of becoming an industry leader in terms of employer attractiveness and being among the top 10 per cent of employers in the European finance industry. From our starting position of being among the top 30 per cent of employers, we managed to break into the top 8 per cent in 2020 thanks to a number of measures. Aspects particularly appreciated by employees include the excellent working relationships and the high level of experience and skills. These outstanding results continued until early summer 2021, but in the December survey, Baloise slipped down the rankings to a position in the top 24 per cent of employers. This fall was primarily due to the increased workload arising from the once-in-a-century summer storms and the ongoing pandemic situation. In view of the long-term trend of recent years, which shows a clear improvement in Baloise’s attractiveness as an employer, and the high proportion of employees who would recommend Baloise as a place to work (over

80 per cent in December 2021), we are encouraged to continue on our chosen course and to set an even higher target of being in the top 5 per cent of employers in Europe.

Customers

On Investor Day in 2016, we announced our target of one million additional customers by 2021. We very nearly achieved this very ambitious target, adding 961 thousand new customers through organic growth. The number of customers grew by a further 0.5 million or so as a result of our acquisitions in Belgium. These are not included in the target attainment. By adding around one million new customers through organic growth, we have achieved considerable success and reversed what had previously been a downward trend. It is particularly encouraging that this has happened through new initiatives and in all business units. Moreover, cross-selling and up-selling provide us with further potential to increase business with the new customers. Bolstered by this success, we are ratcheting up our ambition even further for the next strategic phase and are aiming to attract an additional 1.5 million customers within four years.

Shareholders

Baloise had set itself the target of transferring a total of CHF 2 billion in cash to the holding company in the period 2017 to 2021. This is based on well diversified and sustainable improved earnings power from the life and non-life business, and from asset management & banking. Shareholders benefited directly from the cash generated thanks to the rigorous adherence to an attractive

and sustainable dividend policy – the dividend has been raised by more than a third – and from the repurchase and cancellation of three million treasury shares with a total value of CHF 481.1 million. Furthermore, investments were made in new strategic projects that open up new opportunities to generate additional income. During the ‘Simply Safe’ strategic phase, Baloise transferred a total of CHF 2,173 million in cash to the holding company, thereby exceeding its objective. The new target is to generate CHF 2 billion in cash by 2025. As this is to be achieved over four years, this equates to an increase of 25 per cent.

Profit

Profit attributable to shareholders for 2021 amounted to CHF 588.4 million, a substantial year-on-year increase of 35.5 per cent (2020: CHF 434.3 million). The life business made a significant contribution to this growth.

In summer 2021, torrential rain and flooding in Baloise’s markets resulted in the biggest volume of claims in the Company’s history. Expenses were also incurred in connection with measures to contain the COVID-19 pandemic. Baloise has thus helped tens of thousands of customers to cushion the financial impact of these crisis situations over the past two years.

The upturn in the capital markets, the rise in interest rates, a slightly reduced tax burden and the strong profitability of the life and non-life businesses – underlining the Company’s operational excellence – are counteracting the effects of the once-in-a-century claim events.

Earnings before interest and tax (EBIT) increased by 19.8 per cent to CHF 722.5 million (2020: CHF 602.9 million) thanks to the very strong earnings of the life business. Switzerland accounted for the biggest share of the Group’s EBIT, reporting a figure of CHF 584.6 million. The EBIT of the German unit deserves particular mention as it more than doubled year on year to reach CHF 42.5 million, despite the high volume of flood-related claims.

Business volume and combined ratio

The growth in the volume of business was again encouraging. The volume generated by all the business units together, across the non-life and life businesses, rose by 7.4 per cent to CHF 9,591.1 million (2020: CHF 8,926.5 million). This equated to an increase of 6.9 per cent in local currency terms. The main driver was the good level of organic growth in all national subsidiaries, particularly the attractive non-life business. Another contributing factor was the full integration of the non-life portfolio of Athora in Belgium.

The sustained profitability of this growth can be seen from the net combined ratio of 92.6 per cent, which includes the exceptionally high level of claims incurred (approximately CHF 120 million) in connection with the summer storms. These claims added 3.2 percentage points to the ratio. The fact that the combined ratio maintained this satisfying level despite the exceptionally high

claims is a sign of the excellent quality of the portfolio and mitigation of risk in this business and is the result of the ongoing optimisation of the portfolio.

BUSINESS VOLUME

	2020	2021	+/- %
CHF million			
Total business volume	8,926.5	9,591.1	7.4
Life	3,291.3	3,389.7	3.0
Non-life	3,802.5	4,063.4	6.9
Investment-type premiums	1,832.7	2,138.0	16.7

BUSINESS VOLUME IN 2021 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	44.2
Germany	14.7
Belgium	24.0
Luxembourg	16.5



Equity, dividend and capitalisation: raising of the dividend by 9.4 per cent to CHF 7.00 requested

Consolidated equity went up by 4.5 per cent year on year to reach an all-time high of CHF 7,299.9 million at the end of 2021 (31 December 2020: CHF 6,985.7 million). In June 2021, Standard & Poor’s confirmed its rating of A+ for the Baloise Group. It awarded this credit rating in recognition of Baloise’s excellent capitalisation – which is comfortably above the AAA level according to the S & P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. The rating of the German business Basler Sachversicherungs-AG was upgraded from A (with a positive outlook) to A+ (with a stable outlook) thanks to sustained improvements in its profitability. In the Swiss Solvency Test (SST)*, a ratio of over 210 per cent is expected as at 1 January 2022.

The repurchase programme for more than three million shares that was initiated in April 2017 reached completion in March 2020 and the shares were cancelled in July 2021 as had been announced. As a result of this programme, CHF 481.1 million was returned to shareholders.

The Board of Directors of Baloise Holding Ltd recognises the success of the strategic phase up to 2021 and the Company's strong performance in the past year. It therefore intends to propose to the 2022 Annual General Meeting that the dividend be raised by CHF 0.6, or 9.4 per cent, to CHF 7.00 per share. In the period between the announcement of 'Simply Safe' in October 2016 and the end of 2021, a robust total shareholder return of 51 per cent was generated. This is made up of a return on equities of 25 per cent and a dividend yield of 26 per cent.

* The SST ratio will be published at the end of April 2022.

DEVELOPMENT OF NET COMBINED RATIO

As a percentage



CORE INSURANCE BUSINESS

Non-life: volume of premiums exceeds CHF 4 billion for first time; high profitability despite record claims

The volume of premiums in the non-life insurance business passed the threshold of CHF 4 billion for the first time in 2021, advancing by 6.9 per cent year on year to CHF 4,063.4 million (2020: CHF 3,802.5 million). This was due to the full inclusion of the acquired non-life portfolio of Athora and, in particular, organic growth in all business units. As a result, the premiums of the attractive non-life business have jumped by a quarter since the start of 'Simply Safe'. In Switzerland, gross premiums written rose by a healthy 1.8 per cent to CHF 1,392.7 million

(2020: CHF 1,368.4 million). Since the purchase and integration of Fidea and the Athora portfolio, the Belgian unit has had the largest non-life business in the Group, with gross premiums written of CHF 1,644.3 million in 2021. This constitutes a year-on-year rise of 10.6 per cent (2020: CHF 1,487.4 million).

The German unit also generated solid organic growth. Premiums in this business swelled by 5.7 per cent to CHF 821.0 million (2020: CHF 776.4 million). Luxembourg delivered very healthy growth of 7.2 per cent to reach CHF 148.5 million (2020: CHF 138.6 million).

EBIT in the non-life business came to CHF 303.9 million, which was slightly higher than the prior-year figure (2020: CHF 302.2 million) despite the unprecedented level of claims. Especially given the summer storms, the non-life portfolio's net combined ratio was impressive at 92.6 per cent (2020: 91.2 per cent). The natural phenomena during the summer added 3.2 percentage points to the ratio. Baloise experienced two once-in-a-century events in succession during the 2017–2021 strategic phase: the COVID-19 pandemic and the storm and flooding claims in summer 2021. The fact that the combined ratio held steady within the target range of 90 per cent to 95 per cent during this period demonstrates the excellent quality of the portfolio and the careful selection of risk-mitigating measures.

Life: very strong earnings thanks to the uptrend in the capital markets, easing of the interest-rate situation and optimisation of the business mix

The volume of business in the life insurance business jumped by 7.9 per cent year on year to CHF 5,527.7 million (2020: CHF 5,124.0 million) owing to increased premium income in the traditional life business and, in particular, a rise in investment-type premiums.

Despite a selective underwriting policy, the volume of traditional life business advanced by a solid 3.0 per cent to CHF 3,389.7 million (2020: CHF 3,291.3 million), with Switzerland

PROPRIETARY INVESTMENTS BY CATEGORY¹

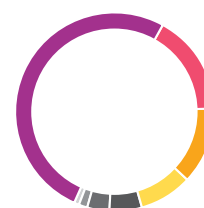
	31.12.2020	31.12.2021	+/- %
CHF million			
Investment property	8,410.3	8,464.5	0.6
Equities	3,574.6	3,946.4	10.4
Alternative financial assets	911.4	1,236.9	35.7
Fixed-income securities	35,092.4	34,886.3	-0.6
Mortgage assets	11,250.6	11,269.3	0.2
Policy loans and other loans	5,764.3	4,829.6	-16.2
Derivatives	493.2	583.3	18.3
Cash and cash equivalents	2,590.1	2,577.3	-0.5
Total	68,086.8	67,793.5	-0.4

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

INVESTMENT COMPONENTS IN 2021

As a percentage

Fixed-income securities	51.5
Mortgage assets	16.6
Investment property	12.5
Policy loans and other loans	7.1
Equities	5.8
Cash and cash equivalents	3.8
Alternative financial assets	1.8
Derivates	0.9



ASSETS HELD BY BALOISE

as at 31 December 2020	Non-life	Life	Asset Management & Banking	Total for the Group
CHF million				
Investments for own account and at own risk	10,926.3	49,875.2	8,522.2	68,086.8
Asset portfolio for the account and at risk of life insurance policyholders and third parties		15,564.1		16,050.1
Total recognised assets	10,926.3	65,439.3	8,522.2	84,136.9
Third-party assets				11,758.8

as at 31 December 2021	Non-life	Life	Asset Management & Banking	Total for the Group
CHF million				
Investments for own account and at own risk	10,593.7	49,528.2	8,599.6	67,793.5
Asset portfolio for the account and at risk of life insurance policyholders and third parties		17,309.2		17,879.0
Total recognised assets	10,593.7	66,837.3	8,599.6	85,672.6
Third-party assets				13,422.8

recording particularly strong growth. The Swiss unit has the biggest life business, with a volume of CHF 2,847.2 million.

In Germany, an increase in new business in the target segments of biometric risk products and pension products, combined with a lower lapse rate, enabled premium growth of 4.7 per cent to CHF 397.9 million. Intensified collaboration with brokers was one of the main reasons for the German unit's successful sales.

Gross premiums written in Belgium remained largely unchanged year on year at CHF 189.3 million owing to selective underwriting.

Business in Luxembourg expanded by 2.8 per cent to CHF 74.5 million.

The volume of investment-type premiums advanced by a substantial 16.7 per cent year on year to CHF 2,138.0 million (2020: CHF 1,832.7 million). The main reason for this strong growth was the rebound in the 'freedom of service' business, which in previous years had suffered badly as a result of market volatility. In Luxembourg, Baloise notched up very strong growth of 32.9 per cent to reach CHF 1,362.2 million in 2021 and is positioning itself as a major player in this segment with assets under management of more than CHF 13 billion.

EBIT in the life business amounted to excellent CHF 406.7 million in 2021, which was up by 44.1 per cent year on year (2020: CHF 282.2 million). This exceptionally high figure can be explained by the uptrend in the capital markets in 2021 and the higher level

of interest rates. Moreover, the ongoing optimisation of the business mix, with a shift towards investment-linked products and risk cover, is helping to boost the profitability of this business. If the positive trend in respect of interest rates is sustained and the capital markets maintain their uptrend, we anticipate that the earnings of the life business will again be well above the stated minimum level of CHF 200 million in 2022.

The new business margin in the life business was a very healthy 39.0 per cent in 2021 and thus at a similar level to the previous year (2020: 42.7 per cent).

The interest margin improved to a solid 108 basis points (2020: 102 basis points). The reason for this rise is that current income declined less sharply than in previous years, while the average guaranteed rate of return in the portfolio continued to fall. The guaranteed rate of return decreased from 1.1 per cent to 1.0 per cent in 2021 due to the improved business mix.

Key figures for the national Baloise companies

KEY FIGURES FOR SWITZERLAND

	2020	2021	+/- %
CHF million			
Business volume	4,130.8	4,239.9	2.6
Of which: life	2,762.4	2,847.2	3.1
Of which: non-life	1,368.4	1,392.7	1.8
Net combined ratio (per cent)	88.5	89.2	0.7
Profit before borrowing costs and taxes	386.3	584.6	51.3

KEY FIGURES FOR GERMANY

	2020	2021	+/- %
CHF million			
Business volume	1,339.0	1,406.4	5.0
Of which: life	562.6	585.4	4.1
Of which: non-life	776.4	821.0	5.7
Net combined ratio (per cent)	94.9	96.8	1.9
Profit before borrowing costs and taxes	20.9	42.5	103.3

KEY FIGURES FOR BELGIUM

	2020	2021	+/- %
CHF million			
Business volume	2,188.7	2,302.5	5.2
Of which: life	701.3	658.2	-6.1
Of which: non-life	1,487.4	1,644.3	10.6
Net combined ratio (per cent)	90.9	93.0	2.1
Profit before borrowing costs and taxes	245.8	149.0	-39.4

KEY FIGURES FOR LUXEMBOURG

	2020	2021	+/- %
CHF million			
Business volume	1,236.1	1,585.3	28.2
Of which: life	1,097.5	1,436.7	30.9
Of which: non-life	138.6	148.5	7.2
Net combined ratio (per cent)	89.3	93.9	4.6
Profit before borrowing costs and taxes	28.9	12.5	-56.7

ASSET MANAGEMENT & BANKING

For the economy and the stock markets, 2021 was a year of recovery. The equity markets were buoyed by exceptionally strong economic growth, enabling equity investors to benefit from double-digit returns. However, strong demand in the economy came up against restricted production capacity as a result of the pandemic. This led to shortages of materials and supply chain bottlenecks, thereby pushing up inflation rates worldwide. As a result, yields on long-dated paper rose in the bond market. Corporate bond spreads were at a similarly low level at the end of the year as they had been at the start of the year.

Insurance assets: attractive investment yield in an encouraging trading year

Gains on the investment of insurance assets amounted to CHF 1,351.2 million, which was above the 2020 level of CHF 1,270.5 million. This was partly due to the favourable conditions in the markets and partly to the systematic shift in the investment strategy towards asset classes with high and stable current returns. The transition continued in 2021, with further reallocation from bonds to private debt. This meant that current income fell only slightly, from CHF 1,101.0 million in 2020 to CHF 1,088.0 million in 2021, despite interest rates remaining low.

At CHF 507.4 million, the gains recognised in the income statement were down by CHF 71.7 million compared with the prior year. Impairment losses fell by CHF 177.6 million year on year, driven by the uptrend in the markets in 2021.

The net gains and losses relating to currency hedging costs and currency effects arising on unhedged currency exposures amounted to a gain of CHF 74.9 million in 2021, which was unchanged year on year.

The stabilisation of the investment yield on insurance assets could also be seen from the net yield of 2.2 per cent, which represented a slight improvement on the prior-year figure of 2.1 per cent. Unrealised gains fell by CHF 489.7 million because of the higher interest rates. 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 1.4 per cent, representing a decrease on the 3.0 per cent rate of return according to IFRS in 2020.

Asset management & banking: further growth in fee income

As at 31 December 2021, the total assets under the management of Baloise Asset Management stood at CHF 65.7 billion, a small decrease of 0.8 per cent on the figure a year earlier. The reduction in volume was entirely due to the change in interest rates and the resulting impairment of the bond portfolio in respect of insurance assets.

Returns increased because the average volume of assets under management for the year was higher than in 2020.

Continued expansion of business with external customers

Net new assets in the business with external customers amounted to CHF 986.5 million in 2021. Assets under management swelled by 14.2 per cent to CHF 13.4 billion (2020: CHF 11.8 billion).

The strategy of further expansion of the business with external customers is being facilitated by targeted investment in partnerships and employees and in building up expertise and establishing systems. In summer 2020, for example, we acquired a stake in Tolomeo Capital AG. A strategic alliance with Tolomeo enabled us to significantly improve the quality of the BFI Systematic fund products and adapt them to the changing conditions in the capital markets through the use of an innovative rules-based approach.

The real-estate asset class contributed to the positive performance of business with external customers. The Baloise Swiss Property Fund (BSPF) carried out a capital increase of CHF 135 million in August 2021. The issue met with strong demand and was fully subscribed. The proceeds of the capital increase were used to acquire a property portfolio with a value of CHF 185 million and integrate it into the fund. This transaction further enhanced the quality and level of diversification of the portfolio. On 1 November, the fund went public on the SIX Swiss Stock Exchange. This step had been planned since the launch of the fund and its IPO proved very popular.

The further growth of asset management mandates at Baloise Bank SoBa also made a significant contribution to net new assets. The number of asset management mandates increased to 4,315 (up by 34.3 per cent), highlighting the benefits of the bank's unique offering in Switzerland of insurance, banking and asset management from a single source, and of integrating pension and wealth management services.

Growing importance of sustainability

Baloise Asset Management contributes to the sustainability strategy of the Baloise Group by taking a responsible investment approach. The Baloise Responsible Investment Policy (RI Policy) provides a fundamental framework for sustainable value creation.

The Baloise Asset Management climate strategy was launched in 2021. Under this strategy, a positive contribution to climate change mitigation is made by reducing the negative impact on society and the environment, while the risks arising in connection with climate change are managed prudently in the portfolio. Furthermore, the risk attaching to companies in connection with climate change and the targeted decarbonisation of the portfolio is being managed proactively. This is illustrated by stranded assets and the way that companies manage them.

Under the Baloise active ownership strategy, Baloise Asset Management has begun to utilise its financial strength in order to better manage ESG risk at the companies in which it is invested

and to achieve positive change at the same time. To this end, it is focusing on collaborative dialogue with companies on specific or general sustainability topics, for example relating to climate change. In this context, Baloise Asset Management began participating in Climate Action 100+ in 2021. It will continue to press ahead with integrating sustainability matters into its investment strategy. The expansion and broadening of the Responsible Investment Policy will focus on the private-assets and real-estate asset classes.

Baloise Asset Management is increasingly using investment solutions to share its expertise in responsible investment with investors. One example is the launch of the BFI Positive Impact Select themed fund, which is dedicated to making a lasting contribution to several of the UN's sustainable development goals (SDGs). In 2021, Baloise Holding also issued its first green bond, which is backed by properties held in the asset portfolio of the insurance business that have been awarded sustainability certificates.

ECOSYSTEMS & INNOVATION

While the strategic phase up to 2021 was all about laying the foundations for the digital transformation and the innovation initiatives, our focus in the next four years will be on scaling up individual initiatives and expanding the offering within the Home and Mobility ecosystems. FRIDAY is continuing to grow. Operating in the German and French markets, the digital insurer notched up premiums of CHF 52.7 million, an increase of 68.3 per cent. The aim is to generate a total business volume from all the innovation initiatives of around CHF 350 million by 2025. In 2021, the innovation initiatives (including FRIDAY) contributed more than CHF 70 million.

Home ecosystem

We continued to expand the Home ecosystem in 2021. The announcement that we would work with UBS, Switzerland's largest bank, in a shared Home & Living ecosystem was a key step forward in the enlargement of the partner network. The aim of this strategic relationship is to give customers access to complementary services that address property owners' key needs regarding financing, insurance and maintenance. At the start of 2022, a pilot project with various general agents got under way that is focused on the brokerage of mortgages through key4.

Baloise is opening up access to this mortgage platform for a new group of customers in the insurance business. In 2021, Baloise made a further investment in the fast-growing start-up Houzy, in which UBS also holds a stake. We are now the exclusive insurance partner of this platform for home owners.

In Luxembourg, we announced the launch of the Bauheem.lu online platform in October. The platform is a joint project of Baloise, Progetis SECO, CFDP and Allia Insurance Brokers and is aimed at making it easier to insure property development projects. The underwriting of insurance for property construction and renovation work is a lengthy and complex process, with little automation. The new platform makes it possible to obtain cover for all risks relating to property development on a single website. A new partnership formed with Luxembourg-based Progetis in October 2021 and the resulting integration of the service in its leading property developer software will make it even easier to take out this type of insurance.

As part of Kickbox, Baloise's internal innovation campaign, the 'Wohntraum' project from Germany was the only one of the 60-plus ideas submitted in 2021 to win a Goldbox. The aim of Wohntraum is to help young people and families to achieve their dream of home ownership. Many people in Germany are affected by social inequalities and cannot afford to buy a home either at all or only later in life due to a lack of capital. To fulfil this need for capital, they will be supported with capital from financial intermediaries and receive a guarantee that they will one day be able to own the property outright. Wohntraum is now working on spinning off the business idea in a similar way to Parcandi in the Mobility ecosystem, which became an independent company in 2021.

In November 2021, Baloise Belgium announced its acquisition of B'Cover, a broker specialising in insurance for office and residential buildings. More than 4,300 managers and owners of residential accommodation and offices have already opted for tailored insurance solutions from B'Cover. For years, the company has been providing all-inclusive packages that offer straightforward insurance to meet the needs of property managers, owners' associations, co-owners and tenants. We are therefore expanding our existing Home ecosystem initiatives in Belgium that centre around the partnerships with Keypoint, Rentio and ImmoPass.

Mobility ecosystem

The work to expand the Mobility ecosystem is starting to bear fruit, as can be seen from the two innovation prizes recently won at the Efma-Accenture Innovation in Insurance Awards.

Thanks to long-term equity investments and partnerships, Baloise's Mobility ecosystem now operates in ten European countries and is continuing to expand. At the start of 2021, Belgian Baloise subsidiary Mobly announced a new collaboration

between its search engine VROOM.be and the lending platform Mozzeno. With around 17 million visitors and more than 32,000 adverts per year, VROOM.be reaches a large audience.

In April, we announced that we were investing in Danish peer-to-peer carsharing company GoMore. The investment of around EUR 5 million underlines our interest in the rapidly growing market for sustainable transport. GoMore enables its members to share private cars through car rental and ridesharing options. It made its Swiss market debut in October 2021. To complement GoMore's service, Baloise has designed the perfect insurance product to meet the needs of car owners and renters.

Car leasing company gowago.ch, in which we have a strategic long-term equity investment, found a funding partner in the shape of Migros Bank in July 2021. Along with Baloise and TCS, gowago can now count on strong partners to help it provide the optimum customer experience.

In May, under the tagline Mobility@Baloise, Baloise launched its own mobility accelerator with the aim of promoting innovative ideas at the earliest possible stage. The initiative goes hand in hand with the launch of the information platform www.baloise.com/mobility, which is designed to act as a new gateway to the Mobility@Baloise ecosystem for interested start-ups and young companies. The initiative attracted a great deal of interest, and more than three dozen exciting start-ups made the shortlist. After a ten-week process, the programme ended in November 2021 with a closing event at which AYES and RIBE were announced as the winning companies.

In 2021, Baloise announced the founding of the corporate start-up Parcandi, which was initially developed as part of an internal innovation campaign. Parcandi connects drivers looking for somewhere to park to owners of unused parking spaces. An app allows users to reserve spaces with just a few clicks. At www.parcandi.ch, drivers can reserve their desired space up to two hours in advance or just find a spot as and when they need it. The bespoke system that controls access to car parks and displays availability can be flexibly adjusted to suit the providers of the spaces and is easily scalable to include additional car parks, allowing Parcandi to add new parking spaces or cities quickly and efficiently.

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 first phase of 'Simply Safe' ended at the close of 2021 and was immediately followed by the start of 'Simply Safe: Season 2', which runs from 2022 to 2025. As we announced on Investor Day in autumn 2020, we are building on the successes of the first phase of the strategy and continuing to focus our ambitious objectives on our stakeholders: customers, employees and shareholders. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and generated CHF 2 billion in cash. Of this cash, we intend to distribute 60 to 80 per cent as dividends. As part of our sustainability measures, we are continuing to work on the implementation of our value creation model, which is an integral element and cornerstone of our corporate strategy. The value creation model adds partners, society and the environment to the existing stakeholder groups (customers, employees and shareholders), as these aspects have been identified as additional key factors in the success of Baloise. The new strategic phase ending in 2025 deliberately puts the focus on the creation of value for a whole range of stakeholders. It is against this that we ultimately wish to be measured, within the context of our value creation model.

Consolidated income statement

FIVE-YEAR OVERVIEW

	2017	2018	2019	2020	2021
CHF million					
Income					
Premiums earned and policy fees (gross) ¹	6,726.4	6,737.0	7,571.3	7,034.8	7,416.2
Reinsurance premiums ceded	-183.4	-209.0	-241.5	-268.0	-326.5
Premiums earned and policy fees (net)	6,542.9	6,528.0	7,329.8	6,766.8	7,089.7
Investment income	1,392.5	1,376.0	1,257.0	1,176.5	1,159.5
Realised gains and losses on investments ²					
For own account and at own risk	427.8	96.1	336.1	288.3	370.5
For the account and at risk of life insurance policyholders and third parties	696.5	-1,087.8	1,709.5	179.5	1,534.2
Income from services rendered	116.9	130.4	126.0	118.5	130.6
Share of profit (loss) of associates	5.5	6.2	10.8	64.1	4.9
Other operating income	235.0	227.6	227.7	193.4	213.2
Income	9,417.1	7,276.6	10,996.9	8,787.0	10,502.5
Expense					
Claims and benefits paid (gross)	-5,726.5	-5,904.4	-6,090.4	-6,182.6	-5,813.4
Change in technical reserves (gross)	-535.0	412.4	-956.7	33.1	-1,184.7
Reinsurance share of claims incurred	80.8	83.3	117.0	236.4	529.6
Acquisition costs	-482.1	-535.8	-554.6	-581.3	-655.6
Operating and administrative expenses for insurance business	-765.8	-810.8	-816.0	-831.6	-856.7
Investment management expenses ³	-77.2	-82.2	-108.1	-107.4	-124.4
Interest expenses on insurance liabilities	-21.9	-19.2	-17.2	-15.2	-13.6
Gains or losses on financial contracts	-613.4	801.2	-1,388.0	-259.5	-1,168.3
Other operating expenses ³	-591.8	-483.6	-459.0	-476.1	-493.0
Expense	-8,733.0	-6,539.1	-10,273.0	-8,184.1	-9,780.0
Profit before borrowing costs and taxes	684.1	737.5	723.9	602.9	722.5
Borrowing costs	-34.3	-39.9	-37.7	-34.3	-24.7
Profit before taxes	649.8	697.6	686.2	568.6	697.9
Income taxes	-117.9	-174.7	3.3	-140.3	-114.6
Profit for the period	531.9	522.9	689.5	428.3	583.3
Attributable to					
Shareholders	548.0	523.2	694.2	434.3	588.4
Non-controlling interests	-16.1	-0.3	-4.7	-6.1	-5.1
Earnings / loss per share					
Basic (CHF)	11.50	11.14	15.02	9.65	13.06
Diluted (CHF)	11.48	11.12	14.99	9.63	13.05

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).

3 The harmonisation of the recognition of investment administration costs caused a minor shift in the prior-year figures for other operating expenses and investment management expenses.

Consolidated balance sheet

FIVE-YEAR OVERVIEW

as at 31.12.	2017	2018	2019	2020	2021
CHF million					
Assets					
Property, plant and equipment	353.3	318.3	362.8	466.2	419.5
Intangible assets	1,002.5	1,041.2	1,034.7	1,155.4	1,180.4
Investments in associates	138.4	221.1	387.4	263.4	316.0
Investment property	7,480.3	7,904.0	8,120.1	8,410.3	8,464.5
Financial instruments with characteristics of equity	15,874.9	14,137.9	16,232.9	16,539.8	19,172.0
Financial instruments with characteristics of liabilities	35,360.1	33,775.1	36,749.0	37,078.9	36,961.5
Mortgages and loans	16,568.6	16,396.2	16,812.9	17,014.9	16,098.9
Derivative financial instruments	800.4	914.8	1,048.1	1,089.1	902.1
Other assets / receivables	3,305.1	2,036.6	2,184.3	2,254.7	2,317.0
Deferred tax assets	88.8	73.5	97.4	87.9	73.7
Cash and cash equivalents	3,551.6	4,036.1	3,988.0	4,004.0	4,073.5
Total assets	84,523.9	80,854.8	87,017.8	88,364.5	89,979.0

as at 31.12.	2017	2018	2019	2020	2021
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	6,346.2	5,970.6	6,714.0	6,983.7	7,285.1
Non-controlling interests	63.0	37.6	1.6	2.0	14.8
Total equity	6,409.2	6,008.2	6,715.6	6,985.7	7,299.9
Liabilities					
Gross technical reserves	48,008.5	46,575.2	48,333.3	48,585.0	48,661.4
Liabilities arising from banking business and financial contracts	22,696.5	21,539.0	24,540.4	25,283.5	26,882.4
Derivative financial instruments	145.3	117.3	117.5	152.6	89.8
Other accounts payable	6,341.9	5,707.2	6,372.6	6,357.4	6,043.4
Deferred tax liabilities	922.4	907.8	938.5	1,000.4	1,002.0
Total liabilities	78,114.7	74,846.6	80,302.2	81,378.8	82,679.1
Total equity and liabilities	84,523.9	80,854.8	87,017.8	88,364.5	89,979.0

Business volume, premiums and combined ratio

BUSINESS VOLUME

2020	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,802.5	1,368.4	776.4	1,487.4	138.6
Life	3,291.3	2,648.2	380.2	190.3	72.5
Sub-total of IFRS gross premiums written ¹	7,093.8	4,016.7	1,156.6	1,677.6	211.1
Investment-type premiums	1,832.7	114.2	182.5	511.0	1,025.0
Total business volume	8,926.5	4,130.8	1,339.0	2,188.7	1,236.1

2021	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	4,063.4	1,392.7	821.0	1,644.3	148.5
Life	3,389.7	2,727.8	397.9	189.3	74.5
Sub-total of IFRS gross premiums written ¹	7,453.1	4,120.6	1,218.9	1,833.7	223.0
Investment-type premiums	2,138.0	119.4	187.5	468.8	1,362.2
Total business volume	9,591.1	4,239.9	1,406.4	2,302.5	1,585.3

¹ Premiums written and policy fees (gross).

NET COMBINED RATIO

2020	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ¹	59.6	61.5	58.3	58.1	55.2
Expense ratio	31.6	27.0	36.6	32.8	34.1
Combined ratio	91.2	88.5	94.9	90.9	89.3

2021	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ¹	60.4	62.3	61.3	59.0	60.3
Expense ratio	32.2	26.9	35.5	34.0	33.6
Combined ratio	92.6	89.2	96.8	93.0	93.9

¹ Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2020	2021	2020	2021
as a percentage of premiums earned				
Claims ratio ¹	61.4	68.6	59.6	60.4
Expense ratio	30.3	30.7	31.6	32.2
Combined ratio	91.7	99.3	91.2	92.6

¹ Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2020	2021
CHF million		
Technical reserve for own account ¹	6,235.8	6,133.6
Premiums written and policy fees for own account	3,577.6	3,791.6
Funding ratio (per cent)	174.3	161.8

¹ Not including capitalised settlement premiums.

Income statement of Baloise Holding Ltd

	2020	2021
CHF million		
Income from long-term equity investments	384.6	393.0
Income from interest and securities	58.7	58.1
Other income	8.8	8.2
Total income	452.1	459.3
Administrative expenses	-43.8	-39.0
Financial expenses	-1.8	-3.0
Interest expenses	-31.0	-22.3
Other expenses	-3.0	-2.6
Total expenses	-79.6	-66.9
Tax expense	-0.2	-0.9
Profit for the period	372.3	391.5

Balance sheet of Baloise Holding Ltd

	31.12.2020	31.12.2021
CHF million		
Assets		
Cash and cash equivalents	21.2	89.2
Receivables from Group companies	408.1	345.5
Receivables from third parties	7.3	7.4
Other short-term receivables	–	80.0
Current assets	436.6	522.1
Financial assets		
Loans to Group companies	1,148.8	1,158.8
Other investments	0.4	3.1
Long-term equity investments	1,871.2	1,907.9
Non-current assets	3,020.4	3,069.8
Total assets	3,457.0	3,591.9
Equity and liabilities		
Current liabilities		
Liabilities to Group companies	6.0	4.3
Liabilities to third parties	0.2	2.3
Current interest-bearing liabilities to third parties	375.0	350.0
Deferred income	19.5	9.8
Non-current liabilities		
Long-term interest-bearing liabilities to Group companies	777.0	765.6
Long-term interest-bearing liabilities to third parties	1,450.0	1,550.0
Provisions	–	0.7
Liabilities	2,627.7	2,682.8
Share capital	4.9	4.6
Statutory retained earnings		
General reserve	11.7	11.7
Reserve for treasury shares	9.2	7.6
Voluntary retained earnings		
Free reserves	922.3	502.8
Distributable profit:		
– Profit carried forward	0.1	0.1
– Profit for the period	372.3	391.5
Treasury shares	–491.3	–9.3
Equity	829.3	909.1
Total equity and liabilities	3,457.0	3,591.9

Remuneration

DEAR SHAREHOLDERS,

It is my pleasure to present the 2021 remuneration report to you.

Last year, the Remuneration Committee of the Board of Directors made sure that the remuneration processes were implemented correctly and in the interests of the Company and its shareholders and employees. Our remuneration system takes account of individual and team performance on the one hand and, on the other, the performance and position of the Company as a whole. The system ensures that the risk appetite of senior managers, in particular, is aligned not only with the objectives of the Company but also the objectives of you, our shareholders.

REMUNERATION FOR 2021

Our remuneration model for senior managers contains fixed and variable remuneration. The variable component is split into a short-term and a long-term element.

Long-term variable remuneration is granted in the form of performance share units (PSUs). It is aimed at strengthening senior managers' loyalty to the Company and harmonising their interests with those of shareholders.

Short-term variable remuneration rewards performance in the past year. The total amount is specified in the performance pool. The performance pool factor, which is needed to calculate the performance pool, measures effective target achievement using four indicators and thus determines the total amount of money to be distributed from the performance pool.

The performance pool factor was set at 110 per cent for 2021. As announced last year, a sustainability criterion has been added for the first time. Its assessment is linked to two metrics. The first of these is the RepTrak@Pulse index, which measures our reputation within society. The second metric is the MSCI sustainability index, which measures progress with achieving the targets for the ESG criteria (environment, social, corporate governance) and shows how well Baloise is upholding its responsibilities vis-à-vis the different stakeholders.

CHANGES TO THE REMUNERATION MODEL

We periodically compare our model with others in order to ascertain whether we are in line with the market and find out how remuneration has changed in the market. This comparison, insights from the most recent Annual General Meeting and dialogue with you – including one-on-one meetings – provided the basis for the adjustments that we have made to our remuneration system for the future.

Starting in 2022, the performance pool will be linked to the cash upstream into Baloise Holding, which also forms the basis for the shareholders' dividend. In future, the related financial key figure will be the main criterion for calculating the performance pool factor. At the same time, the cash upstream achieved will be linked to four strategic influencing factors. These are the customer and employee targets for the 2022–2025 strategic phase, the aforementioned sustainability criterion and the risk metric (see the information box on page 63 of the remuneration report).

We firmly believe that the measures decided upon will result in broader support for our remuneration model and greater transparency. The more in-depth measurement of progress in the sustainability sphere and the closer alignment with shareholders' financial interests create a clear focus on the overall success of the Baloise Group.

On behalf of all members of the Remuneration Committee, I would like to thank you, our esteemed shareholders, for your interest and trust.

Basel, March 2022



Thomas Pleines

Chairman of the Remuneration Committee

1. OVERVIEW OF REMUNERATION

A. REMUNERATION SYSTEM

Employees in the Baloise Group receive fixed remuneration and, in some cases, variable remuneration. The Group-wide variable remuneration comprises a short-term remuneration component (performance pool) and a long-term remuneration component (performance share units, PSUs). (See the table below.)

The remuneration system is designed in such a way that it aligns and safeguards the interests of employees, the Company and shareholders.

B. FIXED REMUNERATION

1. Description

Fixed remuneration comprises the basic salary and, depending on location, fringe benefits and social security contributions.

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the employee's role as well as the skills and expertise required in this role. A market comparison of basic salary is carried out periodically. Fair pay within the Baloise Group is also taken into consideration. The Baloise Group applies the fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

C. SHORT-TERM VARIABLE REMUNERATION

1. Description

Short-term variable remuneration is the reward for achieving annual targets. It is distributed from the performance pool, which is the total amount of short-term variable remuneration that is to be distributed. The aim of the performance pool is to reward those employees whose achievements in the preceding year have contributed to achieving the Company's targets and satisfying the interests of shareholders. The performance pool also ensures that the same factors and the same methodology are applied to variable remuneration across the Baloise Group.

Performance pool payments are awarded to eligible employees on the basis of an appraisal by their line manager, who considers the individual employee's contributions to achievement of the team targets and the Company's strategic targets.

The employees eligible for performance pool payments are those at senior management level.

2. Mechanism

Short-term variable remuneration is measured on the basis of the performance pool factor. This factor was used to calculate target achievement for 2021 using four indicators:

- ▶ **Strategy implementation (weighting: 20 per cent)**
The criteria are the strategic targets for the 2017 to 2021 strategic phase (cash upstream of CHF 2 billion into Baloise Holding, one million new customers and a rating as one of the best employers in the sector). Sustainability was introduced as a fourth criterion in 2021.
- ▶ **Business performance (weighting: 40 per cent)**
The metrics are profit for the period, the combined ratio and the interest margin and business mix in the life insurance business.
- ▶ **Risks taken (weighting: 20 per cent)**
The criteria are the SST ratio, economic profit, the credit rating awarded by Standards & Poor's and the assessments provided by the Head of Risk Management and the Head of Group Compliance.
- ▶ **Capital markets perspective (weighting: 20 per cent)**
The metric is the performance of Baloise's share price, including dividends paid, compared with the European insurance companies represented in the STOXX Europe 600 Insurance Index.

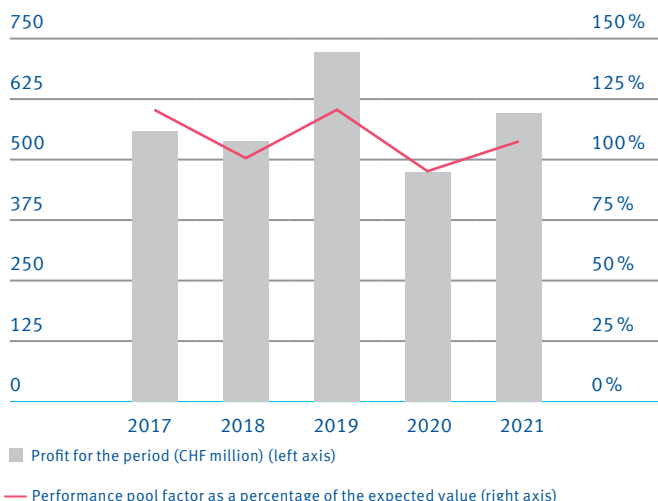
If the performance pool factor is set at 100 per cent, this means that the targets have been met and the entire amount of short-term variable remuneration is allocated.

	DESCRIPTION	PURPOSE
Fixed remuneration	<ul style="list-style-type: none"> ▶ Basic salary ▶ Fringe benefits (dependent on location) ▶ Social security contributions 	<ul style="list-style-type: none"> ▶ Competitiveness in the marketplace ▶ Fairness and transparency ▶ Financial hedging
Short-term variable remuneration	<ul style="list-style-type: none"> ▶ Performance pool ▶ Paid in cash or restricted shares 	<ul style="list-style-type: none"> ▶ Remuneration for the achievement of annual targets (Company, team and individual targets) ▶ Participation in the success of the business
Long-term variable remuneration	<ul style="list-style-type: none"> ▶ Performance share units (PSUs) 	<ul style="list-style-type: none"> ▶ Strengthening of senior managers' loyalty to the Company ▶ Alignment of senior managers' interests with those of shareholders

3. Performance pool factor for 2021

The performance pool factor for 2021 is 110 per cent (see the boxes on pages 64 to 65 of the remuneration report).

Performance pool factor vs. profit for the period



The performance pool factor also moves in line with the change in profit for the period. The chart shows this correlation over the past five years.

D. LONG-TERM VARIABLE REMUNERATION

1. Description

The aim of long-term variable remuneration is to strengthen top managers' loyalty to the Baloise Group. Long-term variable remuneration is granted in the form of performance share units (PSUs).

PSUs are prospective entitlements to shares. Those eligible are given the prospect of a certain number of shares. Target achievement is measured after a period of three years. The shares are awarded definitively only if the targets are achieved.

Awarding shares ensures that the recipients' personal objectives are in line with those of shareholders.

The Remuneration Committee determines the total amount to be awarded in PSUs and the allocation of PSUs to the individual Corporate Executive Committee members.

2. Mechanism

The metric used to measure PSU target achievement is total shareholder return (TSR) compared with a peer group (companies in the STOXX Europe 600 Insurance Index).

After three years, the prospective entitlements are multiplied by a performance multiplier at the time of conversion into shares. The performance multiplier ranges from 0 to 2, depending on TSR relative to the peer group. If Baloise's TSR is around the median for the peer group, the prospective entitlements are multiplied by a factor of 1. If Baloise is the

company with the best TSR, the prospective entitlements are multiplied by a factor of 2. If Baloise's TSR is in the bottom quartile, no shares are converted (factor of 0).

The calculation is illustrated in the following examples:

Example 1: A person receives a prospective entitlement to 100 shares. At the time of conversion after the three-year period, the Company is the highest-ranked of the peer group. The performance multiplier is therefore 2, which means that the person is awarded 200 shares.

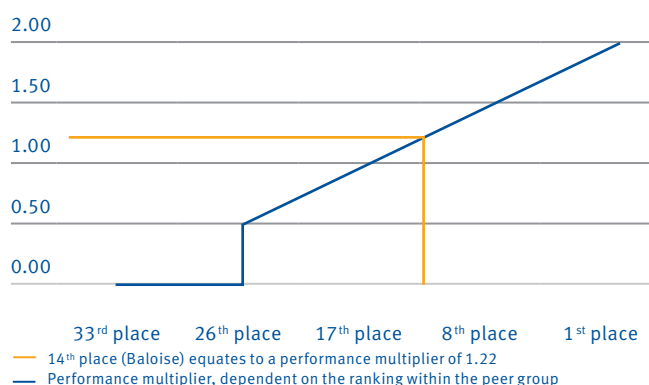
Example 2: A person receives a prospective entitlement to 100 shares. At the time of conversion after the three-year period, the Company is one of the lowest-ranked of the peer group. The performance multiplier is therefore 0, which means that the person is awarded no shares.

The Baloise Group reports on how the value of the shares changes during the vesting period. This provides an indication of the level of effective remuneration at the time of conversion.

3. PSUs for the period 2018 to 2021

During the calculation period, Baloise was ranked 14th compared with the 33 insurance companies in the STOXX Europe 600 Insurance Index. The company ranked first is the one with the best TSR performance in the calculation period. Baloise's ranking equates to a performance multiplier of 1.22 (1st place = performance multiplier of 2; 26th place = performance multiplier of 0.5; 27th place to 33rd place = performance multiplier of 0).

Range for the performance multiplier and Baloise's ranking during the 2018–2021 calculation period



The chart shows the possible range for the performance multiplier, depending on Baloise's ranking compared with the 33 companies in the STOXX Europe 600 Insurance Index. During the 2018–2021 calculation period, Baloise achieved 14th place. This ranking equates to a performance multiplier of 1.22.

The following example shows the overall growth in the value of the PSUs:

In 2018, a person receives a prospective entitlement to 100 shares. At the time of conversion in 2021, Baloise is ranked 14th compared with the 33 companies in the STOXX Europe 600 Insurance Index. The performance multiplier is therefore 1.22, which means that the person is awarded 122 shares.

At the time of grant in 2018, one share had a value of CHF 149.20. At the time of conversion in 2021, one share had a value of CHF 158.90. The overall growth in value over the three years is based on the combination of share price performance and the performance multiplier. The overall growth in the value of the share package in the period 2018–2021 was 30 per cent.

PSU PLAN

	Share price at grant date (CHF)	Share price at conversion date (CHF)	Multiplier	Change in value
2014–2017	113.40	130.70	1.05	21 %
2015–2018	124.00	149.20	1.34	61 %
2016–2019	126.00	163.00	1.32	71 %
2017–2020	130.70	154.90	1.34	59 %
2018–2021	149.20	158.90	1.22	30 %

The table shows the plans that expired in the past five years. For example, the plan that expired in 2021 had a performance multiplier of 1.22. During the term of the plan, 2018–2021, the share price rose from CHF 149.20 to CHF 158.90. The overall growth in value, based on the combination of share price performance and the performance multiplier, was therefore 30 per cent.

Remuneration of the individual Corporate Executive Committee members

Member	Year	Fixed (comprising basic salary, non-cash remuneration and employer contributions to the state-run social security schemes and the occupational pension scheme)	Short-term variable remuneration (comprising share-based and cash payments from the performance pool)	Long-term variable remuneration (comprising allocations of share entitlements)	Total
Gert De Winter	2020	56%	25%	19%	CHF 2.04 million
	2021	54%	29%	17%	CHF 2.04 million
Michael Müller	2020	57%	25%	18%	CHF 1.54 million
	2021	55%	28%	17%	CHF 1.65 million
Dr Thomas Sieber ¹	2020	77%	23%		CHF 0.74 million
	2021				
Dr Carsten Stolz	2020	60%	23%	17%	CHF 1.16 million
	2021	57%	27%	16%	CHF 1.23 million
Dr Matthias Henny	2020	60%	22%	18%	CHF 1.11 million
	2021	57%	27%	16%	CHF 1.23 million
Dr Alexander Bockelmann	2020	57%	26%	17%	CHF 1.37 million
	2021	55%	28%	17%	CHF 1.42 million

¹ Until 31 August 2020

The chart shows the remuneration of the individual members of the Corporate Executive Committee for 2020 and 2021 and the breakdown by remuneration component. There are two reasons for the discrepancy between the aforementioned expected values (50 per cent basic salary, 30 per cent short-term variable remuneration and 20 per cent long-term variable remuneration) and the breakdown shown in the chart: (1) The fixed remuneration in the chart includes fringe benefits and social security contributions. (2) In both years, the performance pool factor was different to the expected value (2020: 90 per cent, 2021: 110 per cent, expected value: 100 per cent).

E. REMUNERATION OF THE INDIVIDUAL CORPORATE EXECUTIVE COMMITTEE MEMBERS

1. Description

For the Corporate Executive Committee, the expected breakdown of total remuneration (excluding fringe benefits and social security contributions) is as follows:

- ▶ Fixed remuneration: 50 per cent
- ▶ Variable remuneration: 50 per cent
 - ▶ Short-term variable remuneration: 30 per cent (half in cash and half in restricted shares)
 - ▶ Long-term variable remuneration: 20 per cent

2. Individual members' remuneration for 2021

See the chart below.

Financial calendar

29 APRIL 2022

Annual General Meeting

Bâloise Holding Ltd

25 AUGUST 2022

Half-year financial results

Conference call for analysts and the media

Publication of the 2022 half-year report

9 MARCH 2023

Preliminary annual financial results

Media conference

Conference call for analysts

28 MARCH 2023

Annual Report

Publication of the 2022 annual report

28 APRIL 2023

Annual General Meeting

Bâloise Holding Ltd

ANNUAL REPORT

The complete annual report is available on our website:

www.baloise.com/annual-report

Corporate publications can also be ordered via the following website:

www.baloise.com/order

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