

Baloise Group financial results for 2023

Ad hoc announcement pursuant to Art. 53 LR

Baloise strengthens its core business – higher cash remittance and growing dividend

Basel, 26 March 2024.

“The name Baloise has stood for customer relationships based on trust for more than 160 years. In 2023, we protected more than 10,000 customers from serious financial losses resulting from natural disasters in Switzerland. This weighed heavily on our business performance and led to a spike in large claims. Our job as an insurance company is to be able to cope with even an exceptionally high volume of claims. That is our purpose and it is why we create strong foundations on which to operate our business. It is therefore important that these foundations remain solid over the long term. This is why we are channelling our efforts into strengthening our core business and improving our financial results. Going forward, we will concentrate even more on our core purpose of generating added value for investors, customers, partners and employees. To do so, we will refresh our strategy – especially where innovation is concerned. Following a review of our ecosystem strategy, we have decided not to invest any further in expanding this approach. We are narrowing our focus on the core business and keeping operational excellence at the forefront of what we do. I look forward to reporting in detail about the changes to our strategic and operational course at our next Investor Update on 12 September 2024.”

Michael Müller, CEO of Baloise

Annual financial results in brief

- **Profit attributable to shareholders** for 2023 amounted to CHF 239.6 million (2022: CHF 247.8 million). Year-on-year increases in contributions from Belgium and Germany largely offset a dip in profit in Switzerland. A high volume of natural disasters and major loss events had an extremely adverse impact of just over CHF 200 million on profit before taxes.
- In local currency terms, the **business volume** edged up by 0.8 per cent. In Swiss francs, the volume of business was down by 0.9 per cent at CHF 8,618.1 million owing to a lower volume of premiums in the traditional life insurance business and unfavourable currency effects (2022: CHF 8,697.5 million).
- In the **non-life business**, the volume of premiums rose by a very healthy 5.4 per cent in local currency terms to CHF 4,081.6 million (2022: CHF 3,958.7 million). In Swiss francs, the increase was just over 3.1 per cent.
- The **combined ratio** of the Group was 92.0 per cent (2022: 92.9 per cent).
- **Profit before borrowing costs and taxes (EBIT) in the non-life business** amounted to

CHF 134.0 million (2022: CHF 99.4 million) as a result of the exceptionally high impact of claims.

- The level of **gross premiums in the life business** reflected the continuing trend towards partially autonomous occupational pension solutions. As a result, the volume of premiums in the traditional life insurance business fell by 5.2 per cent year on year to CHF 3,648.0 million (2022: CHF 3,848.1 million). Individual life insurance in Switzerland generated good growth of 1.5 per cent.
- The **new business margin** in the life business stood at 6.5 per cent in 2023 (2022: 6.7 per cent). The interest margin improved to 137 basis points (2022: 117 basis points) thanks to a rise in current income.
- **EBIT attributable to the life business** came to CHF 178.5 million, which was down on the strong prior-year figure (2022: CHF 259.8 million). The decline in EBIT was due to reductions in the contractual service margin (CSM) and a rise in costs.
- The recent **optimisation of a Belgian life insurance portfolio**, which is now in run-off, is expected to release an amount of cash in the mid-double-digit millions in 2024.
- The **asset management** business registered growth in third-party assets of 19.0 per cent or CHF 2.4 billion, of which CHF 1.2 billion was attributable to net new assets.
- EBIT for **Asset Management & Banking** rose to CHF 82.3 million (2022: CHF 64.4 million). This is attributable to a bigger contribution from the banking segment, where the increase in interest rates had a positive impact on business.
- Baloise maintained a very good level of **capitalisation**. Despite the repayment of a subordinated bond, lower interest rates resulting from negative macroeconomic effects and a stronger Swiss franc, we expect the SST ratio as at 1 January 2024 to be around 210 per cent (1 January 2023: 240 per cent). **Comprehensive equity** stood at CHF 7,170.9 million at 31 December 2023 (30 June 2023: CHF 7,373.5 million). **Standard & Poor's** confirmed its **A+ rating** for the Baloise Group in August 2023.
- In 2023, **cash remittance** increased by 4.7 per cent to CHF 493 million (2022: CHF 471 million). The Board of Directors intends to propose to the Annual General Meeting that the **dividend be increased** by CHF 0.30 to CHF 7.70 per share.
- Baloise has reviewed its **ecosystem strategy** in respect of the Home and Mobility ecosystems and decided not to invest any further in expanding them. In future, we will concentrate more on insurance-related activities and on generating profits from our current portfolio of innovations.
- Baloise will present its strategic plans for taking the company forward at an **Investor Update** on 12 September 2024.

Overview of key figures

CHF million as at 31 December	2022	2023	Change (%)
Business volume	8,697.5	8,618.1	-0.9
EBIT	366.4	344.4	-6.0
Profit attributable to shareholders	247.8	239.6	-3.3
Non-life – gross premiums written	3,958.7	4,081.6	+3.1
Non-life – EBIT	99.4	134.0	+34.8
Non-life – combined ratio	92.9%	92.0%	-0.9 p. points
Life – gross premiums written	3,848.1	3,648.0	-5.2
Life – investment-type premiums	890.7	888.5	-0.2
Life – EBIT	259.8	178.5	-31.3
Average investments (insurance)	56,714.1	51,321.2	-9.5
Asset Management & Banking – EBIT	64.4	82.3	+27.7
Equity	3,405.2	3,250.0	-4.6
CSM after taxes	4,345.7	3,921.0	-9.8
Comprehensive equity	7,751.0	7,170.9	-7.5
SST ratio (as at 1 January)	240%	~210%	
Cash remittance for the holding company	471	493	+4.6
Dividend per share (gross)	7.4	7.7	+4.1

Profit and business volume

Claims incurred place an exceptionally heavy burden on profit, business volume remains stable with growth in target segments

Profit attributable to shareholders for 2023 amounted to CHF 239.6 million, a year-on-year fall of 3.3 per cent (2022: CHF 247.8 million). Profit was impaired by increased costs and currency effects in 2023. Additionally, profit in the non-life business was adversely affected by substantially higher claims incurred as a result of natural disasters and major loss events. These influences are also reflected in the Group's **profit before borrowing costs and taxes (EBIT)**, which declined by 6.0 per cent compared with the prior year to CHF 344.4 million (2022: CHF 366.4 million). The biggest contribution to EBIT came from business in Switzerland at CHF 166.2 million. This figure was much lower than in the prior year due to the high level of claims incurred. The companies in Germany and Belgium, in particular, made a positive contribution to the Group's EBIT, however, generating much higher EBIT year on year of CHF 93.6 million and CHF 111.7 million respectively. This is testimony to the Group's **diversification and optimisation efforts** over the past few years. Thanks to these efforts, a Belgian run-off life insurance portfolio with reserves of around EUR 900 million was recently secured by means of a reinsurance solution. We expect this optimization to result in the release of an amount of cash in the mid-double-digit millions in 2024.

The **Group's volume of business** was slightly lower than in the prior year at CHF 8,618.1 million (2022: CHF 8,697.5 million). The decrease of 0.9 per cent was attributable to the life business, specifically the ongoing shift in occupational pensions towards partially autonomous solutions. In local currency terms, the rate of growth was modest at 0.8 per cent. Non-life business partly made up for this decline with solid growth of 3.1 per cent in Swiss francs or 5.4 per cent in local currency terms. The **volume of investment-type premiums** remained at the good level of the prior year.

Insurance business

Good growth in non-life business

Last year was exceptional in light of the very high volume of natural disaster claims and large claims incurred. Net of reinsurance, these claims were just over CHF 200 million higher than the average for previous years. Besides the high volume of natural disaster claims, which were primarily caused by storms in Switzerland, major individual loss events meant that Baloise incurred exceptionally high expenses for its customers.

Growth in the **volume of premiums** in this business was at the good level of 3.1 per cent in Swiss francs or 5.4 per cent in local currency terms. All business units contributed to this growth, which increased gross premiums written in the non-life business to CHF 4,081.6 million (2022: CHF 3,958.7 million). The increases in premiums that were introduced due to inflation also contributed to this healthy growth.

The Belgian unit registered the largest volume of non-life business with a total value of CHF 1,589.7 million. This amounted to growth of 3.3 per cent in Swiss francs or 6.8 per cent in local currency terms (2022: CHF 1,538.9 million).

In Switzerland, Baloise expanded its non-life portfolio by 2.7 per cent to CHF 1,468.7 million (2022: CHF 1,430.8 million).

In Germany, premiums in non-life business grew by 2.9 per cent in Swiss francs or 6.4 per cent in local currency terms to CHF 816.5 million (2022: CHF 793.8 million).

Baloise generated the strongest growth in non-life business in Luxembourg, at 9.1 per cent in Swiss francs or 12.8 per cent in local currency terms. The total volume of premiums came to CHF 154.6 million for 2023 (2022: CHF 141.8 million).

Despite the considerable rise in large claims incurred, which took an exceptionally heavy toll on the **combined ratio** of just over 5 percentage points, this ratio improved by a modest 0.9 percentage points overall to 92.0 per cent. The reason for the improvement is that the prior year's ratio was adversely affected by the inflation-related strengthening of reserves by around CHF 120 million. Following a fall in inflation, CHF 79 million of this amount was reversed to income in 2023. The combined ratio also benefited from higher discounting effects than in 2022.

Profit before interest and tax (EBIT) in the **non-life business** amounted to CHF 134.0 million (2022: CHF 99.4 million) as a result of these effects in 2023.

The **gains or losses on investments in the non-life segment** improved by approximately CHF 18 million year on year to a net gain of CHF 102.8 million. Current income climbed to CHF 196.8 million, a rise of CHF 41.5 million. This was partly offset by the effects of the much weaker euro and US dollar and the increased cost of currency hedging. The losses recognised in the income statement came to CHF 68.7 million, up by CHF 26.1 million on the prior year. This deterioration was mainly due to increases in the value of property in 2022 that were not repeated in 2023. The gains and losses recognised in other comprehensive income (OCI) amounted to a net gain of CHF 332.6 million and were heavily influenced by the uptrend in the mortgages and other loans asset class. Overall investment performance stood at 4.6 per cent, which was much higher than in the difficult prior year (2022: minus 9.5 per cent).

Growth in investment-type premiums and solid new business margin in the life business

The **business volume in the life business** (gross premiums written and investment-type premiums) fell by 4.3 per cent to CHF 4,536.5 million (2022: CHF 4,738.8 million) owing to the smaller volume of premiums written in the Swiss group life business and in the Belgian life business. In local currency terms, the decrease was 3.0 per cent.

As a result, **premiums in the life business** dropped by 5.2 per cent to CHF 3,648.0 million overall (2022: CHF 3,848.1 million), predominantly due to business in Switzerland and Belgium. Adjusted for currency effects, the decrease was 4.3 per cent. In the Swiss life business, we saw a reduction of 3.5 per cent to CHF 2,513.4 million that was attributable to a reduced volume of group life business (2022: CHF 2,603.3 million). In Germany, we registered slight growth in gross premiums of 1.1 per cent to CHF 499.8 million in local currency terms. In Belgium and Luxembourg, the volume of life business declined by 7.9 per cent to CHF 482.0 million and by 19.2 per cent to CHF 152.8 million respectively (in local currency terms). This was due to uncertainty surrounding Belgian tax legislation and geopolitical and macroeconomic impacts that led to more risk-averse investment behaviour on the part of customers.

Investment-type premiums amounting to CHF 888.5 million were written in 2023. This equated to an increase of 2.6 per cent in local currency terms but a modest decrease of 0.2 per cent in Swiss francs. Our business unit in Luxembourg made the biggest contribution to investment-type premiums at CHF 830.8 million.

The **Perspectiva collective foundation** continued on its encouraging growth trajectory in 2023. It benefited from ongoing strong demand for partially autonomous pension solutions and the recovery of the global financial markets. As at the end of 2023, the Perspectiva collective foundation was looking after 4,903 companies with around 21,500 policyholders and had assets of CHF 1.6 billion. These numbers equate to an increase of 476 companies, 1,900 policyholders and assets of around CHF 200 million.

EBIT in the life business fell year on year to stand at CHF 178.5 million (2022: CHF 259.8 million). This was due to a decrease in the contractual service margin (CSM) on the back of adverse spread movements, currency effects and lower valuations of properties. These factors, combined with interest rate effects, resulted in a CHF 50 million reduction in the amount released from the CSM. Higher costs also took their toll on EBIT in the life insurance business.

Gains or losses on investments in the life segment amounted to a net gain of CHF 2,318.9 million. Despite falling investment volumes, current income increased to CHF 938 million (2022: CHF 924.8 million) thanks to further growth of private assets and a rise in reinvestment returns. Interest rates in Switzerland and Germany were down year on year at the end of 2023 and the equity markets performed well, with both these factors having a positive impact on the fair values of fixed-income securities and equities. This provided a significant boost for profits, which amounted to CHF 1,484.6 million in 2023. Furthermore, a positive item of CHF 122.9 million was recognised in other comprehensive income (OCI). Overall investment performance stood at 5.8 per cent, which was much higher than in the prior year (2022: minus 12.9 per cent).

The **new business margin** in the life business was down slightly year on year but remained solid at 6.5 per cent in 2023 (2022: 6.7 per cent). The new business margin is derived from the contractual service margin (CSM) for new business and is calculated relative to the present value of new business premiums.

The **interest margin**, which constitutes the difference between current income on the assets side and guarantees on the equity and liabilities side, improved to 137 basis points (2022: 117 basis points). The increase was mainly attributable to investment decisions where it was possible to capitalise on the higher level of interest rates.

Asset Management & Banking

Healthy growth in business with third parties

As at 31 December 2023, the total assets under management (AuM) of Baloise Asset Management stood at CHF 57.9 billion, a rise of 3.7 per cent compared with the end of the prior year (31 December 2022: CHF 55.8 billion). This growth was primarily attributable to the favourable trend in business with third parties.

There was further **growth in business with third parties**. Assets under management swelled from CHF 12.6 billion to CHF 15.0 billion, with net new assets contributing CHF 1.2 billion. Net new assets related to a number of items, including the capital increase carried out for the Baloise Swiss Property Fund and the continued growth of the asset management business of Baloise Bank Ltd and of the partially autonomous collective foundation Perspectiva.

The expanded **responsible investment (RI) strategy** has been in place since 1 January 2023. Further exclusions have been added, a best-in-class approach has been adopted and direct company engagement has been introduced to supplement the active ownership approach. The expanded RI strategy applies to liquid investments, for some of the private assets included in insurance investments and for the majority of our funds, including fund selection. The updating of the RI strategy took account of the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR), the Swiss Financial Market Supervisory Authority (FINMA) Guidance 05/2021 on preventing and combating greenwashing, and the Asset Management Association Switzerland (AMAS) requirements for self-regulation of transparency and disclosure for sustainability-related collective assets. The strategy allows us to offer a broader range of sustainability-related investment options to those of our customers with a preference for sustainability-oriented investment solutions.

Capitalisation and cash remittance

Higher volume of cash and a rise in the dividend to CHF 7.70

The equity attributable to shareholders stood at CHF 3,250.0 million as at the end of 2023 (31 December 2022: CHF 3,405.2 million). The **contractual service margin (CSM)** after taxes came to CHF 3,921.0 million as at 31 December 2023 (31 December 2022: CHF 4,345.7 million).

Comprehensive equity totalled CHF 7,170.9 million (31 December 2022: CHF 7,751.0 million) or CHF 157 per share. It comprises the sum of the contractual service margin after taxes and the proportion of equity attributable to shareholders.

Baloise's strong capital adequacy was once again confirmed by **Standard & Poor's** in August

2023, when it reaffirmed its **rating of A+** for the Baloise Group. S&P 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, solid risk management and robust competitive position in its profitable core markets. The complete report is available at www.baloise.com/ratings.

In the **Swiss Solvency Test (SST)**, we expect a ratio of around 210 per cent as at 1 January 2024. The reduction was due to repayment of a subordinated bond, lower interest rates resulting from negative macroeconomic effects and a stronger Swiss franc.

Although Baloise incurred exceptionally high costs for claims in 2023, it maintained a good level of capitalisation. Moreover, it achieved a further improvement in **cash remittance**, which was unaffected by the accounting effects and rose by 5 per cent to CHF 493 million (2022: CHF 471 million). This shows that we are on track to reach our target for **cash** remitted of CHF 2 billion by 2025. At the upcoming Annual General Meeting, the Board of Directors of Baloise Holding Ltd will therefore propose that the **dividend** be increased by CHF 0.30 to CHF 7.70.

Outlook

No more new investment in ecosystems – presenting the upcoming strategic phase

On 20 September 2023, Baloise announced that it was undertaking a strategic review of its ecosystems in light of the changes in the business environment. The outcome of this review is that we are ending our ecosystem strategy. This means that we will no longer be pursuing the targets that we had communicated in this context: a valuation of CHF 1 billion for the innovation initiatives and a total contribution to revenue of CHF 350 million. We will also not be carrying out any further new investment in the expansion of the ecosystems.

CEO Michael Müller commented on this decision as follows: "Following our analysis of the overall portfolio and in view of the macroeconomic situation, we came to the conclusion that we need to strengthen our focus on our core business. This is where we see the best potential for growth and income. Where possible and as appropriate, we are bringing our partnerships in the former ecosystems closer to our core business and improving their profitability."

Meanwhile, we are retaining our strategic targets. We are well on track to achieve our cash target of CHF 2 billion (cumulative figure as at 31 December 2023: CHF 964 million). The employee target of being among the top 5 per cent of employers in Europe is very ambitious (31 December 2023: top 29 per cent), but we made clear progress last year (31 December 2022: top 36 per cent). The strategic target of attracting 1.5 million new customers is no longer achievable now that we have discontinued our ecosystem strategy (31 December 2023: 227,000). However, sustained profitable growth in our core business remains key to our future success, which is why we will step up our efforts.

An Investor Update will take place on 12 September 2024, during which Baloise will present the details of the upcoming strategic phase – focusing on growth, operational excellence and greater efficiency – and the respective targets.

Publication of the Annual Report; further information

Baloise published its 2023 Annual Report today, 26 March 2024, which also contains the report on non-financial matters (Art. 964a et seq. of the Swiss Code of Obligations (OR)), along with its 2023 Annual Review. The two documents can be viewed and downloaded here:

- [2023 Annual Report](#) (PDF)
- [2023 Annual Review](#) (PDF)
- [Media release](#) (PDF)
- More information about the financial results can be found at www.baloise.com
- Information on the transition to the new IFRS 17 and IFRS 9 accounting standards is available here: [IFRS transition \(baloise.com\)](#)

Important dates

Tuesday, 26 March 2024

Conferences to present the financial results

09:15 – 11:15 CET: Annual results media conference in Basel (followed by aperitifs at a networking event)

- [Dial-in number](#): +41 (0)58 310 5000
- [Link to webcast](#)

11:30 – 13:00 CET: Conference call for analysts

- [Dial-in number](#): +41 (0)58 310 5000
- [Link to webcast](#)

Friday, 26 April 2024

Annual General Meeting of Baloise Holding Ltd

Contact

Baloise, Aeschengraben 21, 4002 Basel, Switzerland

Website: www.baloise.com

Email: media.relations@baloise.com / investor.relations@baloise.com

Media Relations: Tel: +41 (0)58 285 8214

Investor Relations: Tel: +41 (0)58 285 8181

Data protection

We take data protection very seriously at Baloise. Following the implementation of the new data protection legislation, we would like to inform you that we maintain your contact details (provided by you or publicly accessible) in our database in order to be able to send you our media releases. Should you wish to unsubscribe, please click on the link at the end of this media release. Your data will then be deleted from our database.

About Baloise

The focus is firmly on the future at Baloise. We aim to make tomorrow more straightforward, safer and more carefree for our customers, and we are taking responsibility for this today. Baloise is more than just a traditional insurance company. Through our smart finance and insurance solutions, we offer a complete service package. Dependable support, reliable cooperation and trust-based relationships are key aspects of our stakeholder interaction. We take care of financial matters so that our customers can concentrate on the important things in their lives and can find inspiration in the everyday. Baloise, a European company founded more than 160 years ago, currently employs 8,000 people at its headquarters in Basel (Switzerland) and across its subsidiaries in Belgium, Germany and Luxembourg. Our services generated a business volume of around CHF 8.6 billion in 2023. Baloise Holding Ltd shares (BALN) are listed on the SIX Swiss Exchange.
