ANNUAL REPORT 2017

Baloise Group

Baloise Group
Annual Report 2017

Contents

Baloise key figures

	2016	2017	Change (%)
CHF million			
Business volume			
Gross premiums written (non-life)	3,140.7	3,229.3	2.8
Gross premiums written (life)	3,570.9	3,512.0	– 1.6
Sub-total of IFRS gross premiums written [1]	6,711.6	6,741.3	0.4
Investment-type premiums	2,199.2	2,519.5	14.6
Total business volume	**8,910.8**	**9,260.8**	**3.9**
Operating profit (loss)			
Profit / loss before borrowing costs and taxes			
Non-life	396.4	374.7	– 5.5
Life [2]	226.1	306.0	35.3
Banking	92.1	81.8	– 11.2
Other activities	– 31.0	– 78.5	153.2
Profit for the period	533.9	531.9	– 0.4
Balance sheet			
Technical reserves	46,209.0	48,008.5	3.9
Equity	5,773.7	6,409.2	11.0
Ratios (per cent)			
Return on equity (RoE)	9.7	8.9	–
Gross combined ratio (non-life)	91.1	90.2	–
Net combined ratio (non-life)	92.2	92.3	–
New business margin (life)	21.3	33.4	–
Investment performance (insurance) [3]	3.1	2.5	–
Embedded value of life insurance policies			
Embedded value (MCEV)	4,409.4	4,896.8	11.1
Annual premium equivalent (APE)	322.1	376.8	17.0
Value of new business	68.5	125.8	83.6
Key figures on the Company's shares			
Shares issued (units)	50,000,000	48,800,000	– 2.4
Basic earnings per share [4] (CHF)	11.53	11.50	– 0.3
Diluted earnings per share [4] (CHF)	11.22	11.48	2.3
Equity per share [4] (CHF)	123.8	133.2	7.6
Closing price (CHF)	128.30	151.70	18.2
Market capitalisation (CHF million)	6,415.0	7,403.0	15.4
Dividend per share [5] (CHF)	5.20	5.60	7.7

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments (31 December 2016: CHF – 2.0 million; 31 December 2017: CHF 14.5 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 2017 based on the proposal submitted to the Annual General Meeting.

At a glance

Equity of
CHF 6,409.2 million

Return on equity (RoE) of
8.9 %

Profit for the period* of
CHF 531.9 million
Profit (attributable to the shareholders)
CHF 548.0 million

Dividend of
CHF 5.60 per share
(will be proposed to the Annual General Meeting on 27 April 2018)

14.6 %
higher business volume with investment-type premiums

Net investment yield of insurance assets
2.9 %

Net combined ratio of
92.3 %

New business margin of
33.4 %

*The difference between the profit for the period and the profit attributable to shareholders is primarily due to the fact that only part of the book losses incurred on the sale of non-strategic entities in Germany was borne by the shareholders.

Dr Andreas Burckhardt, Chairman of the Board of Directors (on the right), and Gert De Winter, Group CEO (on the left), testing the Baloise Park augmented reality app, which can be downloaded for free from the Google Play Store and the Apple App Store.

DEAR SHAREHOLDERS

In the autumn of 2016, Baloise formulated the three targets for its new strategy. By 2021, our aim is to generate CHF 2 billion of cash for the holding company, attract an additional one million customers and become one of the most attractive employers in our industry. At the end of the first year, it is clear that we have made a very good start. The profit for the period attributable to shareholders was up by 2.5 per cent to CHF 548.0 million (2016: CHF 534.8 million) and the net combined ratio held steady at 92.3 per cent (2016: 92.2 per cent), demonstrating that Baloise has successfully embarked on this strategic journey. The volume of business grew by 3.9 per cent to CHF 9,260.8 million. Moreover, Baloise launched numerous initiatives in 2017 without neglecting its core business, which is and remains the basis for long-term business success.

The volume of non-life business reached CHF 3,229.3 million, a year-on-year rise of 2.8 per cent. Switzerland notched up growth (in Swiss francs) of 0.7 per cent, Belgium 5.5 per cent, Luxembourg 5.0 per cent and Germany 3.6 per cent. The performance of the life business was also highly encouraging. Underwriting policy in the traditional life business remained restrictive, resulting in a 1.6 per cent contraction in the volume of business to CHF 3,512.0 million. However, business with investment-type premiums was very successful in 2017 and the volume of premium income grew by 14.6 per cent to CHF 2,519.5 million.

Baloise can report initial progress on achieving the strategic targets after just the first year. The holding company has already received CHF 415 million of the total of CHF 2 billion, we have signed up 118,000 new customers and we are among the top 25 per cent of the most attractive employers in our sector in Europe (our ambition: top 10 per cent). Last year, our strategic activities focused on the launch of digitalisation initiatives and the expansion of customer care. Building on its strong and stable core business, Baloise is concentrating on becoming even more customer-centric. In doing so, it is striving to evolve into a service provider for insurance, pension and other services that extend beyond the core insurance business. This transformation of the business model requires, above all, entrepreneurial energy, and this was evident throughout the Company in 2017.

When implementing new initiatives, Baloise focuses on five dimensions: we identify start-ups, develop or help them to mature, enter into alliances, test out new ideas ourselves or buy fledging businesses. This broad-based approach gives the individual initiatives a better chance of success. Working with an investment and consultancy firm in London, Baloise is investing up to CHF 50 million in European and US-based start-ups that offer the potential to drive forward the process of digitalisation at Baloise. We also benefit from the firm's experience with digital financial services and are incorporating it into our new strategy. In Switzerland, we are involved with companies that support and develop international fintech start-ups. This gives Baloise exclusive access to highly promising fintech start-ups, new technologies and business models that have the potential to bring about significant changes in the insurance sector.

«Entrepreneurial energy was evident throughout Baloise in 2017.»

Baloise also invests in its own start-ups. FRI:DAY, a mobile insurer, made its debut in early 2017 in Germany. The company launched the first mileage-based motor vehicle policy and has already attracted more than 15,000 customers. Another start-up is Mobly, a platform for services in the Belgian used car market that complement traditional motor vehicle insurance. The company began with two products: Mobly Go is a driver assistance system for all vehicle brands in the used car segment, while Mobly Car Expert enables customers to obtain professional support when buying a second-hand car.

In its partnerships with various start-ups, Baloise has shown that it is capable of breaking away from the mindset of a traditional insurer. The alliances have given rise to new products, such as watch insurance featuring photo recognition software, which is offered in Switzerland and Germany. Other examples include the first cyber-insurance product for retail customers in Switzerland, the first mortgage app in Switzerland, fully digitalised insurance for personal items, which can be taken out with just a few clicks and offers cover for more than 60 individual items, and GoodStart, a simple online home contents insurance product in Luxembourg. Another highlight was the new YounGo insurance line for customers in Switzerland up to the age of 30, which has led to a sharp rise in new customers. Partnerships with TCS, Bank Cler, BLKB, Möbel Pfister and many others are also important as they give Baloise significantly more opportunities to interact with customers in all markets. Finally, Baloise itself is creating a new digital experience relating to the construction of Baloise Park with an app that shows what the new buildings will look like.

Corporate culture is an important element of the digital transformation, and satisfied employees are central to Baloise's new strategy. Employees are playing a core role in implementing the strategy. In the remuneration system, we have cancelled the individual performance targets and introduced a new incentive scheme. The focus is now on team targets that actively encourage people to work together. This is rooted in our firm belief that, in future, team achievements rather than exceptional performance on the part of individuals will determine our success and lead to the best solutions.

The first year of the new strategy highlights the energy and speed with which Baloise is tackling the challenges of the digital transformation. We are doing this with a broad spectrum of initiatives and capital expenditure on business models that we think will work, underpinned by our traditionally strong core business. There are four more years to go before we reach the objectives of our new strategy. The first signs of success are already visible and tangible. Not least thanks to its traditionally strong corporate culture, Baloise has the strength to achieve its targets and thus successfully implement its plan. For this reason, the Annual General Meeting will be asked to raise the dividend by CHF 0.40 to CHF 5.60.

Basel, March 2018

Dr Andreas Burckhardt
Chairman of the Board of Directors

Gert De Winter
Group CEO

Baloise shares deliver outstanding performance

In 2017, Baloise shares* recorded their best performance since 2013, rising by 18.2 per cent. The share price was driven up by a favourable macroeconomic environment and the successful start of the new Simply Safe strategy. Closing at CHF 151.70, Baloise shares finished markedly higher than the closing price of CHF 128.30 at the end of the prior year. This meant that they once again comfortably outperformed the Swiss Market Index (SMI) and the Swiss Leader Index (SLI) in 2017.

Overall, 2017 was a very successful year for the equity markets. Since the US elections, the expansionary character of US President Trump's fiscal policy agenda has significantly raised investors' profit expectations. Positive economic figures along with a buoyant global economy, which continued to gather pace over the course of the year, have provided a broad base for the upturn. The stock markets experienced very low volatility in 2017 and the level of volatility also ended the year below the historical average.

The main drivers behind the equity market rally were the booming global economy, growing corporate profits and an environment of continued expansionary monetary policy. However, the brightening economic prospects and recovery in the job markets brought discussions about the normalisation of monetary policy increasingly to the fore. While there had only been one rise in the base rate during 2016, the Federal Reserve carried out three further hikes in 2017, raising the benchmark interest rate to between 1.25 per cent and 1.5 per cent. Since 2015, US base rates have therefore increased by a total of 125 basis points. The Fed has also announced its intention to reduce its net monthly asset purchases. Future monetary policy will depend, among other things, on what happens to the rate of inflation. At the end of 2017, this remained below the two central banks' target of 2 per cent, both in the USA and in the eurozone.

In 2017, the European Central Bank (ECB) once again decided against a significant change to its monetary policy, but let it be known that there are currently no economically justified reasons to intensify expansionary monetary policy measures. It left the base rate for the supply of central bank money to commercial banks unchanged at 0.0 per cent, but plans to halve its monthly net acquisition of assets between January and probably September 2018. The Swiss National Bank decided to leave the benchmark rate and the target range for three-month Libor unchanged in 2017, at – 1.25 to – 0.25 per cent. The Swiss franc has weakened considerably against its main trading partners since the start of the year, which could boost the economic recovery and might lead to a slight rise in the rate of inflation. That would aid the Swiss National Bank in meeting its responsibilities. Baloise shares were able to benefit from the aforementioned macroeconomic factors, and from the successful launch of the Simply Safe strategy, closing the year at a price of CHF 151.70, 18.2 per cent above the closing price of the prior year. The STOXX Europe 600 Insurance Index (SXIP) rose by an equally respectable 16.7 per cent during the same period. Two of Switzerland's main share indices also performed well. The Swiss Market Index and the Swiss Leader Index rose by 14.1 per cent and 17.0 per cent respectively for the year as a whole.

DIVIDENDS PAID TO SHAREHOLDERS

The Board of Directors of Bâloise Holding Ltd will propose to the Annual General Meeting on 27 April 2018 that a cash dividend of CHF 5.60 per share be paid for the 2017 financial year, an increase of CHF 0.40 compared with the dividend for 2016. This would represent an attractive dividend yield of 3.7 per cent relative to the year-end share price.

As announced at the end of 2016, Baloise is planning to buy back up to 3,000,000 treasury shares over the period from April 2017 to April 2020. The shares will be bought back for the purpose of capital reduction, using a second trading line on the Swiss stock exchange, SIX Swiss Exchange AG. By the end of 2017, the programme had resulted in the purchase of 423,450 treasury shares, returning CHF 63.3 million to shareholders.

* Baloise shares = shares of Bâloise Holding Ltd.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2013	237.5	–	237.5
2014	250.0	–	250.0
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3[1]	63.3	336.6
Total	1,270.8	177.2	1,448.0

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 27 April 2018.

SHAREHOLDER STRUCTURE

The shares in Bâloise Holding Ltd are widely held and their free float remains unchanged at 100 per cent. During the 2017 financial year, the following change (notifiable under Art. 120 (1) of the Swiss Financial Market Infrastructure Act) to the Baloise shareholder base took place: On 29 March 2017, several collective investments managed by UBS Fund Management (Switzerland) AG together rose above the threshold of 3 per cent. Further information on Baloise's significant shareholders as at 31 December 2017 can be found in the table 11 on page 279.

STATISTICS ON BALOISE SHARES

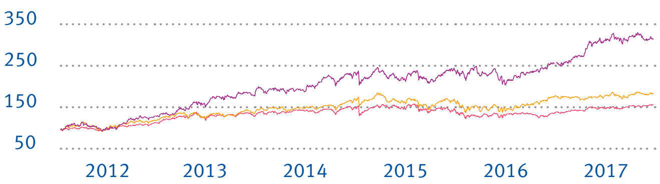
	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Price at year-end (CHF)	113.60	127.80	127.60	128.30	151.70
High (CHF)	113.60	129.90	136.30	131.00	159.40
Low (CHF)	80.75	101.60	109.60	103.20	121.35
Market capitalisation (CHF million)	5,680.0	6,390.0	6,380.0	6,415.0	7,403.0
Basic earnings per share (CHF)	9.65	15.15	10.96	11.53	11.50
Diluted earnings per share (CHF)	9.38	14.63	10.65	11.22	11.48
Price/earnings (p/e) ratio[1]	11.77	8.44	11.64	11.13	13.19
Price/book (p/b) ratio[1]	1.10	1.04	1.10	1.04	1.14
Number of shares issued (units)	50,000,000	50,000,000	50,000,000	50,000,000	48,800,000
Minus the number of treasury shares (units)	3,028,943	3,048,791	3,464,540	2,499,945	1,327,993
Number of shares in circulation (units)	46,971,057	46,951,209	46,535,460	47,500,055	47,472,007
Average number of shares outstanding[2]	46,896,926	46,921,282	46,721,219	46,381,359	47,641,577
Dividend per share[3] (CHF)	4.75	5.00	5.00	5.20	5.60
Dividend payout ratio[3]	49.2	33.0	45.6	45.1	48.7
Dividend yield[3]	4.2	3.9	3.9	4.1	3.7

1 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
2 Relevant for calculation of earnings per share (see page 247 of the Financial Report).
3 2017 based on the proposal submitted to the Annual General Meeting.

BALOISE SHARES

Security symbol	BALN
Nominal value	CHF 0.10
Security number	1.241.051
ISIN	CH0012410517
Exchange	SIX Swiss Exchange
Security type	100% registered shares

INDEXED SHARE PRICE PERFORMANCE[1] BÂLOISE HOLDING REGISTERED SHARES 2012–2017



1 31 December 2011 = 100

- Bâloise Holding registered shares (BALN)
- SWX SP Insurance Price Index (SMINNX)
- Swiss Market Index (SMI)

Our four core markets

BELGIUM

Business volume (CHF million)

Life: **148.8** Non-life: **999.0**

Investment-type premiums: **439.3**

Employees: **1,232**

Net combined ratio: **91.9 %**

LUXEMBOURG

Business volume (CHF million)

Life: **79.6** Non-life: **122.3**

Investment-type premiums: **1,761.6**

Employees: **435**

Net combined ratio: **91.5 %**

SWITZERLAND

Business volume (CHF million)

Life: **2,904.3** Non-life: **1,324.6**

Investment-type premiums: **111.6**

Employees: **3,749**

Net combined ratio: **83.5 %**

GERMANY

Business volume (CHF million)

Life: **379.2** Non-life: **783.0**

Investment-type premiums: **207.1**

Employees: **1,870**

Net combined ratio: **108.3 %**

The Simply Safe strategy is about more than just insurance

Baloise is launching its new strategy and its targets up to 2021 under the banner of Simply Safe. Against a backdrop of changing conditions in the insurance sector, Baloise is thus evolving into an innovative provider of solutions that expand its core business and extend beyond traditional insurance. Customer focus is at the core of the new strategy. But it's not just about covering and insuring risks; it's about addressing the wider needs of customers in a changing society. In 2017 the Company is beginning its journey towards future growth with this clear perspective and with three simple yet ambitious objectives focused on employees, customers and shareholders.

CUSTOMERS

Baloise is becoming the first choice for people who want to feel "simply safe". An even stronger focus on customer needs, tailored omnichannel communication and innovative products and services in the areas of insurance, assistance and pensions will help Baloise to attract an additional one million customers by 2021. This would represent an increase of 30 per cent on 2016.

EMPLOYEES

The workforce is key to implementing the new corporate strategy. That is why Baloise wants to become an employer of choice in its industry. Progress will be measured by a performance indicator that shows how often Baloise is recommended as an employer.

SHAREHOLDERS

Thanks to sustained improvements in profitability in its life business and its banking business, as well as innovative products and services such as the Mobile Insurer, cash of CHF 2 billion will flow into Bâloise Holding between now and 2021. This benefits shareholders directly because Baloise will continue to pursue its attractive dividend policy and will repurchase three million treasury shares. Indirectly, shareholders will benefit from targeted capital investment in new strategic projects that will generate additional profits in existing and new areas of business.

SUSTAINABLE BUSINESS MANAGEMENT

The key success factors in the new strategy will be the strong core business and the unique corporate culture that exists among the around 7,300 Baloise employees in Switzerland, Belgium, Germany and Luxembourg. Baloise aims to establish an agile and entrepreneurial corporate culture in which its employees, on a daily basis, see the world through the eyes of the customer. The idea is to develop services and solutions that go beyond the traditional insurance business.

The new strategy is in line with principles of corporate responsibility and sustainable business management, an approach that Baloise has pursued for a number of years now. The new focus on the customer goes beyond that of a traditional service provider. For this reason, greater importance needs to be attached to the society in which the customers – but also Baloise as a Company – exist. Baloise believes that this new strategy will bolster its efforts to make further improvements in the area of sustainable business management.

Selection of Simply Safe initiatives

A BRIGHT FUTURE NEEDS A SOLID PAST:
Baloise's new strategic ambitions are based on our excellent track record over the past decade: as well as a forward-looking system of capital management and risk management, we have one of the most profitable non-life portfolios in Europe, a strong position in core markets and cutting-edge IT systems and digital processes. Based on these strengths, Baloise continues to invest in the future. Its current "Simply Safe" initiatives are aimed at achieving the following goals by 2021:

- Become one of the best employers in the industry
- Attract 1 million additional customers
- Generate cash of CHF 2 billion for the benefit of shareholders and for capital investment

PROGRESS MADE

CUSTOMERS
Ambition: 1 million additional customers

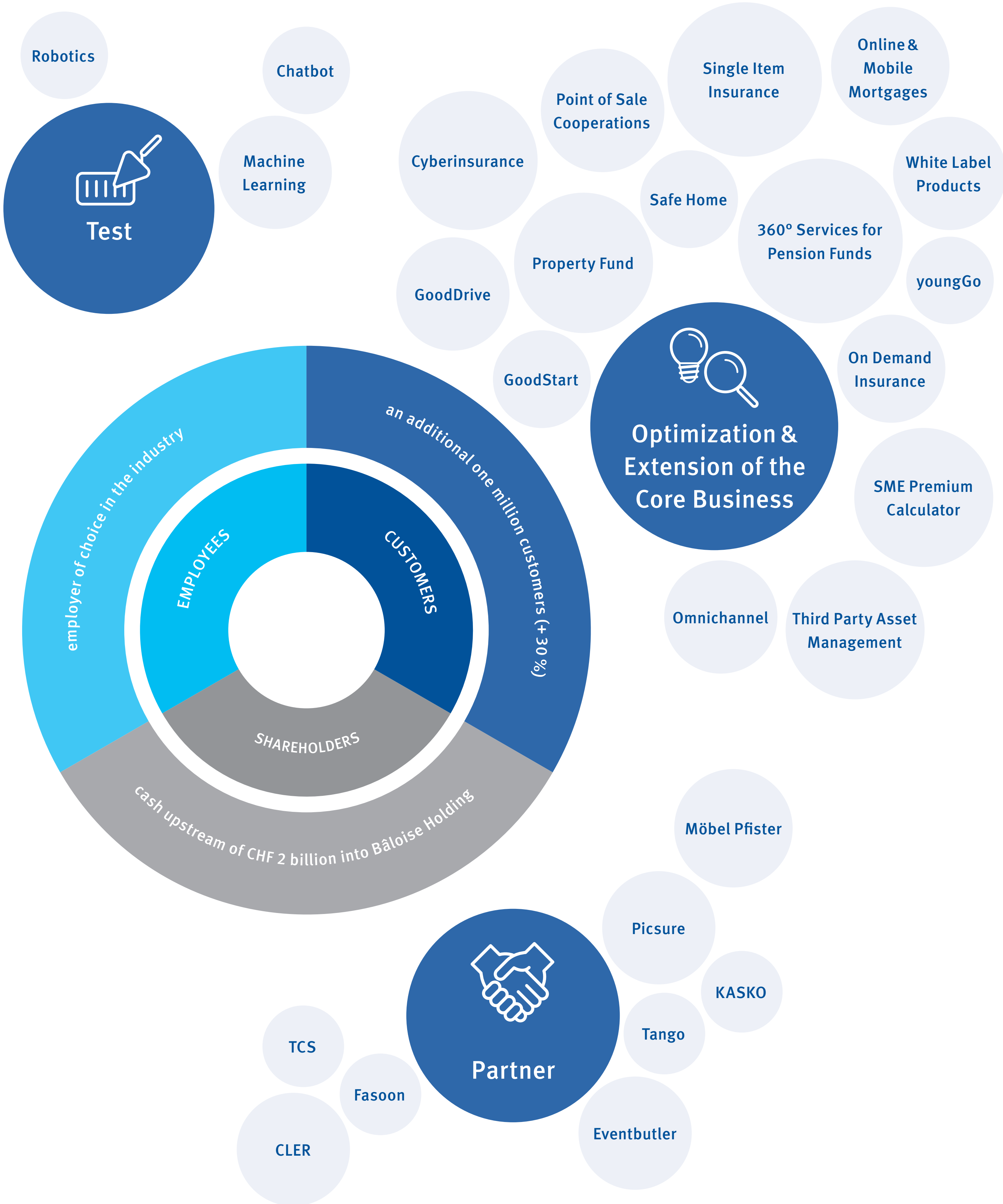
2017: **+ 118,000** Ambition 2021: + 1,000,000

EMPLOYEES
Ambition: leading employer amongst European financials

2017: **top 25 %** Ambition 2021: top 10 %

SHAREHOLDERS
Ambition: CHF 2 billion cash remittance to the holding

2017: **CHF 415 mn** Ambition 2021: CHF 2 bn


Test
Robotics
Chatbot
Machine Learning
Cyberinsurance
Point of Sale Cooperations
Single Item Insurance
Online & Mobile Mortgages
White Label Products
Safe Home
360° Services for Pension Funds
youngGo
Property Fund
GoodDrive
GoodStart
Optimization & Extension of the Core Business
On Demand Insurance
SME Premium Calculator
Omnichannel
Third Party Asset Management
employer of choice in the industry
EMPLOYEES
an additional one million customers (+ 30 %)
CUSTOMERS
SHAREHOLDERS
cash upstream of CHF 2 billion into Bâloise Holding
Möbel Pfister
Picsure
KASKO
Tango
Partner
Eventbutler
TCS
Fasoon
CLER

The Baloise brand
Feeling safe made simple.

What is the ambition of the Baloise brand?

- Baloise wants to be the first choice for all those who wish to feel safer. Our customers should always have peace of mind and a sense of reassurance and safety. We want our customers to feel completely safe with Baloise at their side as a reliable partner. This means that we have to consistently align our services and products to the needs of our customers.

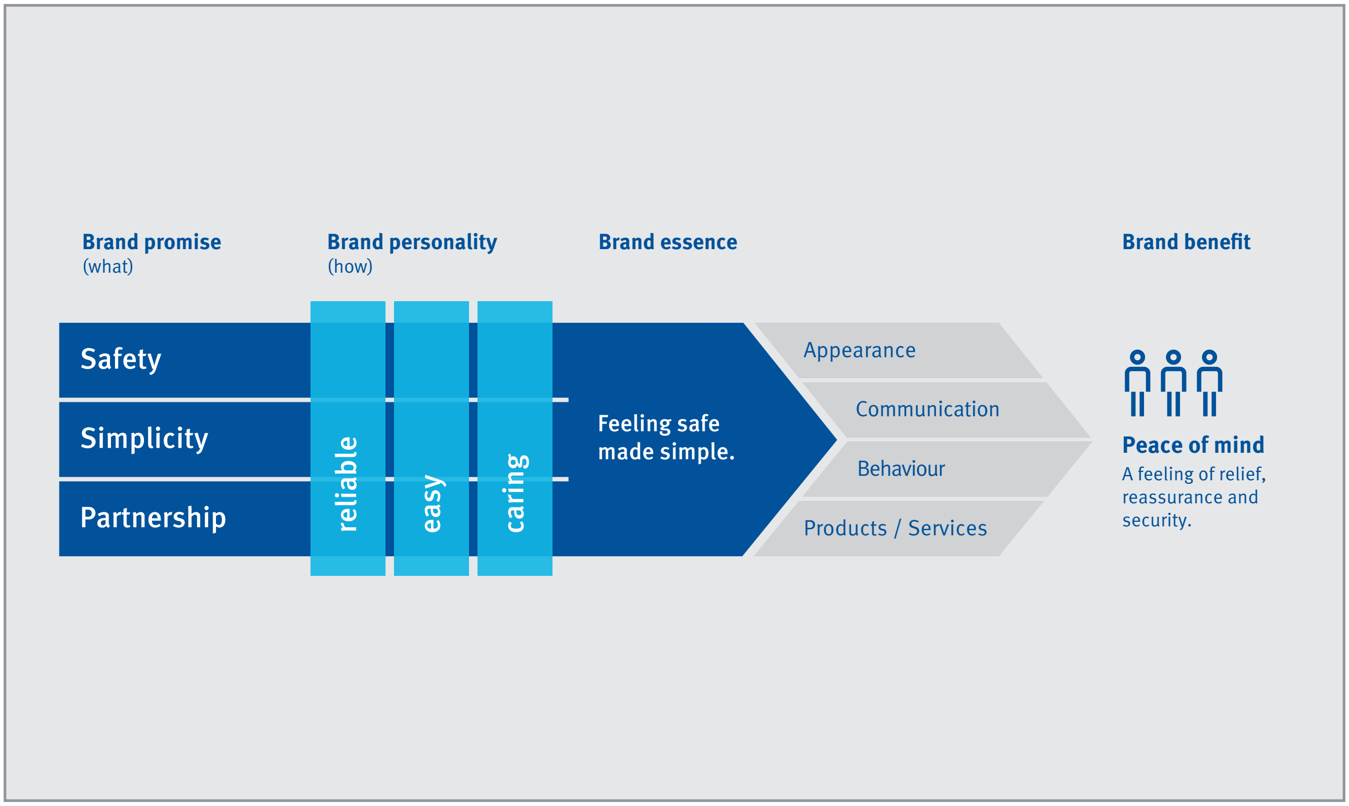
What does the brand promise?

- The Baloise brand stands for safety, simplicity and partnership. Safety is the core promise and provides the foundation for every benefit, every service and every product. Simplicity expresses our ambition to offer an outstanding customer experience with simple products, easy processes and clear communication. Partnership is one of our biggest emotional strengths. It is based on appreciation and value creation. We nurture and strengthen our relationships with all our stakeholder groups.

How does the brand want to be seen?

- Our brand personality defines how Baloise acts and communicates: reliable, easy to interact with and caring for you. We are competent and steadfast and act with quiet confidence and honesty. This makes us a reliable partner who is there for our customers when they need us. We communicate clearly and respond quickly to our stakeholder groups. We take a direct approach and always try to make things easier. As a committed partner we want to understand the needs of our customers and work to find suitable solutions.

“We make it simple to feel safe – as a reliable partner, who’s easy to interact with and truly cares.”



Review of operating performance

Success during the first year of the new strategic phase

Baloise's profit for 2017 attributable to shareholders was the second highest of the last ten years. This achievement is proof positive that Baloise is on the right track with its investment in the future and, at the same time, has strengthened its core business. It has already seen its first operational success in respect of the strategic targets to be reached by 2021, even though 2017 was just the beginning and saw numerous initiatives being launched. Core business also fared very well. The non-life business continues to grow in all markets and profitability remains high. The shift in the life portfolio towards life insurance products that tie up less capital is having a sustained positive effect. The contribution to EBIT from the life business rose significantly in 2017.

OVERVIEW

In 2017, Baloise's profit for the period attributable to shareholders advanced by 2.5 per cent to CHF 548.0 million (2016: CHF 534.8 million). Excluding the non-recurring restructuring effects, Baloise would have earned a profit attributable to shareholders of CHF 601.7 million, giving a year-on-year increase of 12.5 per cent. The volume of business grew by 3.9 per cent to CHF 9,260.8 million. This was driven by business with investment-type premiums, which climbed by 14.6 per cent to CHF 2,519.5 million, and by the robust growth of the non-life business in all national subsidiaries.

The non-life business generated premium income reported under IFRS of CHF 3,229.3 million, a year-on-year rise of 2.8 per cent. All business units contributed to this improvement. Profit before borrowing costs and taxes (EBIT) in the non-life business was 5.5 per cent lower than in 2016 at CHF 374.7 million. There were two main reasons for this decrease of around CHF 20 million: the initial financing for FRI:DAY and a voluntary contribution to the employee pension fund in Switzerland. The ongoing restructuring of a portfolio in the German liability insurance segment also had an adverse effect on EBIT. The net combined ratio was on a par with the prior year at a very healthy 92.3 per cent (2016: 92.2 per cent).

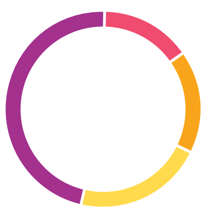
A still restrictive underwriting policy and the sale of the life portfolio in Germany meant that the volume of traditional life business contracted by 1.6 per cent to CHF 3,512.0 million. However, EBIT rose by 35.3 per cent to CHF 306.0 million. This was due to a slight easing of the interest rate situation, which significantly reduced the need to strengthen reserves. Another factor was the ongoing shift in the life portfolio. The volume of investment-type premium income continued to grow, rising by an impressive 14.6 per cent to CHF 2,519.5 million.

The gains on the investment of insurance assets amounted to CHF 1,621.6 million, which was above the 2016 level of CHF 1,578.9 million. Recurring current income stood at CHF 1,300.5 million (2016: CHF 1,379.3 million). The gains on investments achieved for insurance assets equated to a net return of 2.9 per cent. 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 2.5 per cent, representing a decrease on the 3.1 per cent rate of return according to IFRS in 2016.

BUSINESS VOLUME IN 2017 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	46.9
Germany	14.8
Belgium	17.1
Luxembourg	21.2



In operational terms, the EBIT generated by the banking business was encouraging at CHF 81.8 million. Although this was a fall of 11.2 per cent compared with 2016, the prior-year figure had been boosted by a positive non-recurring effect of CHF 11.3 million arising from a change in the pension scheme at Baloise Bank SoBa.

Baloise's balance sheet grew even stronger, with consolidated equity rising by 11.0 per cent year on year to reach CHF 6,409.2 million at the end of 2017.

BUSINESS VOLUME

	2016	2017	+/– %
CHF million			
Total business volume	8,910.8	9,260.8	3.9
Life	3,570.9	3,512.0	– 1.6
Non-life	3,140.7	3,229.3	2.8
Investment-type premiums	2,199.2	2,519.5	14.6

NON-LIFE DIVISION: GOOD GROWTH AND CONTINUED HIGH PROFITABILITY

The non-life division saw a further rise in the volume of premiums (in Swiss francs) of 2.8 per cent. With increases of 0.7 per cent in Switzerland, 5.5 per cent in Belgium, 3.6 per cent in Germany and 5.0 per cent in Luxembourg, the total volume came to CHF 3,229.3 million. In local currency terms too, growth was consistently above 1.5 per cent in the non-Swiss markets. Whereas the Swiss business had benefited from a positive effect of CHF 35.5 million in 2016 owing to pension scheme changes, the strengthening of the employer contribution reserve in 2017 had a negative impact on earnings. The initial financing for the mobile insurer FRI:DAY and the losses arising on a portfolio undergoing restructuring in the German liability insurance segment also adversely affected EBIT. Consequently, EBIT in the non-life business fell by 5.5 per cent to CHF 374.7 million. The level of large claims incurred declined overall. The net combined ratio was almost the same as in 2016 at an excellent 92.3 per cent.

NET COMBINED RATIO

As a percentage

LIFE DIVISION: FURTHER STRONG GROWTH IN INVESTMENT-TYPE PREMIUMS

The life business is evolving as intended. The ongoing shift in the portfolio was reflected in the 1.6 per cent decline in traditional life insurance. Investment-type premiums grew at a very encouraging rate of 14.6 per cent. Total premium income, including investment-type premiums, amounted to CHF 6,031.5 million (2016: CHF 5,770.1 million). In traditional life insurance, the business volume increased by 0.9 per cent in Switzerland (despite a restrictive underwriting policy) and by 3.7 per cent in Belgium, but contracted by 18.7 per cent in Germany and by 2.7 per cent in Luxembourg. The sharp fall in Germany was due to the sale of a closed life insurance portfolio to Frankfurter Leben.

Investment-type premiums increased to CHF 2,519.5 million (2016: CHF 2,199.2 million). By far the biggest growth driver in 2017 was business in Luxembourg, which was up by 25.2 per cent. In the other markets, business held steady or contracted. Business in Luxembourg (including Liechtenstein) accounts for around 70 per cent of all business with investment-type premiums. EBIT in the life business again rose year on year, reaching CHF 306.0 million (2016: CHF 226.1 million). This was mainly because there was less of a need to strengthen reserves than in the prior year thanks to the slight bounce-back of interest rates.

The positive operating income and economic growth resulted in an increase in the embedded value of the life insurance business from CHF 4,409.4 million to CHF 4,896.8 million in 2017, which is equivalent to a return on embedded value of 12.4 per cent. The new business margin went up in all countries thanks to operational measures and further improvements to the business mix, and stood at 33.4 per cent (2016: 21.3 per cent). The value of new business also rose, reaching CHF 125.8 million.

BANKING DIVISION: EARNINGS REMAIN STABLE

If the prior-year positive non-recurring effect of CHF 11.3 million arising from a change in the pension scheme at Baloise Bank SoBa is excluded, the banking division's earnings improved slightly in operational terms. EBIT in the banking business amounted to CHF 81.8 million (2016: CHF 92.1 million), a year-on-year fall of 11.2 per cent. As in prior years, the main contributors to profit were Baloise Asset Management, whose contribution was up slightly at CHF 44.9 million, and Baloise Bank SoBa, which contributed CHF 30.7 million.

EQUITY REMAINS ROBUST

The balance sheet of Baloise improved once again, with consolidated equity rising by 11.0 per cent year on year to reach CHF 6,409.2 million at the end of 2017. The profit for the period and other comprehensive income played a big part in this increase, which was partly offset by dividends paid of CHF 248.7 million. The Annual General Meeting held on 28 April 2017 voted to cancel 1.2 million shares. This was carried out on 12 July 2017, reducing the share capital by CHF 120,000 million. Under the announced programme to buy back more than three million shares, a total of 423,450 shares had been repurchased by the end of 2017. This meant CHF 63.3 million was returned to the shareholders.

The increase in equity, the credit rating of "A with a positive outlook" awarded by Standard & Poor's and an SST ratio of significantly above 200 per cent are signs of the strong foundations provided by Baloise's sustained and robust level of capitalisation.

INVESTMENTS: SOLID RESULTS IN A QUIET MARKET ENVIRONMENT

Broad-based growth and the support from the continued expansionary monetary policy of many central banks provided fertile conditions for a good year in the capital markets. Volatility in equity markets was at historically low levels throughout 2017, making it an excellent year for shares. The Swiss Market Index rose by a healthy 14.1 per cent. Three interest rate hikes by the US Federal Reserve led to a widening of the interest spread at the short end compared with Switzerland and the eurozone, whereas long-term interest rates mainly remained within a narrow range.

The gains on the investment of insurance assets amounted to CHF 1,621.6 million, which was above the 2016 level of CHF 1,578.9 million. The interest rate environment remained challenging and this was reflected in the lower recurring current income of CHF 1,300.5 million (2016: CHF 1,379.3 million). Of the total decrease, CHF 54.8 million was attributable to the transfer of the closed life insurance portfolio to the Frankfurter Leben Group. As there was limited appeal in the reinvestment of maturing bonds denominated in Swiss francs, Baloise avoided

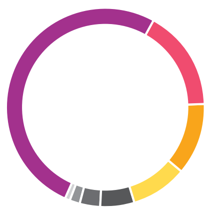
PROPRIETARY INVESTMENTS BY CATEGORY[1]

CHF million	31.12.2016	31.12.2017	+/– %
Investment property	6,817.5	7,480.3	9.7
Equities	4,055.3	3,633.6	– 10.4
Alternative financial assets	1,304.1	1,112.6	– 14.7
Fixed-income securities	32,062.1	33,388.2	4.1
Mortgage assets	10,690.6	10,596.4	– 0.9
Policy loans and other loans	5,664.1	5,972.1	5.4
Derivatives	363.0	362.4	– 0.2
Cash and cash equivalents	1,935.5	2,133.2	10.2
Total	62,892.3	64,678.9	2.8

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

INVESTMENT COMPONENTS IN 2017

As a percentage	
Fixed-income securities	51.6
Mortgage assets	16.4
Investment property	11.6
Policy loans and other loans	9.2
Equities	5.6
Cash and cash equivalents	3.3
Alternative financial assets	1.7
Derivatives	0.6



ASSETS HELD BY BALOISE

as at 31 December 2016	Non-life	Life	Banking	Total for the Group
CHF million				
Investments for own account and at own risk	9,166.6	46,006.1	8,120.6	62,892.3
Asset portfolio for the account and at risk of life insurance policyholders and third parties [1]		12,001.0		12,337.2
Total recognised assets	9,166.6	58,007.2	8,120.6	75,229.5
Third party assets				7,984.7

as at 31 December 2017	Non-life	Life	Banking	Total for the Group
CHF million				
Investments for own account and at own risk	9,605.9	48,141.2	7,397.8	64,678.9
Asset portfolio for the account and at risk of life insurance policyholders and third parties [1]		14,543.8		15,027.4
Total recognised assets	9,605.9	62,685.0	7,397.8	79,706.3
Third party assets				8,958.6

1 Including CHF 70.5 million (2016: CHF 54.5 million) in other assets (precious metal holdings from investment-linked life insurance policies).

doing so for the most part and instead opted for currency-hedged euro-denominated bonds and senior secured loans. It continued to build up its portfolio of investment property and mortgages with stable income, thereby slightly mitigating the effect of declining income.

At CHF 467.6 million, the gains recognised in the income statement were up by CHF 45.1 million compared with the prior year. Baloise made use of the buoyant equity markets to realise some of the gains. By contrast, it registered significantly smaller gains on bonds than in 2016. The remeasurement of available-for-sale real estate led to extraordinary gains of CHF 39.0 million. As a result of the good market conditions, gross impairment losses fell by CHF 87.6 million year on year to CHF 28.0 million. The currency-related losses of CHF 117.7 million were virtually equal to the currency hedging costs.

The gains on investments achieved for insurance assets equated to a net return of 2.9 per cent, which was exactly the same as in 2016. The slight rise in interest rates in euros and Swiss francs led to a reduction in unrealised gains of CHF 323.7 million. 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 2.5 per cent, representing a decrease on the 3.1 per cent rate of return according to IFRS in 2016. The banking and asset management segment reported net inflows of CHF 406.3 million in 2017. The volume of assets managed for third parties had thus risen to CHF 8,958.6 million at the end of 2017.

Switzerland
Exceptionally good results

BUSINESS VOLUME
CHF million (as a percentage of the Group)

4,340.6 (46.9 %)

Life: 66.9 %
Non-life: 30.5 %
Investment-type premiums: 2.6 %

KEY FIGURES FOR SWITZERLAND

	2016	2017	+/− %
CHF million			
Business volume	4,307.2	4,340.6	0.8
Of which: life	2,991.4	3,015.9	0.8
Of which: non-life	1,315.8	1,324.6	0.7
Net combined ratio (per cent)	81.2	83.5	–
Profit before borrowing costs and taxes	546.6	618.4	13.1

BASLER VERSICHERUNGEN SWITZERLAND

The profit from business in Switzerland was up significantly year on year and was one of the best results in the history of the Swiss company. This was thanks, in particular, to a very good portfolio resulting from disciplined implementation of the target customer strategy, a healthy profit on claims reserves and fewer large claims in 2017. Large claims are likely to be higher in 2018 as a result of the weather. There was growth in the non-life and life businesses in 2017. The overall volume of business rose by 0.8 per cent to CHF 4,340.6 million. The business model combining banking and insurance gained further momentum, with customer assets generated by the insurance sales force increasing by around CHF 115 million net at Baloise Bank SoBa in 2017. EBIT advanced by an exceptional 13.1 per cent to CHF 618.4 million.

In the non-life division, premiums were up by 0.7 per cent to CHF 1,324.6 million. There was also an encouraging rise in new customers, primarily thanks to the YounGo product line, the new insurance for personal items and the acquisition and integration of the Movu platform for home-moving services. However, EBIT in the non-life business fell by 4.1 per cent to CHF 289.3 million. This was mainly due to two countervailing non-recurring effects. There had been a positive effect of CHF 35.5 million resulting from pension scheme changes (IAS 19) in 2016, whereas earnings in 2017 were squeezed by the strengthening of the employer contribution reserve in the pension fund for employees. The net combined ratio stood at an outstanding 83.5 per cent, which was 2.3 percentage points higher than the exceptionally good prior-year figure.

The life insurance division achieved growth of 0.8 per cent. In the individual life insurance business, there was a rise in single premiums because, contrary to 2016, two tranche products were offered in 2017. There was a conscious decision to take a cautious approach to underwriting new group life business, resulting in a low rate of growth. By contrast, the products of the partially autonomous collective foundation Perspectiva generated strong growth. EBIT in the life business amounted to CHF 317.6 million (2016: CHF 221.7 million). Despite larger allocations to policyholders' dividends in the group life business, profit rose sharply thanks to a slight increase in interest rates and the reduced need for additional funding.

The banking business of **Baloise Bank SoBa** continues to perform steadily, 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 59 per cent to more than 1,500. EBIT came to CHF 30.7 million, which was below the prior-year figure of CHF 41.7 million. The reduction (in Swiss francs) was due, in particular, to the non-recurring boost to earnings of CHF 11.3 million in 2016 resulting from pension scheme changes (IAS 19).

Germany
Portfolio restructuring and disposal of shareholdings lead to losses

BUSINESS VOLUME
CHF million (as a percentage of the Group)

1,369.3 (14.8 %)

Life: 27.7 %   Non-life: 57.2 %

Investment-type premiums: 15.1 %

KEY FIGURES FOR GERMANY

	2016	2017	+/– %
CHF million			
Business volume	1,431.2	1,369.3	– 4.3
Of which: life	675.2	586.3	– 13.2
Of which: non-life	755.9	783.0	3.6
Net combined ratio (per cent)	109.7	108.3	–
Loss before borrowing costs and taxes	– 60.9	– 76.0	24.8

BASLER VERSICHERUNGEN IN GERMANY

EBIT in the German business amounted to a loss of CHF 76.0 million, which was below expectations. The non-life business was weighed down by large claims and a liability insurance portfolio undergoing restructuring. The overall volume of business contracted by 4.3 per cent to CHF 1,369.3 million. This decrease and some of the loss were attributable to strategic restructuring, such as the sale of Deutscher Ring Bausparkasse. In operational terms, Germany is achieving profitable growth – particularly in the non-life business.

The non-life division reported encouraging growth of 3.6 per cent with a volume of business of CHF 783.0 million. Non-life business with retail customers is growing at a far stronger rate than the market, especially in the accident, general liability, motor vehicle and property insurance segments. Industrial business is declining, above all due to the scheduled exits and restructuring in these segments. The net combined ratio improved only slightly, falling to 108.3 per cent (2016: 109.7 per cent). The main reasons for this were the strengthening of reserves in the aforementioned portfolio and the high number of moderately large claims below the priority limit for reinsurance. Moreover, the volume of large claims incurred was higher than in 2016.

The volume of business in the life division decreased by 18.7 per cent to CHF 379.2 million. However, this was mainly because of the sale of the closed life insurance portfolio of Direktion für Deutschland to the Frankfurter Leben Group, which was completed on 3 February 2017. The portfolio comprised around 130,000 life insurance policies. Excluding this effect, the volume of business would have remained stable owing to reduced non-recurring income. By contrast, biometric products and business involving investment-type premiums performed well. These now account for around 90 per cent of new business.

Belgium
Sharp rise in profitability and strong growth

BUSINESS VOLUME
CHF million (as a percentage of the Group)

1,587.1 (17.1 %)

Life: 9.4 %

Non-life: 62.9 %

Investment-type premiums: 27.7 %

KEY FIGURES FOR BELGIUM

	2016	2017	+/– %
CHF million			
Business volume	1,561.4	1,587.1	1.6
Of which: life	614.4	588.1	– 4.3
Of which: non-life	947.1	999.0	5.5
Net combined ratio (per cent)	93.4	91.9	–
Profit before borrowing costs and taxes	171.7	140.8	– 18.0

BALOISE INSURANCE BELGIUM

Last year was very successful for the Belgian market. The volume of business increased by 1.6 per cent to CHF 1,587.1 million, which was primarily due to the strong growth of 5.5 per cent in the non-life business. A reduction in large claims incurred and a higher profit on claims reserves resulted in improved profitability. The life business saw growth in both periodic and single premiums. However, EBIT declined by 18 per cent to CHF 140.8 million.

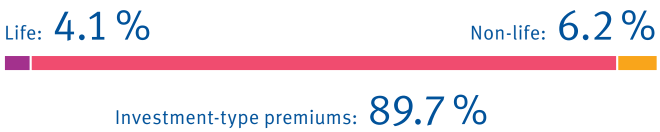
Belgian non-life business again registered strong growth, expanding by 5.5 per cent to CHF 999.0 million (2016: CHF 947.1 million). This shows that Baloise Insurance Belgium was able to hold its own in a very competitive market. The inward reinsurance business notched up particularly buoyant growth due to an agreement entered into with Europe Assistance, an organisation providing emergency assistance and other services. As a result of this growth, the Belgian market now accounts for 31 per cent of the Baloise Group's total non-life premiums. Business remains highly profitable. Large claims had less of an adverse impact in 2017, and the profit on claims reserves also contributed to performance. As a result, the net combined ratio decreased by 1.5 percentage points to 91.9 per cent.

Against the backdrop of a shrinking Belgian life market, the volume of business fell by 4.3 per cent to CHF 588.1 million. Traditional life business generated growth of 3.7 per cent, mainly thanks to a rise in periodic premiums. Investment-type premiums were down by 6.7 per cent. While unit-linked products achieved healthy growth, sales of products with limited guarantee periods declined.

Luxembourg
Significantly higher growth and an excellent profit

BUSINESS VOLUME
CHF million (as a percentage of the Group)

1,963.5 (21.2 %)



KEY FIGURES FOR LUXEMBOURG

	2016	2017	+/– %
CHF million			
Business volume	1,605.5	1,963.5	22.3
Of which: life	1,489.1	1,841.2	23.6
Of which: non-life	116.4	122.3	5.0
Net combined ratio (per cent)	93.9	91.5	–
Profit before borrowing costs and taxes	23.3	27.5	18.0

BÂLOISE ASSURANCES LUXEMBOURG
The business unit in Luxembourg significantly increased its volume of business, which grew by 22.3 per cent to CHF 1,963.5 million. It also reported the best profit in its history. The main factors were the growth of the life business, where investment-type premiums were up by 25.2 per cent. The non-life business saw stronger growth and improved profitability, with premium income advancing by 5 per cent to CHF 122.3 million. This increase was primarily driven by motor vehicle insurance and products for small and medium-sized enterprises. A reduction in high-volume minor claims led to better profitability. The net combined ratio decreased by 2.4 percentage points to 91.5 per cent.

Once again, the life business was the main driver of growth in Luxembourg. Investment-type premiums, which are predominantly sold from Luxembourg and Liechtenstein, increased by 25.2 per cent to CHF 1,761.6 million. Products are largely sold through banks and brokers, while the main market for products from Liechtenstein is Italy and they are mainly sold by inhouse salespeople through contacts in banks and asset management companies. Traditional life business contracted by 2.7 per cent. This was in line with the planning, as classic guarantee products with guarantees above zero are no longer offered in Luxembourg.

Consolidated income statement

FIVE-YEAR OVERVIEW

	2013	2014	2015	2016	2017
CHF million					
Income					
Premiums earned and policy fees (gross) [1]	7,212.7	7,168.1	6,832.4	6,680.6	6,726.4
Reinsurance premiums ceded	– 167.9	– 163.6	– 148.6	– 168.2	– 183.4
Premiums earned and policy fees (net)	7,044.8	7,004.5	6,683.7	6,512.4	6,542.9
Investment income	1,765.1	1,701.9	1,521.8	1,476.6	1,392.5
Realised gains and losses on investments [2]					
For own account and at own risk	210.7	775.1	379.1	303.1	427.8
For the account and at risk of life insurance policyholders and third parties	459.6	587.4	7.1	364.1	696.5
Income from services rendered	119.0	110.7	112.6	110.1	116.9
Share of profit (loss) of associates	40.5	8.1	36.8	7.1	5.5
Other operating income	107.9	185.2	136.6	136.8	235.0
Income	**9,747.5**	**10,372.8**	**8,877.9**	**8,910.2**	**9,417.1**
Expense					
Claims and benefits paid (gross)	– 5,439.7	– 5,666.4	– 5,352.4	– 5,664.2	– 5,726.5
Change in technical reserves (gross)	– 1,359.4	– 1,469.5	– 1,241.9	– 669.1	– 535.0
Reinsurance share of claims incurred	75.5	146.6	97.9	108.2	80.8
Acquisition costs	– 500.5	– 569.6	– 472.4	– 502.9	– 482.1
Operating and administrative expenses for insurance business	– 897.1	– 866.5	– 761.3	– 763.9	– 765.8
Investment management expenses	– 70.6	– 66.9	– 60.4	– 60.3	– 77.2
Interest expenses on insurance liabilities	– 47.3	– 42.6	– 34.1	– 30.5	– 21.9
Gains or losses on financial contracts	– 368.9	– 462.6	– 0.9	– 342.9	– 613.4
Other operating expenses	– 481.3	– 446.8	– 333.1	– 300.9	– 591.8
Expense	**– 9,089.3**	**– 9,444.3**	**– 8,158.6**	**– 8,226.6**	**– 8,733.0**
Profit before borrowing costs and taxes	**658.2**	**928.6**	**719.2**	**683.6**	**684.1**

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).

FIVE-YEAR OVERVIEW

	2013	2014	2015	2016	2017
CHF million					
Profit before borrowing costs and taxes	**658.2**	**928.6**	**719.2**	**683.6**	**684.1**
Borrowing costs	– 50.1	– 43.5	– 40.0	– 38.0	– 34.3
Profit before taxes	**608.1**	**885.1**	**679.3**	**645.6**	**649.8**
Income taxes	– 152.7	– 173.2	– 168.2	– 111.7	– 117.9
Profit for the period	**455.4**	**711.9**	**511.1**	**533.9**	**531.9**
Attributable to					
Shareholders	452.6	710.7	512.1	534.8	548.0
Non-controlling interests	2.8	1.3	– 1.0	– 0.9	– 16.1
Earnings/loss per share					
Basic (CHF)	9.65	15.15	10.96	11.53	11.50
Diluted (CHF)	9.38	14.63	10.65	11.22	11.48

ADDITIONAL INFORMATION INSURANCE

	2013	2014	2015	2016	2017
CHF million					
Gross premiums written and policy fees	7,228.9	7,175.6	6,833.4	6,711.6	6,741.3
Investment-type premiums	1,780.6	2,130.2	2,085.1	2,199.2	2,519.5
Total business volume	**9,009.5**	**9,305.8**	**8,918.6**	**8,910.8**	**9,260.8**
Investments for the account and at the risk of life insurance policyholders	9,606.8	10,904.2	10,873.2	12,001.0	14,543.8
Net combined ratio	94.9	93.6	93.3	92.2	92.3
Funding ratio (non-life) (per cent)	179.8	182.9	192.4	188.5	193.3

Consolidated balance sheet

FIVE-YEAR OVERVIEW

as at 31.12.	2013	2014	2015 (restated)	2016	2017
CHF million					
Assets					
Property, plant and equipment	422.5	379.2	399.1	349.3	353.3
Intangible assets	1,080.3	909.2	838.2	836.1	1,002.5
Investments in associates	222.0	227.9	162.3	160.4	138.4
Investment property	5,685.9	5,962.9	6,251.9	6,817.5	7,480.3
Financial instruments with characteristics of equity	11,344.4	13,451.2	13,770.8	14,305.6	15,874.9
Financial instruments with characteristics of liabilities	32,327.1	34,461.6	33,248.4	33,766.5	35,360.1
Mortgages and loans	18,329.5	18,165.9	16,656.6	16,354.7	16,568.6
Derivative financial instruments	410.7	613.2	653.9	757.3	800.4
Other assets/receivables	2,857.7	2,153.5	3,921.5	4,024.3	3,305.1
Deferred tax assets	56.0	48.3	39.8	69.3	88.8
Cash and cash equivalents	2,960.8	2,969.6	2,839.8	3,173.3	3,551.6
Total assets	**75,696.9**	**79,342.3**	**78,782.3**	**80,614.3**	**84,523.9**

as at 31.12.	2013	2014	2015 (restated)	2016	2017
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	4,855.9	5,791.3	5,418.9	5,741.3	6,346.2
Non-controlling interests	50.5	39.7	34.7	32.4	63.0
Total equity	**4,906.4**	**5,831.0**	**5,453.6**	**5,773.7**	**6,409.2**
Liabilities					
Gross technical reserves	47,435.6	48,738.9	45,776.6	46,209.0	48,008.5
Liabilities arising from banking business and financial contracts	16,542.1	17,740.8	19,012.0	20,317.7	22,696.5
Derivative financial instruments	68.2	176.4	250.8	299.0	145.3
Other accounts payable	5,862.3	5,789.7	7,379.5	7,070.0	6,341.9
Deferred tax liabilities	882.3	1,065.5	909.7	944.9	922.4
Total liabilities	**70,790.5**	**73,511.4**	**73,328.7**	**74,840.6**	**78,114.7**
Total equity and liabilities	**75,696.9**	**79,342.3**	**78,782.3**	**80,614.3**	**84,523.9**

Business volume, premiums and combined ratio

BUSINESS VOLUME

2016	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,140.7	1,315.8	755.9	947.1	116.4
Life	3,570.9	2,879.3	466.2	143.5	81.9
Sub-total of IFRS gross premiums written[1]	6,711.6	4,195.1	1,222.1	1,090.6	198.3
Investment-type premiums	2,199.2	112.1	209.0	470.8	1,407.3
Total business volume	8,910.8	4,307.2	1,431.2	1,561.4	1,605.5

2017	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,229.3	1,324.6	783.0	999.0	122.3
Life	3,512.0	2,904.3	379.2	148.8	79.6
Sub-total of IFRS gross premiums written[1]	6,741.3	4,228.9	1,162.2	1,147.8	201.9
Investment-type premiums	2,519.5	111.6	207.1	439.3	1,761.6
Total business volume	9,260.8	4,340.6	1,369.3	1,587.1	1,963.5

1 Premiums written and policy fees (gross).

NET COMBINED RATIO

2016	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio[1]	60.8	55.0	72.8	58.9	64.0
Expense ratio	31.4	26.2	36.9	34.5	29.9
Combined ratio	92.2	81.2	109.7	93.4	93.9

2017	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio[1]	60.7	56.6	72.1	57.3	61.5
Expense ratio	31.6	26.9	36.2	34.6	30.0
Combined ratio	92.3	83.5	108.3	91.9	91.5

1 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2016	2017	2016	2017
as a percentage of premiums earned				
Claims ratio[1]	60.9	59.7	60.8	60.7
Expense ratio	30.2	30.5	31.4	31.6
Combined ratio	91.1	90.2	92.2	92.3

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2016	2017
CHF million		
Technical reserve for own account[1]	5,637.2	5,924.8
Premiums written and policy fees for own account	2,990.8	3,065.0
Funding ratio (per cent)	188.5	193.3

1 Not including capitalised settlement premiums.

Technical income statement

	Non-life		Life[3]	
	2016	2017	2016	2017
CHF million				
Gross				
Gross premiums written and policy fees	3,140.7	3,229.3	3,570.9	3,512.0
Change in unearned premium reserves	– 31.0	– 14.9	–	–
Premiums earned and policy fees (gross)	3,109.7	3,214.4	3,570.9	3,512.0
Claims and benefits paid (gross)	– 1,859.7	– 1,881.0	– 3,804.5	– 3,845.5
Change in technical reserves (gross)				
Change in claims reserve / actuarial reserves[1]	– 35.3	– 35.7	– 547.2	– 87.7
Change in other technical reserves	– 31.5	– 2.5	– 55.2	– 409.2
Technical expenses	– 966.1	– 1,003.5	– 353.0	– 302.7
Total technical result (gross)	217.2	291.7	– 1,189.2	– 1,133.2
Ceded to reinsurers				
Reinsurance premiums ceded	– 149.8	– 162.6	– 18.4	– 20.8
Claims and benefits paid	88.0	55.8	7.5	5.0
Reinsurers’ share of claims incurred	8.4	11.9	1.1	4.3
Change in other technical reserves	0.1	0.2	3.0	3.9
Technical expenses	8.7	14.8	1.5	1.3
Total technical result of ceded business	– 44.6	– 79.9	– 5.2	– 6.4
For own account				
Premiums earned and policy fees	2,959.9	3,051.8	3,552.4	3,491.1
Claims and benefits paid	– 1,771.6	– 1,825.2	– 3,797.0	– 3,840.5
Change in claims reserve / actuarial reserves[1]	– 26.9	– 23.9	– 546.1	– 83.5
Change in other technical reserves	– 31.4	– 2.4	– 52.2	– 405.3
Technical expenses	– 957.4	– 988.6	– 351.5	– 301.4
Total technical result for own account	172.6	211.8	– 1,194.4	– 1,139.6
Investment income (gross)	217.8	213.2	1,161.5	1,087.3
Realised gains and losses on investments[2]	47.6	102.7	616.8	1,001.4
Investment management expenses	– 22.9	– 27.0	– 85.6	– 95.4
Other financial expenses and income	– 18.7	– 125.9	– 272.2	– 547.8
Gains or losses on investments	223.8	163.0	1,420.4	1,445.6
Profit before borrowing costs and taxes	396.4	374.7	226.1	306.0
Borrowing costs	–	–	–	– 2.8
Income taxes	– 74.9	– 100.2	– 34.3	– 14.2
Profit for the period (segment result)	321.5	274.5	191.8	289.0

1 Including change in reserve for claims handling costs.
2 Including financial liabilities held for trading purposes (derivative financial instruments).
3 Of which deferred gains / losses from other operating segments (31 December 2016: CHF – 2.0 million; 31 December 2017: CHF 14.5 million).

Gross premiums by sector

GROSS PREMIUMS BY SECTOR (NON-LIFE)

	2016	2017	+/– %
CHF million			
Accident	366.2	374.9	2.4
Health	116.4	130.9	12.5
General liability	330.6	343.2	3.8
Motor	1,036.6	1,062.3	2.5
Property	987.8	1,025.9	3.9
Marine	196.5	187.3	–4.7
Other	74.0	78.6	6.2
Inward reinsurance	32.7	26.3	–19.6
Gross premiums written (non-life)	3,140.7	3,229.3	2.8

GROSS PREMIUMS BY SECTOR (LIFE)

	2016	2017	+/– %
CHF million			
Business volume generated by single premiums	3,241.6	3,553.7	9.6
Business volume generated by periodic premiums	2,528.4	2,477.8	–2.0
Investment-type premiums	–2,199.2	–2,519.5	14.6
Gross premiums written (life)	3,570.9	3,512.0	–1.6

Banking activities

PROFIT OR LOSS FROM BANKING ACTIVITIES

CHF million	2016	2017
Net interest income	86.3	85.6
Net fee and commission income	75.9	76.3
Trading profit	0.6	0.7
Other net income	11.4	1.4
Total operating income	174.2	164.0
Personnel expenses	– 57.0	– 60.1
General and administrative expenses	– 14.5	– 14.8
Total operating expenses	– 71.4	– 75.0
Gross profit	102.8	89.0
Net losses and impairment due to credit risk	– 1.2	0.6
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	– 9.4	– 7.8
Profit before taxes	92.1	81.8
Income taxes	– 19.4	– 15.8
Profit for the period (segment result)	72.7	66.0

ADDITIONAL INFORMATION

CHF million	31.12.2016	31.12.2017
Third party assets	7,984.7	8,958.6

ASSET ALLOCATION

CHF million	31.12.2016	31.12.2017
Investment property	–	–
Equities	11.6	11.9
Alternative financial assets	–	–
Fixed-income securities	379.3	172.7
Mortgage assets	6,453.8	6,227.2
Policy loans and other loans	291.3	186.4
Derivative financial instruments	7.0	12.6
Cash and cash equivalents	977.5	787.1
Total	8,120.6	7,397.8

Investment performance

2016[1]	Fixed-income securities	Equities	Investment property	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
CHF million						
Current income	696.5	151.3	246.3	366.8	15.7	1,476.6
Realised gains and losses and impairment losses recognised in profit or loss (net)	356.0	23.1	59.7	13.5	– 149.1	303.1
Change in unrealised gains and losses recognised directly in equity	119.7	– 8.2	–	–	8.6	120.0
Investment management costs	– 32.5	– 0.5	– 5.2	– 15.1	– 5.6	– 58.9
Operating profit	1,139.7	165.7	300.8	365.2	– 130.5	1,840.8
Average investment portfolio	31,841.4	4,206.4	6,534.7	16,505.7	3,495.6	62,583.8
Performance (per cent)	3.6	3.9	4.6	2.2	– 3.7	2.9

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

2017[1]	Fixed-income securities	Equities	Investment property	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
CHF million						
Current income	697.3	121.8	263.2	294.0	16.3	1,392.5
Realised gains and losses and impairment losses recognised in profit or loss (net)	375.3	138.2	111.1	25.8	– 222.6	427.8
Change in unrealised gains and losses recognised directly in equity	– 497.1	184.8	–	–	104.0	– 208.2
Investment management costs	– 35.6	– 9.1	– 8.1	– 13.6	– 9.4	– 75.8
Operating profit	539.9	435.6	366.2	306.2	– 111.7	1,536.3
Average investment portfolio	32,725.2	3,844.5	7,148.9	16,461.6	3,605.4	63,785.6
Performance (per cent)[2]	1.6	11.3	5.1	1.9	– 3.1	2.4

1 Excluding investments for the account and at the risk of life insurance policyholders and third parties.
2 The sale of the closed life insurance portfolio of Direktion für Deutschland resulted in a negative change in unrealised gains and losses recognised directly in equity of CHF 105.4 million. Adjusted for this effect, performance was 2.6 per cent.

CURRENT INCOME FROM INSURANCE[1]

	2016			2017		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	37.7	207.6	245.3	39.6	222.3	261.9
Equities	43.8	107.1	150.9	40.9	80.3	121.3
Alternative financial assets	2.5	13.8	16.2	2.7	15.1	17.8
Fixed-income securities	100.9	588.3	689.3	99.6	591.1	690.7
Mortgage assets	8.1	88.4	96.5	7.0	71.3	78.3
Policy loans and other loans	25.1	156.5	181.6	23.7	108.2	131.8
Cash and cash equivalents	– 0.3	– 0.2	– 0.5	– 0.3	– 1.0	– 1.3
Total current income	217.8	1,161.5	1,379.3	213.2	1,087.3	1,300.5

REALISED GAINS AND LOSSES IN INSURANCE[1]

	2016			2017		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	10.9	48.3	59.1	33.2	77.9	111.1
Equities	12.3	10.7	23.0	45.6	92.6	138.2
Alternative financial assets	2.7	17.5	20.2	9.3	63.9	73.2
Fixed-income securities	71.4	283.9	355.4	47.4	327.1	374.5
Mortgage assets	– 0.1	0.4	0.3	–	2.0	2.0
Policy loans and other loans	1.9	28.5	30.4	1.0	35.0	35.9
Derivative financial instruments	– 51.4	– 130.1	– 181.6	– 33.8	– 259.2	– 293.0
Total capital gains and losses	47.6	259.2	306.8	102.7	339.3	442.0

ASSET ALLOCATION IN INSURANCE[1]

	2016			2017		
as at 31.12.	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	917.4	5,875.3	6,792.7	952.4	6,502.5	7,454.9
Equities	1,251.3	2,791.0	4,042.3	1,076.4	2,543.9	3,620.3
Alternative financial assets	280.2	1,023.9	1,304.1	312.5	800.0	1,112.6
Fixed-income securities	4,852.9	26,829.2	31,682.0	5,247.3	27,967.3	33,214.7
Mortgage assets	427.3	3,809.5	4,236.8	442.4	3,926.8	4,369.2
Policy loans and other loans	1,092.5	4,847.2	5,939.7	1,084.6	5,384.5	6,469.1
Derivative financial instruments	21.7	332.8	354.5	28.5	317.8	346.4
Cash and cash equivalents	323.4	497.4	820.8	461.7	698.3	1,160.0
Total	9,166.6	46,006.1	55,172.7	9,605.9	48,141.2	57,747.2

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

Sustainable business management

Responsibility

TAKING RESPONSIBILITY

Responsible and socially engaged corporate behaviour is not only a core part of the Baloise strategy but, ultimately, also a critical factor in the economic success of the locations in which companies operate – not least because it helps to build the necessary consensus between business and wider society. The concept of companies acting as good citizens is commonly known as corporate social responsibility (CSR). In a number of countries, including Switzerland, the concept is broadly accepted at a political level. The Swiss Federal Council, for example, makes the case for responsible companies being a vital factor in the success of the Swiss economy and sets out the government's intention to help shape the framework for CSR: www.seco.admin.ch. In June 2017, it published a position paper and action plan on companies' responsibility in respect of society and the environment.

Prevention work in Switzerland

Baloise fundamentally supports these efforts and aligns itself with the position taken by the Federal Council so that it can continually improve its CSR activities. However, it believes that CSR is something that companies should take upon themselves to put into practice and should not be prescribed by law. With its new strategy and new focus on customers, Baloise is emphasising that aspects of sustainable business management cannot be viewed in isolation from the commercial management of a company.

Baloise was embracing the idea of corporate social responsibility long before the term was popularised. Sustainability is at the heart of everything that Baloise does. Every day, through its insurance and pension solutions, it helps companies, economies and communities to function properly, which in turn boosts economic and social stability in the countries where it operates. The Company has a history going back more than 150 years, and, since the day it was founded, has always been there when its customers needed it most. People put their trust in Baloise to look after their future and in return expect stability, security and a sustainable approach. In life insurance, savings for old age and company pensions for SMEs, Baloise has an investment horizon that stretches several decades. It must be able to offer the sort of long-term security that cannot be sustained by the pursuit of short-term profits alone. Baloise therefore thinks and acts on a long-term basis, examines risks that may arise in the future and mitigates these in a thorough and professional manner.

Corporate social responsibility covers a broad range of activities and involves a broad range of stakeholders – from employees and shareholders to customers, partners and the wider public.

CSR-PROJECTS AT BALOISE

Education

- More than 200 career entrants each year
- Creation of new workplaces

Cooperation with the Emilie Leus Foundation in Belgium regarding «Don't Drink and Drive»

- Sponsoring
- Know-how-transfer
- Awareness raising
- Lobbying for legislative adjustments

Prevetion work in Switzerland

- Youth and addiction
- Presentations at schools

A RESPONSIBLE EMPLOYER

Baloise's responsibility as an employer is manifested in the new strategy with a clear employee-oriented objective. It wants to position itself as one of the most attractive employers in its industry and has recently introduced a system of "pulse checks" to help monitor whether it is on the right track in terms of achieving this objective. Every three months, randomly selected employees are asked to score Baloise in terms of attractiveness. Baloise has worked hard over the years to develop and promote an employee-friendly corporate culture, building on the stable foundations put in place long ago. The concept of social partnership has a long tradition at Baloise Insurance in Switzerland. In 2015, the Company's employee commission (MAKO) celebrated its 40th anniversary. The Baloise MAKO was established long before 1993, when the Swiss federal government passed a co-determination act that made it law for employees to have a say in the workplace and to be given information on particular matters. To this day, the rights of the MAKO go well beyond the provisions of that legislation. Baloise has always fostered an employee-oriented corporate culture across its organisation. It gives its staff scope to contribute to the success of the Company and to develop both personally and professionally, placing particular emphasis on training and development. In doing so, Baloise secures not only its own long-term viability but also the future employability of its staff in an increasingly competitive economic environment. By giving young people their first experience in the world of work – as trainees, interns and temporary student employees – Baloise is also making an investment in the future of the Company and the employment markets of the countries in which it operates. Every year, across the group, Baloise trains over 200 people who are at the start of their careers. The value that this adds, both for these young employees and the Company, provides a solid basis for the future and enables Baloise to create new jobs and preserve existing ones.

▸ Chapter "Sustainable business management/ Human Resources"

RESPONSIBILITY TO THE CUSTOMER

Customer focus is central to Baloise's strategy. Baloise wants to be more than just an insurer and therefore needs to take account of the wider social environment in which its customers exist. Every day, employees should be asking what they can do to make the customer simply feel safe. One way to meet this requirement is to provide services that go beyond those offered by a traditional insurer. Everything that Baloise's employees do is geared towards enhancing safety and security. But if something does go wrong, Baloise will be on hand to help. Baloise strengthens the insurance collective through its strategy of seeking out customers who are cautious and careful and to whom safety and security are as important as they are to Baloise. But it is not just about providing security by covering a particular risk, it is also about giving customers everyday peace of mind. Baloise wants to use the means at its disposal to help make customers' broader environment safer.

Social responsibility
as a tradition

It is also about Baloise getting involved in society through its corporate citizenship and sponsorship activities. Examples include the Baloise Session music festival and the Art Basel art fair, two cultural events that raise the profile of Basel around the world and enrich sociocultural life. The collaboration with the Emilie Leus Foundation in Belgium illustrates how employees are thinking beyond the traditional parameters of insurance. The foundation was established to combat drink driving across Belgium as part of a broad-ranging campaign. And for a number of years now, Baloise has been carrying out work in Switzerland to help prevent addiction among young people. Baloise employees visit schools several times a year to talk about this subject.

www.fondsemilieleus.be
www.cktgmbh.ch/themen/sucht/modul.php

RESPONSIBILITY TO THE SHAREHOLDER

The capital that is made available to Baloise by its shareholders is invested efficiently and in their interests. Risk management, which forms an integral part of our strategic management policies, makes a significant contribution to the positioning of the Baloise Group. As a European insurer with Swiss roots, Baloise possesses a strong balance sheet and strong operational profitability, which have been optimised in terms of the risks taken and the upside potential derived from the business. Baloise's risk management approach involves managing both risk and value at the same time. Its risk model is based on innovative standards so that it can always keep its promise. This has enabled Baloise to pursue an attractive and sustainable dividend policy for a number of years now. The strength of Baloise's risk management approach has been independently verified by Standard & Poor's. In 2017, the rating agency raised its assessment to "A with a positive outlook". The Company's risk management is rated as "strong".

www.baloise.com/de/home/investoren/rating.html

► Chapter "Sustainable business management/ Risk management"

RESPONSIBILITY TO THE ENVIRONMENT

As a signatory to the declaration for the insurance industry issued by the United Nations Environment Programme, Baloise is committed to reducing its impact on the environment. The Company uses natural resources prudently and responsibly. This responsibility relates to its own energy requirements but also extends to its investments and products. CO_2 emissions have been continually reduced over a number of years. The Company's focus on energy efficiency, particularly in its IT infrastructure and buildings, plays a key part in this. Employees are encouraged to use public transport wherever possible and separate their waste for recycling. The three new buildings being erected at Baloise Park, the Company's new headquarters in Basel, meet the standards for sustainable construction in Switzerland (SNBS) and sustainability specialists have been involved in their design from the outset. And because Baloise strives to learn from the best in everything that it does, it participates in the "environmental platform", a business initiative of the Basel region. This platform facilitates the sharing of knowledge among businesses and supports climate protection and sustainable development through specific projects. Baloise is committed to environmental protection and is continually stepping up its efforts by launching new initiatives. Baloise reports on the progress it is making in its annual groupwide environmental audit.

► Chapter "Sustainable business management/ The environment"

RESPONSIBILITY IN SOCIETY

Baloise believes it has a responsibility to society in its role as a corporate citizen and has long been a committed advocate of Switzerland's milizsystem, in which it falls to volunteers to run public offices. In April 2015, Baloise became a signatory to the declaration by economiesuisse (the umbrella organisation representing Swiss business) and the Swiss Employers' Association. The declaration requires companies to offer flexible working conditions and working time models that enable employees to participate in the milizsystem. Baloise not only encourages its employees to engage in voluntary activities by holding annual inhouse events but it also meets its own responsibility to society as a commercial organisation. Countless employees also get politically involved at local, cantonal and federal level. Karin Keller-Sutter, a member of the Baloise Board of Directors, was even appointed as President of the Council of States (upper chamber of the Swiss parliament) for 2018, which illustrates the commitment of Baloise to the milizsystem. The Company also creates and preserves jobs that add value and it pays taxes from its profits that help to fund the public sector. This enables Baloise to be an active partner in many areas of society. It also offers vocational training opportunities to more than 200 young people a year in the form of apprenticeships, management traineeships and work placements.

Baloise sponsors the arts and has funded the Baloise Art Prize for 18 years. Every year, this prestigious accolade is awarded to two talented young artists at the Art Basel fair. The winning works are acquired by Baloise and donated to two museums that each mount an exhibition devoted to one of the artists. These are currently the Hamburger Bahnhof museum in Berlin and the Musée d'Art Moderne (MUDAM) in Luxembourg. In addition, Baloise maintains a long-standing collection of artworks that can be seen not only by employees but also by the public at two exhibitions in the Art Forum at the Company's headquarters. These exhibitions are changed each year. In Germany, Baloise opens its art collection to the public once a year as part of the "Kunst privat" initiative.

The Baloise companies outside Switzerland also play their part in social, sporting and cultural life in their regions by supporting numerous institutions and events. Some of the Baloise activities and initiatives that enrich socio-cultural life are listed here:

WEBLINKS TO THE CSR ACTIVITIES OF THE BALOISE GROUP'S BUSINESS UNITS

- Baloise Group and Switzerland
  https://www.baloise.com/en/home/about-us/responsibility.html
- Belgium
  www.baloise.be/nl/over-baloise-insurance/voorstelling/sponsoring.html
- Germany
  www.basler.de/ueber-uns/unternehmen/basler-versicherungen-stellen-sich-vor/engagement.html
- Luxembourg
  www.baloise.lu/fr/assurance-baloise-luxembourg/Qui-sommes-nous/engagements-sponsoring.html

Anchoring the culture of growth
From raising awareness to establishing a sustainable process

The defining feature of 2016 for Baloise was the introduction of the new Simply Safe strategy, which is based on the conviction that hard-working employees will cultivate strong customer relationships that in turn will help the Company to achieve its financial targets. In 2017, all efforts were focused on implementing the "employee focus" part of the strategy. Through both top-down (management) and bottom-up initiatives (e. g. viral change), improvements were made to existing instruments in order to support the change and drive it forward. All HR measures are united by a single ambition: for Baloise to become a leading employer in its industry by 2021.

KEY FIGURES

- 7,286 (2016: 7,270) employees (FTEs in 2017: 6,655).
- 43.5 per cent of all employees are women (2016: 43.9 per cent).
- The Baloise Group employs 245 (2016: 230) apprentices, trainees and interns.
- 64.0 per cent of staff members working in our main market of Switzerland participated in our Share Participation Plan in 2017 (2016: 65.5 per cent).
- Baloise employees work at the Company for an average of 13.0 years.
- Staff turnover as at 31 December 2017 amounted to 5.2 per cent (end of 2016: 5.4 per cent).

CHANGING THE ORGANISATION. PAST, PRESENT AND FUTURE.

Baloise is pursuing a growth strategy that is based both on its strong core business and on its unique corporate culture. So in 2016, HR invested in establishing a culture of growth across the Group. In 2017, in order to drive forward this cultural shift, Baloise pursued initiatives in areas such as executive development, viral change, performance management and creating a culture of dialogue.

LEADING BY EXAMPLE TO ESTABLISH A CULTURE OF GROWTH

Encouraging people to show drive and initiative, to help shape the process of change, to try new things out and to strive for improvement at all levels presents challenges for the managers. They will need to learn how to relinquish control, deal with uncertainty and delegate more, and yet still provide meaning and guidance.

Last year, to help the managers facilitate this change, a series of groupwide workshops were held for senior management focusing on topics such as leading by example, experimentation and digitalisation. A programme for experts in their field was also added to the established Baloise Campus management development programme. The focus here was on the challenge of leading without having formal authority to do so.

VIRAL CHANGE AND PERSONAL INITIATIVE: DRIVING CHANGE FROM THE BOTTOM UP

In 2017, in addition to the top-down change, Leandro Herrero's concept of viral change was deployed. To prepare for this, a groupwide survey was carried out at the end of 2016 to identify highly engaged and well-connected employees – the "sparks" – who were then invited to help with the change. These 300 employees now act as beacons for the new corporate culture and provide authentic examples of the eight behaviours enshrined in the Baloise Code. They are proactive in launching initiatives and projects that accelerate the change in the corporate culture. The sparks' mindset is catching on; more and more employees are joining in and adding to the viral effect through their behaviour.

DIALOGUE AS THE BASIS FOR OUR SUCCESS
A BROADER SCOPE FOR CONTINUOUS IMPROVEMENT

Our three hierarchy-transcending dialogue formats play a key role in the Baloise culture.

1. In the individual development dialogue, an employee and their manager will meet face to face to talk specifically about the employee's skillset. The focus is on continuous learning and on helping employees to make the most of the freedom they are given in their work. In addition, the particular skills that are needed to achieve the envisioned growth are encouraged. The meetings are structured around a talent assessment questionnaire that covers the skills relevant to growth. A simplified version of this questionnaire was made available in digital form in 2017 in order to streamline the process and eliminate any remaining hurdles.
2. The aim of the managerial feedback session is to continually improve and expand the capabilities of our managers. All employees are given the opportunity to fill out a question on the twelve growth-relevant management competencies of the Baloise Leadership Compass. The results are then discussed with their line managers. In 2017, this process was carried out simultaneously across all countries and at all management levels for the first time.
3. The employee engagement survey is conducted every two years at departmental level in order to identify areas that have potential for improvement and raise them for discussion. In addition, quarterly "pulse checks" were introduced in October 2017, in which 30 per cent of employees are polled in order to gauge the extent to which the workforce as a whole would recommend the Company as an employer. These surveys provide a good indication of whether Baloise is on the right path to becoming a leading employer in its industry.

Baloise Code

- Keep promises: walk the talk.
- Ask questions: learn new things all the time.
- Speak up: every voice matters.
- Share insights: collaborate beyond your role.
- Understand the impact of your work: look for constant improvements.
- Appreciate colleagues: build personal connections.
- Bring in customer needs: take their perspective.
- Meet others with a smile!

The Baloise Code was developed on the basis of the Company's core strategies and in line with Baloise's behavioural values "Put yourself in the other's shoes!", "Act authentically and earn trust!" and "Develop and engage – yourself and others!" The eight behaviours are designed to accelerate the change in culture, which is essential if the strategic objectives are to be achieved.

BASELINE MEASUREMENT: TOP 30 %. TOP 10 % IS THE TARGET.

In December 2016, the employee engagement survey was carried out across the Group for the first time. The questionnaire was designed to measure levels of engagement and enablement among employees. Particular emphasis was given to the aforementioned question as to whether they would recommend Baloise as an employer. The results arrived in February 2017. Around 4,800 of Baloise's 7,300 employees took part in the survey. The proportion who either agreed or agreed strongly with the statements put to them was 76 per cent for engagement and 74 per cent for enablement. An impressive 78 per cent of employees indicated that they either would or definitely would recommend Baloise as an employer. This result puts Baloise in the top 30 per cent of all European financial institutions – a good start. The target is to be in the top 10 per cent by 2021. The results of the first "pulse check" in October 2017 showed that we are already making good progress. The proportion of employees who would recommend Baloise now stands at 85 per cent, putting the Company in the top 25 per cent in its industry.

The areas with potential for improvement identified by the employee survey mainly related to the familiar topics of achieving career goals, addressing behaviour that is out of step with our values, and having sufficient resources to be able to work effectively. The results of the survey were analysed at divisional level and the managers worked with their teams to come up with specific measures for improvement.

ENCOURAGING INTERACTION. ACHIEVING MORE. OPTIMISATION OF THE PERFORMANCE AND TALENT DEVELOPMENT PROCESS

Development is a continuous process, not an annual event. Things are changing all the time – including the environment in which Baloise's employees work. Which is why, going forward, Baloise will be putting even more emphasis on developing its staff. In 2017, the performance and talent development process was revised and simplified in order to achieve this. The following two components are at the heart of the process:

- Regular one-to-one meetings between managers and employees ensure continuous learning and provide clarity about common objectives. They are the central element in an ongoing dialogue focused on performance and development targets.
- In the established annual process of talent development for high-potential employees, Baloise identifies talented young employees and key individuals, finds potential successors and agrees development activities.

The new performance management process will come into play from 2018. The way that it deals with performance and development has been simplified and now better matches the fast pace of real-life business. It rests on the belief that if different departments and parts of the Group interact well together then this will lead to an improvement in performance. Going forward, the focus is being put on agile agreements, overarching team objectives and continuous dialogue between managers and employees. We have made a conscious decision not to weight the targets and not to have a year-end appraisal in which formulas are used to evaluate the degree of target fulfilment. Instead, variable remuneration will be based on the manager's overall assessment of the employee's performance.

THE RIGHT WORKING MODEL FOR ALL

Flexible. Mobile. Family-friendly. The only way that Baloise will be able to stand out from the competition is through its employees. This strategy is being further reinforced by the new focus communicated in 2016, in which Baloise is committed to offering every employee suitable working conditions in addition to encouraging their development, engaging in honest dialogue with them and giving them the opportunity to help shape the company. This is reflected in its flexible working models, which include options to work part-time and from home, its company crèche and its wide-ranging corporate health management service.

Change of perspective

Shadow for a day is the shorter version of the two "change of perspective" options. Under this scheme, an employee is given the chance to shadow a colleague for one day, ask them questions and take on board invaluable learnings for their own work. Under the temporary job change initiative, employees perform a new role for a defined period of time or work on groupwide projects, before returning to their original function. These temporary vacancies arise when employees go on parental leave, for example, or when additional resources are needed for a particular project.

Baloise is now also offering employees the chance to look beyond their own horizon for a set period of time. The "temporary job change" and "shadow for a day" initiatives, both of which were suggested by a "spark", give employees insights into different departments and divisions – with their secondments lasting for several months or one day.

BALOISE IN THE LABOUR MARKET. AUTHENTIC. RELEVANT. PERSONAL.

The Baloise Group wants to become an employer of choice in its industry. The way it presents itself on the labour market has a direct impact on whether it will achieve this goal – all the more so because competition for the best brains will only get tougher because of demographic change. It is becoming particularly difficult to recruit IT workers, insurance specialists and apprentices for commercial vocations, for example.

Baloise engages with potential candidates in various different ways, including through its careers blog, through its profiles on social media and at university fairs. To attract the right talent, it uses employee profiles, tips on how to apply, and personal interaction to convey an authentic picture of the Company.

In 2017, new application processes were tested that featured components designed to engage the emotions and create an even more personal experience. These promising tests will be expanded to cover a broader section of the population this year.

Activities in 2017 – spreading the word about Baloise as an employer

- 10 graduate fairs
- 15 workshops
- 5 WhatsApp taster days
- 95 blog articles
- 10 podcasts
- 17 application tip videos
- 171 Facebook posts
- 185 LinkedIn posts
- 155 Xing posts

Candidate experience – personal and authentic

As well as engaging their minds, the test targeted candidates' hearts. A number of components were tested that would make the application process a more personal experience. These included targeting people directly, using videos to convey an authentic image of the team, responding quickly and meeting in neutral surroundings.

Baloise also puts a great deal of emphasis on the attractiveness of its training opportunities. Around 245 young people currently work for Baloise as apprentices, interns and temporary student workers. The Company's established graduate trainee programme, meanwhile, gives participants a deep insight into various parts of the business and thus provides the ideal preparation for a management or specialist role. The alumni of the programme, which has been running for 25 years, can today be found in a wide range of roles within the Company. In 2017, trainees were recruited in Belgium and Luxembourg for the first time.

SHARED GOALS. LOCAL CONFIGURATIONS.

The activities of the country-specific HR units are aligned with the wider objectives of the group but are also dictated by regional circumstances and the local legal system.

In **Switzerland**, for example, the focus was on changing the culture to one that is agile and that employees can actively help to shape. This was reflected in initiatives such as the "Baloise wants to know" workshop, which was commissioned by the Swiss HR unit and initiated by the employee commission. The workshop gave staff a platform for making suggestions for how Baloise could do more to become an employer of choice. The results are now in and the first action steps are currently being reviewed. The various sparks initiatives also helped employees to grow more confident – it is now easier for them to speak up and pursue ideas. Agility, meanwhile, played a key role in management. People rotated jobs both at Executive Committee level and below this, which provided fresh impetus. The sales force in the field is also becoming more agile – today, customers are choosing to interact with Baloise in the way that makes most sense for them. In 2017, we developed a new remuneration model for sales that takes account of these changes. The transition in January 2018 was communicated transparently and at an early stage, with HR closely involved. The fast pace of digital transformation also presents challenges – particularly for older employees. Baloise is therefore coming up with options for them such as the "career arc", which incorporates part-time working or coaching roles. This is also the subject of a research project that Baloise is working on together with the University of St. Gallen and the FHNW, a vocational university in north-west Switzerland.

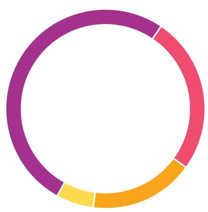
In **Germany** too, the focus was very much on driving forward the change in culture. Employees and managers were actively integrated into the change process through a series of initiatives. In "future workshops", employees are identifying key topics for the areas in which they work. New internal communication formats such as blog posts are providing transparency about the change in culture. The "change of perspective" formats, meanwhile, are giving employees the opportunity to see for themselves the type of work that people do in different and related parts of the company and the challenges that they face. Furthermore, it was possible to make improvements in areas that were assessed critically in the employee survey by working on them at different levels. A new occupational pension scheme was also successfully introduced in 2017.

In Belgium, the focus was on driving innovation and enabling employees. Last year, an initiative was successfully launched in which employees were urged to contribute innovative ideas. One of their promising ideas is now at the development stage. In addition, employees were released from their usual duties so that they could temporarily help out in innovation projects in order to advance their development. A decision was also made to stop recording working hours from 2018. This decision was based on the evaluation of a pilot scheme carried out in 2017 and marks a major step away from an approach based on attendance and towards one based on results. An action plan to promote diversity was also agreed. The first measures under this plan, such as part-time working for managers, are being introduced in 2018.

Luxembourg is supporting the change in culture by introducing "sneak preview" training courses with the aim of arousing employees' interest in continuous professional development. In addition, the number of training options for employees was increased and they were given more time to dedicate to them. Last year, to promote a spirit of innovation, the post of Chief Innovation Officer was created and an innovation lab was launched. Various improvement measures were also launched on the basis of the results of the employee engagement survey.

BALOISE'S 7,286 EMPLOYEES IN 2017 BY COUNTRY

	Per cent	Employees
Switzerland	51.5	3,749
Germany	25.7	1,870
Belgium	16.9	1,232
Luxembourg	6.0	435



Friendly Work Space

Baloise has been re-certified as a Friendly Work Space for the second time. With an impressive score of 4.3 (out of a possible 5), it is the leading company in the financial services/insurance sector.

FAIR PAY. BASED ON PERFORMANCE AND TARGETS.

Baloise's employees should be rewarded for their performance, including through monetary compensation. Baloise therefore offers performance- and target-oriented remuneration packages that are based on fair principles and an established framework of performance management. The packages consist of competitive base salaries and a range of variable remuneration components as well as attractive employee incentives and loyalty bonuses.

Remuneration is determined by the following criteria:

- Competitiveness in the marketplace
- Individual performance and the Company's success
- Fairness and transparency
- Sustainability

Variable remuneration is based on both the success of the Company as a whole and individual performance. Employees regularly hold meetings with their managers to make sure they are on track to achieve the targets that have been agreed upon.

To help secure long-term success, part of employees' remuneration is paid in the form of restricted shares, with the senior management team receiving a comparatively high proportion of their pay in the form of shares. This form of remuneration strengthens loyalty to Baloise and gives employees the opportunity to share in the Company's success.

The packages also feature attractive fringe benefits that are awarded regardless of function and seniority.

From 2018, Baloise will be going in a new direction when it comes to performance management. In 2017, to support this, the system for short-term variable remuneration was revised and simplified. The system in which performance-related remuneration was based solely on individual performance was abolished. Now, variable remuneration is being systematically aligned to the attainment of overarching Company targets by means of the performance pool. Although the payment of variable remuneration will continue to be based on an evaluation of individual performance, more emphasis is being put on collaboration, including across departments, divisions and countries, and on the individual's contribution to the team's success. This development will be supported by the aforementioned focus on team targets and will play a direct role in achieving the three strategic objectives of "employee focus", "customer growth" and "cash upstream".

EMPLOYEE STORIES AND THE LATEST FROM THE WORLD OF INSURANCE. BALOISE GROUP HUMAN RESOURCES ON THE INTERNET

Baloise maintains a presence on various media in order to reach potential employees and to convey an authentic picture of the Company. The following platforms are used to present career stories, the corporate culture, employees and the latest news and events at Baloise.

Careers website:
www.baloise.com/careers

Careers blog:
www.baloisejobs.com

Facebook:
www.facebook.com/baloisegroup

YouTube:
www.youtube.com/baloisegroup

Xing:
www.xing.com/companies/baloisegroup

LinkedIn:
www.linkedin.com/company/baloisegroup

Twitter:
www.twitter.com/baloise_jobs

Environmental mission statement

In 1995, Baloise became one of the first insurers to sign the insurance industry declaration on sustainable development formulated by the United Nations Environment Programme (UNEP). It drew up its own environmental guidelines in 1999 in order to give concrete form to this general commitment. From the outset, it was deemed important to embed sustainability throughout the Company and in all day-to-day business activities.

What are Baloise's sustainability principles? Which issues take greatest priority? And what are the key principles? The sustainability guidelines adopted in 1999 provide a framework for action and form the basis of all environmental and social activities at Baloise.

PRINCIPLE

As a signatory to the UNEP declaration, Baloise strives for sustainable development from an ecological, economic and social point of view. As a primary insurer, Baloise is prepared to assume responsibility for the preservation of the natural environment.

STAFF AND PUBLIC

Baloise trains its employees with regard to environmental matters and raises their awareness of the relevant issues. Its employees are aware of the ecological targets and the most important initiatives for achieving them. They are kept regularly informed about the implementation of the environmental mission statement and encouraged to suggest measures of their own. Baloise works hand in hand with other companies, organisations and public authorities in finding solutions to environmental problems. It particularly encourages the sharing of information with other insurance companies, maintains an open dialogue with the public and regularly reports on environmental projects and what has been achieved.

ENVIRONMENTAL FOOTPRINT

Baloise continually reduces its direct impact on the environment by planning, building and operating its office buildings in a resource-saving and energy-efficient manner. It observes the same principles in the procurement and use of office equipment and materials. In doing so, it pays particular attention to its published energy mission statement and its environmental audit.

PRODUCTS AND SERVICES

Baloise strives to take environmental aspects into account when developing its products and services and fixing premiums and levels of coverage. Its underwriting policy takes account of its customers' environmental management practices (e.g. ISO 14001) on the basis of identifiable operational and product-related factors. It also advises industrial clients on risk reduction and risk prevention.

INVESTMENT

Baloise's investment policy is geared towards medium- to long-term earnings targets and consciously incorporates environmental criteria whenever possible, especially in the selection of securities and real estate. It also promotes appropriate, environmentally relevant proprietary and third-party financial products. When it comes to investment in real estate, Baloise pays particular attention to energy-saving and economical designs and service systems, as well as the use of environmentally friendly construction materials. The environmental audit takes the entire life cycle of the real estate into consideration.

ORGANISATION

The Corporate Executive Committee bears ultimate responsibility in environmental matters. Each Group company has a coordination unit which implements the environmental mission statement. This working group is made up of representatives drawn from all key corporate functions.

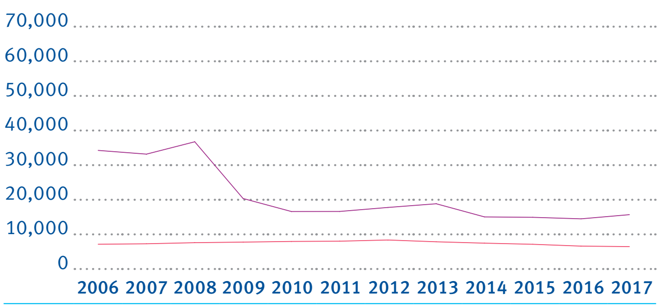
Protecting the environment over the long term

Environmental protection at Baloise is focused on reducing CO_2 emissions and promoting alternative energy sources. The Company's initiatives are guided by recognised directives. It always pursues a pragmatic and practical approach and it helps the environment because it believes this is the right thing to do. Baloise has set itself an ongoing objective of making continual improvements in all areas.

CONTINUOUS REDUCTION OF CO_2 EMISSIONS SINCE 2000

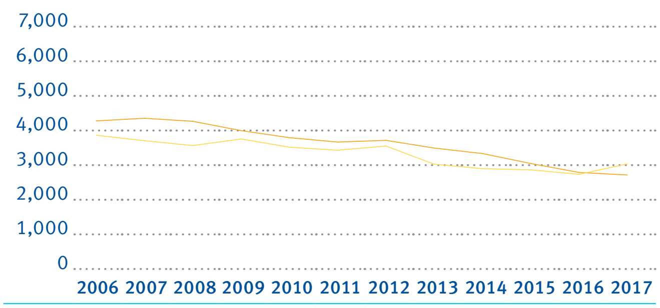
Ever since the Kyoto conference in Japan put the issue of climate change firmly in the public spotlight in 1997, Baloise has been publishing key figures on energy and resource consumption, documenting sustainability measures in its annual report, and calculating its absolute and relative CO_2 emissions in accordance with the directives issued by the Association for Environmental Management and Sustainability in Financial Institutions (VfU). The successor to the Kyoto Protocol, the Paris Agreement in 2015, has spurred us on in our ambition, and future measures will be based on the Paris objectives. Both absolute and relative CO_2 emissions have been reduced massively at Baloise since the year 2000. Over a 16-year period, Baloise has cut absolute CO_2 emissions from 53,580 tonnes to 14,257 tonnes. This is equivalent to a 73.4 per cent reduction in CO_2 emissions, while emissions per employee fell by 32.5 per cent over the same period, from four tonnes to 2.7 tonnes. Our objective is to reduce this further still. In 2017, the figure increased by 9 per cent due to new measuring methods, as any personal mileage driven in the 165 leasing vehicles of our German employees is now included in the calculations. In light of our overall efforts, this slight increase in 2017 does not change Baloise's general target. For example, the changes made in the staff canteen alone led to a 5 per cent reduction in CO_2 emissions per main meal in 2017. This was achieved by reducing the amount of meat consumed, in particular. The staff canteen at our HQ in Basel also avoids goods transported by air, where possible, and mainly uses seasonal vegetables.

TOTAL CO_2 EMISSIONS IN TONNES



- CO_2 emissions, Group
- CO_2 emissions, Switzerland

CO_2 EMISSIONS PER EMPLOYEE IN TONNES



- CO_2 emissions, Switzerland
- CO_2 emissions, Group

ENVIRONMENTAL AUDIT

	2015 absolute	2016 absolute	2017 absolute[1]	Relative	Unit	+/– %
Employees	5,196	5,290	5,148		headcount	– 2.7
Energy reference area	139,080	137,151	136,601		ERA m^2	– 0.4
Locations	13	15	15		number of buildings	0
Electricity consumption	19,866,588	18,236,089	19,137,677	3,717	kWh/employee	4.9
Heating consumption	8,821,860	10,380,219	9,830,542	72	kWh/m^2	– 5.3
Water consumption	48,237 m^3	47,128 m^3	47,768 m^3	37	l/employee/day	1.4
Paper consumption	439 t	465 t	413 t	80	kg/employee	– 11.2
Paper types				5.0 %	recycled	
				73.0 %	chlorine-free-bleached	
				22.0 %	chlorine-bleached	
Copy paper consumption	68.7 million A4 sheets	76.0 million A4 sheets	72.4 million A4 sheets	14,062	A4 sheets/employee	– 4.6
Amount of refuse	961 t	811 t	1009 t	196	kg/employee	24.4
Types of refuse				39.0 %	paper/cardboard	21.8
				7.0 %	other materials	
				6.0 %	special waste	
				49.0 %	misc. waste/refuse	
Business travel	19.1 million km	18.4 million km	22.5 million km	4,361	km/employee	21.8
Mode of transport				23.0 %	km by air	
				52.7 %	km by road	
				24.3 %	km by public transport	
CO_2 emissions	14,738 t	14,257 t	15,579 t	3,026	kg/employee	9.3

1 The increase in the amount of refuse is mainly due to the destruction of an archive and the disposal of old IT hardware in Germany.

These reductions were primarily achieved through the systematic use of new technologies, through improvements in the energy efficiency of Company premises and through state-of-the-art office concepts. The Baloise Park project (www.baloisepark.ch) at our HQ in Basel is being constructed in strict accordance with SNBS guidelines (Standard for Sustainable Construction in Switzerland). We also continually assess the energy efficiency of our buildings, and when implementing measures, we aim to be pragmatic and achieve the broadest possible benefits. In 2017, the partial renovation of a roof area was used to build a 300 square meter roof terrace. In the future, even more energy will be saved and added value was created for the employees.

ENERGY EFFICIENCY AT BALOISE

The total energy and resource consumption revealed by the environmental audit shows the amounts used by the Baloise Group's large office buildings and its computer centres. The figures reported relate to the energy and resources used by 72.5 per cent of the 7,300 people working for the Baloise Group. Per-employee consumption of heating has been reduced by 20 per cent and of electricity by 30 per cent over the last ten years. With the objectives of the Paris Agreement in mind, a wide range of energy-saving measures have been analysed and could be implemented over the coming years.

BALOISE IS BUILDING SUSTAINABLE OFFICES THAT WILL APPEAL TO EMPLOYEES AS WELL AS A STATE-OF-THE-ART HOTEL.

In a project scheduled for completion in 2020, Baloise is erecting three new buildings at its headquarters in Basel. The buildings are to be the defining landmark of the train station district and reflect Baloise's commitment to the city. The tower block being built on Aeschengraben, which will be around 90 metres in height, will mainly be occupied by a new hotel. The top seven floors will be rented out as office space. Baloise is basing its designs for the buildings on the standards for sustainable construction in Switzerland (SNBS), which means it will comfortably exceed the legal requirements in terms of energy efficiency. An efficient energy centre will provide power for all three buildings, which will be heated by 100% renewable district heating.

ONCE AROUND THE WORLD WITH SOLAR POWER

Since 2015, Baloise customers and employees have been able to charge their electric vehicles at Baloise's company headquarters using solar power. The facility, which does not cost anything to use, has proved very popular. In 2016, enough solar-generated electricity was drawn from the "pumps" to power a total of around 45,000 kilometres – equivalent to one emission-free trip around the globe. Since 2016, customers and employees have also been able to charge their electric vehicles for free at the Zurich site. Among their number are the Company's loss assessors, who use eco-friendly electric bikes to get to local incidents. We have maintained this service at a consistent level since introducing it.

MEASURES UNDERTAKEN BY BALOISE IN BELGIUM TO REDUCE TRAFFIC PROBLEMS

In Belgium, Baloise carried out a transport review in conjunction with the local authorities. Each employee's journey from home to work was analysed to determine how the route could be optimised and what the best mode of transport for it would be. To make the switch to emission-free modes of transport more attractive, 100 new bicycle "parking spaces" were created, 20 of which can be used to charge electric bikes for free while the employee is at work. Eight charging stations for electric vehicles were also installed in 2017. Furthermore, to support the trend towards commuting to work by bicycle, particularly in urban centres, we are now incentivising employees who cycle to work with EUR 0.22 per kilometer.

The employee vehicle fleet is gradually being moved over to low-CO_2 vehicles. As at the end of 2017, the average vehicle in the fleet produced 115.0g/km (2016: 117.5 g/km).
www.baloise.com/responsibility

Baloise's risk management is one of the main pillars of its business model

Risk management makes a significant contribution to the positioning of the Baloise Group and forms an integral part of its strategic management policies. As a European insurer with Swiss roots, Baloise possesses a strong balance sheet and strong operational profitability, which have been optimised in terms of the risks taken and the upside potential derived from the business.

Baloise's risk management approach involves managing both risk and value at the same time. Its risk model is based on innovative standards so that it can always keep its promise to its customers.

The Company's enterprise risk management was once again awarded Standard & Poor's excellent "strong" rating in 2017. This puts it among the top 15 per cent of all European insurance companies.

Risk management at Baloise is a standardised strategic and operational system that is applied throughout the Group and covers the following areas:

- Risk map: this forms the backbone of Baloise's risk strategy and defines the fundamental risk issues, such as actuarial and market risk as well as the operational risk arising from business activities.
- Risk governance and risk culture: this involves encouraging risk awareness – how people perceive and respond to risk – and establishing this mindset throughout the organisation.
- Risk measurement: this is used to identify, quantify and model the risks inherent in all financial and business processes.
- Risk processes: the organisation of risk and its pertinent standards are key aspects of risk management and operate in tandem with reporting, management and evaluation processes.
- Strategic risk management: its purpose is to optimise the risks taken by the Baloise Group while maximising earnings potential.

BUSINESS RISKS

Actuarial Risks Life
- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life
- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance
- Premiums/Pricing
- Reinsurance Default
- Active Reinsurance

INVESTMENT RISKS

Market Risks
- Interest Rates
- Equities
- Currencies
- Real Estate
- Market Liquidity
- Derivatives
- Alternative Investments

Credit Risks

FINANCIAL STRUCTURE RISKS

Asset-Liability Risks
- Interest Rate Change Risk
- (Re-)Financing, Liquidity

Risk Concentration
- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements
- Solvency
- Other Regulatory Requirements

OPERATIONAL RISKS

IT Risks
- IT Governance
- IT Architecture
- IT Operations
- Cyber Security

HR Risks
- Skills/Capacities
- Availability of Knowledge
- Incentive System

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

Business Processes
- Process Risks
- Project Risks
- In-/Outsourcing

Risk Analysis and Risk Reporting
- Risk Analysis and Risk Assessment
- Risk Reporting

BUSINESS ENVIRONMENT RISKS

Change in Standards

Competition Risks

External Events

Investors

LEADERSHIP AND INFORMATION RISKS

Organizational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering

Merger & Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

THE RISK MAP

The risk map distinguishes between the following categories of risk to which Baloise is exposed:
- Business risk
- Investment risk
- Financial-structure risk
- Business-environment risk
- Operational risk
- Leadership and information risk.

The risk map is firmly embedded in the organisational structure and responsibilities of the entire Baloise Group. Each risk is assigned to a risk owner (with overall responsibility) and to a separate risk controller (responsible for risk management and control).

RISK GOVERNANCE AND RISK CULTURE

The development and expansion of risk governance and risk culture has a long tradition at Baloise. It is constantly working to enhance this culture across the entire organisation. Designated risk owners and risk controllers dealing with specific risk issues are as much a part of this culture as committees that meet regularly to discuss risks. At the same time, Baloise's risk models and processes are continually refined. The internal control system (ICS) and the compliance function are further major planks of this strategy.

The most senior decision-making body in Baloise's risk organisation is the Board of Directors of Bâloise Holding Ltd, while ultimate responsibility for risk control lies with the Board of Directors' Audit and Risk Committee. The Chief Risk Officer for the Baloise Group reports regularly to both of these bodies and is partly personally responsible for risk-related issues.

The Board of Directors is empowered to determine the risk strategy, which is derived from Baloise's business strategy and objectives and addresses issues around the Company's risk appetite and risk tolerance.

The Group Risk Committee and the local risk committees in each business unit – which comprise members of the Corporate Executive Committee and of the local senior management teams respectively – decide how the risk strategy is developed and designed and how the pertinent policies are implemented in day-to-day business. Bodies specially set up to examine specific risk areas such as asset/liability management, compliance, IT risk and the use of reserves also compile submissions for the committees to facilitate their decision-making on these issues. The Group Risk Management team works closely with the local risk experts. This inclusive risk organisation approach provides Baloise with a platform for sharing and constantly refining best practice.

Group Risk Management is responsible for:

- developing consistent, mandatory risk models for the entire Baloise Group;
- monitoring groupwide standards;
- reporting risks;
- complying with risk processes and procedures;
- communicating with external partners such as auditors, corporate supervisory bodies and credit rating agencies.

The business units are responsible for local implementation of the standards and requirements specified by the Baloise Group. Overall responsibility lies with the Baloise Group's Chief Financial Officer, followed by its Chief Risk Officer.

RISK MEASUREMENT

The Baloise risk model standardises the process of quantifying business risks and financial market risks across all strategic business units. It is consistent with the principles and calculation methods applied by the Swiss Solvency Test and with the European Union's Solvency II directives. As a groundbreaking risk management tool, it provides a firm foundation on which management can make strategic and operational decisions.

The economic risk capital derived from Baloise's models is currently the most advanced market standard. To this end, risk measurement metrics alone are used to calculate a target capital figure (required capital) – irrespective of any financial accounting treatment – to ensure that the Company remains solvent even in adverse circumstances and can meet its obligations to policyholders at all times. This target capital figure is constantly compared with the capital currently available (the risk-bearing capital).

In addition to this holistic risk model, Baloise uses the risk map to identify, describe and evaluate specific risks in terms of their likely impact on its operating profit or loss. Baloise's corporate database of specific risks – which contains a detailed description of the risks concerned, their classification on the risk map, and early-warning indicators – is generated from this standardised process. Baloise uses quantitative methods to supplement this description by measuring these risks' probable financial impact on the Company's balance sheet. Each risk is documented together with the measures needed to mitigate it. The database is updated every twelve months.

This combination of a holistic risk model with analysis of specific risks ensures that Baloise maintains an adequate overview of the prevailing risk situation at all times.

RISK PROCESSES

Group-wide risk management standards place the risk process on a mandatory footing. These standards stipulate methods, rules and limits that must be applied throughout the Baloise Group. They determine how the various risk issues are evaluated, managed and reported. A number of risk limits act as early-warning indicators to mitigate the risks taken.

The Baloise Group uses a system of limits in order to mitigate its risks holistically at an aggregate level. This system tracks the risk capital held by the Baloise Group and individual business units in real time. Issue-specific risks are monitored individually by imposing limits, as illustrated by the following examples:

- Actuarial risk is determined by underwriting guidelines on which local underwriters base their decisions. Risk metrics analysis of the deductibles payable supplements the Company's key reinsurance strategies.
- Appropriate reporting procedures are used to monitor market risk and financial-structure risk across all business units. In addition to upper limits on equity exposures, for example, there are clear and binding guidelines on bond ratings. The applicable "Basel" approach and advanced statistical methods are used to assess credit risk. In addition, risk analysis is used to regularly monitor the overall solvency position.
- Baloise captures business-environment risk, operational risk and strategic risk on both a standardised and individual basis, and assesses them in terms of their impact on its capital.

The Own Risk and Solvency Assessment (ORSA), an annual risk report, is discussed with the decision-makers so that suitable measures can be developed. The results of the ORSA are also reported to the regulatory authority. In addition, risk managers' assessment of the risk situation is factored into the remuneration paid to executives. The three criteria used to determine the performance pool payments awarded to individual managers are personal performance, leadership and conduct.

STRATEGIC RISK MANAGEMENT

The internal risk model, which uses standard methods to quantify all business risks and financial market risks, forms the basis for strategic discussions about Baloise's risk appetite. The capital requirements derived from this model constitute minimum requirements for Baloise's target capital.

This process provides a 360-degree view of key strategic risks and how they are managed. Strategic risk management provides a clear picture of the risks involved in opening up new business lines and of how to optimise the risk / return profile of existing business.

Profit targets for individual business units that factor in their specific risk situation are a major aspect of this risk management system. These targets form part of the overall objectives agreed with local management teams.

OUR PROFESSIONAL RISK MANAGEMENT DEMONSTRATED ITS PROVEN STRENGTHS IN 2017

Baloise's risk strategy principles are designed for the long term, as shown by the Company's excellent risk positioning in 2017. Proof positive of this situation was again the Baloise Group's positive Standard & Poor's rating of "A" with a stable outlook and the confirmation of the significance of the enterprise risk management as "high".

Underwriting approaches that have been tried and tested for many years were maintained in 2017:

- The Baloise Group's investment strategy continues to focus on diversification and on the basic principle of only investing in assets that the Company can itself fully and accurately evaluate through risk management.
- Baloise continued to actively manage its credit risk and currency risk.
- With a net equity exposure of 7.0 per cent at 31 December 2017, Baloise's equity investments in the reporting year lay comfortably within its risk-bearing capacity.
- The high quality of recurrent investment income generated by Baloise's stable real-estate portfolio proved to be a valuable source of revenue.
- Much of Baloise's focus is directed at managing its interest-rate risk. Wherever possible, payment obligations to customers for future years are reconciled with the income earned from investments. Baloise's real-estate portfolio has proved very helpful in this respect. Baloise also invests in safe long-term bonds denominated in either Swiss francs or euros and supplements this strategy by using derivative financial instruments such as swaptions.
- Baloise's underwriting business has proved to be highly consistent, with the Baloise Group's net combined ratio of 92.3 per cent demonstrating its excellent capabilities in underwriting and managing non-life risk.

Risk management at Baloise will continue to evolve over the coming years, reaffirming its standing as a company with an outstanding risk strategy and risk positioning.

Further information on risk management can be found in the 2017 Financial Report (section 5. Management of insurance risk and financial risk, pages 146 to 189).

The Baloise Group's commitment to art

Baloise's art collection is the product of a long-standing commitment to the arts and plays an important part in the Company's culture. Baloise also sees investment in art as a responsibility: works of art are created to be seen and to provoke discussion. It believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. Baloise's commitment also extends to providing recognition and support for contemporary artists.

TAKING RESPONSIBILITY – AN IMPORTANT ASPECT OF CORPORATE CULTURE

Baloise Group has a long-standing tradition of promoting talent. For many years, its management trainee programme has given graduates from a wide range of degree courses access to careers with substance. The same idea of sponsorship is also paramount in the company's commitment to art.

This has been established over a long period of collecting art. Corporate collecting is an important aspect of our culture at Baloise. Its primary objective is not to achieve monetary gain, but to integrate spiritual and creative values into our corporate culture. The foundations for this engagement were laid at a time when it was by no means typical for companies to collect art. Baloise believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. Its commitment to sponsoring modern art – through acquisitions for its own collection and in the form of the Baloise Art Prize – also represents part of this approach. It is Baloise's way of supporting the development of young and emerging artistic talent.

Since it first began collecting in the immediate post-war period, the company's art works have always been accessible both to employees and visitors. The collection is on display in foyers, corridors, meeting rooms and offices, as well as in reception rooms that are open to the public. Baloise is of the opinion that works of art ought to be seen, to enrich lives, inspire reflection and also to provoke discussion.

BALOISE ART PRIZE

For almost 20 years, the Baloise Group has been awarding the annual Baloise Art Prize at Art Basel, an international art fair. The challenging task of selecting 20 pieces for the Statements sector from a flood of applications, which are then presented to a global audience at the fair, falls to the Art Basel committee. On behalf of Baloise, a panel of judges consisting of international experts then selects two winners from this shortlist of 20, who each receive CHF 30,000 in prize money. After the announcement at the Art Basel media conference, both the winners and the galleries receive considerable attention at this globally significant event.

The 2017 Baloise Art Prize was awarded to Martha Atienza and Sam Pulitzer. Atienza received it for her film "Our Island", which shows a traditional procession in her native Philippines. The artist staged the parade under water, not least in order to draw attention to the growing climatic threat her home country is facing from global ocean warming.

Sam Pulitzer's prize was awarded for his precise, masterful, multi-layered presentation of a group of his drawings. His work addresses the question of the function and significance of the numerous images, logos and labels which are appearing on a daily basis, and which organise or distort our communication and interpersonal relationships.

Due to its prestige, the Baloise Art Prize has also become a springboard for artists to embark on successful careers. The prize money enables the young recipients to continue their work. At the same time, the acquisition of their artworks, which are then donated to well-known museums, offers an ideal platform to present their talent. This combination of prize money, acquisition, donation and exhibition within one art prize is unique, and continues to make the Baloise Art Prize much sought-after and highly acclaimed.

ART AT THE BALOISE PARK COMPLEX

Many of the past winners of the Baloise Art Prize are now among the stars of the international art scene; including Karsten Födinger, who received it in 2012. His work visualises forces in the most basic sense: statics and movement, the diagonal and the horizontal, mass and emptiness. Getting an artist whose work resides somewhere between architecture and sculpture to design a “cornerstone” for Baloise Park seemed an obvious choice. For his contribution, Karsten Födinger got directly involved early on in the construction process of the high-rise building. His “cornerstone” was not going to be a hidden object, but would rather constitute an integral element of the architecture. Like a classic Atlas sculpture, the structure of the building will rest directly atop the copper column. Copper, normally used for water pipes and electric cabling, introduces a utility supply element, and allows the column to be interpreted as a kind of trunk rooting the building in the ground.

The column is also a time capsule, but rather than filling it with objects, the guests at the building’s cornerstone ceremony in June 2017 worked together to “decorate” it by each signing it with a personal dedication. The cornerstone column will remain exposed and on display as a contemporary artefact in the basement of the building. The artist has also reinterpreted the concept of the cornerstone for the two remaining buildings of the Baloise Park complex. At an event in the summer of 2017, employees had the opportunity to engrave their wishes for the new Group headquarters on seven metres of copper cladding which is going to be attached to one of the building’s outside supports.

ART FORUM

The new Group headquarters at Baloise Park will also provide space to display the Baloise collection. The publicly accessible Art Forum on the ground floor is going to present two exhibitions a year on different themes. New acquisitions for the collection are made by the Baloise art commission, which comprises six art-loving employees from various parts of the company and one external advisor. They will be focusing on acquiring works on paper by contemporary artists. The decisive factor for inclusion in the collection is the persuasive quality of the work and its emotional and intellectual connection to the hopes and fears of our time.

This acquisition policy also allows the art commission to include the winners of the Baloise Art Prize in the collection, and thus to help shape the way in which it promotes art.

The website www.baloise.com/art presents the themed exhibitions at the Baloise Art Forum, giving some initial insights into the collection. In this digital age, Baloise is not going to limit itself to putting on exhibitions, but rather aims to make its collection available to an even broader audience. An online platform that is currently being developed will soon give access to the entire collection.

www.baloise.com/art
www.baloiseartprize.com

In the corridors of the head office in Basel: on the left works by Teresa Hubbard and Alexander Birchler, on the right works by John Pilson.

Corporate Governance

Transparent Corporate Governance

Baloise is a company that adds value, and, as such, we attach great importance to practising sound, responsible corporate governance.

Operating in line with the requirements of the Swiss Code of Best Practice and the SIX Corporate Governance Guidelines, Baloise strives to foster a corporate culture of high ethical standards that emphasises the integrity of the Company and its employees. Baloise is convinced that high-quality corporate governance has a positive impact on its long-term performance. The Company therefore rapidly and transparently implemented the requirements under the Swiss Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 13 December 2016 in order to enhance transparency and, consequently, improve comparability with previous years and other companies. It includes the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance and, in particular, Appendix 1 to the latter, which contains recommendations on the remuneration paid to the Board of Directors and the Executive Committee. In item 5 of its Corporate Governance Report, Baloise publishes the principles of its remuneration system. The Remuneration Report is replicated in the appendix to the Corporate Governance Report from page 80 onwards.

Sustainable business management has long played an important role at Baloise and is described in a dedicated section of the Annual Report from page 36 onwards.

1. STRUCTURE OF THE BALOISE GROUP AND SHAREHOLDER BASE

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Bâloise Holding is a public limited company that is incorporated under Swiss law and listed on the Swiss Exchange (SIX). The Baloise Group had a market capitalisation of CHF 7,403 million as at 31 December 2017.

- Information on Baloise shares can be found from page 8 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2017 can be found from page 258 onwards in the notes to the consolidated annual financial statements, which form part of the Financial Report.
- Segment reporting by region and operating segment can be found from page 191 onwards in the notes to the consolidated annual financial statements within the Financial Report section.
- The Baloise Group's operational management structure is presented on page 74 onwards.

Shareholder base

As a public company with a broad shareholder base, Bâloise Holding is a member of the SMI Mid (SMIM) Index and the Swiss Leader Index (SLI).

Shareholder structure

A total of 19,962 shareholders were registered in Bâloise Holding's share register as at 31 December 2017. The number of registered shareholders had decreased by 5.8 per cent compared with the previous year. The "Significant shareholders" section on page 279 provides information on the structure of the Company's shareholder base as at 31 December 2017.

The reports that were submitted to the issuer and to SIX Swiss Exchange AG's disclosure office during the reporting year in compliance with article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG) and were published on the latter's electronic reporting and publication platform in compliance with article 124 FinfraG can be viewed using the search function at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Treasury shares

Bâloise held 728,645 treasury shares (1.49 per cent of the issued share capital) as at 31 December 2017.

Cross-shareholdings

There are no cross-shareholdings based on either capital ownership or voting rights.

2. CAPITAL STRUCTURE

Dividend policy

Bâloise Holding pursues a policy of paying consistent, earnings-related dividends. It uses other dividend instruments such as share buy-backs and options to supplement conventional cash dividends. Shareholders have received a total of CHF 1,448.0 million from cash dividends and share buy-backs over the last five years. In recent years, Baloise has therefore had a combined annual payout rate of between 30 to 50 per cent of the profit for the period attributable to shareholders.

Year (CHF million)	Cash dividends	Share buy-backs	Total
2013	237.5	–	237.5
2014	250.0	–	250.0
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3[1]	63.3	336.6
Total	1,270.8	177.2	1,448.0

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 27 April 2018.

Bâloise Holding's equity

The table below shows the changes in equity during the last three reporting years.

CHANGES IN BÂLOISE HOLDING'S EQUITY (BEFORE APPROPRIATION OF PROFIT)

CHF million	31.12.2015[1]	31.12.2016	31.12.2017
Share capital	5.0	5.0	4.9
General reserve	11.7	11.7	11.7
Reserve for treasury shares	3.5	2.3	6.1
Free reserves	387.6	573.9	472.4
Distributable profit	435.4	289.6	367.9
Treasury shares	– 194.8	– 156.6	– 71.8
Equity attributable to Bâloise Holding	648.4	725.9	791.2

1 Restated in accordance with the new financial reporting legislation.

Since the capital reduction decided on 28 April 2017, the share capital of Bâloise Holding has totalled CHF 4.88 million and is divided into 48,800,000 dividend-bearing registered shares with a par value of CHF 0.10 each.

Authorised and conditional capital; other financing instruments

Authorised capital

A resolution adopted by the Annual General Meeting on 28 April 2017 has authorised the Board of Directors until 28 April 2019 to increase the Company's share capital by up to CHF 500,000 by issuing up to 5,000,000 fully paid-up registered shares with a par value of CHF 0.10 each (see article 3 [4] of the Articles of Association).
www.baloise.com/rules-regulations

Conditional capital

The 2004 Annual General Meeting created conditional capital. This capital enables the Company's share capital to be increased by up to 5,530,715 registered shares with a par value of CHF 0.10 each (see article 3 [2] of the Articles of Association). This constitutes a nominal share capital increase of up to CHF 553,071.50.

Conditional capital is used to cover any option rights or conversion rights granted in conjunction with bonds and similar securities. Shareholders' pre-emption rights are disapplied. Holders of the pertinent option rights and conversion rights are entitled to subscribe for the new registered shares. The Board of Directors may restrict or disapply shareholders' pre-emption rights when issuing warrant-linked bonds or convertible bonds in international capital markets.

www.baloise.com/rules-regulations

Other equity instruments

The Company has no profit-participation certificates.

The Baloise Group's consolidated equity

The Baloise Group's consolidated equity amounted to CHF 6,409.2 million on 31 December 2017. Details of changes in consolidated equity in 2016 and 2017 can be found in the consolidated statement of changes in equity on pages 118 and 119 in the Financial Report section. All pertinent details relating to 2015 can be found in the consolidated statement of changes in equity on page 116 in the Financial Report section of the 2016 Annual Report.

Bonds outstanding

Bâloise Holding and Basler Leben AG (with Bâloise Holding acting as guarantor) have issued bonds publicly. As at the end of 2017, a total of eight public bonds were outstanding. Details of outstanding bonds can be found on pages 237 and 277 and on the internet.

www.baloise.com/bonds

Credit rating

On 1 September 2017, credit rating agency Standard & Poor's raised Baloise Insurance Ltd's rating of "A" with a stable outlook to "A" with a positive outlook. Standard & Poor's awarded this rating in recognition of Baloise's very strong capitalisation, its excellent operational profitability and its solid competitive position in its profitable core markets. The agency also rated the firm's risk management as strong. On 30 June 2017 and on 1 September 2017, Standard & Poor's issued additional ratings for the Swiss unit Basler Life Ltd ("A" with a positive outlook), the Belgian subsidiary Baloise Belgium NV ("A" with a positive outlook), the German subsidiary Basler Sachversicherungs-AG ("A–" with a positive outlook) and Bâloise Holding Ltd ("BBB+" with a positive outlook).

www.baloise.com/s&prating

3. BOARD OF DIRECTORS

Election and term of appointment

The Board of Directors consisted of ten members at the end of 2017. Each member of the Board of Directors has been elected for a term of one year at a time.

The average age on the Board of Directors is currently 59.

Members of the Board of Directors

All members of the Board of Directors – including the Chairman – are non-executives. They were not involved in the day-to-day management of any Baloise Group companies in any of the three financial years immediately preceding the reporting period, and they maintain no material business relationships with the Baloise Group.

During the reporting year, Dr Andreas Beerli, Dr Georges-Antoine de Boccard, Dr Andreas Burckhardt, Christoph B. Gloor, Karin Keller-Sutter, Werner Kummer, Hugo Lasat, Thomas Pleines and Prof. Dr Marie-Noëlle Venture - Zen-Ruffinen were re-elected as members of the Board of Directors for a one-year term until the end of the next ordinary Annual General Meeting. Dr Michael Becker stepped down from the Board of Directors at the 2017 Annual General Meeting. Dr Thomas von Planta was newly elected to the Board of Directors.

With the exception of Werner Kummer, who is not available for re-election, all members of the Board of Directors are standing for re-election. Werner Kummer (70) joined the Board of Directors in 2000. He has been on the Audit and Risk Committee (formerly the Audit Committee) since 2002, becoming its chairman in 2004. Werner Kummer is also a member of the Chairman's Committee and Vice-Chairman of the Board of Directors.

The Board of Directors of Bâloise Holding has decided to propose Prof. Dr Hans-Jörg Schmidt-Trenz for election at the Annual General Meeting on 27 April 2018. Prof. Dr Hans-Jörg Schmidt-Trenz (58, from Germany) is a professor of economics at the University of Hamburg and Saarland University in Germany. He is President of the HSBA Hamburg School of Business Administration and was Chief Executive Officer of the Hamburg Chamber of Commerce from 1996 to 2017. He will be an independent non-executive director.

Further information on the members of the Board of Directors can be found on the internet.
www.baloise.com/board-of-directors

Statutory rules concerning the number of permitted activities

The 2015 Annual General Meeting approved the addition of a new provision to the Articles of Association (article 33) concerning the maximum number of directorships held outside the Company. Subsection 1 stipulates the principle that the number of external directorships held by members of the Board of Directors or Corporate Executive Committee must be compatible with the commitment, availability, capabilities and independence required of them in order to perform their duties as members of the Board of Directors or Corporate Executive Committee. Subsections 2 and 3 then specify numerical restrictions.

Interlocking directorates

There are no interlocking directorates.

Internal organisation

Functions and responsibilities of the Board of Directors

Subject to the decision-making powers exercised by shareholders at the Annual General Meeting, the Board of Directors is the Company's ultimate decision-making body. Decisions are taken by the Board of Directors unless authority has been delegated on the basis of the Organisational Regulations to the Chairman of the Board of Directors, its committees, the Chief Executive Officer or the Corporate Executive Committee.

MEMBERS

	Chairman's Committee	Audit and Risk Committee	Remuneration Committee	Investment Committee	Nationality	Born in	Appointed in
Dr Andreas Burckhardt, Chairman (since 2011), Basel	C			C	CH	1951	1999
Werner Kummer, Vice-Chairman (since 2014), Küsnacht	DC	C			CH	1947	2000
Dr Andreas Beerli, Oberwil-Lieli	M	DC			CH	1951	2011
Dr Georges-Antoine de Boccard, Conches			M	M	CH	1951	2011
Christoph B. Gloor, Riehen		M		DC	CH	1966	2014
Karin Keller-Sutter, Wil SG			DC		CH	1963	2013
Hugo Lasat, Kessel-Lo (B)				M	B	1964	2016
Dr Thomas von Planta, Zurich		M			CH	1961	2017
Thomas Pleines, Munich (D)	M		C		D	1955	2012
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen, Crans-Montana			M		CH	1975	2016

C: Chair, DC: Deputy Chair, M: Member

BOARD ATTENDANCE IN 2017: MEETINGS OF THE FULL BOARD OF DIRECTORS

	08.02.2017	17.03.2017	28.04.2017	29.06.2017	24.08.2017	07.09.2017	08.12.2017
Dr Andreas Burckhardt, Chairman	x	x	x	x	x	x	x
Werner Kummer, Vice-Chairman	x	x	x	x	x	0	x
Dr Michael Becker	x	x	x	n. a.	n. a.	n. a.	n. a.
Dr Andreas Beerli	x	x	x	x	x	x	x
Dr Georges-Antoine de Boccard	x	x	x	x	x	x	x
Christoph B. Gloor	x	x	x	x	x	x	x
Karin Keller-Sutter	x	x	x	x	x	x	x
Hugo Lasat	x	x	x	x	x	x	x
Dr Thomas von Planta	n. a.	n. a.	n. a.	x	x	x	x
Thomas Pleines	x	x	x	x	x	x	x
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	x	x	x	x	x	x	x

x = present, 0 = absent, n. a. = not applicable.

Article 716a of the Swiss Code of Obligations (OR) and clause A3 of the Organisational Regulations state that the Board of Directors' main functions and responsibilities are to act as the Company's ultimate managerial and supervisory body, to oversee the Company's finances and to determine its organisational structures.
www.baloise.com/rules-regulations

Committees of the Board of Directors

The Board of Directors has four committees, which support it in its activities. These committees report to the Board of Directors and submit the necessary proposals for their particular areas of responsibility. The Investment Committee and the Remuneration Committee have their own decision-making powers.

The committees appointed by the Board of Directors generally consist of four members, who are newly elected every year by the Board of Directors. Article 7 ERCO requires the members of the Remuneration Committee to be elected by the Annual General Meeting. The Chairman and Vice-Chairman of the Board of Directors are ex officio members of the Chairman's Committee. The Chairman of the Board of Directors is not allowed to sit on the Audit and Risk Committee. The committees' basic functions and responsibilities are specified in the Organisational Regulations. Additional specific regulations applicable to individual committees govern administrative and other aspects.
www.baloise.com/rules-regulations

Functions and responsibilities of the committees

The **Chairman's Committee** provides advice on key transactions, especially those involving important strategic or personnel-related decisions. The Chairman's Committee also performs the function of a Nominations Committee and prepares personnel-related matters that fall within the remit of the Board of Directors. The Chairman's Committee regularly discusses succession planning for the Board of Directors. It focuses on the skills, experience and specialisations of the members of the Board of Directors and the requirements of the insurance group. Potential candidates are internally identified or advisers are brought in to find them. They are then proposed to the Board of Directors for nomination.

The **Investment Committee's** main responsibilities are to oversee the Baloise Group's investment activities, define the basic principles of its investment policy, specify the asset allocation strategy for all strategic business units and devise the relevant investment plan.

The **Remuneration Committee** proposes to the Board of Directors – for subsequent approval by the Annual General Meeting – the structure and amount of remuneration paid to the members of the Board of Directors and of the salaries paid to the members of the Corporate Executive Committee. Under ERCO, the remuneration paid to the Board of Directors and the Corporate Executive Committee has to be approved by the Annual General Meeting. The Remuneration Committee approves the target agreements and performance assessments that are applied to the Corporate Executive Committee members in order to determine their variable remuneration. It also sanctions the remuneration policies applicable to the Corporate Executive Committee members and ensures that they are being correctly implemented. It approves the variable remuneration granted to individual members of the Corporate Executive Committee; this remuneration has to be within the maximum amount approved by the Annual General Meeting. Furthermore, it specifies the total amount available in the performance pool.

The **Audit and Risk Committee** supports the Board of Directors in its non-delegable overarching supervisory and financial oversight functions (article 716a OR) by ascertaining whether the internal and external control systems, including risk management, are well organised and function properly, by assessing the situation with respect to compliance in the Company and by forming its own view of the Company's separate and consolidated annual financial statements. It receives regular reports on the work and findings of Group Internal Audit and on cooperation with the external auditors.

Meetings of the Board of Directors and its committees

The Organisational Regulations stipulate that the full Board of Directors must meet as often as business requires, but no fewer than four times a year.
www.baloise.com/rules-regulations

The full Board of Directors of Bâloise Holding met on seven occasions in 2017. The table on page 64 shows Board of Directors members' attendance at these meetings. All members of the relevant committee in each case attended every one of the additional 16 committee meetings. This means that the Board of Directors achieved an overall meeting attendance rate of 99.3 per cent. The Board of Directors held a seminar for the purpose of training its members on the topic of value management. Meetings of the Board of Directors and its committees usually last half a working day each.

The Chairman's Committee convened six times in 2017, which included one two-day strategy meeting. The Investment Committee met on three occasions. The Audit and Risk Committee held four meetings, and the Remuneration Committee convened three times.

Meetings of the Board of Directors are regularly attended by members of the Corporate Executive Committee. Meetings of the Chairman's Committee are usually attended by the Group CEO and the Chief Financial Officer. Those present at Audit and Risk Committee meetings are the Chief Financial Officer, the Head of Group Internal Audit and, occasionally, representatives of the external auditors, the Chief Risk Officer and the Group Compliance Officer. The main attendees at Remuneration Committee meetings are the Group CEO, the Head of the Corporate Centre and the Head of Group Human Resources. Meetings of the Investment Committee are usually attended by the Group CEO, the Chief Investment Officer and the Heads of Investment Strategy and Investment Control, Baloise Asset Management and Real Estate. The Secretary to the Board of Directors attends the meetings of the full Board of Directors and those of its committees.

Self-evaluation

Every two years, a comprehensive self-evaluation is carried out in the full Board of Directors, in the Investment Committee and in the Audit and Risk Committee. The results are then discussed in each body.

Division of authorities, functions and responsibilities between the Board of Directors and the Corporate Executive Committee

The division of authorities, functions and responsibilities between the Board of Directors and the Corporate Executive Committee is governed by law, the Articles of Association and the Organisational Regulations. The latter are reviewed on an ongoing basis and updated as changing circumstances require.
www.baloise.com/rules-regulations

Tools used to monitor and obtain information on the Corporate Executive Committee

Group Internal Audit reports directly to the Chairman of the Board of Directors.

Effective risk management is essential for any insurance group. This is why Baloise has devoted two entire chapters to the subject of financial risk management from page 52 onwards and in the Financial Report section starting on page 146.

The members of the Board of Directors receive copies of the minutes of Corporate Executive Committee meetings for their information. The Chairman of the Board of Directors may attend meetings of the Corporate Executive Committee at any time.

Andreas Burckhardt (1951, Switzerland, Dr iur., lawyer) has been a member of the Board of Directors since 1999 and its Chairman since 29 April 2011. He studied jurisprudence at the universities of Basel and Geneva. He worked in the legal department of Fides Treuhandgesellschaft from 1982 to 1987 and served as Secretary General of the Baloise Group from 1988 to 1994. He was director and head of the Basel Chamber of Commerce from 1994 to April 2011. In this role he sat on various governing bodies of national and regional business organisations. From 1981 to 2011 he performed various political functions in the Basel civic municipality and in the canton of Basel-Stadt, and from 1997 to 2011 he served on the Great Council of the Canton of Basel-Stadt (as Chairman in 2006 and 2007). Until 2017, he sat on the Board of Directors of Carl Spaeter AG. Dr Andreas Burckhardt is Chairman of the Board of Governors of the Swiss Tropical and Public Health Institute, Basel. He is also a member of the Executive Committee of economiesuisse and sits on the Executive Board of the Employers' Federation for Basel. Dr Andreas Burckhardt performs a non-executive function as Chairman of Baloise's Board of Directors.

Werner Kummer (1947, Switzerland, Dipl.-Ing. ETH Zurich, MBA Insead) has been a member of the Board of Directors since 2000 and Vice-Chairman since 2014. From 1990 to 1994 he was CEO of Schindler Aufzüge AG and subsequently, until 1998, sat on Schindler's Group Management Committee, where he was responsible for the Asia Pacific region. Until 2013 he was a member of the Supervisory Board of Schindler Deutschland Holding GmbH. He was CEO of Forbo Holding AG from 1998 to 2004 and from 2005 to 2017 he served as Chairman of the Board of Directors at Gebrüder Meier AG, Regensdorf. Werner Kummer is a freelance management consultant with clients in Switzerland and abroad and sits on the supervisory bodies of unlisted companies. He is an independent non-executive director.

Andreas Beerli (1951, Switzerland, Dr iur.)
has been a member of the Board of Directors since 2011. He studied law at the University of Basel. In 1979 he started working as an underwriter for the German market at Swiss Re. From 1985 to 1993 he performed various managerial roles at Baloise, with the main focus on supervising and supporting several foreign units. He then returned to Swiss Re, where he became a member of the Group Executive Committee in 2000, first in the United States as Head of Swiss Re Americas and, most recently, in Zurich as Chief Operating Officer for the entire Swiss Re Group. Since 2009 he has acted as an independent advisor on the boards of directors and advisory boards of companies and professional associations. He is a member of the Board of Directors at Ironshore Europe Inc., Dublin, a member of the Advisory Board of Accenture Schweiz, and Chairman of the Swiss Advisory Council of the American Swiss Foundation. Dr Andreas Beerli is an independent non-executive director.

Georges-Antoine de Boccard (1951, Switzerland, Dr med.)
has been a member of the Board of Directors since 2011. He studied medicine at the University of Geneva. He has been running his own urological surgery practice in Geneva since 1987. Dr Georges-Antoine de Boccard chairs the Board at Stellaria Holding SA and at the asset management companies of Citadel Finance SA and GPP-Gestion Patrimoniale Personnalisée SA. He sits on the Board of Directors at the Swiss International Prostate Center SA and Trillium SA. From 2005 to 2006 he was Chairman of the Swiss Association of Urology. He is a member of the Swiss Association of Urology, the European Association of Urology and other professional bodies and associations. Dr Georges-Antoine de Boccard is an independent non-executive director.

Christoph B. Gloor (1966, Switzerland, university degree in business economics)
has been a member of the Board of Directors since 2014. He has also been a member of the Executive Committee of Notenstein La Roche Privatbank AG, St. Gallen, since November 2015. He was previously Chief Executive Officer of Basel-based private bank La Roche & Co AG. Prior to joining La Roche & Co AG in 1998, he worked for Swiss Bank Corporation (SBC) before moving to Vitra (International). Christoph B. Gloor served as president of the Association of Swiss Private Banks from November 2013 to February 2015 and was a member of the Board of Directors of the Swiss Bankers Association from September 2013 to February 2015. He has been a member of the Board of Managing Directors of the Basel Banking Association since 2016. Christoph B. Gloor is an independent non-executive director.

Karin Keller-Sutter (1963, Switzerland, university degree in translation and conference interpreting, postgraduate qualification in education)
has been a member of the Board of Directors since 2013. In 1996 she was elected to St. Gallen's cantonal parliament and became Chairwoman of the FDP (the Swiss Liberal Party) for the canton of St. Gallen before being elected to St. Gallen's cantonal governing council in 2000. She was in charge of the security and justice department until May 2012 and chaired the governing council in 2006/2007 and again in 2011/2012. She has been a member of the Council of States – the upper chamber of the Swiss parliament – since the autumn of 2011 and was appointed as Chairwoman in 2017. Karin Keller-Sutter sits on the Board of Directors of the ASGA pension fund. In addition, she chairs the Board of Directors of Pensimo Fondsleitung AG and the Pensimo investment foundation. She is Chairwoman of the Swiss Retail Federation and a member of the executive committee of the Swiss Employers' Federation. Karin Keller-Sutter is an independent non-executive director.

Hugo Lasat (1964, Belgium, Master in Economic Sciences, Master in Finance)
has been a member of the Board of Directors since 2016. He has been CEO of Brussels-based Degroof Petercam Asset Management (formerly Petercam Institutional Asset Management) since 2011. His managerial roles prior to that include CEO of Amonis Pension Fund and CEO of Candriam Investors Group (previously known as Dexia Asset Management). He is a guest professor at KU Leuven (Brussels Campus) and VIVES University College, member of the Board of Directors of the Belgian Asset Management Association (BEAMA) and a member of the Financial Commission of the Financial Committee of the Belgian Red Cross. Hugo Lasat is an independent non-executive director.

Thomas von Planta (1961, Switzerland, Dr iur., lawyer)
has been a member of the Board of Directors since 2017. He is the founder and managing director of CorFinAd AG, a company specialising in consultancy for M&A transactions and capital market finance. He has sat on the Board of Directors of Bellevue Group AG since 2007 as well as Bank am Bellevue AG and Bellevue Asset Management AG since 2012, and has been Chairman of the Board of Directors of all three companies since March 2015. Before that, he had worked for Goldman Sachs in Zurich, Frankfurt and London for around ten years and had been the interim Head of Investment Banking and Head of Corporate Finance for the Vontobel Group in Zurich between 2002 and 2006. Dr Thomas von Planta is an independent non-executive director.

Thomas Pleines (1955, Germany, lawyer)
has been a member of the Board of Directors since 2012. From 2003 to 2005 he was CEO and delegate of the Board of Directors at Allianz Suisse, Zurich, and from 2006 to 2010 he was CEO of Allianz Versicherungs-AG, Munich, and an executive director at Allianz Deutschland AG, Munich. Since 2011 he has chaired the presidential boards of DEKRA e.V., Stuttgart, and DEKRA e.V. Dresden as well as the supervisory boards of DEKRA SE, Stuttgart, and SÜDVERS Holding GmbH & Co. KG, Au near Freiburg. Thomas Pleines is an independent non-executive director.

Marie-Noëlle Venturi - Zen-Ruffinen (1975, Switzerland, Prof. Dr iur., lawyer)
has been a member of the Board of Directors since 2016. She holds a PhD and master's degree in law and a master's degree in philosophy from the University of Fribourg. She is a lawyer and honorary professor at the School of Economics and Management at the University of Geneva, where she mainly lectures on corporate law. Professor Marie-Noëlle Venturi - Zen-Ruffinen was a partner in the Geneva law firm Tavernier Tschanz until 2012, and since that time has been of counsel for the firm. She is president of the Swiss Board Institute foundation and sits on the Board of Management of the Swiss Institute of Directors. Professor Marie-Noëlle Venturi - Zen-Ruffinen is an independent non-executive director.

Secretary to the Board of Directors:
Dr Philipp Jermann,
Buus (BL)

Head of Group Internal Audit:
Rolf-Christian Andersen,
Meilen (ZH)

4. CORPORATE EXECUTIVE COMMITTEE

Gert De Winter (1966, Belgium, MSc)
studied applied economics at the University of Antwerp. From 1988 to 2004 he performed various roles at Accenture in Brussels for issues relating to IT and business transformation management in the financial sector. He was made a partner at the firm in the year 2000. In 2005 he joined the Baloise Group as Chief Information Officer (CIO) and Head of HR of the Mercator insurance company in Belgium. From 2009 to 2015 Gert De Winter was Chief Executive Officer of Baloise Insurance, which was formed in 2011 from the merger of the three insurance companies Mercator, Nateus and Avéro. He has been Group Chief Executive Officer since 1 January 2016. Since June 2016 he has been a member of the Management Board of the Basel Chamber of Commerce.

Matthias Henny (1971, Switzerland, Dr phil.)
completed his undergraduate and postgraduate studies in physics at the University of Basel. From 1998 to 2003, he was employed at McKinsey & Co., before switching to what was then the Winterthur Group, where he was Head of Financial Engineering in Asset Management until 2007. Subsequently, he was a member of the management team at AXA Winterthur, first as CIO (until 2010), then as CFO. In 2012 Dr Matthias Henny joined the Baloise Group. As CEO of Baloise Asset Management AG he was responsible for the administration of approximately CHF 50 billion in assets. Dr Matthias Henny became a member of the Corporate Executive Committee on 1 May 2017. He manages the Corporate Division Asset Management with its units Investment Strategy and Investment Controlling, Sales and Marketing, Portfolio Management, Operations, Real Estate, Corporate Development and Compliance.

Michael Müller (1971, Switzerland, lic. oec. publ.)
graduated in economics from the University of Zurich, specialising in insurance and accounting/finance. He began his career with Basler Versicherungen in 1997, starting as a management trainee, then working in Group Finance and eventually becoming Deputy Head and, in 2004, Head of Financial Accounting for the Baloise Group. In 2009, as Head of Finance and Risk, he became a member of the senior management team in Corporate Division Switzerland, focusing on financial reporting and accounting, actuarial management of the insurance companies, risk management and coordination of logistics processes and the pool of project leaders. He has been a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland since March 2011. Michael Müller is a member of the Board of Foundation of Stiftung Finanzplatz Basel, Vice President of the Swiss Insurance Association (SVV) and a member of the Executive Board of the Association of Basel Insurance Companies.

Thomas Sieber (1965, Switzerland, Dr iur., M.B.L., lawyer, SDM mediator)
studied law at the University of St. Gallen. At the beginning of 1994 he qualified to practise as a lawyer in the Swiss canton of Zurich. From 1999 to 2002 he lectured in corporate law at the University of St. Gallen. After brief spells working at Landis & Gyr and Siemens he joined the Baloise Group in 1997 as Deputy Head of Legal & Tax. He became head of this division in 2001 and, in addition, was secretary to Bâloise Holding's Board of Directors until April 2012. Since 6 December 2007 Dr Thomas Sieber has been a member of the Corporate Executive Committee and, as Head of the Corporate Centre, is responsible for Group Human Resources, Group Strategy and Digital Transformation, Legal and Tax, Group Compliance, Group Procurement and Run-off Business. He also sits on the Board of Directors at Euro Airport Basel-Mulhouse-Freiburg.

Carsten Stolz (1968, Germany/Switzerland, Ph.D.)
studied business economics at Fribourg University where he also gained a doctorate specialising in financial management. After that he spent four years as an advisor for the Financial Services practice unit at PricewaterhouseCoopers in Zurich and Geneva, before joining the Baloise Group as Head of Financial Relations. From 2009 to 2011, Dr Carsten Stolz was the Baloise Group's Head of Financial Accounting & Corporate Finance. Between 2011 and 2017 he was Head of Finance and Risk, and thus a member of the Executive Committee, at Baloise Insurance, Switzerland. Dr Carsten Stolz became a member of the Corporate Executive Committee on 1 May 2017. He manages the Corporate Division Finance with its departments Group Accounting & Controlling, Financial Planning & Analysis, Corporate Communications & Investor Relations, Group Risk Management and Corporate IT as well as the actuary responsible for Swiss business at Baloise and the Head of Regulatory Affairs.

Further information on the members of the Corporate Executive Committee can be found on the internet.

With the exception of the mandates listed above, no Corporate Executive Committee members serve on the Boards of Directors at companies outside the Baloise Group.

There are no management agreements that assign executive functions to third parties.
www.baloise.com/corporate-executive-committee

Management structure

(as at: 31 December 2017)

GROUP CEO

Gert De Winter*

HEAD GROUP CEO OFFICE

Ruken Baysal

FINANCE

Carsten Stolz*

Group Accounting & Controlling
Pierre Girard

Group Risk Management
Stefan Nölker

Corporate Communications & Investor Relations
Marc Kaiser

Corporate IT
Olaf Romer

Appointed Actuary Switzerland
Thomas Müller

Regulatory Affairs
Fabian Berger

ASSET MANAGEMENT

Matthias Henny*

Asset Strategy & Investment Controlling
Marc Dünki

Sales & Marketing
Robert Antonietti

Portfolio Management
Stephan Kamps

Operations
Bernd Maier

Real Estate / CEO BIM
Dieter Kräuchi

Corporate Development & Compliance
Fabian Kaderli

CORPORATE CENTRE

Thomas Sieber*

Group Strategy & Digital Transformation
Adrian Honegger

Group Human Resources
Stephan Ragg

Group Legal & Tax
Andreas Burki

Group Compliance
Peter Kalberer

Run-off
Bruno Rappo

Group Procurement
Manfred Schneider

SWITZERLAND

Michael Müller*

Product Management Commercial Clients
Patric Olivier Zbinden

Product Management Private Customers & Focused Financial Services
Wolfgang Prasser

Sales & Marketing
Bernard Dietrich

Baloise Bank SoBa
Jürg Ritz

Operations & IT
Clemens Markstein

Finance & Risk
Urs Bienz

Claims
Mathias Zingg

* Member of the Corporate Executive Committee.

REGIONAL MANAGER

Peter Zutter

GERMANY

Jürg Schiltknecht

Life & Tied Agents
Maximilien Beck

Finance / Asset Management
Julia Wiens

Non-Life
Alexander Tourneau (from 1.1.2018: Christoph Willi)

IT / Operations
Ralf Stankat

BELGIUM

Henk Janssen

Risk, Compliance & Corporate Legal
Patrick Van De Sype

Non-Life Private Clients
Joris Smeulders

Non-Life Corporate Clients & Transport
Erik Vanpoucke

Life
Wim Kinnet

ICT & General Services
Gerdy De Clercq

Finance
Gert Vernaillen

Human Resources
Marc L'Ortye

LUXEMBOURG

Romain Braas

Operations & IT
Daniel Frank

Life & Finance
Alain Nicolai

Sales & Marketing
Laurent Heiles

5. REMUNERATION, SHAREHOLDINGS AND LOANS

The remuneration report in **Appendix 1** to the Corporate Governance Report (page 80 onwards) describes the remuneration policies adopted and the remuneration systems in place and it contains in particular the remuneration paid and the loans granted to members of the Board of Directors and the Corporate Executive Committee 2017 as well as the investments they hold. The content and scope of these disclosures are determined by articles 13 to 17 of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), article 663c (3) of the Swiss Code of Obligations (OR), the corporate governance information guidelines published by the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance.

The report of the statutory auditors on the audit of the remuneration report can be found in **Appendix 2** to the Corporate Governance Report (page 108 onwards).

6. SHAREHOLDER PARTICIPATION RIGHTS

Voting rights

The share capital of Bâloise Holding consists solely of registered shares. Each share confers the right to one vote. No shares carry preferential voting rights. To ensure a broad-based shareholder structure and to protect minority shareholders, no shareholder is registered as holding more than 2 per cent of voting rights, regardless of the size of their shareholding. The Board of Directors can approve exceptions to this provision if a majority of two-thirds of all its members is in favour (article 5 of the Articles of Association). There are currently no exceptions. Each shareholder can appoint a proxy in writing in order to authorise another shareholder or an independent proxy to exercise his or her voting rights. When exercising voting rights, no shareholder can accumulate more than one fifth of the voting shares at the Annual General Meeting directly or indirectly for his or her own votes or proxy votes (article 16 of the Articles of Association).

Powers of attorney and voting instructions may also be given to an independent proxy electronically without requiring a qualifying electronic signature (article 16 [2] of the Articles of Association).

Statutory quorums

The Annual General Meeting is quorate regardless of the number of shareholders present or proxy votes represented, subject to the mandatory cases stated by law (article 17 of the Articles of Association).

The consent of at least three-quarters of the votes represented at the Annual General Meeting is required to suspend statutory restrictions on voting rights. The votes must also represent at least one third of the total shares issued by the Company. This qualified majority also applies to the cases specified in article 17 (3)(a) to (h) of the Articles of Association. Otherwise, resolutions are adopted by a simple majority of the votes cast, subject to compulsory legal provisions (article 17 of the Articles of Association).

Convening the Annual General Meeting

The Annual General Meeting generally takes place in April, but must be held within six months of the end of the previous financial year. Bâloise Holding's financial year ends on 31 December. The Annual General Meeting is convened at least 20 days before the date of the meeting. Each registered shareholder receives a personal invitation, which includes the agenda. The invitation and the agenda are published in the Swiss Official Gazette of Commerce, in various newspapers and on the internet.

The Annual General Meeting, the Board of Directors or the external auditors decide whether to convene extraordinary general meetings. Furthermore, legal provisions also require the Board of Directors to convene an extraordinary general meeting if requested by the shareholders (article 11 of the Articles of Association). Article 699 (3) of the Swiss Code of Obligations (OR) states such requests must be made by shareholders who represent at least 10 per cent of the share capital.

Requesting agenda items

Article 699 (3) OR states that one or more shareholders who together represent shares of at least CHF 100,000 can request items to be put on the agenda for debate. Such requests must be submitted in writing to the Board of Directors at least six weeks before the ordinary Annual General Meeting is held, giving details of the motions to be put to the AGM (article 14 of the Articles of Association).

Entry in the share register

Shareholders are entitled to vote at the Annual General Meeting provided they are registered in the share register as shareholders with voting rights on the cut-off date stated by the Board of Directors in the invitation. The cut-off date should be several days before the Annual General Meeting (article 16 of the Articles of Association).

Article 5 of the Articles of Association determines whether nominee entries are permissible, taking into account any percentage limits and entry requirements. The procedures and requirements for suspending and restricting transferability are set out in article 5 and article 17 of the Articles of Association.
www.baloise.com/rules-regulations
www.baloise.com/calendar

7. CHANGES OF CONTROL AND POISON-PILL MEASURES

Shareholders or groups of shareholders acting together by agreement are required to issue a takeover bid to all other shareholders when they have acquired 33 per cent of all Baloise shares. Bâloise Holding has not made any use of the option to deviate from or waive this regulation. There is no statutory opting-out clause or opting-up clause as defined by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG).

The members of the Corporate Executive Committee have a notice period of twelve months. Bâloise has not agreed any arrangements in respect of changes of control or non-compete clauses with members of either the Board of Directors or the Corporate Executive Committee.

8. EXTERNAL AUDITORS

The external auditors are elected annually by the Annual General Meeting. Ernst & Young AG (EY), Basel, have been the external auditing firm for Bâloise Holding since 2016. Stefan M. Schmid has held the post of auditor-in-charge since 2016. In accordance with article 730a (2) OR, the role of auditor-in-charge is rotated every seven years. EY is the external auditing firm for almost all Group companies.

EXTERNAL AUDITORS' FEES

	2016	2017
CHF (including outlays and VAT)		
Audit fees	4,706,926	5,637,503
Consulting fees	223,944	519,930
Total	4,930,870	6,157,433

Audit fees paid to EY include fees for engagements with a direct or indirect connection to a particular audit engagement and fees for audit-related activities (namely, the MCEV Review, ISAE 3401 reports and statutory and regulatory special audits).

In 2017, CHF 213,527 of the additional fees for consultancy services were attributable to tax consultancy and legal advice and CHF 306,403 to operational advice. The services were rendered in accordance with the relevant provisions on independence set forth in the Swiss Code of Obligations, the Swiss Audit Supervision Act and FINMA-Circular 2013/3 on "auditing" (as at 18 November 2016) published by the Swiss Financial Market Supervisory Authority (FINMA).

At its four meetings, primarily at meetings about the annual and half-year financial statements, the Audit and Risk Committee receives detailed explanations and documents about the external auditors' main findings from the auditors' representatives.

The performance of the external auditors and their interaction with Group Internal Audit, Risk Management and Compliance are assessed by the Audit and Risk Committee. The Audit and Risk Committee's discussions with the external auditors focus on the audit work the latter have undertaken, their reports and the material findings and most important issues raised during the audit.

The Audit and Risk Committee submits proposals to the Board of Directors regarding the external auditors to be elected by the Annual General Meeting and makes recommendations regarding their fees. Before the start of the annual audit, it reviews the scope of the audit and suggests areas that require special attention. The Audit and Risk Committee reviews the external auditors' fees on an annual basis.

9. INFORMATION POLICY

Information principles

The Baloise Group provides shareholders, potential investors, employees, customers and the public with information on a regular, open and comprehensive basis. All registered shareholders each receive a summary of the annual report once a year and a letter to shareholders every six months, which provide a review of business. The full annual report is sent to shareholders on request. In addition, a presentation is created for every set of financial statements that summarises the financial year or period for financial analysts and investors. All publications are simultaneously available to the public. All market participants receive the same information. Baloise offers teleconferences, podcasts, videos and live streaming in order to make information generally and easily accessible.

Information events

Baloise provides detailed information about its business activities as follows:

- Details about its financial performance, targets, strategies and operations are provided at press conferences covering its annual and half-year financial statements.
- Teleconferences for financial analysts and investors take place when the annual and half-year financial statements are published. The events can then be downloaded as podcasts.
- Shareholders are informed about business during the year at the Annual General Meeting.
- Roadshows are regularly staged at various financial centres.
- At its regular Investor Days, the Company presents its corporate strategy and targets as well as any other matters relevant to its business. The documents used for this and the recording of the event are made publicly avail-able on various media.
- Ongoing relationships are maintained with analysts, investors and the media. Full details of individual Baloise events can be accessed at www.baloise.com.

Information about Baloise shares

Information about Baloise shares begins on page 8.
www.baloise.com/baloise-share

Financial calendar

Important dates for investors are available at www.baloise.com. This is where the publication dates for the annual and half-year reports and the Q3 interim statement are listed and where the date of the Annual General Meeting, the AGM invitation, the closing date for the share register and any ex-dividend dates are published.
www.baloise.com/calendar

Availability of documents

Annual and half-year reports, media releases, disclosures, recent announcements, presentations and other documents are available to the public at www.baloise.com. Please register for the latest corporate communications at www.baloise.com/mailinglist.
www.baloise.com/media

Contact

Corporate Governance
Baloise Group
Philipp Jermann
Aeschengraben 21
4002 Basel, Switzerland
Tel. + 41 (0)58 285 89 42
philipp.jermann@baloise.com

Investor Relations
Baloise Group
Marc Kaiser
Aeschengraben 21
4002 Basel, Switzerland
Tel. + 41 (0)58 285 81 81
marc.kaiser@baloise.com

Appendix 1: Remuneration Report

1. OVERVIEW OF REMUNERATION

REMUNERATION GUIDELINE

Basic salary
- Aim for a position around the market median
- Reflection of the responsibilities of the role and the individual's long-term performance

Short-term variable remuneration
- Influencing factors: the Company's economic value added and the individual's performance
- Designed to incentivise staff to achieve outstanding results

Long-term variable remuneration
- Supports the Company's long-term development
- Gives the top level of management a greater stake in the performance of the Company

Fringe benefits
- Not dependent on either an individual's function or performance or the Company's performance
- Demonstration of Baloise's close partnership with employees and its respect for them

APPROVED REMUNERATION VS. AMOUNT PAID OUT

	2016 Approved	2016 Paid out	2017 Approved	2017 Paid out
CHF million				
Fixed remuneration of Board of Directors	3.4	3.4	3.3	3.3
Fixed remuneration of Corporate Executive Committee	4.6	4.9 [1]	4.5	5.0 [1]
Variable remuneration of Corporate Executive Committee	4.8	4.0	4.7	3.7

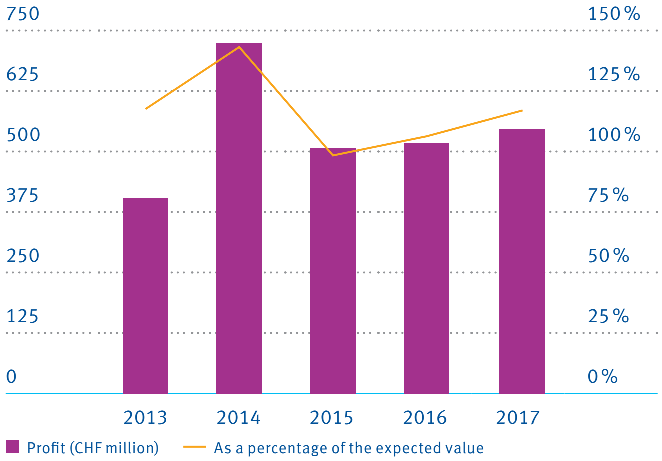
1 Due to the changes to the Corporate Executive Committee, the sum paid exceeded the total amount originally requested, which is covered by the additional amount pursuant to article 30 of the Articles of Association of Bâloise Holding Ltd.

REMUNERATION IN RELATION TO BUSINESS PERFORMANCE

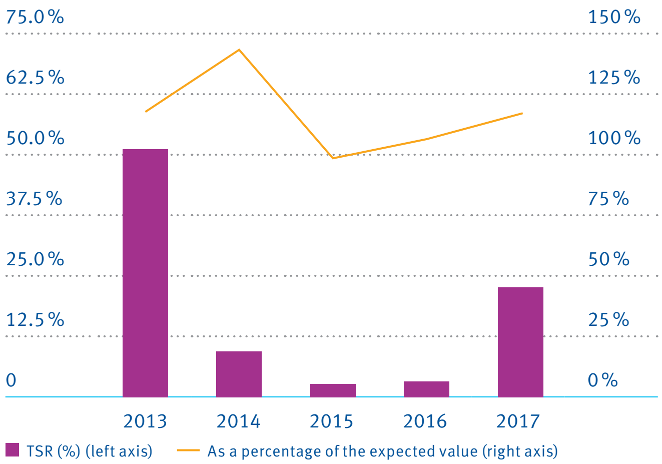
PERFORMANCE POOL

	2016	2017
Total performance pool[2] for Corporate Executive Committee (CHF million)	2.4	2.3
Performance pool factor[2] (%)	107 %	120 %

Profit vs performance pool factor[2]



Total shareholder return (TSR) vs performance pool factor[2]



2 The performance pool (PP) is the component of short-term variable remuneration that depends on the Company's performance: the Remuneration Committee of the Board of Directors assesses the Company's performance and success during the past financial year. The performance pool factor is the ratio of the pool to its target value.

REMUNERATION OF THE CORPORATE EXECUTIVE COMMITTEE

Name	Year	Fixed	Short-term variable	Long-term variable	Total
Gert De Winter	2016	53 %	29 %	18 %	CHF 2.152 million
	2017	52 %	29 %	19 %	CHF 2.192 million
Dr. Martin Strobel [1]	2016	100 %			CHF 0.452 million
	2017				
Michael Müller	2016	55 %	28 %	17 %	CHF 1.481 million
	2017	52 %	33 %	15 %	CHF 1.679 million
Dr. Thomas Sieber	2016	55 %	28 %	17 %	CHF 1.478 million
	2017	55 %	28 %	17 %	CHF 1.479 million
Carsten Stolz [2]	2016				
	2017	60 %	31 %	9 %	CHF 0.779 million
Matthias Henny [2]	2016				
	2017	60 %	28 %	12 %	CHF 0.786 million
German Egloff [3]	2016	57 %	26 %	17 %	CHF 1.600 million
	2017	84 %	16 %		CHF 0.923 million
Martin Wenk [3]	2016	54 %	30 %	16 %	CHF 1.682 million
	2017	85 %	15 %		CHF 0.997 million

Fixed (comprising basic salary, non-cash remuneration and pension benefits)
Short-term variable remuneration (comprising share-based and cash payments from the performance pool)
Long-term variable remuneration (comprising allocations of share entitlements)

1 Until 30 April 2016
2 Since 1 Mai 2017
3 Until 30 October 2017

LONG-TERM VARIABLE REMUNERATION

Performance share units (PSUs)

Long-term variable remuneration for members of the Corporate Executive Committee

Allocation

- The total amount for the allocation of PSUs is determined by the Remuneration Committee
- The Remuneration Committee decides on the allocation of PSUs to each individual Corporate Executive Committee member

Conversion

- Performance criterion: profit for shareholders relative to the peer group (STOXX Europe 600 Insurance) after three years
- PSUs are a performance instrument, enabling clear differentiation using a performance multiplier of between 0.5 and 1.5

2017 plan (ended)

Plan term 1 March 2014 – 28 February 2017

Date	Share value at start	Change in share value	Performance multiplier	Total
01.03.2014	100 %			100 %
28.02.2017	100 %	15 %	6 %	120 %

Profit for shareholders 1 March 2014 – 28 February 2017

Date	Share value at start	Change in share value	Dividend payments	Total
01.03.2014	100 %			100 %
28.02.2017	100 %	15 %	13 %	128 %

Overview of ended and current plans (as at 31 December 2017)

2011 to 2017 plans

Plan	Change in share value	Performance multiplier	Total
1 Jan 2011 – 31 Dec 2013	25 %	– 29 %	– 47 %
1 Mar 2012 – 28 Feb 2015	74 %	37 %	– 4 %
1 Mar 2013 – 29 Feb 2016	50 %	75 %	111 %
1 Mar 2014 – 28 Feb 2017	15 %	6 %	125 %
1 Mar 2015 – 28 Feb 2018	25 %	55 %	
1 Mar 2016 – 28 Feb 2019	17 %	6 %	
1 Mar 2017 – 28 Feb 2020	8 %	37 %	

Share value at start of PSU programme
Dividend payments
Change in share value during programme term
Change in share value (measured as at 31 Dec 2017)
Performance multiplier
Performance multiplier (measured as at 31 Dec 2017)

2. REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

The Remuneration Committee set up by the Board of Directors in 2001 is consistent with the Swiss Code of Best Practice and is tasked with helping the Board of Directors to frame the Company's remuneration policies. The Remuneration Committee has been vested with special decision-making powers and ensures, among other things, that:

- the remuneration offered by Baloise is in line with the going market rate and performance-related in order to attract and retain individuals with the necessary skills and character attributes;
- the remuneration paid is demonstrably dependent on the Company's sustained success and individuals' personal contributions and does not create any perverse incentives;
- the structure and amount of overall remuneration paid are consistent with Baloise's risk policies and encourage risk awareness.

The Remuneration Committee's main functions and responsibilities are to:

- submit proposals to the Board of Directors on the structure of remuneration to be paid in the Baloise Group, especially the remuneration to be paid to the Chairman and members of the Board of Directors and to the members of the Corporate Executive Committee;
- submit proposals to the Board of Directors – for approval by the Annual General Meeting – on the amount of remuneration to be paid to the Chairman and members of the Board of Directors and to the members of the Corporate Executive Committee;
- approve the basic salaries and the variable remuneration paid to individual members of the Corporate Executive Committee (in compliance with the pay caps stipulated by the Annual General Meeting);
- specify the total amount available in the performance pool and the total amount set aside for the allocation of performance share units (PSUs);
- approve inducement payments and severance packages that are granted to the most senior managers and which in individual cases exceed CHF 100,000 (subject to the proviso that no severance packages may be granted to members of the Board of Directors or the Corporate Executive Committee).

The Remuneration Committee consists of at least three independent members of the Board of Directors, who are elected every year by the Annual General Meeting. Thomas Pleines (Chairman), Karin Keller-Sutter (Deputy Chairwoman), Dr med Georges-Antoine de Boccard and Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen were elected to the Remuneration Committee by the Annual General Meeting on 28 April 2017. The Remuneration Committee maintains a regular dialogue with senior management throughout the year and generally meets at least twice annually. In addition to the committee secretary being present, these meetings are usually also attended by the Group CEO, the Head of the Corporate Centre and the Head of Group Human Resources, who participate in an advisory capacity. The individual members of the Group Executive Committee leave the meeting if the Remuneration Committee is discussing or deciding on their personal remuneration. The Chairman of the Remuneration Committee reports to the Board of Directors at its next meeting on the committee's activities.

3. REMUNERATION POLICIES

Principles

The Company's success is largely dependent on the skills, capabilities and performance of its workforce. It is therefore essential to recruit, develop and retain suitably qualified, highly capable and highly motivated professionals and executives. The level of remuneration offered by Baloise is in line with the going market rate and is performance-related. The clearly defined caps approved by the Annual General Meeting for the pay awarded to members of the Board of Directors and Corporate Executive Committee ensure that remuneration is not excessive.

Remuneration Guideline and Remuneration Policy

Responding to a request from the Remuneration Committee, in 2010 the Board of Directors formally adopted a Remuneration Guideline that formulates the remuneration principles and parameters applied across the Baloise Group. This Remuneration Guideline applies to all employees throughout the Baloise Group. It reflects the Company's values and principles and can be summarised as follows:

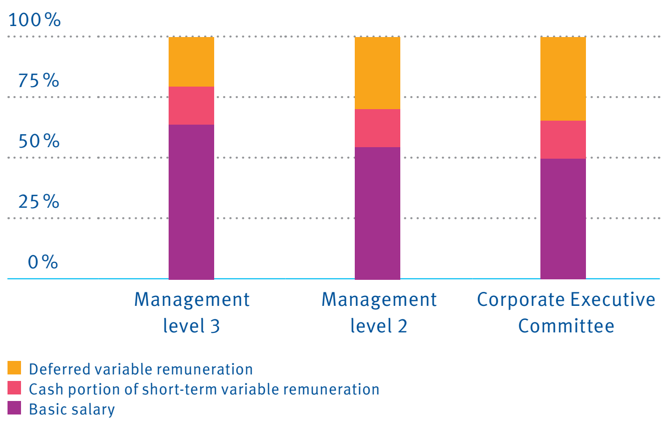
- Competitiveness in the marketplace: Baloise aims to pay basic salaries that are in line with the market – i. e. around the market median – and to offer variable remuneration packages in excess of the going market rate to reward outstanding performance by the Company and individuals;
- Remuneration that reflects the performance of the company as a whole and individual performance;
- Fairness and transparency: external market-based comparisons, fair pay and no discrimination;
- Sustainability: high correlation between the interests of managers and shareholders, long-term commitment and a high proportion of restricted shares.

The Board of Directors used this Remuneration Guideline as the basis for the Remuneration Policy, which applies to all employees in Switzerland and, by analogy, to all members of staff throughout the Baloise Group. By adopting this Remuneration Guideline and Remuneration Policy, the Board of Directors has ensured that all aspects of remuneration policy are standardised for the entire group. This regulatory framework underpins a remuneration system that meets all the requirements of the Swiss Financial Market Supervisory Authority and, in particular, ensures that variable remuneration accurately reflects the value added by the Company.

4. REMUNERATION SYSTEM

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise and to strengthen employees' and executives' loyalty and commitment to the organisation. The aim of Baloise's remuneration policies is to pay basic salaries in line with the going market rate. In addition, the variable components of remuneration are structured in such a way that it is possible to grant payments above the market median for years in which individual performance and the Company's profitability have been good; equally, it is possible to offer payments below the market median for years in which performance and profitability have been poor. As a performance-driven organisation, Baloise clearly and transparently aligns individual employees' targets with the Company's targets, which are derived from its strategic priorities. The individual contributions to the achievement of targets correlate with the amount of the individually specified variable remuneration. The total remuneration package – which comprises basic salary and variable remuneration – offers a sophisticated way of linking individuals' performance to Baloise's success and recognising both accordingly, and it is designed to reward employees for outstanding achievement without creating an incentive for them to take inappropriate risks. Personal performance provides our talented individuals with the necessary platform for their development, advancement, career planning and promotion. Baloise attaches considerable importance to retaining high performers and managing its business sustainably. In addition to paying its staff in line with market rates and according to individual achievement, the Company encourages its executives to focus on the longer term and on its shareholders' interests. Consequently, it pays a substantial proportion of variable remuneration in the form of shares that are restricted for three years. Furthermore, the three most senior management levels receive performance share units, which means that a further component of their salaries is paid out as prospective entitlements; these PSUs must be held for three years before being converted into shares as a form of deferred remuneration. As managers' strategic responsibility and influence grow, the amount of their variable remuneration is largely determined by the Company's profitability and economic value added (allowing for the level of risk taken). Short-term variable remuneration as a percentage of total compensation as well as the proportion of remuneration paid in the form of restricted shares (i. e. as deferred compensation) increase accordingly.



Performance management system

Baloise introduced the current performance management system for short-term variable remuneration in 2011. In order to encourage employees to focus relentlessly on performance and results while also taking the overall success of the Company into consideration, this system comprises two distinct tools: performance-related remuneration and the performance pool. Performance-related remuneration is used to reward individual employees' achievements, while the performance pool as a whole takes account of the Company's performance and value added.

The performance management system applies to the most senior level of management and to most other members of the management team throughout the Baloise Group.

The members of the Corporate Executive Committee are not entitled to performance-related remuneration. Their individual performance is factored into the allocation of payments from the performance pool.

Simple and in step with our strategy. From 2018, Baloise will be going in a new direction when it comes to performance management.

The performance management system for short-term variable remuneration, originally introduced in 2011, was revised during the year under review and a simplified version was put in place for 1 January 2018. The short-term variable remuneration is closely linked to achievement of the Company's goals and is calculated solely on the basis of the performance pool – the individual performance-related pay element has been scrapped. Baloise has thereby returned to having a single standardised system for the variable remuneration of the Corporate Executive Committee (for whom this simplified system was introduced in 2014), the most senior level of management across the entire Group, the majority of management team members in Switzerland and the equivalent functions in other countries.

This adjustment to the performance management system also underpins the implementation of Baloise's "Simply Safe" strategy, as it puts the focus on achieving the three strategic pillars: "cash upstream", "customer growth" and "employees".

This remuneration report for the current reporting year is based on the 2011 performance management system that was in force until 31 December 2017 and under which the short-term variable remuneration was paid out for the last time in spring 2018.

Market comparisons

Baloise regularly compares the salaries paid to its senior executives with those paid in the wider market. The Corporate Key Position Benchmark survey conducted by Willis Towers Watson (for the whole Baloise Group) and Kienbaum (for Luxembourg) uses function-specific peer groups. Each function being compared is assigned to one of three distinct peer groups. Assignment is based on which companies Baloise is competing against for the skill sets and qualifications needed for each function (i.e. recruitment market) and which alternative employers – in theory, at least – meet a certain function profile (i.e. competitors).

The first peer group replicates Baloise's core market and comprises direct insurers in the respective country. This peer group is used for conventional insurance and sales functions and for the local CEOs, executive directors and senior management functions. The second peer group supplements the core market group by including further companies from the banking and financial services sector in the respective country. This group is designed to compare functions that demand considerable financial expertise but do not necessarily require an insurance background. The third peer group consists of companies of a similar size and structure from various sectors and is used for interdisciplinary functions.

Baloise regularly compares the salaries paid in its insurance-specific and insurance-related functions in Switzerland with those of its relevant competitors and takes part in the Club Survey that Kienbaum has been conducting since 1995. This benchmarking survey of the salaries paid in the Swiss insurance sector is constantly being optimised to ensure that it meets participants' high professional standards and quality requirements. The comparison mainly covers insurance-specific functions up to middle management level. It also examines insurance-related, managerial and specialist functions performed by senior executives. Functions not covered by the Kienbaum comparison are regularly reviewed using the Willis Towers Watson Financial Services Compensation Survey. The findings of these benchmarking surveys are fed into the Company's regular review of its salary structures and presented to the Remuneration Committee.

Baloise also regularly conducts market comparisons of its local functions in the countries outside Switzerland.

5. COMPONENTS OF REMUNERATION

Baloise views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other benefits such as pension contributions, additional benefits and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median, although the way in which this is done will vary depending on local operating and market requirements. This remuneration is paid by bank transfer. In order to ensure fairness and compliance with its code of conduct when determining the level of basic salaries, Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount. The Company's clearly defined and market-based salary structures (e.g. grade-based salary bands) help ensure fair pay both inside and outside the organisation.

Short-term variable remuneration

The key factors determining the amount of short-term variable remuneration paid are the Company's profitability and economic value added and an employee's individual performance. The consequent link between the Company's profits and individual performance is designed to incentivise staff to achieve outstanding results. Measurement of the short-term variable remuneration paid to employees who perform control functions (risk management, compliance, Group Internal Audit) is structured in such a way that it is not determined directly by the profitability of the unit being monitored or by the profitability of individual products or transactions.

The remuneration paid to the insurance sales force is, by its very nature, strongly performance-related in line with the system of commissions commonly used in the insurance industry as a whole. However, these commissions constitute selling expenses rather than being regarded as variable remuneration in the strict sense of the term. Consequently, they are not discussed in this remuneration report.

Short-term variable remuneration is paid together with the salary for March of the following year. Baloise attaches considerable importance to managing its business sustainably and ensuring a high correlation between the interests of its shareholders and executives. It therefore pays a substantial proportion of variable remuneration in the form of shares. Senior managers can choose what percentage of their remuneration is paid out and what proportion they receive in the form of shares. This choice is limited for the most senior managers, who are obliged to subscribe for shares on a sliding-scale basis: members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares, which account for at least 70 per cent of total variable remuneration if the long-term effect of performance share units is included (see page 83). The shares subscribed in this way are restricted for three years and during this period are exposed to market risk. This mandatory purchase of shares in particular ensures that as senior executives' managerial responsibilities and total remuneration packages increase, a significant proportion of their compensation is paid in the form of deferred remuneration. This system also raises employees' risk awareness and encourages them to maintain sustainable business practices.

Two plans are available to individuals who wish to subscribe for shares: the Share Subscription Plan and the Share Participation Plan (see “7. Share Subscription Plan and Share Participation Plan”).

The section below describes performance-related remuneration and the performance pool, which are available as short-term variable remuneration components.

Performance-related remuneration

The performance-related remuneration paid out for the last time in 2017 (see infobox on the performance management system on page 84) reflects individual employees’ performance and rewards the achievement of their personal targets. To this end, line managers consult their members of staff once a year in order to define the latter’s key individual targets and objectives and then – by no later than February of the following year – assess the extent to which these targets and objectives have been achieved. The target achievement scale ranges from 0 per cent (not achieved) to a maximum of 150 per cent (significantly over-achieved). When setting these individual targets, line managers and their staff ensure that they do not agree any targets or objectives that conflict with the Company’s business strategy.

The target figure agreed for performance-related remuneration depends on the employee’s basic salary and varies according to his or her seniority in the management hierarchy and the importance of his or her function. Those entitled to receive performance-related remuneration are the most senior management level in the Baloise Group (except for the members of the Corporate Executive Committee), the majority of senior managers in Switzerland and the corresponding functions abroad.

The members of the Corporate Executive Committee do not receive any performance-related remuneration. Instead, their individual performance is recognised in such a way that the contribution made by each and every member of the Corporate Executive Committee to the achievement of the Company’s targets and objectives is factored into decisions affecting the measurement of the performance pool.

Performance pool

The performance pool takes account of the entire Baloise Group’s performance; its amount is determined by the Remuneration Committee after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis:

- Strategy implementation
  Indicators are the three strategic goals set by Baloise for the period 2017 to 2021, comprising a cash inflow of CHF 2 billion into Bâloise Holding, one million new customers, and a rating as one of the best employers in the sector.
- Business performance
  The key metric for this criterion is the profit for the period, with the combined ratio, the interest margin and the business mix in the life insurance business as sub-criteria.
- Risks taken
  The indicators used to gauge the success of the Company’s business from a risk perspective are the Solvency I ratio, the Swiss Solvency Test (SST) ratio, economic profit, the credit rating awarded by Standard & Poor’s, and assessments provided by the Chief Risk Officer and the Head of Group Compliance.
- Capital-markets perspective compared with competitors
  The main metric used to evaluate this criterion is the performance of Baloise’s share price including dividends paid compared with the 33 European insurance companies represented in the STOXX Europe 600 Insurance Index (the composition of this index is shown in the table on page 89).

The assessments by the Chief Risk Officer and the Head of Group Compliance of the risks taken and the evaluations by the Head of Group Human Resources and others of strategy requirements that cannot be precisely measured are also based on qualitative criteria and non-financial indicators such as senior managers’ risk behaviour, compliance with procedures and regulations and the practising of a genuine compliance culture, the effectiveness of the internal control system, and the efforts made in respect of talent management and staff engagement.

Performance pool payments are awarded to individuals at the discretion of the line manager concerned. The amount of these payments is mainly determined by a holistic assessment consisting of individuals' achievement of targets (gauged by the extent to which they have achieved their personal targets and objectives) as well as their leadership and conduct. The individual performance pool payment proposed by the respective line manager is discussed by the relevant management team, compared with other departments and divisions and adjusted where necessary. This process ensures that risk-relevant behavioural attributes are factored into the performance pool payments awarded to individuals.

This chosen system is centred on senior managers' overall assessment and the validation of individuals' performance pool payments at round-table discussions. The aim here is to give due consideration to all aspects of an individual's performance rather than using just a few parameters to make an assessment that may neglect other key factors.

The Remuneration Committee decides on the performance pool payments awarded to the individual members of the Corporate Executive Committee. The average expected value amounts to 60 per cent of basic salary; the maximum amount that can be allocated per member of the Corporate Executive Committee is 90 per cent of the basic salary, or 150 per cent of the expected value.

Those considered for performance pool payments are the most senior management level in the Baloise Group, the majority of senior managers in Switzerland and the corresponding functions abroad. However, there is no entitlement to receive payments from the performance pool.

For the 2017 financial year the Remuneration Committee decided, on the basis of a positive overall assessment, on a factor of 120 per cent of the normally expected value of performance pool payments. The same factor was agreed for the members of the Corporate Executive Committee and the Group. This decision was motivated by the following considerations:

Main indicator	Strategy implementation
Key question	How successfully were the strategic targets implemented?
Sub-criteria	Cash Upstream Customer growth Employees
Appraisal	The implementation of the new “Simply Safe” strategy has begun successfully. The acquisition of MovU in Switzerland and the launch of FRI:DAY in Germany are examples of the Baloise Group's ambitious and innovative plans. The launch of younGo products in Switzerland and the measures taken in Luxembourg and Belgium resulted in a slight overall increase in customers, within the range of expectations for 2017. In Switzerland, the negative trend in customer growth was halted. The excellent earnings in Switzerland and the growing contributions from Belgium and Luxembourg meant the Company also met its targets for cash upstream. Baloise measures its attractiveness as an employer with regular staff surveys, in particular asking staff whether they would recommend Baloise as a good employer (Employee Engagement Survey carried out every two years and supplemented with quarterly Pulse Checks). In the latest survey, 85 per cent of employees said they would recommend Baloise as an employer – an excellent figure that is around 15 percentage points higher than the standard among European financial services providers.
Rating	Neutral/Positive

Main indicator	Business performance
Key question	What is the operating profit?
Sub-criteria	Profit for the period (incl. combined ratio and interest margin in life insurance, as well as the business mix in life insurance)
Appraisal	Overall, Baloise achieved profit for the period that was above budget, although Germany was significantly below expectations. Switzerland performed well above expectations; with the planned combined ratio being undercut and the interest margin in the life insurance business further increased to 1.4 per cent. Luxembourg built on its good position in the life insurance business. Belgium's results remained strong.
Rating	Positive

Main indicator	Risks taken
Key question	How should the operating performance be assessed from a risk perspective?
Sub-criteria	Solvency I SST Economic Profit S&P rating Internal perspective Compliance
Appraisal	Despite challenging conditions in the markets (low interest rates) and in connection with regulatory requirements, risks were managed carefully according to internal experts. The sound SST ratio and the positive S&P rating confirm Baloise's healthy risk position. Thanks partly to a prudent compliance function, there were no serious breaches of laws or internal regulations. From a risk management perspective, risks were lower than in recent years.
Rating	Positive

Main indicator	Capital markets perspective
Key question	How did Baloise perform relative to other companies on the stock market?
Sub-criteria	Total shareholder return
Appraisal	The total shareholder return for 2017 is 23 per cent, clearly outperforming the market. In its peer group of companies on the STOXX Europe 600 Insurance Index, Baloise is just below the upper quartile.
Rating	Positive

The Remuneration Committee conducts a detailed assessment of the Company's performance once a year on the basis of the various criteria mentioned above and adjusts the size of the performance pool accordingly. It consciously does not carry out any weighting of the four main indicators so as to avoid giving either too much or too little weight to either the qualitative or quantitative criteria.

As the table below illustrates in the form of a comparison with the consolidated profit for the period, when the performance pool factor is set in this way, it goes up or down in line with the Company's success, although it is not directly derived from this key figure alone:

	Performance pool (as a percentage of the normal expected value)	Consolidated profit for the period (CHF million)
2011	70 %	61.3
2012	100 %	485.2
2013	120 %	455.4
2014	137 %	711.9
2015	100 %	511.1
2016	107 %	533.9
2017	120 %	531.9

Long-term variable remuneration: performance share units

In addition, Baloise grants performance share units (PSUs) to the most senior managers as a form of long-term variable remuneration. The PSU programme enables the top management level to benefit even more from the Company's performance and helps Baloise to retain high performers in the long run.

At the beginning of each vesting period the participating employees are granted rights in the form of PSUs, which entitle them to receive a certain number of shares free of charge after the vesting period has elapsed. The Remuneration Committee specifies the grant date and applies its own discretion in deciding which of the most senior management team members are eligible to participate. It determines the total number of PSUs available and decides how many are to be awarded to each member of the Corporate Executive Committee. PSUs are granted to the other participating employees on the basis of the relevant line manager's proposal, which must be approved by the line manager's manager.

The number of shares that can be subscribed after three years – i. e. at the end of the vesting period – depends on the performance of Baloise shares relative to a peer group. This comparative performance multiplier can be anywhere between 0.5 and 1.5. The peer group comprises the 33 leading European insurance companies contained in the STOXX Europe 600 Insurance Index.

One PSU generally confers the right to receive one share. This is the case if Baloise shares perform in line with the median of their peer group. In this case the performance multiplier would be 1.0. Participants receive more shares in exchange for their PSUs if Baloise shares outperform their peer group. The multiplier reaches the maximum of 1.5 if the performance of Baloise shares is above the upper quartile of companies in the peer group. The

Companies in the STOXX 600 Europe Insurance Index (as at 31 December 2017)

ADMIRAL GRP	CNP ASSURANCES	OLD MUTUAL	SWISS REINSURANCE COMPANY
AEGON	DIRECT LINE INSURANCE GROUP	PHOENIX GROUP HDG.	TRYG
AGEAS	GJENSIDIGE FORSIKRING	POSTE ITALIANE	ZURICH INSURANCE GROUP
ALLIANZ	HANNOVER RUECK	PRUDENTIAL	
ASR NEDERLAND NV	HELVETIA HLDG	RSA INSURANCE GRP	
ASSICURAZIONI GENERALI	HISCOX	SAMPO	
AVIVA	LEGAL & GENERAL GRP	SCOR	
AXA	MAPFRE	ST. JAMES'S PLACE CAPITAL	
BALOISE	MUENCHENER RUECK	STOREBRAND	
BEAZLEY	NN GROUP	SWISS LIFE HLDG	

Source: http://www.stoxx.com/index-details?symbol=SXIP multiplier is 0.5 if the performance of Baloise shares is below the bottom quartile of companies in the peer group. If the performance of Baloise shares is between the top and bottom quartiles, a linear scale is used to calculate the performance multiplier. The performance multiplier for the entire vesting period ended is based on the closing stock market prices on the final trading day of the respective vesting period.

Participants receive the pertinent number of shares once the vesting period has elapsed, which means that for the PSUs allocated in 2017 they receive their shares on 1 March 2020. If an individual's employment contract is terminated during the vesting period, the PSUs expire without the person concerned receiving any consideration or compensation. This does not apply if the employment contract ends due to retirement, disability or death. It also does not apply if the contract is terminated but the participant does not join a rival company or is not personally at fault for the termination of the contract. In the latter two cases, some of the allocated PSUs will still expire. The number of PSUs expiring is proportional to the amount of time remaining until the end of the vesting period. In addition, the Remuneration Committee has the powers to claw back some or all of the PSUs allocated to an individual or to a group of participants if there are specific reasons for doing so. Such specific reasons include, for example, serious breaches of internal or external regulations, the taking of inappropriate risks that are within an individual's control, and the type of conduct or behaviour that would increase the risks to Baloise.

The shares needed to convert the PSUs are purchased in the market as and when required.

Measurement of the PSUs at their issue date is based on a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period. This measurement incorporates the following parameters:

- interest rate of 1 per cent;
- the volatilities of all shares in the peer group and their correlations with each other (measured over a three-year track record);
- the expected dividend yields.

The value of PSUs is exposed to market risk until the end of the vesting period and may, of course, fluctuate significantly, as shown in the table below:

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF)[1]	Date	Multiplier	Price (CHF)[1]	Value (CHF)[2]	[3]
2007	01.03.2007	125.80	01.01.2010	1.182	86.05	101.71	– 19 %
2008	01.01.2008	109.50	01.01.2011	1.24	91.00	112.84	3 %
2009	01.01.2009	82.40	01.01.2012	0.64	64.40	41.22	– 50 %
2010	01.01.2010	86.05	01.01.2013	0.58	78.50	45.53	– 47 %
2011	01.01.2011	91.00	01.01.2014	0.77	113.60	87.47	– 4 %
2012	01.03.2012	71.20	01.03.2015	1.21	124.00	150.04	111 %
2013	01.03.2013	84.50	01.03.2016	1.50	126.00	189.00	124 %
2014	01.03.2014	113.40	01.03.2017	1.05	130.70	137.24	21 %
2015	01.03.2015	124.00	01.03.2018	1.44[4]	151.70[4]	218.30[4]	76 %[4]
2016	01.03.2016	126.00	01.03.2019	1.05[4]	151.70[4]	159.90[4]	27 %[4]
2017	01.03.2017	130.70	01.03.2020	1.34[4]	151.70[4]	203.60[4]	56 %[4]

1 Price = price of Baloise shares at the PSU grant date or conversion date.
2 Value = value of one PSU at the conversion date (share price at the conversion date times the multiplier).
3 Change in value = difference between the value at the conversion date (multiplier times the share price at the conversion date) and the share price at the grant date, expressed as a percentage of the share price at the grant date; example of the PSU plan in 2007: ([(1.182 × 86.05) – 125.80] / 125.80) 100 = – 19 %.
4 Interim measurement as at 31 December 2017.

Adjustments to the calculation of the performance multiplier from 1 March 2018

The Baloise Board of Directors has decided to amend the performance multiplier used to determine the number of shares per prospective entitlement with effect from 2018. The total shareholder return (TSR) will now be used instead of the share price to compare the performance of Baloise against that of the peer group (STOXX Europe 600 Insurance). The current lower limit of 0.5 will also be removed, so that if the Baloise TSR is below the bottom quartile of the peer group, the performance multiplier will be 0 and consequently no prospective entitlements will be converted into shares. This change is partly offset by the increase in the maximum possible performance multiplier to 2.0 in the event that the Baloise TSR grows more strongly over the vesting period than the TSRs of all the peer companies. The performance multiplier now increases on a linear basis from the bottom quartile from 0.5 to 2.0. This change anchors the performance-related pay principle even more firmly within the long-term variable remuneration structure.

Fringe benefits

Fringe benefits are generally defined as components of the total remuneration package that are not dependent on either an individual's function or performance or the Company's performance. By providing voluntary benefits in the form of retirement pensions, subsidies, concessions, and staff training and professional development, Baloise demonstrates the close partnership that it maintains with its employees and the extent to which it values their contribution. Fringe benefits are granted on a country-by-country basis in line with prevailing local laws.

6. EMPLOYMENT CONTRACTS, CHANGE-OF-CONTROL CLAUSES, INDUCEMENT PAYMENTS AND SEVERANCE PACKAGES

The employment contracts of senior managers in Switzerland and – in most cases – in other countries as well have been concluded for an indefinite period. They stipulate a notice period of six months. All members of the Corporate Executive Committee have a notice period of twelve months. The employment contract with the Chairman of the Board of Directors does not stipulate any notice period; its duration is determined by the term of appointment and by law. There are no change-of-control clauses.

The Remuneration Policy adopted by the Board of Directors contains clear guidance on inducement payments and severance packages. Such remuneration may only be paid in justified cases. No severance packages may be awarded to members of either the Board of Directors or the Corporate Executive Committee, and any inducement payments granted to such persons – irrespective of their amount – must be approved by the Remuneration Committee. Inducement payments and severance packages for the most senior managers must be approved by the Remuneration Committee if they exceed CHF 100,000. Each individual case is assessed on a discretionary basis.

7. SHARE SUBSCRIPTION PLAN AND SHARE PARTICIPATION PLAN

Two plans are available to individuals who wish to subscribe for shares as part of their short-term variable remuneration: the Share Subscription Plan and the Share Participation Plan.

Share Subscription Plan

Since January 2003, those who qualify as eligible persons at Baloise Group companies in Switzerland – and, since 2008, the members of the Executive Committees at companies outside Switzerland as well – have been able to subscribe for shares at a preferential price as part of their short-term variable remuneration. The subscription date is 1 March of each year; although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold for the duration of a three-year closed period.

The parameters used to determine the subscription price are decided each year by the Remuneration Committee. The subscription price is based on the closing price before the first day of the subscription period, on which a discount of 10 per cent is granted (please refer to the accompanying table for details). Once it has been calculated using this method, the subscription price is published in advance on the intranet. The shares needed for the Share Subscription Plan are purchased in the market as and when required.

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Subscription Plan for 2018 (applies to variable remuneration awarded for the 2017 reporting period)	10.01.2018	156.20	140.58
Share Subscription Plan for 2017 (applies to the variable remuneration granted for 2016 and to the shares subscribed by the Chairman and members of the Board of Directors in 2017)	10.01.2017	129.30	116.37

Share Participation Plan

Since May 2001, it has been possible for most management team members working in Switzerland to receive part of their short-term variable remuneration in the form of shares from the Share Participation Plan instead of receiving cash. Within certain limits they are free to choose what proportion of their short-term variable remuneration they receive in the form of such shares. The most senior management team members are subject to upper limits; members of the Corporate Executive Committee – who are obliged to receive at least half of their short-term variable remuneration in the form of shares – are not allowed to receive more than 40 per cent of their entitlement in the form of shares from the Share Participation Plan. The subscription date is 1 March of each year (the same as for the Share Subscription Plan); although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold during a three-year closed period.

The parameters used to determine the subscription price are decided each year by the Remuneration Committee. The subscription price is based on the closing price before the first day of the subscription period, from which discounted dividend rights are deducted over a period of three years (please refer to the accompanying table for details). Once it has been calculated using this method, the subscription price is published in advance on the intranet. The shares needed for the Share Participation Plan are purchased in the market as and when required.

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Participation Plan for 2018 (applies to variable remuneration awarded for the 2017 reporting period)	10.01.2018	156.20	140.80
Share Participation Plan for 2017 (applies to the variable remuneration granted for 2016 and to the shares subscribed by the Chairman of the Board of Directors in 2017)	10.01.2017	129.30	114.49

In order to increase the impact of this Share Participation Plan, employees are granted loans on which interest is charged at market rates, which enables them to subscribe for shares whose value constitutes a multiple of the capital invested; these shares are purchased at their fair value net of discounted dividend rights over a period of three years. Repayment of these loans after the three-year closed period has elapsed is hedged by put options, which are financed by the sale of offsetting call options. If the price of the shares is below the put options' strike price when the closed period expires, programme participants can sell all their shares at this strike price, which ensures that they can repay their loans plus interest. In this event, however, they lose all the capital that they have invested. If, on the other hand, the price of the shares is above the call options' strike price, programme participants must pay the commercial value of these options. Their upside profit potential is thus limited by the call options. If, when the three-year closed period elapses, the price of the shares is between the put options' strike price and the call options' strike price, once the loans plus accrued interest have been repaid the employees concerned receive the remaining shares to do with as they wish.

EMPLOYEE INCENTIVE PLAN

	2016	2017
Number of shares subscribed	183,678	176,252
Restricted until	31.08.2019	31.08.2020
Subscription price per share (CHF)	56.40	77.00
Value of shares subscribed (CHF million)	10.4	13.6
Fair value of subscribed shares on subscription date (CHF million)	21.5	26.9
Employees entitled to participate	3,098	3,146
Participating employees	2,029	2,007
Subscribed shares per participant (average)	90.5	87.8

8. EMPLOYEE INCENTIVE PLAN

The Baloise Foundation for Employee Participation set up in 1989 offers members of staff working for various Baloise Group companies in Switzerland the opportunity to purchase shares in Bâloise Holding – usually once a year – at a preferential price in compliance with the regulations adopted by the Board of Foundation. This encourages employees to maintain their commitment to the Company over the long term by becoming shareholders. The subscription price is fixed by the Board of Foundation at the beginning of the subscription period and is then published on the intranet. It equals half of the volume-weighted average share price calculated for the month of August in each subscription year. In 2017 the subscription price amounted to CHF 77.00 (2016: CHF 56.40) and a total of 176,252 shares were subscribed (2016: 183,678). Title to the subscribed shares passes to the relevant employees with effect from 1 September each year, and the shares are subject to a three-year closed period.

The Foundation acquired the underlying stock of shares used in this plan from previous capital increases carried out by Bâloise Holding. It supplements these shareholdings by purchasing shares in the market. The existing shareholdings will enable the Foundation to continue the Employee Incentive Plan over the coming years. The Foundation is run by a Board of Foundation that is predominantly independent of the Corporate Executive Committee. The independent Board of Foundation members are Peter Schwager (Chairman) and Professor Heinrich Koller (lawyer); the third member of the Board of Foundation is Andreas Burki (Head of Legal & Tax at Baloise).

9. PENSION SCHEMES

Baloise provides a range of pension solutions, which vary from country to country in line with local circumstances. In Switzerland it offers different pension schemes for its insurance and banking employees.

The Company provides its employees in Switzerland with an attractive occupational pension solution (Pillar 2) that meets the following objectives:

- It covers its insured employees' needs in the event of old age, death or disability and mitigates the resultant financial consequences by offering an occupational pension scheme based on the principle of social partnership.
- It enables its retirees to maintain the standard of living to which they are accustomed by providing them with a sufficiently high level of income replacement (combination of Pillar 1 and Pillar 2 benefits) to compensate for their loss of earnings.
- The employer makes a disproportionately high contribution to the funding of its occupational pension scheme.
- Its pension solutions are future-proof, robust, predictable and properly costed.

The members of the Corporate Executive Committee are insured under the pension scheme run by Baloise Insurance Ltd. They are subject to the same terms and conditions as all other insured office-based members of staff. Until May 2016, the pension contributions were also paid on behalf of the Chairman of the Board of Directors, who is also insured. Since June 2016, he has not been entitled to have contributions paid to the pension fund, nor have such contributions been paid to him.

The other members of the Board of Directors have never been entitled to have contributions paid to the pension fund, nor have such contributions been paid to them.

10. RULES STIPULATED IN THE ARTICLES OF ASSOCIATION

Certain rules governing remuneration are stipulated in the Articles of Association:

- Article 30 Additional amount for the remuneration paid to Corporate Executive Committee members appointed since the last Annual General Meeting
- Article 31 Annual General Meeting votes on remuneration
- Article 32 Principles of profit-related remuneration and the granting of equity instruments
- Article 34 Loans and advances granted to members of the Board of Directors and the Corporate Executive Committee
- www.baloise.com/rules-regulations

11. REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

Please refer to the tables on pages 98 and 99.

The Chairman of the Board of Directors chairs the meetings of both the Board of Directors and the Chairman's Committee. He also chairs the Investment Committee. He represents the Company externally and, acting in this capacity, maintains contact with government agencies, trade associations and other Baloise stakeholders. The Chairman of the Board of Directors liaises with the Group CEO in formulating proposals on Baloise's long-term objectives and its strategic direction and development, and these proposals are then discussed and approved by the Board of Directors as a whole. He works closely with the Corporate Executive Committee to ensure that the Board of Directors is provided with timely information on all matters of material importance to the decision-making and monitoring process at Baloise. The Chairman of the Board of Directors is entitled to attend meetings of the Corporate Executive Committee at any time. He takes part in these meetings when necessary in order to maintain a regular dialogue between himself and the Corporate Executive Committee and whenever matters of strategic or long-term importance are being discussed.

The Chairman of the Board of Directors performs his various functions on a full-time basis, in return for which he is paid a fixed amount of remuneration. He is not entitled to any variable remuneration and, consequently, he receives no performance-related remuneration, no performance pool payments and no allocation of PSUs. He is paid roughly a quarter of his remuneration in the form of shares, although he is free to choose each year how many shares he receives under the Share Subscription Plan and how many under the Share Participation Plan. The shares that he receives under the Share Subscription Plan are subject to a closed period of five years (instead of the usual three years).

The other members of the Board of Directors are paid a lump sum as remuneration for their work on the Board of Directors (CHF 125,000) and for additional functions that they perform on the Board of Directors' committees (CHF 70,000 for the Chairman and CHF 50,000 for members). These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have remained unchanged since 2008.

Since 2006 the members of the Board of Directors have received 25 per cent of their annual remuneration in the form of shares that are restricted for three years. Members of the Board of Directors receive a 10 per cent discount on the shares' market price in line with the Share Subscription Plan available to senior executives. The members of the Board of Directors do not participate in any share ownership programmes that are predicated on the achievement of specific performance targets.

No amounts receivable from current or previous members of the Board of Directors have been waived. No remuneration was paid to former members of the Board of Directors.

12. REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

Please refer to the tables on pages 100 to 103.

The short-term variable remuneration paid to the members of the Corporate Executive Committee is allocated from the performance pool. The individual performance and individual contribution of each member in achieving the Company's objectives is factored into the measurement of the performance pool. The expected performance pool value amounts to 60 per cent of basic salary. Even in cases of outstanding individual performance and excellent performance by the Company as a whole, this payment cannot exceed 90 per cent of basic salary (cap of 150 per cent of the expected value).

The members of the Corporate Executive Committee receive performance share units (PSUs) as a form of long-term variable remuneration, which is expected to account for 40 per cent of basic salary. This system complies with Swiss legislation and meets the European standard, which stipulates that the ratio of fixed to variable remuneration should normally be one-to-one (Capital Requirements Directive IV).

The structure of remuneration paid to the Corporate Executive Committee is laid down in the Remuneration Policy. The actual level of remuneration paid is determined in accordance with the table below.

The members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares in order to ensure that their own interests are more strongly aligned with those of shareholders. This mandatory purchase of shares coupled with the shares allocated under the PSU programme ensures that, compared with the market as a whole, a significant proportion of their compensation is paid in the form of deferred remuneration.

The Corporate Executive Committee members' remuneration is disclosed on pages 100 to 103 in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2016 even if individual components are not paid until a later date.

The total remuneration paid to the Corporate Executive Committee for 2017 was slightly lower overall than in the previous year (sum total of basic salary plus variable remuneration down by 3.6 per cent). The change can be explained as follows:

- Because of a change to the composition of the Corporate Executive Committee, fixed remuneration was paid both to the two outgoing members and to the two new members for an overlapping period of six months. This meant a slight increase in the total basic salaries, even though there had also been a similar overlap in 2016 with the change in the Group CEO, and the fixed salaries of the new members of the Corporate Executive Committee are lower than those of their predecessors.
- The slight increase in the total basic salaries was offset through lower variable remuneration. Although the higher performance pool factor meant the total of the expected value for short-term variable remuneration was higher (performance pool factor of 120 per cent in comparison to 107 per cent in the prior year), significantly fewer performance share units were allocated. No further PSUs were allocated to the resigning members of the Corporate Executive Committee, and the allocation received by the new members on 1 March was based on the terms and conditions of their employment prior to joining the Corporate Executive Committee.

TYPE OF REMUNERATION	DECIDED BY	APPLICABLE PERIOD
Fixed remuneration	Annual General Meeting	Upcoming year
Variable remuneration		
– cap	Annual General Meeting	Current year
– individual payment	Remuneration Committee (in compliance with the cap set by the Annual General Meeting)	

The Annual General Meeting held on 29 April 2016 approved a maximum amount of CHF 4,522 million for the fixed remuneration (including pension contributions) payable to the Corporate Executive Committee for 2017. CHF 5,046 million was paid out. The difference of CHF 0,524 million (including pension contributions) is due to the overlap resulting from the changes to the Corporate Executive Committee. The resigning members of the Corporate Executive Committee were paid in accordance with the terms of their contracts up to the end of October 2017 and the new members of the Corporate Executive Committee were paid the fixed remuneration from the start of May 2017. The fixed salaries of the two new members of the Corporate Executive Committee are lower than those of the two resigning members. The amount exceeding the total amount originally requested, is covered by article 30 of the Articles of Association of Bâloise Holding (additional amount for the remuneration of newly appointed members of the Corporate Executive Committee: "If the Board of Directors appoints a new Group CEO or one or more new members of the Corporate Executive Committee between two Annual General Meetings, the total amount of Corporate Executive Committee remuneration approved by the Annual General Meeting will be increased. The increase applies for each newly appointed member in the amount of the average of the sum approved for the current members of the Corporate Executive Committee.").

The Annual General Meeting held on 28 April 2017 also approved a maximum amount of CHF 4,671 million for the variable remuneration (including pension contributions) payable for 2017. A total of CHF 3,645 million was paid out, which meant that only around four-fifths of the maximum amount available was utilised.

The individual allocation of the performance pool to the members of the Corporate Executive Committee is based on their individual contribution towards the attainment of the targets for the Group's profit for the period and on the attainment of the individual targets (which focus on the implementation of the agreed strategy, on projects and innovation, and on the conduct of the members of the Corporate Executive Committee).

13. LOANS AND CREDIT FACILITIES

Please refer to the table on page 104.

14. SHARES AND OPTIONS HELD

Please refer to the tables on pages 105 and 106.

15. AMOUNTS OF TOTAL REMUNERATION AND VARIABLE REMUNERATION

Please refer to the table on page 107.

As requested by circular 10/1 issued by the Swiss Financial Market Supervisory Authority on the subject of remuneration, Baloise has published in the table on page 107 the amounts of total remuneration and variable remuneration and has disclosed the total amounts of outstanding deferred remuneration and the inducement payments and severance packages granted. These figures include all forms of remuneration awarded for 2017 even if individual components are not paid until a later date.

This page has been left empty on purpose.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

2016	Basic remuneration	Remuneration for additional functions	Total remuneration	Pension benefits	Total	Of which: in shares	Number of shares
CHF							
Dr Andreas Burckhardt	1,320,000		1,320,000	100,076	1,420,076	311,906	2,890
Chairman of the Board of Directors		0					
Werner Kummer	125,000		295,000	0	295,000	73,641	674
Vice-Chairman of the Board of Directors		50,000					
Chairman's Committee		50,000					
Chair of the Audit and Risk Committee		70,000					
Dr Michael Becker	125,000		191,667	0	191,667	56,160	514
Investment Committee (until 29 April 2016)		16,667					
Audit and Risk Committee		50,000					
Dr Andreas Beerli	125,000		225,000	5,966	230,966	56,160	514
Chairman's Committee		50,000					
Audit and Risk Committee		50,000					
Dr Georges-Antoine de Boccard	125,000		225,000	5,966	230,966	56,160	514
Investment Committee		50,000					
Remuneration Committee		50,000					
Christoph B. Gloor	125,000		208,333	5,966	214,299	43,704	400
Investment Committee		50,000					
Audit and Risk Committee (since 29 April 2016)		33,333					
Karin Keller-Sutter	125,000		175,000	5,966	180,966	43,704	400
Remuneration Committee		50,000					
Hugo Lasat (since 29 April 2016)	83,333		116,667	5,619	122,286	0	0
Investment Committee		33,333					
Thomas Pleines	125,000		238,333	5,966	244,299	56,160	514
Audit and Risk Committee (until 29 April 2016)		16,667					
Remuneration Committee (until 29 April 2016)		16,667					
Chair of the Remuneration Committee (since 29 April 2016)		46,667					
Chairman's Committee (since 29 April 2016)		33,333					
Dr Eveline Saupper (until 29. April 2016)	62,500		122,500	5,683	128,183	61,186	560
Chairman's Committee		25,000					
Chair of the Remuneration Committee		35,000					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen (since 29 April 2016)	83,333		116,667	5,619	122,286	0	0
Remuneration Committee		33,333					
Total for the Board of Directors	2,424,167	810,000	3,234,167	146,827	3,380,994	758,779	6,980

Explanatory notes to the table
Remuneration paid to former members and related parties No remuneration on a non-arm's-length-basis was paid to individuals or companies who are related to members of the Board of Directors. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.
Shares 25 per cent of contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 109.26, in line with the Share Subscription Plan). Shares received by the Chairman of the Board of Directors amounted to 1,427 shares in connection with the Share Subscription Plan (CHF 155,914, with a closed period of five years instead of the usual three years) and 1,463 shares in connection with the Share Participation Plan (CHF 155,992).
Pension contributions The information disclosed for 2016 includes for the first time the contributions payable by the employer into the state-run social security schemes (up to the pensionable or insurable threshold in each case) and the pension fund (only for the Chairman of the Board of Directors). Neither the Chairman (since June 2016) nor the members of the Board of Directors are entitled to have contributions paid to the pension fund, nor have such contributions been paid to the Chairman or the members of the Board of Directors.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

2017	Basic remuneration	Remuneration for additional functions	Total remuneration	Pension benefits	Total	Of which: in shares	Number of shares
CHF							
Dr Andreas Burckhardt	1,320,000		1,320,000	0	1,320,000	311,929	2,703
Chairman of the Board of Directors		0					
Werner Kummer	125,000		295,000	0	295,000	73,662	633
Vice-Chairman of the Board of Directors		50,000					
Chairman’s Committee		50,000					
Chair of the Audit and Risk Committee		70,000					
Dr Michael Becker (until 28 April 2017)	62,500		87,500	0	87,500	43,639	375
Audit and Risk Committee		25,000					
Dr Andreas Beerli	125,000		225,000	0	225,000	56,207	483
Chairman’s Committee		50,000					
Audit and Risk Committee		50,000					
Dr Georges-Antoine de Boccard	125,000		225,000	0	225,000	56,207	483
Investment Committee		50,000					
Remuneration Committee		50,000					
Christoph B. Gloor	125,000		225,000	5,966	230,966	56,207	483
Investment Committee		50,000					
Audit and Risk Committee		50,000					
Karin Keller-Sutter	125,000		175,000	5,966	180,966	43,639	375
Remuneration Committee		50,000					
Hugo Lasat	125,000		175,000	5,966	180,966	43,639	375
Investment Committee		50,000					
Dr Thomas von Planta (since 28 April 2017)	83,333		116,667	5,619	122,286	0	0
Investment Committee		33,333					
Thomas Pleines	125,000		245,000	5,966	250,966	61,211	526
Chair of the Remuneration Committee		70,000					
Chairman’s Committee		50,000					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	125,000		175,000	5,966	180,966	43,639	375
Remuneration Committee		50,000					
Total for the Board of Directors	2,465,833	798,333	3,264,167	35,449	3,299,616	789,977	6,811

Explanatory notes to the table
Prior to 2012, newly elected members of the Board of Directors only received six months’ pay in the first calendar year; the first two months following election to the Board of Directors (May and June) were not remunerated. When members resigned from the Board of Directors, they received six months’ pay instead of four months’, thereby making up for the missing two months. Since 2012, newly elected members of the Board of Directors receive a fee for the full eight months of their first calendar year and in the year of their resignation they are paid for just four months.
Mr Becker was elected before this change and therefore on the payment date in March 2017 received an additional two months’ remuneration on top of the four months’ remuneration he was due for 2017 (half each in shares and cash).
Remuneration paid to former members and related parties No remuneration on a non-arm’s-length-basis was paid to individuals or companies who are related to members of the Board of Directors. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.
Shares 25 per cent of contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 116.37, in line with the Share Subscription Plan). The Chairman of the Board of Directors received 1,340 shares in connection with the Share Subscription Plan (CHF 155,936, with a closed period of five years instead of the usual three years) and 1,363 shares under the Share Participation Plan (CHF 155,993).
Pension contributions The information disclosed for 2017 includes the contributions that the employer is required by law to pay into the state-run social security schemes (up to the pensionable or insurable threshold in each case). Neither the Chairman (since June 2016) nor the members of the Board of Directors are entitled to have contributions paid to the pension fund, nor have such contributions been paid to the Chairman or the members of the Board of Directors.

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	Basic salary					
	Cash payment (fixed)	Cash payment	Share Subscription Plan		Share Participation Plan	
2016	CHF	CHF	Number of shares	CHF	Number of shares	CHF
Gert De Winter	950,000	313,616	2,693	313,384	0	0
Group CEO						
Dr Martin Strobel (until 30 April 2016)	383,333	0	0	0	0	0
Departing Group CEO						
Michael Müller	632,500	125,245	2,511	292,205	0	0
Head of Corporate Division Switzerland						
German Egloff	690,000	207,067	711	82,739	1,085	124,194
Head of Corporate Division Finance						
Dr Thomas Sieber	621,000	164,019	1,056	122,887	1,074	122,954
Head of Corporate Division Corporate Centre						
Martin Wenk	690,000	124,300	3,201	372,500	0	0
Head of Corporate Division Asset Management						
Total for the Corporate Executive Committee	3,966,833	934,246	10,172	1,183,716	2,159	247,148

Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2016 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals who are related to members of the Corporate Executive Committee. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 116.37.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loan-financed shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 114.49.
Performance share units (PSUs) These have been disclosed at their value of CHF 129.75 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period.

Variable remuneration				Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Pension contributions	Total remuneration
Performance share units (PSU)		Total variable remuneration						
Granted in 2016								
Number of PSU	CHF	Number of shares	CHF	CHF		CHF	CHF	CHF
2,929	380,038	2,693	1,007,038	1,957,038	106 %	0	194,871	2,151,908
0	0	0	0	383,333	0 %	0	68,934	452,268
1,950	253,013	2,511	670,463	1,302,963	106 %	4,183	174,338	1,481,483
2,128	276,108	1,796	690,108	1,380,108	100 %	4,183	215,404	1,599,695
1,915	248,471	2,130	658,331	1,279,331	106 %	4,183	194,871	1,478,385
2,128	276,108	3,201	772,908	1,462,908	112 %	4,183	215,404	1,682,495
11,050	1,433,738	12,331	3,798,848	7,765,681	96 %	16,732	1,063,821	8,846,234

Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum).
Pension benefits These comprise the estimated employer contributions to the state-run social security schemes and the pension fund (up to the pensionable or insurable threshold in each case).

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	Basic salary					
	Cash payment (fixed)	Cash payment	Share Subscription Plan		Share Participation Plan	
2017	CHF	CHF	Number of shares	CHF	Number of shares	CHF
Gert De Winter	950,000	313,507	2,230	313,493	0	0
Group CEO						
Michael Müller	700,000	163,904	2,718	382,096	0	0
Head of Corporate Division Switzerland						
Dr Thomas Sieber	621,000	164,038	874	122,867	873	122,955
Head of Corporate Division Corporate Centre						
Dr Carsten Stolz (since 1 May 2017)	333,334	120,085	853	119,915	0	0
Head of Corporate Division Finance						
Dr Matthias Henny (since 1 May 2017)	333,334	136	938	131,864	625	88,000
Head of Corporate Division Asset Management						
German Egloff (until 30 October 2017)	575,000	151,800	0	0	0	0
Departing Head of Corporate Division Finance						
Martin Wenk (until 30 October 2017)	575,000	151,800	0	0	0	0
Departing Head of Corporate Division Asset Management						
Total for the Corporate Executive Committee	4,087,667	1,065,270	7,613	1,070,236	1,498	210,955

Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2017 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions etc.
The basic salary of Matthias Henny and Carsten Stolz is recognised pro rata from 1 May 2017. German Egloff and Martin Wenk received their usual monthly salary until the end of their notice period on 31 October 2017; payments from the performance pool were made for the time served as members of the Corporate Executive Committee until 30 April 2017.
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals who are related to members of the Corporate Executive Committee. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived. German Egloff received CHF 30,013 and Martin Wenk received CHF 21,897 in remuneration payments for November and December 2017, for roles performed after the end of their notice period.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 140.58.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loans to purchase shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 140.80.
Performance share units (PSUs) These have been disclosed at their value of CHF 139.90 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period. The PSUs allocated to Matthias Henny and Carsten Stolz on 1 March 2017 based on the terms and conditions of their employment prior to joining the Corporate Executive Committee and have been recognised pro rata from 1 May 2017 for eight months.

Variable remuneration				Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Pension contributions	Total remuneration
Performance share units (PSUs)		Total variable remuneration						
Granted in 2017								
Number of PSUs	CHF	Number of shares	CHF	CHF		CHF	CHF	CHF
3,003	420,120	2,230	1,047,120	1,997,120	110%	0	194,871	2,191,990
1,809	253,079	2,718	799,079	1,499,079	114%	5,121	174,338	1,678,538
1,776	248,462	1,747	658,322	1,279,322	106%	5,121	194,871	1,479,314
477	66,686	853	306,686	640,019	92%	5,121	133,700	778,841
667	93,360	1,563	313,360	646,694	94%	5,121	134,446	786,261
0	0	0	151,800	726,800	26%	5,121	191,300	923,221
0	0	0	151,800	726,800	26%	64,621	205,836	997,257
7,732	1,081,707	9,111	3,428,167	7,515,834	84%	90,226	1,229,361	8,835,422

Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum). In 2017, Martin Wenk received a loyalty bonus in cash for his service anniversary. Michael Müller, Thomas Sieber and Carsten Stolz opted for additional annual leave for their service anniversaries instead of a loyalty bonus in cash.
Pension benefits These comprise the estimated employer contributions to the state-run social security schemes and the pension fund (up to the pensionable or insurable threshold in each case).

LOANS AND CREDIT FACILITIES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE (AS AT 31 DECEMBER)

	Mortgages		Loans pertaining to the Share Participation Plan		Other loans		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
CHF								
Dr Andreas Burckhardt								
Chairman	0	0	2,623,656	2,623,673	0	0	2,623,656	2,623,673
Werner Kummer								
Vice-Chairman	0	0	0	0	0	0	0	0
Dr Michael Becker (until 28 April 2017)								
Member	0	0	0	0	0	0	0	0
Dr Andreas Beerli								
Member	0	0	0	0	0	0	0	0
Dr Georges-Antoine de Boccard								
Member	0	0	0	0	0	0	0	0
Christoph B. Gloor								
Member	0	0	0	0	0	0	0	0
Karin Keller-Sutter								
Member	0	0	0	0	0	0	0	0
Hugo Lasat								
Member	0	0	0	0	0	0	0	0
Dr Thomas von Planta (since 28 April 2017)								
Member	–	0	–	0	–	0	–	0
Thomas Pleines								
Member	0	0	0	0	0	0	0	0
Dr Eveline Saupper (until 29 April 2016)								
Member	0	–	0	–	0	–	0	–
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen								
Member	0	0	0	0	0	0	0	0
Total for the Board of Directors	0	0	2,623,656	2,623,673	0	0	2,623,656	2,623,673
Corporate Executive Committee member with the highest outstanding loan								
Dr Thomas Sieber								
Head of Corporate Division Corporate Centre	1,000,000	660,000	1,887,700	1,690,895	0	0	2,887,700	2,350,895
Other members of the Corporate Executive Committee	1,600,000	2,200,000	574,474	3,145,165	0	0	2,174,474	5,345,165
Total for the Corporate Executive Committee	2,600,000	2,860,000	2,462,174	4,836,060	0	0	5,062,174	7,696,060

Explanatory notes to the table
Loans and credit facilities No loans or credit facilities were granted at non-market terms and conditions
a) to former members of the Board of Directors or Corporate Executive Committee;
b) to individuals or companies related to members of the Board of Directors or Corporate Executive Committee. Related parties are: spouses, life partners, children under 18 years, companies owned or controlled by directors, or legal entities or individuals who act as trustees for them.
Mortgages Mortgages of up to CHF 1 million are granted to staff at the following terms and conditions: 1 per cent below the customer interest rate for variable-rate mortgages and at a preferential interest rate for fixed-rate mortgages.
Loans associated with the Share Participation Plan Loans to increase the effect of the Share Participation Plan (see "7. Share Subscription Plan and Share Participation Plan"). Interest is charged on loans at a market rate (2017: 1 per cent), and they have a term of three years.
Other loans There are no policy loans.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS (AS AT 31 DECEMBER)

	Discretionary shares		Restricted shares		Total share ownership		Percentage of issued share capital	
	2016	2017	2016	2017	2016	2017	2016	2017
Quantity								
Dr Andreas Burckhardt								
Chairman	13,983	19,543	38,611	36,367	52,594	55,910	0.105 %	0.115 %
Werner Kummer								
Vice-Chairman	5,192	5,787	2,911	2,949	8,103	8,736	0.016 %	0.018 %
Dr Michael Becker (until 28 April 2017)								
Member	2,961	4,508	2,551	1,379	5,512	5,887	0.011 %	0.012 %
Dr Andreas Beerli								
Member	1,261	1,808	2,551	2,487	3,812	4,295	0.008 %	0.009 %
Dr Georges-Antoine de Boccard								
Member	1,261	1,686	2,429	2,487	3,690	4,173	0.007 %	0.009 %
Christoph B. Gloor								
Member	7,312	7,312	1,781	2,264	9,093	9,576	0.018 %	0.020 %
Karin Keller-Sutter								
Member	0	425	2,206	2,156	2,206	2,581	0.004 %	0.005 %
Hugo Lasat								
Member	0	0	1,000	1,375	1,000	1,375	0.002 %	0.003 %
Dr Thomas von Planta (since 28 April 2017)								
Member	–	111	–	1,000	–	1,111	–	0.002 %
Thomas Pleines								
Member	594	1,141	2,551	2,530	3,145	3,671	0.006 %	0.008 %
Dr Eveline Saupper (until 29 April 2017)								
Member	5,270	–	1,688	–	6,958	–	0.014 %	–
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen								
Member	0	0	1,000	1,375	1,000	1,375	0.002 %	0.003 %
Total for the Board of Directors	37,834	42,321	59,279	56,369	97,113	98,690	0.194 %	0.202 %
Percentage of issued share capital	0.076 %	0.087 %	0.119 %	0.116 %	0.194 %	0.202 %		

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them).
Restricted shares Shares received in connection with share-based remuneration programmes are subject to a restriction period of three years. The closed period for shares received by the Chairman of the Board of Directors in connection with the Share Subscription Plan is five years. Section 20 of the Articles of Association also requires all members of the Board of Directors to lodge 1,000 shares with the Company for the duration of their term of appointment (qualifying shares).
Options Members of the Board of Directors do not hold any options on Baloise shares.

SHARES HELD BY MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE (AS AT 31 DECEMBER)

	Discretionary shares		Restricted shares		Total share ownership		Percentage of issued share capital		Prospective entitlements (PSUs)	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Quantity										
Gert De Winter										
Group CEO	13,527	16,246	3,013	4,578	16,540	20,824	0.033 %	0.043 %	5,852	7,340
Dr Martin Strobel (until 30 April 2016)										
Departing Group CEO	100	–	11,517	–	11,617	–	0.023 %	–	7,833	–
Michael Müller										
Head of Corporate Division Switzerland	16,209	16,816	8,248	7,585	24,457	24,401	0.049 %	0.050 %	6,259	5,847
Dr Thomas Sieber										
Head of Corporate Division Corporate Centre	7,100	6,100	24,819	21,435	31,919	27,535	0.064 %	0.056 %	6,145	5,741
Dr Carsten Stolz (since 1 May 2017)										
Head of Corporate Division Finance	–	1,500	–	1,870	–	3,370	–	0.007 %	–	2,351
Dr Matthias Henny (since 1 May 2017)										
Head of Corporate Division Asset Management	–	9,264	–	22,928	–	32,192	–	0.066 %	–	3,236
German Egloff (until 30 October 2017)										
Departing Head of Corporate Division Finance	12,054	966	13,293	18,349	25,347	19,315	0.051 %	0.040 %	6,829	4,406
Martin Wenk (until 30 October 2017)										
Departing Head of Corporate Division Asset Management	9,533	3,685	8,467	8,915	18,000	12,600	0.036 %	0.026 %	6,829	4,406
Total for the members of the Corporate Executive Committee	58,523	54,577	69,357	85,660	127,880	140,237	0.256 %	0.287 %	39,747	33,327
Percentage of issued share capital	0.117 %	0.112 %	0.139 %	0.176 %	0.256 %	0.287 %				

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them).
Restricted shares Includes loan-financed shares connected with the Share Participation Plan. Shares received in connection with share-based remuneration programmes are subject to a closed period of three years.
Options Options held in connection with the Share Participation Plan are not reported here because they were written to hedge loans and do not originate from a separate option plan. Each put option is also offset by a countervailing call option.
Prospective entitlements (PSUs) Number of allocated performance share units (granted as at 1 March 2015, 1 March 2016 and 1 March 2017).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

	2016				2017			
	In cash	In shares	Prospective entitlements	Total	In cash	In shares	Prospective entitlements	Total
Total remuneration								
CHF million	705.3	5.7	5.3	716.3	735.7	5.6	4.7	746.0
Total variable remuneration (total pool)								
CHF million	153.4	5.7	5.3	164.4	155.3	5.6	4.7	165.6
Number of beneficiaries	5,176	176	69		5,237	138	65	
Of which commission paid to insurance sales force								
CHF million	101.1	0.0	0.0	101.1	105.5	0.0	0.0	105.5
Of which other forms of variable remuneration								
CHF million	52.3	5.7	5.3	63.2	47.3	5.6	4.7	57.6
Total outstanding deferred remuneration								
CHF million	0.0	87.1	15.0	102.2	0.0	103.5	14.6	118.1
Debits/credits for remuneration for previous reporting periods recognised in profit or loss								
CHF million	–0.1	0.0	0.0	–0.1	–0.2	0.0	0.0	–0.2
Total inducement payments made								
CHF million	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.2
Number of beneficiaries	9	0	0		5	0	0	
Total severance payments made								
CHF million	9.6	0.0	0.0	9.6	2.3	0.0	0.0	2.3
Number of beneficiaries	80	0	0		52	0	0	

Explanatory notes to the table
The table includes all forms of remuneration awarded for each year even if individual components are not paid until a later date.
Total remuneration All taxable benefits that the financial institution provides to persons directly or indirectly for the work they have performed for it in connection with their employment or directorship. They include cash payments, non-cash benefits, expenditure that creates or increases entitlements to pension benefits, pensions, allotment of shareholdings, conversion rights and warrants, and debt waivers.
Variable remuneration Part of total remuneration, the amount or payment of which is at the discretion of the financial institution or which depends on the occurrence of agreed conditions. It includes performance-related and profit-based remuneration such as fees and commissions. Inducement and severance payments also fall under the definition of variable remuneration.
Total pool All the variable remuneration that a financial institution allocates for a year regardless of its form, any contractual undertaking in respect of grant dates or payout dates and any terms and conditions attached. Inducement and severance payments made in the relevant year should be included in the total pool.
Inducement payment One-off payment agreed when an employment contract is signed. Payments to compensate for lost entitlement to remuneration from a former employer also count as inducement pay.
Severance payment Remuneration agreed in connection with the termination of an employment contract. Severance packages are paid only in individual justified cases and are granted only to management team members and to employees, but not to members of either the Board of Directors or the Corporate Executive Committee.

Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basel

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 21 March 2018

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Bâloise Holding Ltd (pages 80 - 106) for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).
The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards.
Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of ERCO.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of ERCO.
The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY
Building a better working world

Opinion
In our opinion, the remuneration report for the year ended 31 December 2017 of Bâloise Holding Ltd complies with Swiss law and articles 14–16 of ERCO.

Ernst & Young Ltd

Stefan Marc Schmid Licensed audit expert (Auditor in charge)	Christian Fleig Licensed audit expert

Financial Report

Consolidated balance sheet

	Note	31.12.2016	31.12.2017
CHF million			
Assets			
Property, plant and equipment	8	349.3	353.3
Intangible assets	9	836.1	1,002.5
Investments in associates	10	160.4	138.4
Investment property	11	6,817.5	7,480.3
Financial instruments with characteristics of equity	12		
Available for sale		4,357.1	4,402.9
Recognised at fair value through profit or loss		9,948.5	11,472.0
Financial instruments with characteristics of liabilities	12		
Held to maturity		8,224.6	8,488.9
Available for sale		23,806.7	24,870.1
Recognised at fair value through profit or loss		1,735.2	2,001.1
Mortgages and loans	13		
Carried at cost		15,457.7	15,791.7
Recognised at fair value through profit or loss		897.0	776.8
Derivative financial instruments	14	757.3	800.4
Receivables from financial contracts	15		
Carried at cost		4.2	3.0
Reinsurance assets	16	415.2	468.3
Receivables from reinsurers	17	47.5	38.2
Insurance receivables		383.5	444.1
Receivables from employee benefits	18	0.8	3.3
Other receivables	15	463.1	403.1
Receivables from investments	15	451.6	440.9
Deferred tax assets	19	69.3	88.8
Current income tax assets		54.1	43.6
Other assets	20		
Carried at cost		187.6	349.1
Recognised at fair value through profit or loss		54.5	70.5
Cash and cash equivalents		3,173.3	3,551.6
Non-current assets and disposal groups classified as held for sale	21	1,962.0	1,041.1
Total assets		80,614.3	84,523.9

CHF million	Note	31.12.2016	31.12.2017
Equity and liabilities			
Equity			
Share capital	22	5.0	4.9
Capital reserves		317.3	346.2
Treasury shares		– 248.1	– 152.3
Unrealised gains and losses (net)		– 318.4	– 4.3
Retained earnings		5,985.5	6,151.7
Equity before non-controlling interests		5,741.3	6,346.2
Non-controlling interests		32.4	63.0
Total equity		5,773.7	6,409.2
Liabilities			
Technical reserves (gross)	23	46,209.0	48,008.5
Liabilities arising from banking business and financial contracts	24		
With discretionary participation features		2,317.4	2,814.2
Measured at amortised cost		8,000.9	7,628.8
Recognised at fair value through profit or loss		9,999.4	12,253.6
Financial liabilities	25	1,470.4	1,742.9
Provisions	26	80.0	49.0
Derivative financial instruments	14	299.0	145.3
Insurance liabilities	27	1,565.2	1,706.3
Liabilities arising from employee benefits	18	1,463.9	1,394.4
Other accounts payable		456.6	593.1
Deferred tax liabilities	19	944.9	922.4
Current income tax liabilities		44.3	81.5
Other liabilities		81.3	131.1
Liabilities included in non-current assets and disposal groups classified as held for sale	21	1,908.3	643.6
Total liabilities		74,840.6	78,114.7
Total equity and liabilities		80,614.3	84,523.9

Consolidated income statement

	Note	2016	2017
CHF million			
Income			
Premiums earned and policy fees (gross)	28	6,680.6	6,726.4
Reinsurance premiums ceded	28	– 168.2	– 183.4
Premiums earned and policy fees (net)	28	6,512.4	6,542.9
Investment income	29	1,476.6	1,392.5
Realised gains and losses on investments			
For own account and at own risk	30	303.1	427.8
For the account and at risk of life insurance policyholders and third parties	30	364.1	696.5
Income from services rendered	31	110.1	116.9
Share of profit (loss) of associates		7.1	5.5
Other operating income	32	136.8	235.0
Income		8,910.2	9,417.1
Expense			
Claims and benefits paid (gross)	23	– 5,664.2	– 5,726.5
Change in technical reserves (gross)	23	– 669.1	– 535.0
Reinsurers’ share of claims incurred	23	108.2	80.8
Acquisition costs	33	– 502.9	– 482.1
Operating and administrative expenses for insurance business	33	– 763.9	– 765.8
Investment management expenses	33	– 60.3	– 77.2
Interest expenses on insurance liabilities		– 30.5	– 21.9
Gains or losses on financial contracts	35	– 342.9	– 613.4
Other operating expenses	33	– 300.9	– 591.8
Expense		– 8,226.6	– 8,733.0
Profit before borrowing costs and taxes		683.6	684.1
Borrowing costs	25	– 38.0	– 34.3
Profit before taxes		645.6	649.8
Income taxes	36	– 111.7	– 117.9
Profit for the period		533.9	531.9
Attributable to:			
Shareholders		534.8	548.0
Non-controlling interests		– 0.9	– 16.1
Earnings / loss per share	37		
Basic (CHF)		11.53	11.50
Diluted (CHF)		11.22	11.48

Consolidated statement of comprehensive income

CHF million	2016	2017
Profit for the period	533.9	531.9
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	7.9	– 0.7
Other Items not to be reclassified to the income statement	–	1.3
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 153.7	72.4
Change arising from shadow accounting	40.5	9.9
Deferred income taxes	27.2	– 21.4
Total items not to be reclassified to the income statement	– 78.1	61.6
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	126.6	– 182.5
Change in unrealised gains and losses on associates	– 0.4	7.5
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 15.3	78.1
Change in reserves arising from reclassification of held-to-maturity financial assets	– 1.1	– 2.5
Change arising from shadow accounting	– 117.3	197.0
Exchange differences	– 2.5	119.3
Deferred income taxes	– 14.8	38.1
Total items to be reclassified to the income statement	– 24.9	255.1
Other comprehensive income	– 103.0	316.6
Comprehensive income	430.9	848.5
Attributable to:		
Shareholders	433.0	863.4
Non-controlling interests	– 2.0	– 14.9

Consolidated cash flow statement

CHF million	Note	2016	2017
Cash flow from operating activities			
Profit before taxes		645.6	649.8
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8/9	63.1	82.7
Realised gains and losses on property, plant and equipment and on intangible assets		– 0.3	– 6.4
Income from investments in associates		– 7.1	– 5.5
Realised gains and losses on financial assets, investment property and associates		– 652.0	– 1,087.2
Amortised cost valuation of financial instruments		9.6	7.9
Change in assets and liabilities from operating acitivities			
Deferred Acquisition Costs	9	– 20.0	– 81.7
Technical reserves		589.4	405.2
Reinsurers' share of technical reserves		– 9.2	– 17.9
Receivables and liabilities arising from banking business and financial contracts		1,426.4	1,872.4
Receivables from investments		36.9	27.8
Receivables and liabilities arising from insurance business and from reinsurers		– 72.8	72.0
Change in other assets and other liabilities from operating acitivities		– 349.2	102.0
Change in operating assets and liabilities			
Purchase of investment property	11	– 453.7	– 567.2
Sale of investment property	11	49.5	157.7
Purchase of financial assets of an equity nature		– 2,670.4	– 3,562.6
Sale of financial assets of an equity nature		2,398.0	3,739.0
Purchase of financial assets of a debt nature		– 4,669.3	– 6,538.7
Sale of financial assets of a debt nature		4,500.7	5,969.7
Addition of mortgages and loans		– 3,074.5	– 2,972.1
Disposal of mortgages and loans		3,326.6	2,768.5
Addition of derivative financial instruments		– 341.0	– 453.4
Disposal of derivative financial instruments		103.5	62.4
Borrowing costs	25	38.0	34.3
Taxes paid		– 154.1	– 90.1
Cash flow from operating activities		713.7	568.6

CHF million	Note	2016	2017
Cash flow from investing activities			
Purchase of property, plant and equipment	8	–16.4	–21.7
Sale of property, plant and equipment		0.6	8.4
Purchase of intangible assets	9	–26.6	–27.6
Sale of intangible assets		0.1	0.1
Acquisition of companies, net of cash and cash equivalents	39	–20.3	–250.4
Disposal of companies, net of cash and cash equivalents	39	–	37.7
Purchase of investments in associates		–	–
Sale of investments in associates		–	–
Dividends from associates		6.2	5.5
Cash flow from investing activities		**–56.3**	**–247.9**
Cash flow from financing activities			
Additions to financial liabilities	25	–	496.5
Disposals of financial liabilities	25	–163.2	–225.0
Borrowing costs paid	25	–33.4	–30.9
Purchase of treasury shares		–106.9	–101.9
Sale of treasury shares		228.3	91.9
Cash flow attributable to non-controlling interests		–0.3	–0.3
Dividends paid		–232.0	–248.5
Cash flow from financing activities		**–307.5**	**–18.2**
Total cash flow		**350.0**	**302.5**
Cash and cash equivalents			
Balance as at 1 January		2,839.8	3,173.3
Change during the financial year		350.0	302.5
Reclassification to non-current assets and disposal groups classified as held for sale		–	–48.7
Effect of changes in exchange rates on cash and cash equivalents		–16.6	124.5
Balance as at 31 December		**3,173.3**	**3,551.6**
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		1,935.5	2,133.2
Cash equivalents		–	0.1
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,237.8	1,418.3
Balance as at 31 December		**3,173.3**	**3,551.6**
Of which: restricted cash and cash equivalents		105.3	77.1
Supplemental disclosures on cash flow from operating activities			
Interest received		857.3	749.7
Dividends received		141.4	98.4
Interest paid		–57.4	–40.5

Consolidated statement of changes in equity

2016	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million									
Balance as at 1 January 2016		5.0	253.2	– 305.4	– 216.5	5,682.7	5,418.9	34.7	5,453.6
Profit for the period		–	–	–	–	534.8	534.8	– 0.9	533.9
Other comprehensive income	38	–	–	–	– 101.9	–	– 101.9	– 1.1	– 103.0
Comprehensive income		–	–	–	– 101.9	534.8	433.0	– 2.0	430.9
Other changes in equity									
Dividend		–	–	–	–	– 232.0	– 232.0	– 0.3	– 232.2
Capital increase / repayment	22	–	–	–	–	–	–	–	–
Purchase / sale of treasury shares		–	64.1	57.3	–	–	121.4	–	121.4
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation	39	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the percentage of shareholding	6	–	–	–	–	–	–	–	–
Balance as at 31 December 2016		5.0	317.3	– 248.1	– 318.4	5,985.5	5,741.3	32.4	5,773.7

2017	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million									
Balance as at 1 January 2017		5.0	317.3	– 248.1	– 318.4	5,985.5	5,741.3	32.4	5,773.7
Profit for the period		–	–	–	–	548.0	548.0	– 16.1	531.9
Other comprehensive income	38	–	–	–	314.1	1.3	315.4	1.3	316.6
Comprehensive income		–	–	–	314.1	549.3	863.4	– 14.9	848.5
Other changes in equity									
Dividend		–	–	–	–	– 248.5	– 248.5	– 0.3	– 248.7
Capital increase / repayment	22	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	– 1.3	– 100.6	–	–	– 101.9	–	– 101.9
Sale of treasury shares		–	30.3	61.7	–	–	91.9	–	91.9
Cancellation of (treasury) shares		– 0.1	–	134.8	–	– 134.7	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation	39	–	–	–	–	–	–	45.7	45.7
Increase / decrease in non-controlling interests due to change in the percentage of shareholding	6	–	–	–	–	–	–	–	–
Balance as at 31 December 2017		4.9	346.2	– 152.3	– 4.3	6,151.7	6,346.2	63.0	6,409.2

Notes to the consolidated annual financial statements
Basis of presentation

1. BASIS OF PREPARATION

The Baloise Group is a European direct insurer comprising nine different insurance companies that operate in virtually every segment of the life and non-life insurance business. Its holding company is Bâloise Holding Ltd, a Swiss corporation based in Basel whose shares are listed in the Regulatory Standard for Equity Securities (Sub-Standard: International Reporting) of the Swiss Exchange (SIX). Its subsidiaries are active in the direct insurance markets in Switzerland, Liechtenstein, Germany, Belgium, Luxembourg, Slovakia and the Czech Republic. Its banking business is conducted by subsidiaries in Switzerland and Germany. In addition, the Baloise Group has several fund management companies in Luxembourg.

The Baloise Group's consolidated annual financial statements are based on the historical cost principle and recognise adjustments resulting from the regular fair value measurement of investment property and of financial assets and financial liabilities that are classified as available for sale or recognised at fair value through profit or loss. These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comply with Swiss law. IFRS 4 deals with the recognition and disclosure of insurance and reinsurance contracts. The measurement of these contracts is based on local financial reporting standards. All amounts shown in these consolidated annual financial statements are stated in millions of Swiss francs (CHF million) and have been rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in isolated cases differ from the rounded total shown in this report.

At its meeting on 21 March 2018 the Bâloise Holding Ltd Board of Directors approved the annual financial statements and the Financial Report and authorised them for issue. The financial statements have yet to be approved by the Annual General Meeting of Bâloise Holding Ltd.

1.1 Presentation changes

Minor changes to the presentation of the consolidated income statement were made in the reporting period. The breakdown of realised gains and losses on investments into "own account" and "third party", which was previously shown in note 30, is now presented directly in the income statement (2016: CHF 667.2 million). By presenting the information in this way, Baloise is taking the different bearers of the risk into consideration and enabling users of the financial statements to see this information directly in the income statement. This adjustment does not otherwise impact on income or other line items.

2. APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND RESTATEMENTS

2.1 Newly applied IFRSs and interpretations

Currently, there are no requirements to apply any newly applied standards or interpretations that have a material impact on the profit for the period or on balance sheet line items.

2.2 New IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IASB but have not yet come into effect and, therefore, have not been applied in the 2017 consolidated annual financial statements:

Standard/ Inter- pretation	Content	Applicable to annual periods beginning on or after
IFRS 9	Financial instruments	1.1.2018
IFRS 15	Revenue from contracts with customers	1.1.2018
IFRS 16	Leases	1.1.2019
IFRS 17	Insurance contracts	1.1.2021

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial instruments. Classification of financial assets is based on the entity's business model and on the contractual cash flow characteristics of the financial assets concerned.

IFRS 9 introduces a new impairment model and shifts the focus to providing for expected credit losses by recognising loss allowances. IFRS 9 specifies three steps that determine the amount of expected losses and interest revenue to be recognised in future. Credit losses already expected at the time of initial recognition are measured at the present value of the twelve-month expected credit losses (step 1). The loss allowance is increased to an amount equal to full lifetime expected credit losses if the credit risk of a financial liability has grown significantly since initial recognition (step 2). Where there is objective evidence of impairment, the recognition of interest revenue is based on its net carrying amount (step 3).

On 12 September 2016, the IASB issued Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (Amendments to IFRS 4). The amendments address concerns arising from implementing the new financial instruments Standard IFRS 9 before implementing the Standard IFRS 17 Insurance Contracts.

The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard IAS 39.

The Baloise Group intends to apply the deferral approach for IFRS 9 with effect from 1 January 2018, which will enable it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 2021. Analysis has already been carried out to clarify whether the Baloise Group fulfils the conditions for applying this approach. The outcome was positive, and there are no indications that would prevent this exemption from being applied.

It is not yet possible to fully assess what impact the amendments to IFRS 9 will have on the Baloise Group's balance sheet and income statement from 2021.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 (Revenue), IAS 11 (Construction Contracts) and a number of other revenue-related interpretations for annual periods beginning on or after 1 January 2018. Application of IFRS 15 is mandatory for all IFRS users and governs almost all contracts with customers. The main exemptions concern leases, financial instruments and insurance contracts. For those customer contracts that are not covered by the aforementioned exemptions, this new standard provides a single, principles-based five-step model to be applied to the relevant contracts with customers.

The modified retrospective method is being used for first-time adoption, which means the cumulative effects will be recognised once directly in equity. The Baloise Group will apply this standard from 1 January 2018 and currently does not anticipate any material effect on its consolidated financial statements owing to the exemptions for insurance contracts and financial instruments.

IFRS 16 Leases

IFRS 16 applies to all leases (including sub-leases), although certain exceptions are possible. IFRS 16 governs the recognition, measurement, reporting and disclosure requirements in respect of leases in the financial statements of IFRS users. The standard provides a single accounting treatment model for lessees. This model requires lessees to recognise all lease assets and lease liabilities on the balance sheet, unless the term of the lease is twelve months or less or an asset is of low value. Long-term leases on real estate are covered by the definitions in IFRS 16 and, in future, will have to be recognised with a right of use. The Baloise Group plans to apply this standard from 1 January 2019.

Application of the standard will lead to a slight increase in the size of the balance sheet because the usage rights have to be recognised as assets while, on the other side, the lease liabilities are reported as liabilities. There will also be changes to the presentation of the income statement and cash flow statement because borrowing costs and depreciation, amortisation and impairment will be affected. We do not anticipate a material effect on the profit for the period.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of this standard. The objective of IFRS 17 is to ensure that reporting entities provide relevant information that faithfully represents their insurance contracts. This information provides a basis for users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows.

IFRS 17 was published in May 2017 and is required to be applied for annual periods beginning on or after 1 January 2021. Rather than changing the business model of insurers, IFRS 17 affects their reporting. The most important changes relate to the methodology for measuring contracts and policies. Until now, they have been measured primarily in accordance with past developments and on the basis of data that was available at the start of the contracts. Analysis will now have a stronger focus on the future, with assessments based on potential cash flows. Life insurance contracts, which may have a term of several decades, will be particularly affected.

The Baloise Group has initiated a groupwide project to fully examine the effects of implementing IFRS 17. It is too early to comment on the potential impact on the consolidated financial statements.

3. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

3.1 Method of consolidation

3.1.1 Subsidiaries

The consolidated annual financial statements comprise the financial statements of Bâloise Holding Ltd and its subsidiaries, including any structured entities. A subsidiary is consolidated if the Baloise Group controls it either directly or indirectly. As a rule, this is the case if the Baloise Group has exposure or rights to variable profit components as a result of its involvement with the investee and, because of legal positions, has the ability to influence the investee's business activities that are critical to its financial success and, therefore, to affect the amount of the variable profit components.

Companies acquired during the reporting period are included in the consolidated annual financial statements from the date on which control is effectively assumed, while all companies sold remain consolidated until the date on which control is ceded. Acquisitions of entities are accounted for under the acquisition method (previously known as the "purchase method"). Transaction costs are charged to the income statement as an expense. The identifiable assets and liabilities of the entity concerned are measured at fair value as at the date of first-time consolidation. Non-controlling interests arising from business combinations are measured either at their fair value or according to their share of the acquiree's identifiable net assets. The Baloise Group decides which measurement method to apply to each individual business combination.

The acquisition cost corresponds to the fair value of the consideration paid to the previous owners on the date of the acquisition. If investments in the form of financial instruments or associates were already held before control was acquired, these investments are remeasured and any difference is recognised in profit or loss. Any contingent consideration recognised as part of the consideration paid for the acquiree is measured at fair value on the transaction date. Any subsequent changes in the fair value of a contingent consideration are recognised in the income statement. If the acquisition cost exceeds the fair value of assets and liabilities plus non-controlling interests, the difference is recognised as goodwill. Conversely, if the identified net assets exceed the acquisition cost then the difference is recognised directly through profit or loss as other operating income. All intercompany transactions and the resultant gains and losses are eliminated.

The consolidation of subsidiaries ends on the date on which control is ceded. If only some of the shares in a subsidiary are sold, the retained interest is measured at fair value on the date that control is lost. Gains or losses on the disposal of (some of) the subsidiary's shares are recognised in the income statement as either other operating income or other operating expenses.

The acquisition of additional investments in subsidiaries after assuming control and the disposal of investments in subsidiaries without ceding control are both recognised directly in equity as transactions with owners.

3.1.2 Structured entities

Structured entities are consolidated provided the conditions of IFRS 10 are met.

3.1.3 Joint arrangements

Joint arrangements are contractual agreements over which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture. In a joint operation, the involved parties have direct rights and obligations in respect of the assets and liabilities and the income and expenses. By contrast, the parties involved in a joint venture do not have a direct entitlement to the assets and liabilities and, instead, have rights in respect of the net assets of the joint venture owing to their position as investors.

Joint ventures are accounted for using the equity method, i. e. the Baloise Group initially recognises the joint ventures at cost (fair value at the date of acquisition) and thereafter recognises them under the equity method (the Baloise Group's share of the entity's net assets and profit or loss for the period). In the case of joint operations, the Baloise Group includes directly in its consolidated financial statements the share of the assets, liabilities, income and expenses of the joint operation that is attributable to the Baloise Group.

3.1.4 Associates

Associates are initially carried at cost (fair value at the date of acquisition) and thereafter are measured under the equity method (the Baloise Group's share of the entity's profit or loss for the period and other comprehensive income) in cases where the Baloise Group can exert a significant influence over the management of the entity concerned. Changes in the fair value of associates are generally recognised in profit or loss and take account of any dividend flows. If the Baloise Group's share of the losses exceeds the value of the associate, no further losses are recognised. Goodwill paid for associates is included in the carrying amount of the investment.

3.2 Currency translation

3.2.1 Functional currency and reporting currency

Each subsidiary prepares its annual financial statements in its functional currency, which is the currency of its primary economic environment. The consolidated Financial Report is presented in millions of Swiss francs (CHF), which is the Baloise Group's reporting currency.

3.2.2 Translation of transaction currency into functional currency at Group companies

Income and expenses denominated in foreign currency are translated either at the exchange rate prevailing on the transaction date or at the average exchange rate. Monetary and non-monetary balance sheet items measured at fair value and arising from foreign currency transactions conducted by Group companies are translated at the closing rate. Non-monetary items measured at historical cost are translated at the historical rate. Any resultant exchange differences are recognised in profit or loss. This does not include exchange differences that form part of cash flow hedges and are recognised directly in hedging reserves or are used as hedges of a net investment in a foreign operation.

Exchange differences arising on non-monetary financial instruments recognised at fair value through profit or loss are reported as realised gains or losses on these instruments. Exchange differences on available-for-sale non-monetary financial instruments are recognised in other comprehensive income. Exchange differences arising on available-for-sale monetary financial instruments are recognised in profit or loss.

3.2.3 Translation of functional currency into reporting currency

The annual financial statements of all entities that have not been prepared in Swiss francs are translated as follows when the consolidated financial statements are being prepared:

- Assets and liabilities at the closing rate
- Income and expenses at the average rate for the year.

The resultant exchange differences are aggregated and recognised directly in equity. When foreign subsidiaries are sold, the exchange differences arising on the disposal are recognised in the income statement as a transaction gain or loss.

3.2.4 Key exchange rates

CURRENCY

	Balance sheet		Income statement	
	31.12.16	31.12.17	Ø 2016	Ø 2017
CHF				
1 EUR (euro)	1.07	1.17	1.09	1.11
1 USD (US dollar)	1.02	0.97	0.99	0.98

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The acquisition cost of property, plant and equipment includes all directly attributable costs. Subsequent acquisition costs are only capitalised if future economic benefits associated with the property, plant and equipment will flow to the entity concerned and these costs can be measured reliably. All other repairs and maintenance costs are expensed as incurred.

Land is not depreciated. Other items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- Owner-occupied buildings: 25 to 50 years
- Office furniture, equipment, fixtures and fittings: 5 to 10 years
- Machinery, furniture and vehicles: 4 to 10 years
- Computer hardware: 3 to 5 years

At each balance sheet date the Baloise Group tests all items of property, plant and equipment for impairment and reviews the suitability of their useful lives.

An impairment loss is immediately recognised on items of property, plant and equipment if their recoverable amount is lower than their carrying amount.

Gains or losses on the sale of property, plant and equipment are immediately taken to the income statement as either other operating income or other operating expenses.

3.4 Leases

3.4.1 The Baloise Group as a lessee

Finance leases: leases on real estate, office furniture, equipment, fixtures, fittings and other tangible assets are classified and treated as finance leases if they transfer to the Baloise Group substantially all the risks and rewards incidental to ownership. The fair value of the leased property or, if lower, the present value of the lease payments is recognised as an asset at the inception of the lease. All lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability; this is reported on the Baloise Group's balance sheet as liabilities arising from banking business and financial contracts. Assets held under finance leases are fully depreciated over the shorter of the lease term and their useful life.

Operating leases: all other leases are classified as operating leases. Lease payments under operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

3.4.2 The Baloise Group as a lessor

Investment real estate let on operating leases is reported as investment property on the consolidated balance sheet.

3.5 Intangible assets

3.5.1 Goodwill

Goodwill represents the excess of an acquiree's acquisition cost over the fair value of its assets and liabilities plus the acquisition-date amount of any non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. Goodwill is reported as an intangible asset. Goodwill is tested for impairment in the second half of each year. An impairment test may also be conducted in the first half of the year if there are objective indications that goodwill may be permanently impaired. When a new investment is acquired, the date for conducting future impairment tests is fixed and these tests are subsequently carried out at the same time each year. When entities are sold, their share of goodwill is recognised in their profit or loss. Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing.

3.5.2 Present value of future profits (PVFP) on insurance contracts acquired

The present value of future profits on insurance contracts acquired arises from the purchase of life insurance companies or life insurance portfolios. It is initially measured in accordance with actuarial principles and is amortised on a straight-line basis. It is regularly tested for impairment as part of a liability adequacy test (see section 3.19.2 for further details).

3.5.3 Deferred acquisition costs (DACs)

Costs directly incurred by the conclusion of insurance contracts or financial contracts with discretionary participation features (DPFs) – such as commissions – are capitalised and amortised over the term of these contracts or, if shorter, over the premium payment period. Deferred acquisition costs are tested for impairment at each balance sheet date (see section 3.19.3 for further details).

3.5.4 Other intangible assets and internally developed assets

Other intangible assets essentially comprise software, external IT consulting (in connection with software that has been developed), internally developed assets (such as software) and assets identified during the acquisition of entities (such as brands and customer relationships). These assets are recognised at cost and are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised and are carried at cost less accumulated impairment losses.

All financing for intangible assets is generally obtained from the Baloise Group's own financial resources. If funding from external sources is required, interest accrued during the assets' development is capitalised as incurred.

3.6 Investment property

Investment property comprises land and / or buildings held to earn rental income or for capital appreciation (or both). If mixed-use properties cannot be broken down into owner-occupied property and property used by third parties, the entire property is classified according to the purpose for which most of its floor space is used. If, owing to a change of use, an investment property held by the Baloise Group becomes the latter's owner-occupied property, it is reclassified as property, plant and equipment. Any such reclassification is based on the property's fair value at the reclassification date. By contrast, if one of the Baloise Group's owner-occupied properties becomes an investment property owing to reclassification, then, on the date this change of use takes effect, the difference between the property's carrying amount and its fair value is recognised in profit or loss in the event of an impairment; or, if the property's fair value exceeds its carrying amount, then the difference is recognised directly in equity as an unrealised gain. If an investment property that was reclassified in a previous period is sold, the amount recognised directly in equity is reclassified to retained earnings. Investment property is measured at fair value under the discounted cash flow (DCF) method. The current fair value of a property determined under the DCF method equals the sum total of all net income expected in future and discounted to its present value (before interest payments, taxes, depreciation and amortisation) and includes capital expenditure and renovation costs. The net income is determined individually for each property, depending on the opportunities and risks associated with it, and is discounted in line with market rates and on a risk-adjusted basis. The measurement is carried out internally each year by experts using market-based assumptions that have been verified by respected consultancies. In addition, the properties are assessed by external valuation specialists at regular intervals; roughly 10 per cent of the fair value of the real estate portfolio is subject to such assessments each year. Changes in fair value are taken to income as realised accounting gains or losses in the period in which they occur.

3.7 Financial assets

The term "investments" (Kapitalanlagen in German) is used in some places and headings in the Financial Report for clarity's sake. The IFRSs themselves do not define the term "investments" (or Kapitalanlagen). The term "investments" as used in the Financial Report covers financial assets, mortgages and loans, derivative financial instruments, cash, cash equivalents and investment property.

The asset classes covered by the term financial instruments with characteristics of equity are equities, share certificates, units held in equity, bond and real estate funds; and alternative financial assets such as private equity investments and hedge funds. Financial instruments with characteristics of equity are generally more frequently exposed to price volatility than financial instruments with characteristics of liabilities.

The term financial instruments with characteristics of liabilities covers securities such as bonds and other fixed-income securities. They are usually interest-bearing and are issued for a fixed or determinable amount.

The Baloise Group classifies its financial instruments with characteristics of equity and its financial instruments with characteristics of liabilities as either "recognised at fair value through profit or loss", "held to maturity" or "available for sale". The classification of the financial instruments concerned is determined by the purpose for which they have been acquired.

Mortgages and loans are generally carried at cost. In pursuing its strategy of using natural hedges, however, the Baloise Group applies the fair value option to designate parts of its portfolio as "recognised at fair value through profit or loss". Appropriately designated derivative financial instruments are used to hedge these parts of the portfolio.

3.7.1 Financial assets recognised at fair value through profit or loss

This category consists of two sub-categories: held-for-trading financial assets (trading portfolio) and financial assets that are designated to this category. Financial instruments are classified in this category if they have principally been acquired with the intention of selling them in the short term, or if they form part of a portfolio for which there have recently been indications that a gain could be realised in the short term, or if they have been designated to this category. Derivative financial instruments are classified as “held for trading” (trading portfolio) with the exception of derivatives that have been designated for hedge accounting purposes. Also designated to this category are structured products, i.e. equity instruments and debt instruments which, in addition to the host contract, contain embedded derivatives that are not bifurcated and measured separately. Financial assets held under investment-linked life insurance contracts are also designated as “recognised at fair value through profit or loss”.

3.7.2 Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments involving fixed or determinable payments. However, they do not include mortgages, loans (section 3.8) or receivables (section 3.9) that the Baloise Group can – and intends to – hold until maturity.

3.7.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that have been classified as “available for sale” or have not been designated to any of the above-mentioned categories and are not classified as mortgages, loans or receivables.

Alternative financial assets – such as private equity investments and hedge funds – are mainly classified as “available for sale”.

3.7.4 Recognition, measurement and derecognition

All customary purchases of financial assets are recognised on the trade date. Financial assets are initially measured at fair value. Transaction costs form part of the acquisition cost (with the exception of financial assets recognised at fair value through profit or loss).

Financial assets are derecognised if the rights pertaining to the cash flows from the financial instrument have expired or if the financial instrument has been sold and substantially all the associated risks and rewards have been transferred. Cash outflows from reverse repurchase (repo) transactions are offset by corresponding receivables. The financial assets received as collateral security from the transaction are not recognised. The relevant transaction is recognised on the balance sheet on the settlement date. The financial assets transferred as collateral security under repurchase agreements continue to be recognised as financial assets. The pertinent cash flows are offset by corresponding liabilities. In its stock lending operations the Baloise Group only engages in securities lending. The borrowed financial instruments continue to be recognised as financial assets. The securities provided as cover for repos, reverse repos and securities lending transactions are measured daily at their current fair value.

Available-for-sale financial assets and financial assets recognised at fair value through profit or loss are measured at fair value. Held-to-maturity financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains and losses on financial assets recognised at fair value through profit or loss are taken to income. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity. If available-for-sale financial assets are sold or impaired, the cumulative amount recognised directly in equity is recognised in the income statement as a realised gain or loss on financial assets. Changes in the fair value of financial assets’ risks that are covered by fair value hedges are recognised in the income statement for the duration of these hedges irrespective of the financial assets’ classification.

The fair value of listed financial assets is based on prices in active markets as at the balance sheet date. If no such prices are available, fair value is estimated using generally accepted methods (such as the present-value method), independent assessments based on comparisons with the market prices of similar instruments or the prevailing market situation.

Derivative financial instruments are measured using models or on the basis of publicly quoted prices.

If no publicly quoted prices are available for private equity investments, they are measured on the basis of their net asset value using non-public information from independent external providers. These providers use various methods for their estimates (e.g. analysis of discounted cash flows and reference to similar, fairly recent arm's-length transactions between knowledgeable, willing parties).

If the fair value of hedge funds cannot be determined on the basis of publicly quoted prices, then prices quoted by independent external parties are used for measurement purposes.

If such estimates do not enable financial assets to be reliably measured, the assets are recognised at cost (less allowance) and disclosed accordingly.

3.8 Mortgages and loans

Mortgages and loans (including policy loans) are financial instruments involving fixed or determinable payments that are not traded in an active market. Mortgages and loans classified as "carried at cost" are measured at amortised cost using the effective interest method. They are regularly tested for impairment.

Mortgages and loans held as part of fair value hedges (natural hedges) are designated as "at fair value through profit or loss". Present-value models are used to measure these portfolios.

3.9 Receivables

Other receivables are recognised at amortised cost less any impairment losses recognised for non-performing receivables. Amortised cost is usually the same as the nominal amount of the receivables.

3.10 Permanent impairment

3.10.1 Financial assets measured under the amortised-cost method (mortgages, loans, receivables and held-to-maturity financial assets)

The Baloise Group determines at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets may be permanently impaired. A financial asset or a group of financial assets is only impaired if, as a result of one or more events, there is objective evidence of impairment that has an impact on the expected future cash flows from the financial asset that can be reliably estimated. Objective evidence of a financial asset's impairment includes observable data on the following cases:

- Serious financial difficulties on the part of the borrower
- Breaches of contract, such as a borrower in default or arrears with the payment of principal and / or interest
- Greater probability that the borrower will file for bankruptcy or undergo some other form of restructuring
- Observable data that indicates a measurable reduction in the expected future cash flows from a group of financial assets since their initial recognition

Analysts' reports from banks and evaluations by credit rating agencies are also used to assess the need for impairment losses.

If there is objective evidence that loans and receivables or held-to-maturity financial assets may be permanently impaired, the impairment loss represents the difference between the asset's carrying amount and the present value of future cash flows, which are discounted using the financial asset's relevant effective interest rate. If the amount of the impairment loss decreases in a subsequent reporting period and if this decrease can be attributed to an event that has objectively occurred since the impairment was recognised, the previously recognised impairment loss is reversed.

The mortgage portfolio is regularly tested for impairment. If there is objective evidence that the full amount owed under the original contractual terms and conditions or the relevant proceeds of a receivable cannot be recovered, an impairment loss is recognised. Loan exposures are individually evaluated based on the nature of the borrower concerned, its financial position, its credit history, the existence of any guarantors and, where appropriate, the realisable value of any collateral security.

3.10.2 Financial assets measured at fair value

The Baloise Group determines at each balance sheet date whether there is any objective evidence that available-for-sale financial assets may be permanently impaired. This category includes financial instruments with characteristics of equity. An impairment loss must be recognised on financial instruments with characteristics of equity whose fair value at the balance sheet date is more than 50 per cent below their acquisition cost or whose fair value is consistently below their acquisition cost throughout the twelve-month period preceding the balance sheet date. The need for an impairment loss is examined and, where necessary, such a loss is recognised on securities whose fair value at the balance sheet date is between 20 per cent and 50 per cent below their acquisition cost.

If an impairment loss is recognised, the cumulative net loss recognised directly in equity is taken to the income statement.

Impairment losses on available-for-sale financial instruments with characteristics of equity that have been recognised in profit or loss cannot be reversed and taken to income. Any further reduction in the fair value of financial instruments with characteristics of equity on which impairment losses were recognised in previous periods must be charged directly to the income statement.

An impairment loss is recognised on available-for-sale financial instruments with characteristics of liabilities if their fair value is significantly impaired by default risk.

If the fair value of an available-for-sale financial instrument with characteristics of liabilities rises in a subsequent reporting period and this increase can be objectively attributed to an event that has occurred since an impairment loss was recognised in profit or loss, the impairment loss is reversed and taken to income.

3.10.3 Impairment losses on non-financial assets

Goodwill and any assets with indefinite useful lives are tested for impairment at the same time each year or whenever there is objective evidence of impairment. Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. Insurance companies that sell both life and non-life products (so-called composite insurers) test goodwill for impairment at this level. When impairment tests are performed, a CGU's value in use is determined on the basis of the maximum discounted future cash flows (usually dividends) that could potentially be returned to the parent company. This process takes appropriate account of legal requirements and internally specified capital adequacy limits. The long-term financial planning approved by management forms the basis for this calculation of the value in use for a period of at least three years and no more than five years. These values are extrapolated for the subsequent period using an annual growth rate. The growth rate is based on the expected inflation rates of the individual countries. The discount rates include the risk mark-ups for the individual operating segments. Permanent impairment losses are recognised in the income statement as other operating expenses. All other non-financial assets are tested for impairment whenever there is objective evidence of such impairment.

Impairment losses recognised in previous reporting periods on assets with finite useful lives are reversed if the estimates used to determine the recoverable amount have changed since the most recent impairment loss was recognised. This increase constitutes a reversal of impairment losses. Impairment losses recognised in previous reporting periods on goodwill are not reversed. Impairment losses recognised in previous reporting periods on assets with indefinite useful lives are reversed and taken to income; however, the amount to which they are reversed must be no more than the amount recognised prior to the impairment losses less depreciation or amortisation.

3.11 Derivative financial instruments

Derivative financial instruments include swaps, futures, forward contracts and options whose value is primarily derived from the underlying interest rates, exchange rates, commodity prices or share prices. The acquisition cost of derivatives is usually either very low or non-existent. These instruments are carried at fair value on the balance sheet. At the time they are purchased they are classified as either fair value hedges, cash flow hedges, hedges of a net investment in a foreign operation or trading instruments. Derivative financial instruments that do not qualify as hedges under IFRS criteria despite performing a hedging function as part of the Baloise Group's risk management procedures are treated as trading instruments.

The Baloise Group's hedge accounting system documents the effectiveness of hedges as well as the objectives and strategies pursued with each hedge. Hedge effectiveness is constantly monitored from the time the pertinent derivative financial instruments are purchased. Derivatives that no longer qualify as hedges are reclassified as trading instruments.

3.11.1 Structured products

Structured products are equity instruments or debt instruments that contain embedded derivatives in addition to the host contract. Provided that the economic characteristics and risks of the embedded derivative differ from those of the host contract and that this derivative qualifies as a derivative financial instrument, the embedded derivative is bifurcated from the host contract and is separately recognised, measured and disclosed. If the derivative and the host contract are not bifurcated, the structured product is designated as a host contract that is recognised at fair value through profit or loss.

3.11.2 Fair value hedges

When the effective portion of hedges is being accounted for, changes in the fair value of derivative financial instruments classified as fair value hedges – plus the hedged portion of the fair value of the asset or liability concerned – are reported in the income statement. The ineffective portion of hedges is recognised separately in profit or loss.

3.11.3 Cash flow hedges

When the effective portion of hedges is being accounted for, changes in the fair value of derivative financial instruments classified as cash flow hedges are recognised directly in equity. The amounts reported in equity as "unrealised gains and losses (net)" are taken to the income statement at a later date in line with the hedged cash flows. The ineffective portion of hedges is recognised in profit or loss.

If a hedging instrument is sold, terminated or exercised or it no longer qualifies as a hedge, the cumulative gains and losses continue to be recognised directly in equity until the forecasted transaction materialises. If the forecasted transaction is no longer expected to materialise, the cumulative gains and losses recognised in equity are taken to income.

3.11.4 Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are treated as cash flow hedges. When the effective portion of hedges is being accounted for, gains or losses on hedging instruments are recognised directly in equity. The ineffective portion of hedges is recognised in profit or loss.

If the foreign operation – or part thereof – is sold, the gain or loss recognised directly in equity is taken to the income statement.

3.11.5 Derivative financial instruments that do not qualify as hedges

Changes in the fair value of derivative financial instruments that do not qualify as hedges are recognised in the income statement as "realised gains and losses on investments".

3.12 Netting of receivables and liabilities

Receivables and liabilities are offset against each other and shown as a net figure on the balance sheet provided that an offsetting option is available and the Baloise Group intends to realise these assets and liabilities simultaneously.

3.13 Non-current assets and disposal groups classified as held for sale

Non-current assets (or disposal groups) held for sale that meet the criteria stipulated in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are shown separately on the balance sheet. Those assets described in the standard are measured at the lower of their carrying amount and fair value less costs to sell. Any resultant impairment losses are taken to income. Any depreciation or amortisation is discontinued from the reclassification date.

Details of discontinued operations – where available – are disclosed in the notes to the Financial Report.

3.14 Other assets

3.14.1 Other assets carried at cost

Development projects earmarked for subsequent sale (such as apartments in blocks of apartments owned by different people) are recognised at the lower of investment cost and recoverable value pursuant to IAS 2 Inventories. The revenue is recognised under Other income at the time of the transfer of title (transfer of benefits and risk).

3.14.2 Other assets recognised at fair value through profit or loss

Precious metals are recognised at fair value through profit or loss if they are traded in a price-efficient and liquid market.

3.15 Cash and cash equivalents

Cash and cash equivalents essentially consist of cash, demand deposits and cash equivalents. Cash equivalents are predominantly short-term liquid investments with residual terms of no more than three months.

3.16 Equity

Equity instruments are classified as equity unless the Baloise Group is contractually obliged to repay them or to cede other financial assets. Transaction costs relating to equity transactions are deducted and all associated income tax assets are recognised as deductions from equity.

3.16.1 Share capital

The share capital shown on the balance sheet represents the subscribed share capital of Bâloise Holding Ltd, Basel. This share capital consists solely of registered shares. No shares carry preferential voting rights.

3.16.2 Capital reserves

Capital reserves include the paid-up share capital in excess of par value (share premium), Bâloise Holding Ltd share options, gains and losses on the purchase and sale of treasury shares and embedded options in Bâloise Holding Ltd convertible bonds.

3.16.3 Treasury shares

Treasury shares held either by Bâloise Holding Ltd or by subsidiaries are shown in the consolidated financial statements at their acquisition cost (including transaction costs) as a deduction from equity. Their carrying amount is not constantly restated to reflect their fair value. If the shares are resold, the difference between their acquisition cost and their sale price is recognised as a change in the capital reserves. Only Bâloise Holding Ltd shares are classified as treasury shares.

3.16.4 Unrealised gains and losses (net)

This item includes changes in the fair value of available-for-sale financial instruments, the net effect of cash flow hedges, the net effect of hedges of a net investment in a foreign operation, exchange differences and gains on the reclassification of the Baloise Group's owner-occupied property as investment property.

Deductions from these unrealised gains and losses include the pertinent deferred taxes and, in the case of life insurance companies, also the funds that will be used in future to amortise acquisition costs and to finance policyholders' dividends (shadow accounting).

Any non-controlling interests are also deducted from these items.

3.16.5 Retained earnings

Retained earnings include the Baloise Group's undistributed earnings and its profit for the period. Dividends paid to the shareholders of Bâloise Holding Ltd are only recognised once they have been approved by the Annual General Meeting.

3.16.6 Non-controlling interests

Non-controlling interests constitute the proportion of Group companies' equity attributable to third parties outside the Baloise Group on the basis of their respective shareholdings.

3.17 Insurance contracts

An insurance contract is defined as a contract under which one party (the insurer) accepts a significant insurance risk from another party (the policyholder) to pay compensation, should a specified contingent future event (the insured event) adversely affect the policyholder. An insurance risk is any directly insured or reinsured risk that is not a financial risk.

The significance of insurance risk is assessed according to the amount of additional benefits to be paid by the insurer if the insured event occurs.

Contracts that pose no significant insurance risk are financial contracts. Such financial contracts may include a discretionary participation feature (DPF), which determines the accounting policies to be applied.

The effective interest method is generally used to calculate receivables and liabilities arising from financial contracts (DPF included). The effective interest rate is determined as the internal rate of return based on the estimated amounts and timing of the expected payments. If the amounts or timing of the actual payments differ from those expected or if expectations change, the effective interest rate must be re-determined. The deposit account balance is then remeasured as if this new effective interest rate had applied from the outset, and the change in the value of the deposit account is recognised as interest income or interest expense. Otherwise, the insurance cover financed from the deposit account is amortised over the expected term of the deposit account.

The Baloise Group considers an insurance risk to be significant if, during the term of the contract and under a plausible scenario, the payment triggered by the occurrence of the insured event is 5 per cent higher than the contractual benefits payable if the insured event does not occur.

A discretionary participation feature (DPF) exists if the policyholder is contractually or legally entitled to receive benefits over and above the benefits guaranteed and if

- the benefits received are likely to account for a significant proportion of the total benefits payable under the contract,
- the timing or amount of the benefits payable is contractually at the discretion of the insurer, and the benefits received are contractually contingent on the performance of either a specified portfolio of contracts or a specified type of contract, on the realised and/or unrealised capital gains on a specified portfolio of investments held by the insurer, or on the profit or loss reported by the insurer.

Captive insurance policies are derecognised from the annual financial statements. This also applies to contracts involving proprietary pension plans, provided that the employees covered by these plans work for the Baloise Group.

In addition, IFRS 4 makes exceptions for the treatment of embedded derivatives that form part of insurance contracts or financial contracts with discretionary participation features. If such embedded derivatives themselves qualify as insurance contracts, they do not have to be either separately measured or disclosed. In the case of the Baloise Group this affects, among other things, certain guarantees provided for annuity conversion rates and further special exceptions such as specific guaranteed cash surrender values for traditional policies.

3.18 Non-life insurance contracts

All standardised non-life products contain sufficient insurance risk to be classified as insurance contracts under IFRS 4. The non-life business conducted by the Baloise Group is broken down into seven main segments:

- Accident
  All standard product lines typical of each relevant market are available in the accident insurance business. The Belgian market and Switzerland in particular also offer specific government-regulated occupational accident products that differ from the other products usually available.
- Health
  The Baloise Group writes health insurance business in Switzerland and Belgium only. The benefits paid by the products in this segment cover the usual cost of treatment and also include a daily sickness allowance; they are available to individuals as well as small and medium-sized businesses in the form of so-called group insurance.
- General liability
  In addition to conventional personal liability insurance the Baloise Group also sells third-party indemnity policies for certain professions. In Switzerland and Germany it offers policies – especially combined products – for small and medium-sized enterprises and for industrial partners that include features such as product liability.
- Motor
  The two standardised products common in the market – comprehensive and third-party liability insurance – are sold in this segment. In some countries there are also products that have been specially designed for collaborations with motoring organisations and individual automotive companies.
- Fire and other property insurance
  In addition to conventional home contents insurance this segment offers an extensive range of property policies that include fire insurance, buildings insurance and water damage insurance in all the varieties commonly available.
- Marine
  Marine insurance is mainly sold in Switzerland and Germany. These products may include a third-party liability component in addition to the usual cargo insurance.
- Miscellaneous
  This category generally comprises small segments such as credit protection insurance and legal expenses insurance. Provided that financial guarantees qualify as insurance contracts, they are treated as credit protection insurance policies.

3.18.1 Premiums

The gross premiums written are the premiums that have fallen due during the reporting period. They include the amount needed to cover the insurance risk plus all surcharges. Premium contributions that are attributable to future reporting periods are deferred by contract and – together with health insurance reserves for old age and any deferred unearned premiums – constitute the unearned premium reserves shown on the balance sheet. Owing to the specific nature of marine insurance, premiums are deferred not by contract but on the basis of estimates. Premiums that are actually attributable to the reporting period are recognised as premiums earned. Their calculation is based on the premiums written and the change in unearned premium reserves.

3.18.2 Claims reserves

At the end of each financial year the Baloise Group attaches great importance to setting aside sufficient reserves for all claims that have occurred by this date.

In addition to the reserves that it recognises in respect of the payments to be made for claims that have occurred, it also sets aside reserves to cover the costs incurred during the claims settlement process. In order to calculate these reserves as realistically as possible, the Baloise Group uses the claims history of recent years, generally accepted mathematical-statistical methods and all the information available to it at the time – especially knowledge about the expertise of those entrusted with the handling of claims.

The total claims reserve consists of three components. Reserves calculated using actuarial methods form the basis of the total claims reserve. The second component comprises reserves for those complex special cases and events that do not lend themselves to purely statistical evaluation. These are generally rare claims that are fairly atypical of the sector concerned – usually sizeable claims whose costs have to be estimated by experts on a case-by-case basis. Neither of these components is subject to discounting. The third component consists of reserves for annuities that are discounted using basic actuarial principles such as mortality and the technical interest rate and are largely derived from claims in the motor, liability and accident insurance businesses.

Actuarial methods are used to calculate by far the largest proportion of claims reserves. To this end, the Baloise Group selects actuarial forecasting methods that are appropriate for each sector, insurance product and existing claims history. Additional market data and assumptions obtained from insurance rates are used if the claims history available on a customer is inadequate. The Baloise Group mainly applies the chain-ladder method, which is the most widely used, tried-and-tested procedure. This method involves estimating the number and amounts of claims incurred over time and the proportion of claims that are reported to the insurer either with a time lag or after the balance sheet date. The proportion of these so-called incurred-but-not-reported (IBNR) claims is exceptionally important, especially in operating segments involving third-party liability insurance. These estimates naturally factor in emerging claims trends as well as recoveries. The mean ratio of costs incurred to claims actually paid is essentially used to calculate reserves for claims handling costs.

The forecasting methods used cannot eliminate all the uncertainties inherent in making predictions about future developments and trends. Nonetheless, systematic monitoring of the reserves recognised in a given financial year enables the Baloise Group to spot discrepancies as soon as possible and, consequently, to adjust the level of reserves and modify the forecasting method where necessary. This analysis is based on the so-called "run-off triangles" presented in aggregated form in section 5.4.5. The relevant calculations for typical property policies such as storm and tempest insurance or home contents insurance are usually based on the payments made over the past ten years. Larger amounts of data and, consequently, claims triangles that go further back in time and are based on both payments and expenses (payments plus reserves) are, of course, used for insurance segments with longer run-off periods, such as third-party liability. To supplement the Baloise Group's various internal control mechanisms, its reserves – and the methods used to calculate them – are regularly reviewed by external specialists. Mention should be made here of the liability adequacy test described in detail in section 3.18.4. The Baloise Group takes great care to ensure that it complies with the pertinent financial reporting standard by performing the regularly required profitability analysis and examining whether, at the balance sheet date, it can actually meet all the liabilities that it has taken on as an insurer. It immediately offsets any shortfall in its reserves that it identifies.

3.18.3 Policyholders' dividends and participation in profits

Insurance contracts can provide customers with a share of the surpluses and profits generated by their policies (especially those arising from their claims history). The expenses incurred by policyholders' dividends and participation in profits are derived from the dividends paid plus the changes in the pertinent reserves.

3.18.4 Liability adequacy test

A liability adequacy test (LAT) is carried out at each balance sheet date to ascertain whether – taking all known developments and trends into consideration – the Baloise Group's existing reserves are adequate.

To this end, all existing reserves – both claims reserves (including reserves for claims handling costs) and annuity reserves in the non-life segment – are first analysed and, if a shortfall is identified, the relevant reserves are then strengthened accordingly. This analysis explicitly includes IBNR claims, thereby ensuring that adequate reserves are available for all claims that have already occurred.

The liability adequacy test required by IFRS must also examine whether the Baloise Group has incurred any further liabilities for subsequent periods (future business) besides all its existing contracts maintained during the reporting period. Such business arises, for example, when contracts are automatically extended at the end of the year on the same terms and conditions. Taking account of all the latest data and trends, Baloise conducts a profitability analysis of its insurance business during the reporting year in order to check whether an adequate level of premiums has been charged and, implicitly, whether these liabilities are therefore covered. This amounts to an analysis of unearned premium reserves and an impairment test of deferred acquisition costs at the same time. If a loss is expected to be incurred (also applies to other loss-making insurance contracts in existence at the balance sheet date), the deferred acquisition costs are initially reduced by the respective amount. If the total amount of deferred acquisition costs is insufficient or if the resultant liability cannot be covered in full, a separate provision for impending losses equivalent to the residual amount is recognised under other technical reserves.

3.19 Life insurance contracts and financial contracts with discretionary participation features

IFRS 4 gives users the option of accounting for insurance contracts and financial contracts with discretionary participation features by continuing to apply the existing accounting policies described in section 1 below both to liabilities and to the assets resulting directly from the pertinent contracts (deferred acquisition costs and present value of future profits from acquired business).

The following life insurance products offered by the Baloise Group contain sufficient insurance risk to be classified as insurance contracts under IFRS 4:

- Endowment policies (both conventional and unit-linked life insurance)
- Swiss group life business (BVG)
- Term insurance
- Immediate annuities
- Deferred annuities with annuity conversion rates that are guaranteed at the time the policy is purchased
- All policy riders such as premium waiver, accidental death and disability.

The accounting policies applied by the Baloise Group are described below.

3.19.1 General accounting policies

The accounting policies applied to traditional life insurance vary according to the type of profit participation agreed. Premiums are recognised as income and benefits are recognised as expense at the time they fall due. The amount of reserves set aside in each case is determined by actuarial principles or by the net premium principle, which ensures that the level of reserves generated from premiums remains consistent over time. The actuarial assumptions used to calculate reserves at the time that contracts are signed either constitute best estimates with explicit safety margins for specific business lines or they are determined in accordance with local loss reserving practice and thus also factor in safety margins. The assumptions used are locked in throughout the term of the contract unless a liability adequacy test reveals that the resultant reserves need to be strengthened after the deferred acquisition costs (DACs) and the present value of future profits (PVFP) on acquired insurance contracts have been deducted. Unearned premium reserves, reserves for final dividend payments and certain unearned revenue reserves (URRs) are also recognised as components of the actuarial reserve.

A liability adequacy test is performed on all life insurance business at each balance sheet date. This involves calculating a reserve at the measurement date that factors in all future cash flows (such as insurance benefits, surpluses and contract-related administrative expenses) based on the best estimates available for the assumptions used at the time. If the minimum reserve calculated in this way for individual business lines exceeds the reserve available at the time, any existing deferred acquisition cost or present value of future profits is reduced and, if this is not enough, the reserve is immediately increased to the minimum level and this increase is recognised in profit or loss.

3.19.2 Present value of future profits (PVFP) on insurance contracts acquired

The present value of future profits on insurance contracts acquired constitutes an identifiable intangible asset that arises from the purchase of a life insurance company or life insurance portfolio. It is initially measured in accordance with actuarial principles and is amortised on a straight-line basis. It is regularly tested for impairment as part of a liability adequacy test.

3.19.3 Deferral of acquisition costs

Acquisition costs are deferred. They are amortised either over the premium payment period or over the term of the insurance policy, depending on the type of contract involved. They are tested for impairment as part of a liability adequacy test.

3.19.4 Unearned revenue reserve (URR)

The unearned revenue reserve comprises premiums that are charged for services rendered in future periods. These premiums are deferred and amortised in the same way as deferred acquisition costs.

3.19.5 Policyholders' dividends

A large proportion of life insurance contracts confer on policyholders the right to receive dividends.

Surpluses are reimbursed in the form of increased benefits, reduced premiums or final policyholders' dividends or are accrued at interest to a surplus account. Surpluses already distributed and accrued at interest are reported as policyholders' dividends credited and reserves for future policyholders' dividends (chapter 23). The relevant interest expense is reported as interest expenses on insurance liabilities. Surpluses that have been used to finance an increase in insurance benefits are recognised in actuarial reserves. All investment income derived from unit-linked life insurance contracts is credited to the policyholder.

IFRS 4 introduces the concept of a discretionary participation feature (DPF), which is of relevance not only for the classification of contracts but also for the disclosure of surplus reserves according to policyholders' share of the unrealised gains and losses recognised directly in equity under IFRS and their share of the increases and decreases recognised in profit or loss in the consolidated financial statements compared with the financial statements prepared in accordance with local accounting standards. IFRS 4 states here that the portion of an insurance contract's liability that is attributable to a discretionary participation feature ("DPF component") must be reported separately. This standard does not provide any clear guidance as to how this DPF component should be measured and disclosed.

When accounting for contracts that contain discretionary participation features, the Baloise Group treats measurement differences that are attributable to such contracts and are credited to policyholders according to a legal or contractual minimum quota as a DPF component. Distributable retained earnings and eligible unrealised gains and losses of fully consolidated subsidiaries are allocated pro rata to the DPF components of the life insurance company concerned. The DPF component calculated in this way is reported as part of the reserves for future policyholders' dividends (section 23). These reserves include policyholders' dividends that are unallocated and have been set aside as a reserve under local accounting standards.

If no legal or contractual minimum quota has been stipulated, the Baloise Group defines a discretionary participation feature as the currently available reserve for premium refunds after allowing for final policyholders' dividends. Unless a minimum quota has been stipulated, all other measurement differences between the local and IFRS financial statements are recognised directly in equity.

The applicable minimum quotas prescribed by law, contract or Baloise's articles of association vary from country to country.

Life insurance companies operating in Germany and in some areas of Swiss group life business are required by law to distribute a minimum proportion of their profits to policyholders in the form of dividends.

Policyholders in Germany must receive a share of the profits generated. Any losses incurred are borne by shareholders. Policyholders are entitled to 90 per cent of investment income (minus the technical interest rate), 75 per cent of the net profit on risk exposures and 50 per cent of other surpluses. The articles of association of Basler Lebensversicherungs-AG, Germany, additionally stipulate a minimum quota of 95 per cent for part of its insurance portfolio.

Minimum quotas are also applied to some of the Baloise Group's Swiss occupational pensions (BVG) business, which is subject to the legal quotas of 100 per cent for changes in liabilities and 90 per cent for changes in assets.

3.20 Reinsurance

Reinsurance contracts are insurance contracts between insurance companies and/or reinsurance companies. There must be a transfer of risk for a transaction to be recognised as reinsurance; otherwise the transaction is treated as a financial contract.

Inward reinsurance is recognised in the same period as the initial risk. The relevant technical reserves are reported as gross unearned premium reserves or gross claims reserves for non-life insurance and as gross actuarial reserves for life insurance. In non-life insurance they are estimated as realistically as possible based on empirical values and the latest information available, while in life insurance they are recognised as a reserve to cover the original transaction. Outward reinsurance is the business ceded to insurance companies outside the Baloise Group and includes transactions ceded from direct life and non-life business and from inward insurance.

Assets arising from outward reinsurance are calculated over the same periods and on the same basis as the original transaction and are reported as reinsurance assets (section 16). Impairment losses are recognised in profit or loss for assets deemed to be at risk owing to the impending threat of insolvency.

3.21 Liabilities arising from banking business and financial contracts

3.21.1 With discretionary participation features

Financial contracts with discretionary participation features are capital accumulated by customers that entitles them to receive policyholders' dividends. The accounting principles applied to these financial contracts are the same as those for life insurance contracts; the accounting policies for life insurance are described in section 3.19.

3.21.2 Measured at amortised cost

Liabilities measured at amortised cost include savings deposits, medium-term bonds, mortgage-backed bonds, other liabilities and financial guarantees that do not qualify as insurance contracts. They are initially measured at their acquisition cost (fair value).

The difference between acquisition cost and redemption value is recognised in profit or loss over the term of the liability as "gains or losses on financial contracts" under the amortised-cost method and the effective interest method.

3.21.3 Recognised at fair value through profit or loss

This item includes financial contracts for which the holder bears the entire investment risk as well as banking liabilities that are designated as "at fair value through profit or loss" as part of the Baloise Group's strategy of using natural hedges.

3.22 Financial liabilities

The financial liabilities reported under this line item comprise the bonds issued in the capital markets. Financial liabilities are initially measured at their acquisition cost (fair value). Acquisition cost includes transaction costs.

The difference between acquisition cost and redemption value is recognised in profit or loss over the term of the liability as borrowing costs under the amortised-cost method and the effective interest method.

3.23 Employee benefits

The benefits that the Baloise Group grants to its employees comprise all forms of remuneration that is paid in return for work performed or in special circumstances.

The benefits available include short-term benefits (such as wages and salaries), long-term benefits (such as long-service bonuses), termination benefits (such as severance pay and social compensation plan benefits) and post-employment benefits. The benefits described below may be especially significant owing to their scale and scope.

3.23.1 Post-employment benefits

The main post-employment benefits provided are retirement pensions, employer contributions to mortgage payments and certain insurance benefits. Although these benefits are paid after employees have ceased to work for the Baloise Group, they are funded while the staff members concerned are still actively employed. All the pension benefits currently provided by the Baloise Group are defined benefit plans. The projected unit credit method is used to calculate the pertinent pension liabilities.

Assets corresponding to these liabilities are only recognised if they are ceded to an entity other than the employer (such as a foundation). Such assets are measured at fair value. Changes to assumptions, discrepancies between the planned and actual returns on plan assets, and differences between the benefit entitlements effectively received and those calculated using actuarial assumptions give rise to actuarial gains and losses that must be recognised directly in other comprehensive income.

The Baloise Group's pension plan agreements are tailored to local conditions in terms of enrolment and the range of benefits offered.

3.23.2 Share-based payments

The Baloise Group offers its employees and senior executives the chance to participate in various plans under which shares are granted as part of their overall remuneration packages. The Employee Incentive Plan, Share Subscription Plan, Share Participation Plan and Performance Share Units (PSUs) are measured and disclosed in compliance with IFRS 2 Share-based Payment. Plans that are paid in Bâloise Holding Ltd shares are measured at fair value on the grant date, charged as personnel expenses during the vesting period and recognised directly in equity.

3.24 Provisions

Provisions for restructuring or legal claims are recognised for present legal or constructive obligations when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amounts of the obligations. The amount recognised as a provision is the best estimate of the expenditure expected to be required to settle the obligation. If the amount of the obligation cannot be estimated with sufficient reliability, it is reported as a contingent liability.

3.25 Taxes

Provisions for deferred income taxes are recognised under the liability method, which means that they are based either on the current tax rate or on the rate expected in future. Deferred income taxes reflect the tax-related impact of temporary differences between the assets and liabilities reported in the IFRS financial statements and those reported for tax purposes. When deferred income taxes are calculated, tax loss carryforwards are only recognised to the extent that sufficient taxable profit is likely to be earned in future.

Deferred tax assets and liabilities are offset against each other and shown as a net figure in cases where the criteria for such offsetting have been met. This is usually the case if the tax jurisdiction, the taxable entity and the type of taxation are identical.

3.26 Revenue recognition

Revenue and income are recognised at the fair value of the consideration received or receivable. Intercompany transactions and the resultant gains and losses are eliminated. Recognition of revenue and income is described below.

3.26.1 Income from services rendered

Income from services rendered is recognised in the period in which the service is provided.

3.26.2 Interest income

Interest income from financial instruments that are not recognised at fair value through profit or loss is recognised under the effective interest method. If a receivable is impaired, it is written down to its recoverable amount, which corresponds to the present value of estimated future cash flows discounted at the contract's original interest rate.

3.26.3 Dividend income

Dividend income from financial assets is recognised as soon as a legal entitlement to receive payment arises.

4. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Baloise Group's consolidated annual financial statements contain assumptions and estimates that can impact on the annual financial statements for the following financial year. Estimates and the exercise of discretion by management are kept under constant review and are based on empirical values and other factors – including expectations about future events – that are deemed to be appropriate on the date that the balance sheet is prepared.

4.1 Fair value of various balance sheet line items

Where available, prices in active markets are used to determine fair value. If no publicly quoted prices are available or if the market is judged to be inactive, fair value is either estimated based on the present value or is determined using measurement methods. These methods are influenced to a large extent by the assumptions used, which include discount rates and estimates of future cash flows. The Baloise Group primarily uses fair values; if no such values are available, it applies its own models. Detailed information about fair value measurement can be found in chapter 5.10.

The following asset classes are measured at fair value:

- Investment property
  The DCF method is used to determine the fair value of investment property. The assumptions and estimates used for this purpose are described in section 3.6.
- Financial instruments with characteristics of equity and financial instruments with characteristics of liabilities (available for sale or recognised at fair value through profit or loss)
  Fair value is based on prices in active markets. If no quoted market prices are available, fair value is estimated using generally accepted methods (such as the present-value method), independent assessments based on comparisons with the market prices of similar instruments or the prevailing market situation. Derivative financial instruments are measured using models or on the basis of quoted market prices. If no publicly quoted prices are available for private equity investments, they are measured on the basis of their net asset value using non-public information from independent external providers. These providers use various methods for their estimates (e. g. analysis of discounted cash flows and reference to similar, fairly recent arm's-length transactions between knowledgeable, willing parties). If such estimates do not enable financial assets to be reliably measured, the assets are recognised at cost and disclosed accordingly. Publicly quoted prices are used to determine the fair value of hedge funds. If no such prices are available, prices quoted by independent third parties are used to determine fair value.
- Mortgages and loans (recognised at fair value through profit or loss)
  Mortgages and loans are designated as "at fair value through profit or loss" as part of the Baloise Group's strategy of using natural hedges. Yield curves are used to measure these portfolios.

The following financial liabilities are measured at fair value:

- Liabilities arising from banking business and financial contracts (recognised at fair value through profit or loss)
  Liabilities arising from investment-linked life insurance contracts involving little or no transfer of risk are measured at fair value based on the capitalised investments underlying these liabilities.
- Derivative financial instruments
  Models or quoted market prices are used to determine the fair value of derivative financial instruments.

4.2 Financial instruments with characteristics of liabilities (held to maturity)

The Baloise Group applies the provisions of IAS 39 when classifying non-derivative financial instruments with fixed or determinable payments as “held to maturity”. To this end, it assesses its intention and ability to hold these financial instruments to maturity.

If – contrary to its original intention – these financial instruments are not held to maturity (with the exception of specific circumstances such as the disposal of minor investments), the Baloise Group must reclassify all held-to-maturity financial instruments as “available for sale” and measure them at fair value. Chapter 12 contains information on the fair values of the financial instruments with characteristics of liabilities that are classified as “held to maturity”.

4.3 Impairment

The Baloise Group determines at each balance sheet date whether there is any objective evidence that financial assets may be permanently impaired.

- Financial instruments with characteristics of equity (available for sale)
  An impairment loss must be recognised on available-for-sale financial instruments with characteristics of equity whose fair value at the balance sheet date is more than 50 per cent below their acquisition cost or whose fair value is consistently below their acquisition cost throughout the twelve-month period preceding the balance sheet date. The Baloise Group examines whether it needs to recognise impairment losses on securities whose fair value at the balance sheet date is between 20 per cent and 50 per cent below their acquisition cost. Such assessments of the need to recognise impairment losses consider various factors such as the volatility of the securities concerned, credit ratings, analysts’ reports, economic conditions and sectoral prospects.
- Financial instruments with characteristics of liabilities (available for sale or held to maturity)
  Objective evidence of a financial asset’s impairment includes observable data on the following cases:
  - Serious financial difficulties on the part of the borrower
  - Breaches of contract, such as a borrower in default or arrears with the payment of principal and/or interest
  - Greater probability that the borrower will file for bankruptcy or undergo some other form of restructuring
  - Observable data that indicates a measurable reduction in the expected future cash flows from a group of financial assets since their initial recognition
  - Analysts’ reports from banks and evaluations by credit rating agencies are also used to assess the need for impairment losses
- Mortgages and loans (carried at cost)
  The mortgage portfolio is regularly tested for impairment. The methods and assumptions used in these tests are also regularly reviewed in order to minimise any discrepancies between the actual and expected probabilities of default.

4.4 Deferred income taxes
Unused tax loss carryforwards and other deferred tax assets are recognised if it is more likely than not that they will be realised. To this end, the Baloise Group makes assumptions about the recoverability of these tax assets; these assumptions are based on the financial track record and future income of the taxable entity concerned.

4.5 Estimate uncertainties specific to insurance
Estimate uncertainties pertaining to actuarial risk are discussed from chapter 5.4 onwards.

4.6 Provisions
The measurement of provisions requires assumptions to be made about the probability, timing and amount of any outflows of resources embodying economic benefits. A provision is recognised if such an outflow of resources is probable and can be reliably estimated.

4.7 Employee benefits
In calculating its defined benefit obligations towards its employees, the Baloise Group makes assumptions about the expected return on plan assets, the economic benefits embodied in assets, future increases in salaries and pension benefits, the discount rate applicable and other parameters. The most important assumptions are derived from past experience of making estimates. The assumptions factored into these calculations are discussed in chapter 18.2.7.

4.8 Goodwill impairment
Goodwill is tested for impairment in the second half of each year or whenever there is objective evidence of impairment. Such impairment tests involve calculating a value in use that is largely based on estimates such as the financial planning approved by management and the discount rates and growth rates mentioned in chapter 9. This does not apply to impairment tests for start-ups, for which a multiples-based market approach is used.

5. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The companies in the Baloise Group offer their customers non-life insurance, life insurance and banking products (the latter in Switzerland and, on a restricted basis, in Germany). Consequently, the Baloise Group is exposed to a range of risks.

The main risks in the non-life insurance sector are natural disasters, major industrial risks, third-party liability and personal injury. The insurance business as a whole is examined regularly by means of extensive analytical studies. The results of this analysis are taken into account when setting aside reserves, fixing insurance rates and structuring insurance products and reinsurance contracts. In the non-life sector, studies focusing on the risks arising from natural disasters have been carried out in recent years. On some of them we worked with reinsurance companies and brokers to determine the level of exposure to these risks and the extent of risk transfer required.

The predominant risks in the life insurance sector are the following biometric risks:

- longevity risk (annuities and pure endowment policies),
- mortality risk (whole-life and endowment life insurance),
- disability risk (in the sense of the risk of premiums proving insufficient due to an adverse disability claims history).

Because the Group issues interest rate guarantees, it is also exposed to interest rate risk. There are also implicit financial guarantees and options which also affect liquidity, investment planning and the income generated by Group companies; they include guaranteed surrender prices when policyholders cancel and guaranteed annuity factors on commencement of the payout phase of annuities.

Longevity, mortality and disability rates are risks specific to life insurance and are monitored on an ongoing basis. The companies in the Baloise Group review and analyse mortality rates among their local customer bases, along with the frequency with which policies are cancelled, invalidated and reactivated. For this analysis, they generally use standard market statistics that are compiled by actuaries and include adequate safety margins. The information they gather is used for ensuring that rates are adequate and also for setting aside sufficient reserves to meet future insurance liabilities. Because rates are required by law to be calculated conservatively, and the statistical base is relatively good, the risks in this area are manageable. In the field of annuities, there is an additional trend risk in the form of a steady rise in life expectancy which is resulting in ever longer annuity payout periods. This risk is addressed by the addition of suitable factors to the basis for calculation.

Managing participating insurance contracts is an additional method of mitigating risk. For example, bringing policyholders' dividends into line with altered circumstances as far as permitted by local regulations is one option that could be taken if the risk situation were to change. However, the allocation of surpluses between policyholders and the Company is not only subject to local law, it is also governed by market expectations.

The main risk categories to which the Banking division of the Baloise Group is exposed are credit risk, interest rate risk and liquidity risk. These risks are identified and managed locally by the banks. The loan portfolio is reviewed and analysed on an ongoing basis. A range of tools is used for this purpose, including standardised credit regulations and procedures, scoring and rating procedures, focusing on low-risk markets and the use of an automated arrears system. The information obtained is incorporated into credit decisions. Balance sheet risks (interest rate and liquidity risks) are managed by the bank's asset and liability management (ALM) committee. The data and key figures required are determined and calculated using a specialist IT application.

Deutscher Ring Bausparkasse AG is also exposed to what is known as collective risk, which means that the building society customers are collectively responsible for the fair allocation of home savings contracts over the long term. Mathematical simulations are used to show that this collective responsibility can be met, provided the fluctuation reserve remains at least greater than zero over the long term. Deutscher Ring Bausparkasse uses a simulation model to monitor and manage its collective risk. The model makes a future projection of the building society's total collective holdings on an individual contract basis, incorporating new business scenarios and patterns of behaviour observed in the past.

5.1 Organisation of risk management in the Baloise Group

The Baloise Group's insurance and banking activities in various European countries, as well as its global investments, expose it to market risks such as currency risk, credit risk, interest rate risk and liquidity risk.

The Baloise Group has implemented a comprehensive, Group-wide risk management system in all of its insurance and banking entities. Its Group-wide Risk Management Standards focus on the following areas:

- Organisation and responsibilities
- Methods, regulations and limits
- Risk control

An overall set of rules governs all activities directly connected with risk management and ensures that they are compatible with one another.

At the highest level, internal and external risk bands restrict and manage the overall risks incurred by the Group and the individual business units.

At the level exposed to financial and business risk, various limits and regulations restrict the individual risks that have been identified to a level that is acceptable for the Group, or eliminate them completely.

Within the Group and within each business unit, a risk owner is responsible for each individual risk that has been identified. Risk owners are allocated according to a hierarchy of responsibility. The Group's overall risk owner is the Chief Executive Officer of the Baloise Group. Alongside the risk owners, defined risk controllers are responsible for systematic risk control and risk reporting. When selecting risk controllers, particular care is taken to ensure that their role is independent of the risk they control. Risk control within the Baloise Group focuses on investment risk, business risk (actuarial and banking risks), risks to the Group's financial structure and operational risks including compliance. The Group's overall risk controller is the Chief Executive Officer of the Baloise Group.

The Baloise Group's risk map is a categorisation of the risks it has identified. The risks are divided into three levels:

- Category of risk
- Sub-category of risk
- Type of risk

The business-risk, investment-risk and financial-structure-risk categories relate directly to the Baloise Group's core businesses. These risks are deliberately incurred, managed and optimised by the management team and various risk committees. Analysis of these risks is model-based and it ultimately results in an aggregate overview.

Business-environment risk, operational risk and management and information risk arise as direct or indirect results of the business operations, business environment or strategic activities of each company. Risks of this type are also quantified, assessed and managed.

Because all risks are quantified, it is possible to analyse the relevance of each risk to the overall risk situation of the Baloise Group and / or the individual companies.

The Baloise Group's central risk management team forms part of Corporate Division Finance and reports to the Group Chief Risk Officer, who in turn reports to the Group CFO. It coordinates intra-Group policies, risk reporting and the technical development of suitable risk management processes and tools. Every month, it tracks developments in the financial markets and their impact on the risk portfolio and the individual risk capacity of all the business units and the Group as a whole. The relevant risk owners and risk controllers verify the figures that have been computed and incorporate them into their management decisions.

An annual reporting is undertaken for each identified risk category. To this end, each business unit compiles an ORSA (Own Risk and Solvency Assessment) report. Key figures for the financial and actuarial risks incurred by the Group and each strategic business unit are reported on a monthly basis using a risk control application.

5.2 Life and non-life underwriting strategies

The Baloise Group primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Industrial insurance in the property and third-party liability, marine and technical insurance sectors is largely provided by Baloise Insurance in Basel or its branch in Bad Homburg (Germany) and our Belgian business unit Baloise Insurance Belgium. In this particularly high-risk segment, central management of industrial insurance ensures consistent quality and a high degree of transparency for the business underwritten.

Every business unit in the Baloise Group issues regulations regarding underwriting and risk review. They include clear authorisation levels and underwriting limits for each sector. Underwriting limits are approved by a business unit's highest decision-making body, and the Corporate Executive Committee is notified of them. In the industrial insurance unit, the maximum net underwriting limit for property insurance amounts to CHF 150 million for Switzerland and EUR 100 million for Germany and Belgium. The only other comparable underwriting limits in the Group are for marine and liability insurance. Tools for setting the basic premium and for risk-based management of the total portfolio are also used to manage industrial insurance risk.

For its exposure to natural hazards the Baloise Group has purchased reinsurance cover for the whole Group amounting to CHF 250 million and cover for earthquakes amounting to CHF 350 million.

This page has been left empty on purpose.

RISK MAP

Business Risks

Actuarial Risks Life

- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life

- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance

- Premiums / Pricing
- Reinsurance Default
- Active Reinsurance

Investment Risks

Market Risks

- Interest rates
- Equities
- Currencies
- Real Estate
- Market Liquidity
- Derivatives
- Alternative investments

Credit Risks

Financial Structure Risks

Asset-Liability Risks

- Interest Rate Change Risk
- (Re)Financing, Liquidity

Risk Concentration

- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements

- Solvency
- Other Regulatory Requirements

Business Environment Risks

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

IT Risks

- IT Governance
- IT Architecture
- IT Operations
- Cyber Security

HR Risks

- Skills / Capacities
- Availability of Knowledge
- Incentive System

Legal Risks

- Contracts
- Liability and Litigations
- Tax

Compliance

Business Processes

- Process Risks
- Project Risks
- In- / Outsourcing

Risk Analysis and Risk Reporting

- Risk Analysis and Risk Assessment
- Risk Reporting

Leadership and Information Risks

Organizational Structure

Corporate Culture

Business Strategy

- Business Portfolio
- Risk Steering

Merger and Acquisitions

External Communication

- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

5.3 Life and non-life reinsurance strategies

The Baloise Group's non-life treaty reinsurance for all business units in the Group is structured and placed in the market by Group Reinsurance, part of Corporate Division Finance. When structuring the programme, Group Reinsurance focuses on the risk-bearing capacity of the Group as a whole. To date, the Group has only placed non-proportional reinsurance programmes. The Group's maximum retention for cumulative claims is CHF 20 million. The retentions for individual claims are CHF 16 million for property claims, CHF 15 million for marine claims and CHF 13.7 million on a non-indexed basis for third-party liability claims. The local Baloise Group business units also use additional facultative reinsurance cover on a case-by-case basis. This type of reinsurance is extremely dependent on the individual risk in each case and it is therefore placed by the business units themselves.

Reinsurance contracts may only be entered into with counterparties that have been authorised in advance by Corporate Division Finance. Reinsurers must generally have a minimum rating of A– from Standard & Poor's, but in exceptional cases – and in specific circumstances – a BBB+ rating or a comparable rating from another recognised rating agency is permitted. However, these reinsurance contracts are only used for property insurance business that can be settled quickly. This rule does not apply to captives and pools that are active reinsurance companies because they do not generally have ratings.

Reinsurer credit risk is reviewed on a regular basis. A watch list is kept of reinsurers that are bankrupt or in financial difficulties. The list contains details of all relationships the Group has with these reinsurers, receivables due to the Group that are outstanding or have been written off and provisions the Group has recognised. The watch list is updated periodically.

The same requirements for reinsurers apply to life insurance as to non-life insurance, although reinsurance is a less important instrument for ceding risk in life insurance business.

5.4 Non-Life

5.4.1 Actuarial risk

The Baloise Group primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Business with industrial clients is also conducted in Switzerland and Germany. Underwriting risk is limited by monitoring and adjusting rates and maintaining underwriting policies and limits appropriate to the size of each portfolio and the country in which it is located.

5.4.2 Assumptions

- **Claims reserves and claims settlement**
  The portfolios on the Group’s books must be structured in such a way that the data available is sufficiently homogeneous to enable the use of certain analytical actuarial processes to determine the claims reserves required. One of the assumptions made is that extrapolation of the typical claims settlement pattern of recent years is meaningful. Only cases such as extreme anomalies in settlement behaviour require additional assumptions to be made on a case-by-case basis.
- **Claims handling costs**
  The ratio of the average claims handling costs incurred in recent years to the payouts made in the same period is used to calculate the level of claims handling reserves to be recognised based on current claims reserves.
- **Annuities**
  The factors on which annuity calculations are based (mortality tables, interest rates, etc.) are normally specified or approved by the authorities in each country. However, because certain parameters can change relatively quickly, the adequacy of these annuity reserves is reviewed every year (by conducting a liability adequacy test or LAT) and, if there is a shortfall, the reserves are strengthened accordingly.

5.4.3 Changes to assumptions

The assumptions on which claims reserves are based generally remain constant, but the factors on which annuity calculations are based are adjusted from time to time over the years, particularly with regard to the latest longevity data.

5.4.4 Sensitivity analysis

As well as the natural volatility inherent in insurance business, there are parameters for determining technical reserves that can significantly impact on the annual earnings and equity of an insurance company. In the non-life sector, sensitivity analysis has been used to investigate the effect on consolidated annual earnings and consolidated equity exerted by errors in estimating claims reserves – including claims incurred but not reported (IBNR) – and reserves for run-off business.

At the end of 2017, the Baloise Group’s total reserves calculated using actuarial methods or recognised separately for special claims (including large claims but not run-off or actuarial reserves for annuities) amounted to CHF 4,600.2 million (2016: CHF 4,324.4 million). A variation of 10 per cent in either direction in the requirement for these reserves would result in a rise or fall of around CHF 349.3 million (2016: CHF 316.2 million) in claims payments (after taxes) before reinsurance.

The reserves in its run-off business mainly arose from liabilities that the Baloise Group had incurred in the London market since the early 1990s, largely third-party liability claims relating to asbestos and environmental damage.

Because of the long settlement period, there is a high degree of uncertainty associated with the calculation of these claims reserves. Both the timing at which cases of this type are identified and their potential loss level are much less certain than any other established claims patterns. Some reserves were calculated using external actuaries’ reports in which best-case and worst-case scenarios were analysed. The Baloise Group’s minimum reserves policy is based on the average of these two scenarios. It is particularly difficult to assess the level of reserves required for IBNR claims, so further fluctuations cannot be ruled out. According to expert estimates, fluctuations of around 10 per cent can be expected, which is equivalent to around CHF 6.0 million after taxes and before reinsurance (2016: CHF 6.5 million) for this reserve.

5.4.5 Claims settlement

Analysis of gross claims settlement (before reinsurance) broken down by strategic business unit

The proportion reinsured was low and would not affect the information given in the claims settlement tables below.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN SWITZERLAND

	Year in which the claims occurred										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
CHF million											
At the end of the year in which the claims occurred	641.7	690.7	723.1	777.9	732.2	768.5	733.6	707.8	704.8	729.5	–
One year later	631.4	670.6	685.4	736.5	751.1	768.2	715.7	667.8	689.5	–	–
Two years later	628.6	657.4	675.1	731.0	736.9	764.1	701.2	657.6	–	–	–
Three years later	623.6	641.0	666.9	729.1	726.3	764.7	695.9	–	–	–	–
Four years later	622.6	634.4	659.6	722.7	717.0	756.3	–	–	–	–	–
Five years later	606.8	638.6	653.0	717.3	710.5	–	–	–	–	–	–
Six years later	597.8	632.8	650.4	701.6	–	–	–	–	–	–	–
Seven years later	594.3	617.2	641.8	–	–	–	–	–	–	–	–
Eight years later	580.7	615.0	–	–	–	–	–	–	–	–	–
Nine years later	576.8	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	576.8	615.0	641.8	701.6	710.5	756.3	695.9	657.6	689.5	729.5	6,774.5
Claims paid	– 523.7	– 565.6	– 582.6	– 624.0	– 636.1	– 672.3	– 603.2	– 565.9	– 552.1	– 370.6	– 5,696.1
Gross claims reserves	53.1	49.4	59.2	77.6	74.4	84.0	92.7	91.7	137.4	358.9	1,078.4
Gross claims reserves prior to 2008 (including large claims and assumed business)											410.2
Gross provision for annuities (non-life, including IBNR)											775.6
Reinsurers' share											– 36.7
Net claims reserves											2,227.5

For greater clarity, the following analysis of claims trends is shown in euros.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN GERMANY

	Year in which the claims occurred										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
EUR million											
At the end of the year in which the claims occurred	298.2	288.0	302.5	290.8	297.4	382.9	319.3	319.0	332.6	363.6	–
One year later	296.2	286.4	299.7	297.6	298.4	384.7	330.5	322.3	333.0	–	–
Two years later	299.7	289.0	305.6	300.9	302.5	385.9	334.7	321.2	–	–	–
Three years later	300.3	294.6	305.8	306.6	304.3	397.6	338.4	–	–	–	–
Four years later	301.2	294.8	306.0	309.8	302.6	396.6	–	–	–	–	–
Five years later	300.6	295.1	307.9	311.7	303.2	–	–	–	–	–	–
Six years later	301.4	297.1	305.2	311.3	–	–	–	–	–	–	–
Seven years later	301.2	296.2	304.9	–	–	–	–	–	–	–	–
Eight years later	301.3	296.7	–	–	–	–	–	–	–	–	–
Nine years later	300.8	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	300.8	296.7	304.9	311.3	303.2	396.6	338.4	321.2	333.0	363.6	3,269.7
Claims paid	–297.0	–290.5	–297.3	–298.7	–293.0	–366.4	–294.8	–272.0	–247.7	–147.2	–2,804.6
Gross claims reserves	**3.8**	**6.2**	**7.6**	**12.6**	**10.2**	**30.2**	**43.6**	**49.2**	**85.3**	**216.4**	**465.1**
Gross claims reserves prior to 2008 (including large claims and assumed business)											389.8
Gross provision for annuities (non-life, including IBNR)											154.8
Reinsurers' share											–299.5
Net claims reserves											**710.2**

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
EUR million											
At the end of the year in which the claims occurred	205.7	228.0	235.1	308.7	[1] 412.4	[2] 403.6	483.7	459.9	470.3	446.8	–
One year later	215.2	248.5	287.1	[1] 395.1	[2] 426.5	402.5	494.3	476.0	478.9		–
Two years later	212.3	252.2	[1] 308.0	[2] 392.2	421.9	398.0	488.7	480.7			–
Three years later	216.5	[1] 264.5	[2] 304.0	387.9	412.9	396.7	483.4				–
Four years later	[1] 223.0	[2] 254.0	308.1	392.5	410.7	394.4					–
Five years later	[2] 222.5	250.7	306.0	388.6	416.9						–
Six years later	226.7	252.5	306.0	387.1							–
Seven years later	223.8	248.5	306.6								–
Eight years later	219.8	245.8									–
Nine years later	218.9										–
Estimated claims incurred	218.9	245.8	306.6	387.1	416.9	394.4	483.4	480.7	478.9	446.8	3,859.5
Claims paid	– 186.9	– 217.0	– 262.1	– 326.9	– 358.8	– 341.0	– 414.2	– 362.0	– 351.9	– 205.3	– 3,026.1
Gross claims reserves	32.0	28.8	44.5	60.2	58.1	53.4	69.2	118.7	127.0	241.5	833.4
Gross claims reserves prior to 2008 (including large claims and assumed business)											323.5
Gross provision for annuities (non-life, including IBNR)											155.4
Reinsurers' share											– 299.6
Net claims reserves											1,012.7

1 The increase in the total estimated claims incurred is primarily due to the addition of Avéro Schadevezekering Benelux NV.
2 The increase in the total estimated claims incurred is primarily due to the addition of Nateus NV and Audi NV.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN LUXEMBOURG

	Year in which the claims occurred										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
EUR million											
At the end of the year in which the claims occurred	15.0	17.5	[1]25.0	[1]23.6	24.0	23.6	[2]36.8	[3]43.8	49.8	49.6	–
One year later	14.9	16.9	[1]22.0	22.7	24.5	[2]37.8	[3]40.8	57.9	60.4		–
Two years later	15.1	[1]21.5	21.8	22.6	[2]36.5	[3]41.2	57.1	60.0			–
Three years later	[1]20.8	21.3	21.7	[2]35.3	[3]39.9	57.7	57.7				–
Four years later	21.1	21.1	[2]37.0	[3]39.7	57.3	58.2					–
Five years later	20.9	[2]36.2	[3]41.9	57.4	57.8						–
Six years later	[2]37.9	[3]42.0	59.9	57.9							–
Seven years later	[3]43.4	60.3	60.7								–
Eight years later	61.8	60.9									–
Nine years later	62.7										–
Estimated claims incurred	62.7	60.9	60.7	57.9	57.8	58.2	57.7	60.0	60.4	49.6	585.9
Claims paid	–62.3	–60.5	–60.0	–57.1	–56.8	–56.9	–55.9	–56.8	–54.9	–30.9	–552.1
Gross claims reserves	0.4	0.4	0.7	0.8	1.0	1.3	1.8	3.2	5.5	18.7	33.8
Gross claims reserves prior to 2008 (including large claims and assumed business)											49.8
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											–18.7
Net claims reserves											64.9

1 The increase in the total estimated claims incurred is primarily due to the addition of Bâloise Assurances Luxembourg S.A.
2 The increase in the total estimated claims incurred is primarily due to the addition of P&V Assurances.
3 The increase in the total estimated claims incurred is primarily due to the addition of HDI Gerling Assurances S.A.

Analysis of claims settlement for the "Other units" segment

A large proportion of the reserves relating to this segment is attributable to run-off business. Due to the special nature of this business, it is difficult to conduct meaningful analysis on the basis of our own claims data alone, so the reserves recognised for it are subject to significant uncertainty.

The survival ratio – the ratio of reserves to the average claims paid in the past three years – is a commonly used measure for comparing the adequacy of reserves for asbestos and environmental claims. The ratio shows the number of years for which the reserves will cover claims payments. At the end of the year under review the survival ratio was 85.7 years (2016: 55.7 years).

5.5 Life

5.5.1 Actuarial risk

Traditional life insurance is called fixed-sum insurance because payments are not made for losses. Instead, a fixed sum is paid on occurrence of an insured event, which can be survival or death. In the case of term insurance, capital and / or pension benefits are insured against premature death (whole-life insurance) or disability (disability insurance), while capital redemption insurance focuses on savings for old age. Endowment life insurance combines risk protection with savings.

AVERAGE TECHNICAL INTEREST RATE

31.12.2016	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	668.5	2,183.3	3,362.5	112.9	248.3
Technical reserves with 0 % guaranteed returns	621.8	686.3	82.1	91.3	23.3
Technical reserves with guaranteed positive returns	7,095.9	15,461.3	6,365.7	2,766.7	452.6
Average technical interest rate of guaranteed positive returns	2.6 %	1.4 %	3.2 %	3.4 %	2.6 %

31.12.2017	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
Technical reserves without guaranteed returns	763.2	2,330.2	3,854.8	129.0	276.3
Technical reserves with 0 % guaranteed returns	579.8	632.5	106.7	103.8	25.4
Technical reserves with guaranteed positive returns	6,817.6	15,709.3	6,741.9	3,092.7	526.3
Average technical interest rate of guaranteed positive returns	2.5 %	1.3 %	3.1 %	3.3 %	2.5 %

The guaranteed technical interest rate is one of the risks inherent in traditional life insurance and group life business.

If interest rates rise, there is the risk that more policies will be cancelled, and the payment of surrender values could cause liquidity problems. This risk can be reduced by imposing surrender charges. In the past, no significant correlation has been observed between rises in interest rates and the number of major policies cancelled.

When interest rates fall, there is the risk that investment income may no longer be sufficient to fund the technical interest rate. This risk can be mitigated by means of asset and liability management (ALM) and, in some cases, by adjusting policyholders' dividends.

Unit-linked life insurance generally involves endowment life insurance or a deferred annuity in which the policyholder has more flexibility regarding the investment process. During the deferment period, unit-linked annuities behave in a similar way to endowment life insurance, but during the payout period the policy converts into a traditional annuity.

If the policyholder dies, the beneficiary receives the sum insured or the fund assets, if the latter exceed the sum insured. A risk premium is periodically charged to the fund to finance the death benefit cover if there is capital at risk (i. e. the positive difference between the sum insured and the fund assets).

Depending on the product, the fund underlying the savings process is selected from a range of funds that match the policyholder's investment profile. The policyholder usually bears the entire investment risk and may benefit from a positive return.

Neither the cash surrender value nor the maturity value of unit-linked life insurance is guaranteed, but the maturity value is partly secured by the choice of fund. The funds are typically those with the type of investment strategy (e.g. the proportion of equities falls if share prices fall) that guarantees the maturity value for a specific policy term. This type of business is offered in Switzerland and Germany. The guaranteed maturity value of these specific life insurance policies may differ somewhat from the fund value because of the way the policies are structured. This risk has been factored into actuarial calculations.

In Switzerland, there is a closed sub-portfolio with a guaranteed interest rate. The guarantee was issued as part of the statutory pension scheme (Pillar 3a). On the endowment date, the policyholder receives the value of the fund units or the net investment premium plus accrued interest at the technical interest rate (3.25 per cent), whichever is the greater. The funds approved for these policies have a low equity ratio and are therefore not exposed to high volatility. A corresponding actuarial reserve has been recognised for the guarantee.

Some closed-end funds in Belgium and Switzerland also offer a guaranteed maturity value. The funds are managed and the guarantees are provided by banks outside the Baloise Group. In Switzerland there is also a closed-end Baloise fund with a guaranteed maturity value which is hedged via investments in bonds issued by banks outside the Group.

The Baloise Group has a number of variable annuities products including unit-linked and, in some cases, guaranteed whole-life annuities in its units in Switzerland and in Luxembourg/Liechtenstein. Financial hedges are provided using external reinsurance.

	Switzerland		Germany		Belgium		Luxembourg	
as at 31.12.	2016	2017	2016	2017	2016	2017	2016	2017
CHF million								
Actuarial reserves from unit-linked life insurance contracts	639.1	687.9	1,847.5	2,145.3	17.4	22.4	223.3	252.5

The major risks accruing from term insurance include epidemics and terrorist attacks but also changes in lifestyle such as lack of exercise. Endowment policies incur significant risks arising from the increase in life expectancy, which is likely to continue due to medical advances and rising living standards.

The risks listed above do not vary greatly within this area of activity.

Our group life business in Switzerland and Belgium focuses on the provision of occupational pensions which, like individual life insurance, covers the risks of death, disability and survival. The distinctive feature of group life business is the influence of political decisions. In Switzerland, the government sets the minimum rate of interest to be paid on savings, and the conversion rate at which accumulated capital is converted into an annuity to provide a pension. However, these regulations only apply to the minimum portion of accumulated capital that is required to provide initial finance for an annuity. For the remaining portion, actuarially appropriate annuity conversion rates are used but any change to the minimum interest rate would also affect the existing statutory portfolio, not just new business, which would normally be the case for individual life business. The technical interest rate for Belgian group life business – unlike individual life business – is also set by the government. However, it is the companies – and not their insurers – that are obliged to guarantee this technical interest rate. Baloise Insurance in Belgium offers group life insurance policies with interest rates that are lower than the rate stipulated by the government.

Most disability insurance consists of policy riders (supplementary insurance), i. e. premium waivers should holders of life insurance policies that require periodic payments of premiums become disabled. Separate disability insurance is of minor importance. Measured against total actuarial reserves, disability risk represents around 5 per cent of our business.

	Actuarial reserves 31.12.2016		Actuarial reserves 31.12.2017	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	10,572.4	29.1	11,212.2	30.0
Mortality risk	9,919.2	27.3	9,989.9	26.7
Disability risk	1,772.2	4.9	1,784.5	4.8
BVG retirement assets	11,289.4	31.1	11,341.6	30.3
Sub-total	33,553.2	92.5	34,328.1	91.7
Unit-linked				
Longevity risk	1,417.6	3.9	1,695.2	4.5
Mortality risk	1,309.7	3.6	1,412.9	3.8
Sub-total	2,727.3	7.5	3,108.1	8.3
Total	36,280.5	100.0	37,436.2	100.0

Actuarial reserves were allocated to the categories above by product, i. e. each product was assigned a risk category and actuarial reserves were not split into different risks within one product. Allocation to a category was generally determined by the mortality table used in each case.

5.5.2 Assumptions

Actuarial reserves are calculated in accordance with the factors that applied on the date a policy was signed. When setting rates for life insurance products, safety margins are built into these factors to anticipate any adverse trends in the future, principally with regard to technical interest rates and mortality tables. These built-in safety margins, combined with counter-selection effects, explain why annuity tables differ from mortality tables. Cancellations are not factored in when recognising reserves.

The principles applied are reviewed on an ongoing basis by conducting liability adequacy tests (LATs) which ensure that sufficient reserves have been set aside. The underlying assumptions for conducting these tests are best estimates. The two main assumptions for these tests are expected future investment income and mortality rates. Expected future investment income is calculated using the current investment portfolio and the target investment portfolio (strategic asset allocation). The returns on new money invested are based on capital-market interest rates. Depending on the size of the portfolio, mortality rates are based on publicly available tables adjusted to reflect our own experience or on mortality tables produced inhouse.

Cancellations are factored into LATs using assumptions based on the experience of our companies. Changes in assumptions regarding cancellations usually have a negligible impact on LATs.

5.5.3 Sensitivities

Sensitivity analysis shows the consequences of realistic changes in risk parameters to which the Baloise Group is exposed at the balance sheet date. These consequences impact on its consolidated equity and its profit for the period. When sensitivities were investigated, only the assumption being tested was varied. The other parameters were kept constant. One exception to this rule was policyholders' dividends, which were adjusted accordingly. In general, sensitivities do not behave in a linear fashion, so it is not possible to extrapolate from them because they relate to a specific balance sheet date. To identify sensitivities, we investigated the effect of changes in assumptions on profit for the period and on equity, after shadow accounting, deferred gains/losses and deferred taxes (excluding reinsurance effects which were immaterial) had been taken into account. The assumptions on which liability adequacy testing is based were changed for each calculation.

The following scenarios were run:

- 10 per cent increase in mortality
- 10 per cent fall in mortality (i.e. increase in longevity)
- 50 basis-point increase in receipts of new money
- 50 basis-point fall in receipts of new money

- 10 per cent increase in mortality

  A mortality increase of 10 per cent had only a marginal effect in Germany, Belgium and Luxembourg and at Baloise Life (Liechtenstein) AG. This was true of the impact on both the income statement and on equity. In the Swiss life insurance business, an increase in mortality caused a lower amount to be allocated to strengthen annuity reserves. This effect improved profitability by around CHF 33 million (2016: CHF 42 million). the effect on equity in Switzerland was minor..
- 10 per cent fall in mortality

  Similar to the aforementioned scenario of an increase in mortality, the effects of a reduction in mortality were marginal for the life insurance companies in Germany, Belgium and Luxembourg and for Baloise Life (Liechtenstein) AG. This was true of the impact on both the income statement and on equity. A reduction in mortality in the Swiss life insurance business – with policyholders' dividends adjusted accordingly – had a negative impact of approximately CHF 76 million (2016: CHF 75 million) on the income statement. The effect on equity is minor.
- 50 basis-point increase in receipts of new money

  This scenario was based on the assumption that receipts of new money (including amounts reinvested) rose by 50 basis points. When applied to the German units, this scenario resulted in a reversal of DAC write-downs, changes in the financing of final policyholders' dividends, and to an attribution of unearned revenue reserve. This adverse impact was exacerbated by impairment losses on interest rate derivatives. The overall impact was substantially mitigated by the prevailing legal requirements governing the distribution of surpluses. On balance there was a marginal effect from the German units' profitability in the reporting year (2016: CHF 2 million). The negative impact on equity amounted to approximately CHF 5 million (2016: CHF 5 million). In Belgium, this scenario resulted in a slight increase in DACs and to lower amounts being allocated to the provision recognised for impending losses, which constituted a positive effect of roughly CHF 12 million on profitability (2016: CHF 7 million). The negative effect on unrealised gains amounted to CHF 119 million (2016: CHF 94 million). In Luxembourg, this scenario produced a marginal positive impact on the income statement and an adverse effect of roughly CHF 16 million (2016: CHF 14 million) on the unrealised gains and losses recognised in equity. The resultant impact on the profitability and equity of Baloise Life (Liechtenstein) AG was negligible. In Switzerland, this scenario resulted in a reversal of DAC write-downs, a reduction in technical reserves, and the offsetting effect of interest rate hedges. This improved profitability overall by roughly CHF 10 million (2016: CHF 4 million). The adverse impact on equity amounted to approximately CHF 186 million (2016: CHF 196 million).

- 50 basis-point fall in receipts of new money
  This scenario was based on the assumption that receipts of new money (including amounts reinvested) fell by 50 basis points. When applied to the German units, this scenario resulted in changes in DAC write-downs, changes in the financing of final policyholders' dividends, and the recognition of a provision for impending losses. These adverse effects were partially compensated for by the increase in the fair value of interest rate derivatives. The overall impact was mitigated by the prevailing legal requirements governing the distribution of surpluses. On balance there was a negative effect from the German units' profitability in the reporting year of approximately CHF 3 million (2016: approximately CHF 5 million). The positive impact on their equity amounted to approximately CHF 5 million (2016: CHF 5 million). In Belgium, this scenario resulted in an additional DAC write-down and a larger provision for impending losses. The impact on the income statement was greater than in other countries owing to the business model used. Overall there was a negative effect of CHF 24 million on the income statement (2016: CHF 21 million). This adverse impact was more than compensated for by the positive changes in unrealised gains and losses recognised in equity. The positive effect on unrealised gains amounted to CHF 135 million (2016: CHF 109 million). In Luxembourg, this scenario produced a marginal negative impact on the income statement (2016: marginal negative impact) and a positive effect of roughly CHF 14 million (2016: CHF 15 million) on the unrealised gains and losses recognised in equity. The resultant impact on the profitability and equity of Baloise Life (Liechtenstein) AG was negligible. In Switzerland, this scenario resulted in a higher DAC write-down, an increase in technical reserves, and the offsetting effect of interest rate hedges. On balance these interacting factors had an adverse effect of CHF 10 million on the income statement (2016: CHF 19 million). The positive impact on equity amounted to approximately CHF 185 million (2016: CHF 195 million).

5.5.4 Changes to assumptions

Expected future investment income is constantly adjusted in line with market circumstances. It has fallen across all units. Other assumptions, such as cancellation rates and mortality rates, are updated on an ongoing basis.

5.6 Management of market risk

Market risk is reflected by losses that arise from changes or fluctuations in market prices that may result in impairment of the value of assets held. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

As part of their life insurance business, the companies in the Baloise Group also provide investment-linked life insurance contracts for the account of and at the risk of policyholders. The financial liabilities generated in this connection are backed by assets – generally investment fund units – arising from these policies. Because the market risk attaching to the assets underlying these contracts is borne by the policyholder, they are shown separately in the notes to the consolidated annual financial statements.

The following sections specifically address the interest rate risk, currency risk, credit risk, liquidity risk and equity price risk that are relevant to assets held by the Group.

5.6.1 Interest rate risk

Interest rate risk is the risk that a company's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest-rate-sensitive products may decline (asset-price effect). As well as the financial risk generated by holding assets and liabilities with non-matching maturities, variations in accounting policy may result in accounting risk.

Consequently, the impact of a movement in interest rates or in the interest rate curve may be a significant deterioration in terms and conditions if funding has to be rolled over. Benchmark-based maturity management is practised in the non-life units, while maturity management in the life units is driven by liabilities.

As part of the Baloise Group-wide Risk Management Standards, investment planning and appropriate asset and liability management ensure that any divergence in maturities and the interest rate risk incurred are managed within the risk-bearing ability available.

Stress tests are also designed and run for this purpose. They act as an early-warning system and their impact can be simulated for all areas of the Group and their performance.

The effect of stress-testing key financial figures is measured on a monthly basis. The underlying stress scenario (potential loss arising from a risk) is reviewed regularly and modified as necessary. The scale of a stress test is generally based on the simple annual volatility of the financial risk under review, the once-in-a-hundred-years occurrence of a business risk or standard international practice.

The life insurance companies in the Baloise Group manage their risk associated with changes in interest rates directly, by means of appropriate strategic asset allocation. Specific factors such as risk-bearing capacity and the ability to fund guarantees are taken into account when allocating assets. The decision-making process also incorporates the asset managers' expectations regarding the capital markets and customers' expectations regarding life insurance.

The Baloise Group's chief investment officer (CIO) reviews the strategic asset allocation undertaken by all business units twice a year.

The banks also use an appropriate asset and liability management system to monitor and manage interest rate risk. Interest rate risk is incurred only in proportion to business volume and business activities. Interest rate risk is measured using software based on gap, duration and interest rate sensitivity methods. The asset and liability mismatch at Baloise Bank SoBa is also actively managed by the use of appropriate interest rate derivatives, generally fair value hedges.

If all interest rates had fallen by 50 basis points on the balance sheet date but all other variables had remained constant, the profit for the period (after deferred gains/losses and deferred taxes) would have been lower by CHF 36 million (31 December 2016: CHF 51 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have risen by CHF 211 million (31 December 2016: CHF 181 million). If all interest rates had risen by 50 basis points on the balance sheet date but all other variables had remained constant, the profit for the period (after deferred gains/losses and deferred taxes) would have been higher by CHF 21 million (31 December 2016 CHF 19 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have fallen by CHF 238 million (31 December 2016: CHF 220 million).

5.6.2 Currency risk

Currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- net foreign exchange exposure, i.e. the net position between assets and liabilities denominated in foreign currencies,
- the volatility of the currencies involved and
- the correlation of currencies with other risk parameters in a portfolio.

Because the Baloise Group invests in foreign currency bonds (particularly those denominated in euros) for investment or diversification purposes, there may be currency effects in the income statement for both realised and unrealised positions. To ensure compliance with the risk budget set for currency effects recognised in the income statement, the foreign exchange management team first calculates adequate target hedge ratios, then implements the necessary hedging strategies taking into account these target hedge ratios and the discretionary ranges allowed. It also takes advantage of phases when exchange rates are overreacting by deliberately underweighting or overweighting the hedge ratios in relation to the defined benchmark. These hedging strategies are implemented using forward FX contracts and FX options or combinations of options in which the selection of the instruments to be used in each case depends on factors such as volatility and expected exchange rate movements.

The currency effect of foreign currency bonds or insurance-related foreign currency liabilities and changes in the fair value of derivative financial instruments held for hedging purposes are always recognised in the income statement.

The Group-wide Risk Management Standards require currency risk and the effectiveness of the currency derivatives transacted to be monitored on a continuous basis. The currency risk incurred must be proportionate to the potential superior return generated by the diversification effect achieved in the portfolio.

The Swiss franc and the euro are used almost exclusively for the Baloise Group's insurance activities, with the result that technical reserves are also mainly in these currencies. There are also small technical liabilities in US dollars and pounds sterling. These reserves are generally covered by investments in the same currencies (natural hedges).

Assuming that all other variables remain constant, fluctuations between transactional currencies and the functional currency in financial balance sheet items (after deferred gains/losses and deferred taxes) in the amount of + / – CHF 0.01 (1 centime) would have resulted in a change of + / – CHF 1.4 million (31 December 2016: + / – CHF 1.4 million) in the profit for the period; a positive (+) change of CHF 0.01 would have generated a currency gain and a negative (–) change of CHF 0.01 would have generated a currency loss.

Derivative financial instruments used as currency hedges of a net investment in a foreign operation

The Group's own companies, Baloise Alternative Investment Strategies Ltd., Jersey, and Baloise Private Equity Ltd., Jersey, manage substantial investments in alternative financial assets such as hedge funds and private equity.

The Baloise Group's FX managers enter into currency hedging transactions in the form of forward contracts to limit the currency risk exposure of its net investment in these two foreign entities whose reporting currency is the US dollar. Restricting the implementation of hedging strategies to forward contracts makes it easier to demonstrate the efficiency of the hedges and to show that hedge accounting is being used. Because hedge accounting is applied, the change in the fair value of these derivatives is aggregated into a separate item under equity and only derecognised via the income statement, together with the accrued currency effects on the net investment in these foreign entities, when the relevant underlying asset is sold.

	Fair value assets		Fair value liabilities	
as at 31.12.	2016	2017	2016	2017
CHF million				
Forward contracts	0.8	14.3	27.5	2.3
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	0.8	14.3	27.5	2.3

	2016	2017
CHF million		
Amount recognised directly in equity	– 14.8	72.7
Hedge ineffectiveness reclassified to the income statement	–	–

Because equity investments are actively managed, additions to and deductions from equity are carried out on a regular basis during the year. Consequently, the year-on-year effects underlying hedge accounting and the recognition of cash flows in profit or loss are recognised on a pro-rata basis.

For international diversification (risk-spreading), to enhance returns and because there is greater liquidity in certain foreign financial markets, as at 31 December 2017 the Group's Swiss companies did hold a net position in euros equivalent to CHF 837.1 million (2016: 765.2 million) and a net position in US dollars equivalent to CHF 243.1 million (2016: CHF 8.3 million). The remaining foreign exchange positions, both assets and liabilities, were negligible.

During the year, the overall aggregated hedge ratio for the net foreign exchange exposure in US dollars ranged from 90 per cent to 100 per cent and in euros ranged from 95 per cent to 100 per cent.

The foreign entities in the Baloise Group had not a significant foreign currency exposure.

5.7 Credit risk

Credit risk relating to assets held by insurance companies refers to the total potential downside risk arising from a deterioration in the credit quality of a borrower or issuer, or from impairment in the value of collateral. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

Credit risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardise an entire group of otherwise unrelated counterparties. For this reason, the Baloise Group tracks counterparty exposure at all times and monitors credit risk on a Group-wide basis. The regional expertise of our business units is also incorporated into decisions about securities selection or changes to the existing credit portfolio.

Because the credit risk incurred by the Baloise Group is spread across sectors and geographic regions and among a large number of counterparties and customers, the Baloise Group is not exposed to material credit risk arising from a single counterparty or a specific sector or geographic region.

In order to restrict the credit/accumulation risk in the Baloise Group, the proportion that may be invested by Group companies in a single issuer or borrower is strictly limited in the Group-wide Risk Management Standards. The relevant rules are explicitly defined in the Group investment policy.

Investments in interest-bearing securities or loans must have an investment-grade issue rating or be backed by a corresponding third-party guarantee or mortgage. A total limit of 15 per cent of all interest-bearing securities and loans is set for investments with a rating of less than "A–" and investments with no rating. Sub-investment-grade investments are not permitted. If any financial instrument in the portfolio becomes sub-investment grade due to a ratings downgrade, it must be sold within twelve months. Approval is required for any exceptions. Financial derivatives are only permitted to be transacted with issuers holding a rating of at least "A–" or with whom there is a special collateral agreement.

Investments in pfandbriefs are backed by mortgages. The vast majority of investments in promissory notes and registered bonds are secured by guarantees or covered by the deposit protection fund. These investments carry a reimbursement guarantee from financial institutions. Mortgage loans are secured by property; there are limits on loan-to-value ratios.

Please refer to the table of secured financial instruments with characteristics of liabilities in chapter 12.

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2016
Swiss Confederation	3,671.8
Kingdom of Belgium	2,590.6
Federal Republic of Germany	1,970.0
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,649.0
Republic of France	1,531.9
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	996.1
Kingdom of the Netherlands	937.0
European Investment Bank, Luxembourg	827.4

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2017
Swiss Confederation	3,448.8
Kingdom of Belgium	2,806.0
Federal Republic of Germany	1,998.3
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,574.9
Republic of France	1,538.0
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1,011.0
Kingdom of the Netherlands	936.3
European Investment Bank, Luxembourg	774.9

MAXIMUM DEFAULT RISK OF FINANCIAL ASSETS

CHF million	31.12.2016	31.12.2017
Financial assets of a debt nature		
Public corporations	18,351.8	18,822.3
Industrial enterprises	6,425.5	7,844.4
Financial institutions	7,269.6	6,711.3
Other	15.2	10.2
Mortgages and loans		
Mortgages	10,852.6	10,746.9
Policy loans	131.8	139.6
Promissory notes and registered bonds	4,349.5	4,638.1
Time deposits	838.1	939.7
Employee loans	25.7	26.8
Reverse repurchase agreements	–	–
Other loans	325.1	228.1
Derivative financial instruments	363.0	362.4
Receivables from financial contracts	4.2	3.0
Reinsurance assets	415.2	468.3
Receivables from reinsurers	47.5	38.2
Insurance receivables	383.5	444.1
Other receivables	489.7	432.9
Receivables from investments	451.6	440.9
Cash and cash equivalents	1,935.5	2,133.2

If no contractually irrevocable future loan commitments have been agreed, the maximum default risk of financial assets corresponds to the carrying amount of the assets for own account and at own risk. In addition, guarantees and collateral for the benefit of third parties totalled CHF 560.5 million (2016: CHF 672.8 million).

The management and control of credit risk arising from mortgage business are set out in instructions and written procedures in which mandatory lending regulations are specified. These lending regulations lay down strict procedures for the immediate identification, accurate assessment, proper authorisation and continuous monitoring of credit risk. Standard credit documentation is used to record and review loan applications, which are all logged and managed centrally. The relevant credit documentation reflects or incorporates all evaluation criteria and policies.

Because a running total of mortgage transactions is kept, it is possible to monitor compliance with credit policy, and corrective action can be taken if necessary. All mortgages are also managed by periodically auditing exposure, including records of overdue interest. Procedures and audit intervals are set out in a separate directive. Senior management regularly receive detailed risk reports on the composition of the mortgage portfolio and risk trends.

Policies, directives and authorisation levels set out the terms and conditions for granting mortgages, which consist of the amount, the credit quality of the counterparty, collateral and the term of the transaction as well as the specialist qualifications of the mortgage expert.

There are special instructions for valuing collateral and calculating loan-to-value ratios. The purpose of these provisions is to ensure that a standard procedure is used to determine the applicable value of collateral when assessing mortgages. The calculation of fair value and the loan-to-value ratio of real estate is of key importance, particularly with regard to mortgage business. One of the objectives of the active management of mortgages is the early identification of potential downside risk.

The mortgage portfolio comprises loans to individuals and to legal entities. The type and degree of risk that may be incurred, together with collateralisation and quality requirements, are set out in directives and authorisation levels. To mitigate risk, the portfolio is as geographically diverse as possible.

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2016	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,655.5	8,891.6	1,301.2	924.4	579.2	18,351.8
Industrial enterprises	196.2	1,150.3	3,448.7	1,574.7	55.6	6,425.5
Financial institutions	4,716.4	729.5	1,164.7	373.2	285.9	7,269.6
Other	0.2	15.0	–	–	–	15.2
Mortgages and loans						
Mortgages	97.5	888.2	8,353.6	1,004.1	210.7	10,554.2
Policy loans	–	–	–	–	131.8	131.8
Promissory notes and registered bonds	1,697.2	2,320.4	54.6	35.4	241.8	4,349.5
Time deposits	14.5	131.4	42.3	25.2	624.6	838.1
Employee loans	–	–	–	–	25.7	25.7
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	4.4	29.6	122.4	83.4	65.9	305.7
Derivative financial instruments	91.2	30.2	164.7	31.0	45.8	363.0
Receivables from financial contracts	–	–	–	–	4.2	4.2
Reinsurance assets	–	188.8	171.2	5.0	46.1	411.2
Receivables from reinsurers	–	14.3	22.0	0.1	11.1	47.5
Insurance receivables	0.0	7.9	9.6	0.8	238.8	257.1
Other receivables	135.8	19.2	113.7	18.1	172.8	459.6
Receivables from investments	128.2	106.2	45.4	27.7	125.6	433.1
Cash and cash equivalents	914.0	266.3	674.1	19.5	61.5	1,935.5
Total	14,651.2	14,789.2	15,688.1	4,122.7	2,927.2	52,178.4

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2017	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,626.2	9,324.2	1,411.6	1,117.8	342.5	18,822.3
Industrial enterprises	207.9	998.4	3,308.5	1,880.2	1,449.4	7,844.4
Financial institutions	4,449.8	566.9	1,045.5	347.9	301.1	6,711.3
Other	0.2	10.0	–	–	–	10.2
Mortgages and loans						
Mortgages	98.2	878.7	8,530.1	830.5	129.4	10,466.8
Policy loans	–	–	–	–	139.6	139.6
Promissory notes and registered bonds	2,048.3	2,290.1	47.5	78.9	173.3	4,638.1
Time deposits	4.1	77.0	12.2	29.8	816.6	939.7
Employee loans	–	–	–	–	26.8	26.8
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	4.7	25.2	125.7	25.4	34.8	215.7
Derivative financial instruments	88.6	11.3	185.9	14.5	62.1	362.4
Receivables from financial contracts	–	–	–	–	3.0	3.0
Reinsurance assets	–	88.3	322.8	0.0	53.1	464.2
Receivables from reinsurers	–	6.6	17.5	–	14.1	38.2
Insurance receivables	0.0	6.1	7.4	0.2	282.6	296.4
Other receivables	66.9	17.3	97.0	16.3	203.0	400.5
Receivables from investments	127.5	104.3	43.4	29.5	118.9	423.6
Cash and cash equivalents	776.7	382.2	625.3	25.5	323.5	2,133.2
Total	14,499.0	14,786.4	15,780.5	4,396.7	4,473.7	53,936.2

Standard & Poor’s and Moody’s ratings are generally used to assess the credit quality of securities. The lower of the two is used for disclosure.

Because the two agencies do not cover the entire Swiss financial market, the SBI composite rating is applied as and when necessary. This consists of ratings issued by the two rating agencies and the following four Swiss banks: Credit Suisse, UBS, Bank Vontobel and Zürcher Kantonalbank.

The credit quality of mortgage assets arising from Swiss insurance business is reviewed using risk management processes. Credit ratings are assigned on this basis. Mortgage assets that show no signs of impaired credit quality receive an A rating. Those that show signs of impaired credit quality are rated lower than BBB or are not rated at all.

In 2016, financial assets amounting to CHF 1.9 million (2016: CHF 1.8 million) and cash and cash equivalents of 0.1 million (2016: 0.1 million) from collateral received were used.

FINANCIAL ASSETS IMPAIRED

	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
as at 31.12.			2016			2017
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	–	–	–
Industrial enterprises	2.7	−2.7	–	2.9	−2.9	–
Financial institutions	0.7	−0.7	–	0.8	−0.8	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	147.0	−24.3	122.7	135.1	−20.4	114.7
Policy loans	–	–	–	–	–	–
Promissory notes and registered bonds	2.1	−2.1	–	–	–	–
Time deposits	–	–	–	–	–	–
Employee loans	–	–	–	0.0	0.0	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	28.5	−15.3	13.2	24.8	−12.4	12.4
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	0.1	−0.1	0.0	0.1	−0.1	0.0
Insurance receivables	132.6	−37.3	95.2	134.5	−35.7	98.8
Other receivables	5.1	−1.8	3.3	3.3	−0.7	2.6
Receivables from investments	20.1	−1.6	18.5	18.7	−1.5	17.2
Total	338.9	−85.9	253.0	320.3	−74.5	245.8

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2016	‹ 3 months	3 – 6 months	7 – 12 months	› 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	0.3	13.3	0.0	0.1	13.7
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	0.1	–	0.0	0.0	0.1
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	–	4.0	4.0
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	10.7	7.0	9.0	4.5	31.2
Other receivables	0.1	0.0	0.0	0.0	0.2
Receivables from investments	–	0.0	–	–	0.0
Total	11.1	20.4	9.1	8.7	49.2

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2017	< 3 months	3 – 6 months	7 – 12 months	> 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	–	–	14.8	–	14.8
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	–	4.1	4.1
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	16.9	11.5	13.9	6.6	48.9
Other receivables	0.0	–	0.0	–	0.0
Receivables from investments	–	0.0	–	–	0.0
Total	16.9	11.5	28.7	10.7	67.8

5.8 Liquidity risk

Banks as well as insurance companies incur latent liquidity risk. This refers to the risk of rapid outflows of large volumes of liquidity that cannot be offset by asset sales or for which alternative funding cannot be implemented quickly enough. In extreme cases, a lack of liquidity can result in insolvency. Legal provisions apply and the Group-wide Risk Management Standards require each business unit to plan its liquidity centrally. This is carried out with the close collaboration of the investment, actuarial, underwriting and finance departments of each business unit.

Liquidity management must take account of the maturity structure of liabilities as follows:

MATURITIES OF FINANCIAL LIABILITIES[1]

Liquidity risk as at 31.12.2016	< 1 year[2]	1 – 3 years	4 – 5 years	> 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	2,208.8	1.1	1.2	106.3	2,317.4	2,317.4
Measured at amortised cost	6,295.5	289.9	596.3	819.2	8,000.9	8,000.9
Recognised at fair value through profit or loss	3,406.0	–	6,148.2	445.2	9,999.4	9,999.4
Financial liabilities	255.9	232.4	590.9	540.9	1,620.1	1,470.4
Financial provisions	40.2	24.1	0.0	15.7	80.0	80.0
Derivative financial instruments	237.4	24.6	9.4	27.6	299.0	299.0
Insurance liabilities	971.1	593.4	–	0.6	1,565.2	1,565.2
Other liabilities	489.9	23.7	3.8	20.5	537.9	537.9
Contingent liabilities and capital commitments	1,427.8	172.8	260.2	12.4	1,873.1	–
Total	15,332.6	1,362.1	7,610.0	1,988.5	26,293.1	–

MATURITIES OF FINANCIAL LIABILITIES[1]

Liquidity risk as at 31.12.2017	< 1 year[2]	1 – 3 years	4 – 5 years	> 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	2,706.7	1.0	1.5	105.0	2,814.2	2,814.2
Measured at amortised cost	6,262.3	106.0	540.9	719.6	7,628.8	7,628.8
Recognised at fair value through profit or loss	3,895.9	42.4	7,839.2	476.1	12,253.6	12,253.6
Financial liabilities	38.3	547.7	444.1	914.0	1,944.1	1,742.9
Financial provisions	28.6	9.3	2.0	9.1	49.0	49.0
Derivative financial instruments	101.5	4.3	21.0	18.5	145.3	145.3
Insurance liabilities	1,073.9	631.7	0.1	0.6	1,706.3	1,706.3
Other liabilities	627.0	32.2	4.1	20.3	683.6	724.2
Contingent liabilities and capital commitments	923.5	729.1	88.9	6.4	1,747.9	–
Total	15,657.9	2,103.8	8,941.7	2,269.5	28,972.8	–

1 Based on undiscounted contractual cash flows.
2 All demand deposits are included in the first maturity band.

Please refer to the tables in chapter 23 for the residual terms and maturities of technical reserves.

In accordance with the Group-wide Risk Management Standards, asset and liability management committees have been introduced in all strategic business units in the Baloise Group. These asset and liability management committees analyse maturity schedules and the income generated by assets or required for liabilities.

As part of tactical and strategic investment planning, care is taken when allocating the assets held by the individual life and non-life insurance units in the Baloise Group to ensure that sufficient liquidity is available to carry out investment activity and for the operational settlement of all business processes. The level of liquidity required is determined on the basis of the maturity structure of investments versus the payout schedule for insurance-related liabilities. The average historical pattern of incoming and outgoing cash management payments over the previous five years is also taken into account. Investment planning explicitly includes exceptionally large incoming or outgoing payments that are known in advance. Maintenance of liquidity levels and access to further liquidity via the repo market ensure sufficiently high reserves for payments needed at short notice, such as large claim settlements, until such as time as the reinsurer assumes the costs. Cash pooling among the Baloise Group's Swiss companies also ensures that excess liquidity in one unit can be used to offset a temporary liquidity squeeze at another unit via an intra-Group interest-bearing overdraft facility.

If these precautions fail to meet the need for liquidity, the Baloise Group holds financial assets that can be sold at short notice without significant price losses. They include all equities (excluding long-term equity investments). Because the Group holds a substantial portfolio of government and quasi-government bonds, it is possible to sell relatively large holdings of available-for-sale bonds even in crisis situations. Mortgages and loans are generally held to maturity; early redemption is not considered at present. In terms of alternative financial assets, 64 per cent of hedge funds can be sold within three months. Private-equity investments have to be considered illiquid in this context, and it is not possible to sell investment property to generate immediate liquidity.

5.9 Equity price risk

The Baloise Group is exposed to equity price risk because it holds financial instruments with characteristics of equity classed as "recognised at fair value through profit or loss" and "available for sale". Equity price risk is significantly reduced by means of international diversification, i.e. by spreading risk across sectors, countries and currencies. Active overlay management using derivatives also mitigates equity price risk if certain intervention levels are reached or the market and/or risk indicators that are continuously tracked by Baloise suggest heightened hedging activity.

Most financial instruments with characteristics of equity are publicly listed.

If the market price of all financial instruments with characteristics of equity were to move by +/– 10 per cent on the balance sheet date, the following impact would be observed – after shadow accounting, deferred gains/losses, deferred taxes, derivative hedges and the effect of the impairment rules mentioned in section 3.10.2:

	Impact on profit for the period		Impact on equity (including profit for the period)	
	2016	2017	2016	2017
CHF million				
Market price plus 10%	57.4	9.4	264.9	234.0
Market price minus 10%	–77.6	–20.2	–267.3	–236.7

Because these impairment criteria produce different effects due to assumed changes in market prices if there is a rise compared with an analogous fall, these effects are divergent. The compensatory effects of hedging using derivatives behave in a similar manner.

Adjustments in the fair value of financial instruments with characteristics of equity that are classed as “recognised at fair value through profit or loss” have an impact on the profit for the period. Unrealised gains and losses vary due to changes in the fair value of financial instruments with characteristics of equity which are classed as “available for sale”. In a life insurance company, policyholders participate in the firm’s profits, depending on their policy and local circumstances (see section 3.19.5.). The table above takes account of this profit-sharing scheme.

5.10 Fair value measurement

Where available, quoted market prices are used to determine the fair value of assets and liabilities. They are defined as available if quoted prices can be obtained easily and frequently on an exchange, from a dealer, broker, trade association, pricing service or regulatory authority, provided these prices are current, in sufficient volume and represent regularly occurring arm’s-length transactions in the market.

If no quoted market prices are available (e.g. because a market is inactive), the fair value is determined using a market-based measurement process. Market-based means that the measurement method is based on a significant quantity of observable market data (as available).

Fair value measurement is divided into the following three hierarchy levels:

- Fair value determined by publicly quoted prices (level 1)
  Fair value is based on prices in active markets on the balance sheet date and it is not adjusted or compiled in any other way.
- Fair value determined by using observable market data (level 2)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.). In this case, measurement incorporates a significant quantity of observable market data (interest rates, index performance, etc.).
- Fair value determined without the use of observable market data (level 3)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.), although it is measured without reference to any observable market data (or only to a very minor degree), either because this data is not available or because it does not permit any reliable conclusions to be drawn with regard to fair value.

Detailed information about measurement principles and the measurement methods used can be found in sections 3.7, 3.8, 3.9, 3.11, 3.21 and 4.1.

Details of the methods used to measure level 2 and level 3 assets and liabilities

The table below gives an overview of the measurement methods that the Baloise Group uses to determine the fair value of balance sheet line items classified as level 2 or level 3. The table shows the individual measurement methods, the key input factors used for measurement purposes and – where practicable – the range within which these input factors vary.

Balance sheet line item	Measurement method	Key input factors used for measurement purposes	Range of input factors
Level 2			
Financial instruments with characteristics of equity			
Available for sale	Internal measurement methods	Price of underlying instrument, liquidity discount, balance sheet and income statement figures	–
	Net asset value	n. a.	–
At fair value through profit or loss	Net asset value	n. a.	–
Financial instruments with characteristics of liabilities			
Available for sale	Present-value model	Yield curve, swap rates, default risk	–
At fair value through profit or loss	Present-value model Net asset value	Interest rate, credit spread, market price n. a.	–
Mortgages and loans			
Carried at cost	Present-value model	Interest rate, credit spread	
At fair value through profit or loss	Present-value model	LIBOR, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from banking business and financial contracts			
At fair value through profit or loss	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	LIBOR, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n. a.	n. a.
Financial instruments with characteristics of liabilities	Present-value model	Interest rate, credit spread	–
Derivative financial instruments	Net asset value	n. a.	n. a.
Investment property	DCF method	Discount rate[1]	2.8 % – 5.6 %[3]
		Rental income[2]	268 – 288 CHF million[3]
		Vacancy costs[1]	9 – 14 CHF million[3]
		Running costs[1]	22 – 25 CHF million[3]
		Maintenance costs[1]	26 – 29 CHF million[3]
		Capital expenditure[2]	50 – 70 CHF million[3]
		Inflation rate[2]	0 % – 2 %[3]

1 The lower these key input factors are, the higher the fair value of the investment property is.
2 The higher these key input factors are, the lower the fair value of the investment property is.
3 The input factor ranges shown essentially relate to the real estate portfolios held by the Baloise Group's Swiss entities.

Determining the fair value of assets and liabilities classified as level 3

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This organisational structure is also used to delegate authority and responsibility for proper implementation of, and compliance with, financial reporting standards within the Baloise Group to the individual strategic business units.

The organisation of these individual units varies in terms of how they determine the fair value of financial instruments classified as level 3. This process essentially involves the regular discussion of measurement methods, measurement inconsistencies and classification issues by formal or informal committees at each reporting date. Appropriate adjustments are made where necessary.

Financial instruments with characteristics of equity classed as “available for sale” or “recognised at fair value through profit or loss” and classified as level 3 are primarily private-equity investments and alternative investments held by the Baloise Group as well as non-controlling interests in real estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on their net asset value (NAV). These external providers generally use non-public information to calculate the individual investments’ NAV.

Financial instruments with characteristics of liabilities that are assigned to level 3 are predominantly corporate bonds originating from private placements and for which third-party prices are not available. A present-value model is used to measure their fair value.

The measurement of investment property classified as level 3 is carried out internally each year by experts using market-based assumptions that have been verified by respected external consultancies. This property is also assessed by external valuation specialists at regular intervals.

FAIR VALUE OF ASSETS AND LIABILITIES FOR OWN ACCOUNT AND AT OWN RISK

31.12.2016	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Available for sale	4,357.1	4,357.1	2,471.8	921.3	964.0
Recognised at fair value through profit or loss	1,002.3	1,002.3	310.7	691.5	–
Financial instruments with characteristics of liabilities					
Held to maturity	8,224.6	9,904.1	9,904.1	–	–
Available for sale	23,806.7	23,806.7	23,777.4	29.3	–
Recognised at fair value through profit or loss	30.8	30.8	25.4	5.5	–
Mortgages and loans					
Carried at cost	15,457.7	16,494.6	–	–	16,494.6
Recognised at fair value through profit or loss	897.0	897.0	–	897.0	–
Derivative financial instruments	363.0	363.0	11.4	351.6	–
Receivables from financial contracts					
Carried at cost	4.2	4.2	–	–	4.2
Other receivables					
Carried at cost	463.1	464.2	–	–	464.2
Receivables from investments					
Carried at cost	451.6	451.6	337.6	0.4	113.7
Investment property	6,817.5	6,817.5	–	–	6,817.5
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	8,000.9	8,153.3	–	8,103.0	50.4
Recognised at fair value through profit or loss	489.0	489.0	–	489.0	–
Derivative financial instruments	299.0	299.0	21.8	277.2	–
Financial liabilities	1,470.4	1,592.6	1,592.6	–	–

The Baloise Group has applied accounting standard IFRS 5 (non-current assets and disposal groups held for sale and discontinued operations) owing to the disposal of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]). The Baloise Group has assets and liabilities measured at fair value on a non-recurring basis as part of the disposal group recognised for this purpose.

Information on the fair value of the disposal group can be found in note 21.

FAIR VALUE OF ASSETS AND LIABILITIES FOR OWN ACCOUNT AND AT OWN RISK

31.12.2017	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Available for sale	4,402.9	4,402.9	2,695.1	501.3	1,206.5
Recognised at fair value through profit or loss	343.3	343.3	343.3	–	–
Financial instruments with characteristics of liabilities					
Held to maturity	8,488.9	10,018.7	10,018.7	–	–
Available for sale	24,870.1	24,870.1	23,501.3	1,368.8	–
Recognised at fair value through profit or loss	29.2	29.2	29.2	–	–
Mortgages and loans					
Carried at cost	15,791.7	16,730.1	–	10,237.2	6,492.9
Recognised at fair value through profit or loss	776.8	776.8	–	776.8	–
Derivative financial instruments	362.4	362.4	23.3	339.1	–
Receivables from financial contracts					
Carried at cost	3.0	3.0	–	–	3.0
Other receivables					
Carried at cost	403.1	403.5	–	–	403.5
Receivables from investments					
Carried at cost	440.9	440.9	321.7	20.4	98.7
Investment property	7,480.3	7,480.3	–	–	7,480.3
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	7,628.8	7,738.9	–	7,667.8	71.1
Recognised at fair value through profit or loss	518.5	518.5	–	518.5	–
Derivative financial instruments	145.3	145.3	7.1	138.2	–
Financial liabilities	1,742.9	1,852.9	1,852.9	–	–

In 2017, Baloise used a revised methodology for classifying the hierarchy levels. The changes mainly relate to mortgages carried at cost, the majority of which can be allocated to level 2 on the basis of observable discount factors (interest rates).

FAIR VALUE OF ASSETS AND LIABILITIES FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES

31.12.2016	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	8,946.2	8,946.2	8,825.0	76.5	44.7
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,704.4	1,704.4	1,662.1	0.1	42.2
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	394.4	394.4	196.6	197.1	0.8
Other assets					
Recognised at fair value through profit or loss	54.5	54.5	54.5	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	9,510.4	9,510.4	9,510.4	–	–
Derivative financial instruments	–	–	–	–	–

The Baloise Group has applied accounting standard IFRS 5 (non-current assets and disposal groups held for sale and discontinued operations) owing to the disposal of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]). The Baloise Group has assets and liabilities measured at fair value on a non-recurring basis as part of the disposal group recognised for this purpose.

Information on the fair value of the disposal group can be found in note 21.

FAIR VALUE OF ASSETS AND LIABILITIES FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES

31.12.2017	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	11,128.7	11,128.7	10,908.6	–	220.1
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,971.9	1,971.9	1,804.2	95.2	72.6
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	438.0	438.0	194.5	243.5	–
Other assets					
Recognised at fair value through profit or loss	70.5	70.5	70.5	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	11,735.1	11,735.1	11,639.9	95.2	–
Derivative financial instruments	–	–	–	–	–

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3

2016	Financial instruments with characteristics of equity	Investment property	Total
	Available for sale	Recognised at fair value through profit or loss	
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	**943.1**	**6,251.9**	**7,195.1**
Additions	122.3	453.7	576.0
Additions arising from change in the scope of consolidation	–	73.9	73.9
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	– 105.7	– 49.5	– 155.2
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to level 3	–	31.8	31.8
Reclassified from level 3	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss[1]	– 6.8	59.7	52.9
Changes in fair value not recognised in profit or loss[2]	18.7	8.0	26.7
Exchange differences	– 7.5	– 12.0	– 19.6
Balance as at 31 December	**964.0**	**6,817.5**	**7,781.5**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**– 5.8**	**56.7**	**50.9**

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3

2017	Financial instruments with characteristics of equity	Investment property	Total
	Available for sale	Recognised at fair value through profit or loss	
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	964.0	6,817.5	7,781.5
Additions	279.0	567.2	846.2
Additions arising from change in the scope of consolidation	0.0	384.5	384.5
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	– 103.5	– 157.7	– 261.2
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to level 3	–	–	–
Reclassified from level 3	–	–	–
Reclassification to non-current assets classified as held for sale	–	– 336.8	– 336.8
Changes in fair value recognised in profit or loss[1]	– 10.4	111.1	100.7
Changes in fair value not recognised in profit or loss[2]	30.0	–	30.0
Exchange differences	47.4	94.6	141.9
Balance as at 31 December	1,206.5	7,480.3	8,686.8
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 10.4	99.5	89.1

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3

	Financial instruments with characteristics of equity	Financial instruments with characteristics of liabilities	Derivative financial instruments (assets)	Total
2016	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	**142.1**	**–**	**–**	**142.1**
Additions	–	–	–	–
Additions arising from change in the scope of consolidation	–	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–	–
Disposals	– 15.1	–	–	– 15.1
Disposals arising from change in the scope of consolidation	–	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–	–
Reclassified to level 3	19.3	42.9	0.8	63.0
Reclassified from level 3	– 101.2	–	–	– 101.2
Changes in fair value recognised in profit or loss[1]	– 0.4	–	–	– 0.4
Exchange differences	0.0	– 0.7	0.0	– 0.7
Balance as at 31 December	**44.7**	**42.2**	**0.8**	**87.7**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**– 0.4**	**–**	**–**	**– 0.4**

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3

2017	Financial instruments with characteristics of equity Recognised at fair value through profit or loss	Financial instruments with characteristics of liabilities Recognised at fair value through profit or loss	Derivative financial instruments (assets) Recognised at fair value through profit or loss	Total
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	44.7	42.2	0.8	87.7
Additions	100.3	19.6	–	119.9
Additions arising from change in the scope of consolidation	–	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–	–
Disposals	– 0.8	– 30.4	–	– 31.2
Disposals arising from change in the scope of consolidation	–	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–	–
Reclassified to level 3	83.5	41.3	–	124.7
Reclassified from level 3	– 20.4	– 4.4	– 0.8	– 25.5
Changes in fair value recognised in profit or loss[1]	1.2	– 0.8	–	0.4
Exchange differences	11.6	5.1	0.0	16.7
Balance as at 31 December	220.1	72.6	–	292.7
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	0.8	– 0.3	–	0.5

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.

Reclassification of assets and liabilities from level 1 to level 2 and vice versa

Assets and liabilities measured at fair value are generally reclassified from level 1 to level 2 if there is no longer deemed to be an active market in these instruments owing to their low daily trading volumes or lack of liquidity or if the instruments concerned have been de-listed. Financial instruments are reclassified from level 2 to level 1 for the exact opposite reasons.

No significant amounts of assets or liabilities measured at fair value were reclassified from level 1 to level 2 or vice versa during the reporting period or in 2016.

Reclassification of assets and liabilities to and from level 3

In the reporting period, a small volume of financial assets were reclassified owing to changed market activity and new knowledge concerning the composition of investments.

Discrepancy between a non-financial asset’s highest and best use and its current use

The fair value of investment property is determined on the basis of its highest and best use.

This periodic analysis – which was based on criteria such as the potential to increase a property’s market value by converting it into apartments, the repurposing of some or all of an existing property, the availability of a significant amount of land for further building and development, and the unlocking of added value by demolishing an existing property and building a new one revealed for the reporting period that the highest and best use of only individual investment properties in the Swiss portfolio differed from their current use.

5.11 Capital management

The general parameters regarding the amount of capital employed are set by regulatory requirements and internal risk management policies. While the aim of regulatory requirements is primarily the protection of policyholders, internal policies are largely derived from the risk-based management of operating activities.

5.11.1 Solvency I ratio at Group level

The solvency ratio (calculated on the basis of the legal requirements in force on 30 June 2015) for pure insurance business of CHF 2,117 million (2016: CHF 2,142 million) was met in 2016 and 2017. The cover ratio for the capital adequacy requirement in available funds was 406 per cent at 31 December 2017 (31 December 2016: 351 per cent). The capital currently available consists of IFRS equity, the eligible hybrid capital, unallocated policyholders’ dividends and the final policyholders’ dividend reserve. Liabilities are also recognised as capital in accordance with the corresponding options for solvency coverage at individual company level. Deductions from equity include planned dividend payments and intangible assets.

5.11.2 Requirements under local legislation

Individual Group companies are also subject to regulation under local legislation which in some cases imposes different solvency rules and permits different methods for defining equity. The ability of the business units, and therefore also of the parent company, to pay dividends is closely linked to the priority placed on meeting these local requirements. Compliance with local solvency requirements is monitored on an ongoing basis. Appropriate action is taken if solvency falls short of these regulations.

The relevant requirements for the banking operations of Baloise Bank SoBa are defined by Basel III regulations. The regulatory capital adequacy requirement applicable to Deutscher Ring Bausparkasse AG is the Capital Requirements Regulation (CRR).

5.11.3 Swiss Solvency Test

The Swiss Solvency Test (SST) came into force as a new statutory requirement on 1 January 2011. In this context, the Baloise Group defines its risk-bearing capital and capital required (target capital) for the SST using an inhouse model which takes into account the Baloise Group's business model. All activities and processes for developing and structuring the inhouse model are gathered together in the Baloise Internal Solvency System (BISS) and coordinated and managed by Group Risk Management.

Risk-bearing capital is calculated on the basis of a consolidated balance sheet measured using market values. The difference between the assets and liabilities measured at market value gives the risk-bearing capital after any capital deductions and including any eligible supplementary capital. As a result, all capital items that can be deployed to cover losses in the event of adverse business developments are taken into consideration.

Risk-bearing capital is compared with target capital and the capital requirement formulated inhouse. The capital requirement covers actuarial risk, market risk, credit risk and other risks. The capital requirement is determined by means of a correlation-based expected shortfall method. The actuarial capital requirement is a measurement of the operational funding required to cover actuarial risk. The claims risk is modelled using distributions of normal and large claims, including the prevailing reinsurance structure. At the same time, the investment required to smooth fluctuations in investment value and returns for a given probability is also calculated. Analysis of these risks is based on quantitative models that use statistical methods to evaluate historical data and place it in the context of current exposure. Various extreme scenarios are also evaluated, and their potential impact on risk-bearing capacity is analysed. The SST ratio (ratio of risk-bearing capital to target capital, after deduction of the market value margin in both cases) is calculated for the strategic business units and the Group. The Group's target capital is not determined by simply adding together individual risk positions; it also takes into account diversification effects. The current ratios of risk-bearing capital to risk-adjusted capital are set with reference to the global risk management limits laid down in the Group-wide Risk Management Standards. These limits are monitored on an ongoing basis.

5.11.4 Monitoring the solvency situation

The risk owner and risk controller responsible for each business unit and for the Group as a whole participate in a regular reporting process. Key figures relating to Solvency I, Solvency II and the inhouse risk model (SST) are reported on a monthly basis, which enables the solvency situation to be monitored in a timely manner, providing the basis for risk-based management decisions within the whole organisation. It also enables the Baloise Group to meet external reporting requirements at all times.

6. BASIS OF CONSOLIDATION

6.1 2016 financial year

6.1.1 Acquisitions

In the second half of 2016, four affiliated real-estate companies were acquired in Belgium (Postsite Aalst). According to the criteria defined in IFRS 3 Business Combinations, this purchase constitutes the acquisition of assets, so goodwill has not been recognised separately in this case.

6.1.2 Disposals

No companies were sold during the year under review.

6.1.3 Other changes in the group of consolidated companies

Baloise Insurance Company (Bermuda) Ltd. merged with Baloise Insurance Ltd (Switzerland) on 1 January 2016. Intercompany reinsurance was thus transferred to Switzerland. This merger took place within the existing group of consolidated companies.

Baloise Immobilien Management AG was founded in the second half of 2016 and is headquartered in Basel. Also in the second half of 2016, the share of capital and share of voting rights in the real-estate company SA Keiberg 401 in Belgium was increased from 46.8 per cent to 100 per cent.

6.2 2017 financial year

6.2.1 Acquisitions and foundations

On 11 January 2017, a controlling interest in DrivOlution NV was acquired in Belgium.

In Germany, a start-up named FRI:DAY was founded as a mobile insurer in Berlin. FRI:DAY was entered in the commercial register on 15 February 2017 as a German branch of Basler Versicherungen Luxemburg A.G. In Luxembourg, this start-up was entered in the trade and company register under the name “FRIDAY Tech” on 19 December 2017. FRI:DAY’s business is to be transferred to this company during 2018 and the digital insurance business is to be relaunched and expanded as a separate legal entity.

On 28 February 2017, Anthemis Baloise Strategic Ventures LLP was founded in London as part of a fintech investment partnership with the UK-based Anthemis Group.

Approximately a 71 per cent shareholding in the listed company Pax Anlage AG was purchased in Basel, Switzerland, on 31 March 2017. This stake was increased to 84.1 per cent in the second quarter of 2017 as a result of a public purchase order followed by additional share purchases. Further purchases were made in the second half of 2017, and the percentage of shareholding according to the share register was 84.9 per cent as at 31 December 2017. Pax Wohnbauten AG, a wholly owned subsidiary of Pax Anlage AG, was included in the purchase. It was renamed Baloise Wohnbauten AG on 3 July 2017.

In Switzerland, 82.6 per cent of the shares in Movu AG, which operates an online platform for home-moving services, were acquired on 13 July 2017. A call option exists on the remaining shares, which Baloise can exercise up to the end of 2021. There is a strong intention to exercise this option, which is why the company has been fully consolidated.

In Belgium, a company named MOBLY was founded on 6 October 2017 that operates an online platform for services relating to second-hand cars.

On 22 November 2017, the real-estate company VAC De Meander was acquired in Belgium. It contains just one property, the newly built Herman Teirlinck office block in Brussels, which is occupied by the Flemish civil service on a long-term lease. According to the criteria defined in IFRS 3 Business Combinations, this purchase constitutes the acquisition of assets.

The two Luxembourg companies Baloise Alternative Investments Partner S.à r.l. and Baloise Private Equity Partner S.à r.l. were founded at the start of December 2017. This was done to aid the planned transfer of parts of the investment business to Luxembourg that are currently still conducted by firms in Jersey.

6.2.2 Disposals

The two German companies Assekuranz Herrmann GmbH and Wilhelm Herrmann Assekuranz Makler GmbH were sold to the Artus Group in January 2017.

The German branch of Baloise Life Ltd in Bad Homburg was sold to the Frankfurter Leben Group on 3 February 2017.

6.2.3 Other changes in the group of consolidated companies

No companies were merged or liquidated in the year under review.

7. INFORMATION ON OPERATING SEGMENTS (SEGMENT REPORTING)

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This is also the organisational level at which the chief operating decision-makers are situated. Regardless of where they are headquartered, all Baloise Group entities are therefore assigned to one of the reportable segments

- Switzerland
- Germany
- Belgium
- Luxembourg

The “Germany” segment also includes the regional branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia. The “Luxembourg” segment also includes the Baloise Life Liechtenstein unit.

The “Group business” segment comprises the units engaged in intercompany reinsurance and financing, as well as corporate IT and the holding companies.

The revenue generated by the Baloise Group is broken down into the Non-Life, Life, Banking (including asset management) and Other activities operating segments. The Non-Life segment offers accident and health insurance as well as products relating to liability, motor, property and marine insurance. These products are tailored to the specific needs of our customers – primarily retail clients – and the core competences of the relevant companies in the Baloise Group. The Life segment provides individuals and companies with a wide range of endowment policies, term insurance, investment-linked products and private placement life insurance. The Banking segment essentially comprises Baloise Bank SoBa, which acts as a universal bank in Switzerland, and Deutscher Ring Bausparkasse, which operates in Germany mainly as a conventional building society.

The “Other activities” operating segment includes equity investment companies, real estate firms and financing companies.

The accounting policies applied to the presentation of the operating segments (segment reporting) are those used throughout the rest of the Financial Report. No intersegment relationships recognised either on the balance sheet or in the income statement – with the exception of income from long-term equity investments – are offset against each other.

7.1 Segment reporting by strategic business unit

	Switzerland		Germany		Belgium	
	2016	2017	2016	2017	2016	2017
CHF million						
Income						
Premiums earned and policy fees (gross)	4,188.1	4,231.7	1,219.3	1,164.2	1,078.8	1,133.5
Reinsurance premiums ceded	– 81.5	– 83.7	– 85.2	– 92.2	– 88.0	– 98.0
Premiums earned and policy fees (net)	4,106.6	4,148.0	1,134.1	1,072.0	990.8	1,035.6
Investment income	878.2	867.4	336.4	260.9	239.5	241.9
Realised gains and losses on investments						
For own account and at own risk	108.6	155.3	100.5	208.3	95.0	42.5
For the account and at the risk of life insurance policyholders and third parties	12.4	43.1	114.7	102.7	10.0	18.3
Income from services rendered	37.2	40.8	31.8	28.7	1.6	2.9
Share of profit (loss) of associates	0.0	0.0	7.1	5.5	0.0	–
Other operating income	106.8	179.2	27.5	42.1	16.5	16.5
Income	5,249.8	5,433.9	1,752.1	1,720.2	1,353.5	1,357.6
Intersegment income	– 29.9	– 29.5	39.0	39.9	34.2	35.7
Income from associates	0.0	0.0	7.1	5.5	0.0	–
Expense						
Claims and benefits paid (gross)	– 3,651.7	– 3,829.7	– 1,209.2	– 1,041.0	– 688.6	– 722.8
Change in technical reserves (gross)	– 351.8	– 148.4	– 181.6	– 281.5	– 126.3	– 68.9
Reinsurers’ share of claims incurred	27.1	38.7	103.2	85.0	74.8	51.4
Acquisition costs	– 65.6	– 55.7	– 188.2	– 159.8	– 229.2	– 247.0
Operating and administrative expenses for insurance business	– 416.7	– 428.2	– 193.3	– 180.3	– 108.3	– 107.2
Investment management expenses	– 43.8	– 51.4	– 24.2	– 30.2	– 11.6	– 13.5
Interest expenses on insurance liabilities	– 2.3	– 0.7	– 28.3	– 21.3	– 0.2	– 0.1
Gains or losses on financial contracts	– 19.8	– 18.3	– 23.8	– 26.6	– 59.2	– 66.2
Other operating expenses	– 178.6	– 321.8	– 67.6	– 140.5	– 33.1	– 42.6
Expense	– 4,703.2	– 4,815.5	– 1,813.0	– 1,796.2	– 1,181.7	– 1,216.8
Profit / loss before borrowing costs and taxes	546.6	618.4	– 60.9	– 76.0	171.7	140.8
Borrowing costs	–	– 2.8	–	–	–	–
Profit / loss before taxes	546.6	615.5	– 60.9	– 76.0	171.7	140.8
Income taxes	– 99.2	– 94.7	12.4	10.5	– 46.3	– 12.4
Profit / loss for the period (segment result)	447.4	520.8	– 48.5	– 65.5	125.5	128.5
Segment assets as at 31.12.	45,081.9	46,200.1	15,104.9	14,433.3	9,521.0	10,828.4

Luxembourg		Sub-total		Group business		Eliminated		Total	
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
198.4	202.4	6,684.5	6,731.9	99.6	103.9	−103.6	−109.4	6,680.6	6,726.4
−17.1	−18.9	−271.8	−292.8	0.0	0.0	103.5	109.4	−168.2	−183.4
181.2	183.6	6,412.8	6,439.1	99.6	103.9	0.0	0.0	6,512.4	6,542.9
18.9	20.1	1,473.1	1,390.3	5.3	4.3	−1.8	−2.0	1,476.6	1,392.5
2.5	−1.7	306.5	404.4	−3.4	23.4	–	–	303.1	427.8
220.5	498.0	357.6	662.2	6.5	34.3	–	–	364.1	696.5
15.8	19.1	86.4	91.5	157.5	160.4	−133.8	−135.0	110.1	116.9
–	–	7.1	5.5	–	–	–	–	7.1	5.5
20.6	27.0	171.4	264.8	20.5	23.2	−55.1	−53.0	136.8	235.0
459.5	746.0	8,814.9	9,257.8	286.1	349.4	−190.8	−190.0	8,910.2	9,417.1
2.6	2.8	46.0	48.8	−236.8	−238.8	190.8	190.0	–	–
–	–	7.1	5.5	–	–	–	–	7.1	5.5
−111.1	−114.2	−5,660.6	−5,707.6	112.5	−80.3	−116.1	61.5	−5,664.2	−5,726.5
−23.1	−61.6	−682.8	−560.5	−208.2	−14.0	221.8	39.4	−669.1	−535.0
9.2	6.9	214.2	182.0	−0.3	−0.4	−105.7	−100.9	108.2	80.8
−20.6	−20.1	−503.5	−482.6	−0.5	−0.4	1.1	0.9	−502.9	−482.1
−44.4	−48.9	−762.7	−764.6	−0.1	−0.3	−1.1	−0.9	−763.9	−765.8
−1.4	−1.6	−81.0	−96.7	−8.3	−8.4	29.0	28.0	−60.3	−77.2
0.1	0.0	−30.7	−22.1	–	–	0.2	0.2	−30.5	−21.9
−235.6	−468.8	−338.5	−579.8	−10.2	−37.6	5.8	4.0	−342.9	−613.4
−9.3	−10.3	−288.7	−515.2	−168.1	−234.4	155.8	157.8	−300.9	−591.8
−436.3	−718.6	−8,134.2	−8,547.1	−283.2	−375.9	190.8	190.0	−8,226.6	−8,733.0
23.3	27.5	680.7	710.6	2.9	−26.6	–	–	683.6	684.1
–	–	–	−2.8	−38.0	−31.4	–	–	−38.0	−34.3
23.3	27.5	680.7	707.8	−35.1	−58.0	–	–	645.6	649.8
1.0	−2.4	−132.0	−98.9	20.3	−18.9	–	–	−111.7	−117.9
24.3	25.1	548.7	608.8	−14.8	−76.9	–	–	533.9	531.9
10,413.8	12,652.5	80,121.6	84,114.4	1,466.1	1,620.1	−973.4	−1,210.6	80,614.3	84,523.9

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2016	2017	2016	2017
CHF million				
Income				
Premiums earned and policy fees (gross)	3,109.7	3,214.4	3,570.9	3,512.0
Reinsurance premiums ceded	– 149.8	– 162.6	– 18.4	– 20.8
Premiums earned and policy fees (net)	2,959.9	3,051.8	3,552.4	3,491.1
Investment income	217.8	213.2	1,161.5	1,087.3
Realised gains and losses on investments				
For own account and at own risk	47.6	102.7	259.2	339.3
For the account and at the risk of life insurance policyholders and third parties	–	–	357.6	662.2
Income from services rendered	19.6	23.5	17.0	21.8
Share of profit (loss) of associates	0.0	0.0	3.0	1.7
Other operating income	80.7	57.3	87.3	218.9
Income	3,325.7	3,448.5	5,437.9	5,822.2
Intersegment income	– 49.7	– 52.9	– 42.7	– 45.3
Income from associates	0.0	0.0	3.0	1.7
Expense				
Claims and benefits paid (gross)	– 1,859.7	– 1,881.0	– 3,804.5	– 3,845.5
Change in technical reserves (gross)	– 66.7	– 38.1	– 602.4	– 496.9
Reinsurers' share of claims incurred	96.5	67.7	11.7	13.1
Acquisition costs	– 440.0	– 468.4	– 63.0	– 13.7
Operating and administrative expenses for insurance business	– 488.5	– 490.6	– 275.4	– 275.3
Investment management expenses	– 22.9	– 27.0	– 85.6	– 95.4
Interest expenses on insurance liabilities	– 0.2	– 0.2	– 30.3	– 21.8
Gains or losses on financial contracts	– 0.5	– 0.8	– 303.9	– 560.9
Other operating expenses	– 147.3	– 235.5	– 58.4	– 219.7
Expense	– 2,929.3	– 3,073.7	– 5,211.8	– 5,516.2
Profit / loss before borrowing costs and taxes	396.4	374.7	226.1	306.0
Borrowing costs	–	–	–	– 2.8
Profit / loss before taxes	396.4	374.7	226.1	303.2
Income taxes	– 74.9	– 100.2	– 34.3	– 14.2
Profit / loss for the period (segment result)	321.5	274.5	191.8	289.0

Banking		Other activities		Eliminated		Total	
2016	2017	2016	2017	2016	2017	2016	2017
–	–	–	–	–	–	6,680.6	6,726.4
–	–	–	–	–	–	−168.2	−183.4
–	–	–	–	–	–	6,512.4	6,542.9
118.7	113.1	2.1	2.4	−23.4	−23.5	1,476.6	1,392.5
−3.4	−15.8	−0.3	1.6	–	–	303.1	427.8
–	–	6.5	34.3	–	–	364.1	696.5
131.2	137.4	165.2	159.9	−222.9	−225.8	110.1	116.9
–	–	4.2	3.8	–	–	7.1	5.5
16.6	4.4	11.1	15.9	−58.9	−61.4	136.8	235.0
263.0	239.2	188.7	218.0	−305.2	−310.7	8,910.2	9,417.1
−66.3	−65.4	−146.4	−147.1	305.2	310.7	–	–
–	–	4.2	3.8	–	–	7.1	5.5
–	–	–	–	–	–	−5,664.2	−5,726.5
–	–	–	–	–	–	−669.1	−535.0
–	–	–	–	–	–	108.2	80.8
–	–	–	–	–	–	−502.9	−482.1
–	–	–	–	–	–	−763.9	−765.8
−24.9	−26.0	−2.6	−3.1	75.8	74.4	−60.3	−77.2
–	–	–	–	–	–	−30.5	−21.9
−46.5	−31.0	−16.4	−45.4	24.6	24.6	−342.9	−613.4
−99.5	−100.3	−200.6	−248.0	204.8	211.8	−300.9	−591.8
−170.9	−157.4	−219.7	−296.5	305.2	310.7	−8,226.6	−8,733.0
92.1	81.8	−31.0	−78.5	–	–	683.6	684.1
–	–	−38.0	−31.4	–	–	−38.0	−34.3
92.1	81.8	−68.9	−109.9	–	–	645.6	649.8
−19.4	−15.8	16.9	12.3	–	–	−111.7	−117.9
72.7	66.0	−52.1	−97.6	–	–	533.9	531.9

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

2016	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Total
CHF million						
Balance as at 1 January	**65.1**	**245.7**	**41.7**	**24.7**	**21.9**	**399.1**
Additions	0.0	0.9	3.5	5.3	6.7	16.4
Additions arising from change in the scope of consolidation	–	–	–	0.0	–	0.0
Disposals	–	–	0.0	– 0.3	0.0	– 0.3
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	– 0.4	– 31.4	–	–	–	– 31.8
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Depreciation and impairment						
Depreciation	–	– 8.4	– 7.4	– 5.8	– 9.1	– 30.7
Impairment losses recognised in profit or loss	– 0.1	– 1.1	–	–	–	– 1.1
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Exchange differences	– 0.3	– 1.7	– 0.1	– 0.2	0.0	– 2.2
Balance as at 31 December	**64.4**	**204.1**	**37.7**	**23.8**	**19.4**	**349.3**
Acquisition costs	66.6	474.6	93.6	58.4	80.1	773.3
Accumulated depreciation and impairment	– 2.2	– 270.6	– 56.0	– 34.6	– 60.7	– 424.0
Balance as at 31 December	**64.4**	**204.1**	**37.7**	**23.8**	**19.4**	**349.3**
Of which: Assets held under finance leases	–	–	–	–	–	–

Depreciation and impairment form part of other operating expenses.

2017	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Total
CHF million						
Balance as at 1 January	64.4	204.1	37.7	23.8	19.4	349.3
Additions	0.0	1.3	3.5	6.0	10.9	21.7
Additions arising from change in the scope of consolidation	–	–	–	0.3	0.0	0.3
Disposals	– 1.6	–	–	– 0.4	0.0	– 2.0
Disposals arising from change in the scope of consolidation	–	–	–	– 0.2	0.0	– 0.2
Reclassification	–	–	0.0	0.0	0.0	0.0
Reclassification to non-current assets classified as held for sale	–	–	0.0	0.0	– 0.3	– 0.3
Depreciation and impairment						
Depreciation	–	– 8.3	– 7.2	– 6.2	– 10.5	– 32.3
Impairment losses recognised in profit or loss	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Exchange differences	1.8	13.0	0.4	1.4	0.3	16.9
Balance as at 31 December	64.5	210.1	34.3	24.5	19.8	353.3
Acquisition costs	66.9	491.4	95.9	64.0	51.3	769.6
Accumulated depreciation and impairment	– 2.4	– 281.3	– 61.6	– 39.4	– 31.5	– 416.3
Balance as at 31 December	64.5	210.1	34.3	24.5	19.8	353.3
Of which: Assets held under finance leases	–	–	–	–	–	–

Depreciation and impairment form part of other operating expenses.

9. INTANGIBLE ASSETS

2016	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Other intangible assets	Internally developed intangible assets	Total
CHF million							
Balance as at 1 January	67.1	7.9	480.9	149.9	132.3	0.1	838.2
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Additions	–	–	–	–	26.4	0.2	26.6
Capitalisation of acquisition costs	–	–	77.1	253.3	–	–	330.3
Disposals	–	–	–	–	–0.1	–	–0.1
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Amortisation and impairment							
Amortisation	–	–0.8	–57.2	–251.2	–30.3	–0.1	–339.6
Write-ups	–	–	1.8	–	–	–	1.8
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	–3.0	–0.8	–	–	–3.8
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	–9.0	–	–	–	–9.0
Exchange differences	–0.8	–0.1	–5.0	–1.2	–1.2	–	–8.3
Balance as at 31 December	66.3	7.0	485.6	149.9	127.2	0.2	836.1
Acquisition costs	211.9	–	–	–	479.4	9.2	–
Accumulated amortisation and impairment	–145.6	–	–	–	–352.2	–9.1	–
Balance as at 31 December[1]	66.3	7.0	485.6	149.9	127.2	0.2	836.1
Segment as at 31 December 2016							
Switzerland	–	–	88.3	52.6	24.7	–	165.5
Germany	28.7	7.0	389.6	37.8	1.9	–	464.9
Belgium	14.9	–	0.6	55.3	79.3	–	150.1
Luxembourg	22.7	–	7.2	4.2	13.8	–	48.0
Group business	–	–	–	–	7.4	0.2	7.6
Total for geographic regions	66.3	7.0	485.6	149.9	127.2	0.2	836.1

1 With the possible exception of goodwill, the Baloise Group has no intangible assets with indefinite useful lives.

2017	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Other intangible assets	Internally developed intangible assets	Total
CHF million							
Balance as at 1 January	66.3	7.0	485.6	149.9	127.2	0.2	836.1
Additions arising from change in the scope of consolidation	23.0	–	–	–	5.1	–	28.1
Additions	–	–	–	–	27.6	–	27.6
Capitalisation of acquisition costs	–	–	89.1	266.4	–	–	355.5
Disposals	–	–	–	–	–0.1	–	–0.1
Disposals arising from change in the scope of consolidation	–	–	–	–	–1.1	–	–1.1
Reclassification	–	–	–	–	0.0	–	0.0
Reclassification to non-current assets classified as held for sale	–	–	–	–	–0.4	–	–0.4
Amortisation and impairment							
Amortisation	–	–0.8	–12.4	–259.0	–29.9	–0.1	–302.3
Write-ups	–	–	2.0	–	–	–	2.0
Impairment losses recognised in profit or loss	–19.6	–	–	–	–	–	–19.6
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	–	–4.4	–	–	–4.4
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	10.4	–	–	–	10.4
Exchange differences	11.5	0.6	41.1	8.8	8.6	–	70.6
Balance as at 31 December	81.1	6.7	615.8	161.7	137.0	0.1	1,002.5
Acquisition costs	246.3	–	–	–	367.5	10.0	–
Accumulated amortisation and impairment	–165.1	–	–	–	–230.5	–9.9	–
Balance as at 31 December [1]	81.1	6.7	615.8	161.7	137.0	0.1	1,002.5
Segment as at 31 December 2017							
Switzerland	21.8	–	89.7	55.7	29.7	–	196.9
Germany	17.0	6.7	507.4	40.0	0.6	–	571.6
Belgium	17.6	–	9.3	61.4	81.0	–	169.3
Luxembourg	24.8	–	9.4	4.5	16.8	–	55.6
Group business	–	–	–	0.1	8.9	0.1	9.1
Total for geographic regions	81.1	6.7	615.8	161.7	137.0	0.1	1,002.5

1 With the possible exception of goodwill, the Baloise Group has no intangible assets with indefinite useful lives.

9.1 Assumptions used to test the impairment of significant goodwill items

Assumptions used to forecast future business developments and trends have been reviewed by the local management teams and take account of macroeconomic conditions. The input factors are described in note 3.10.3 (Impairment losses on non-financial assets).

	Goodwill as at 31.12.		Discount rate (%)		Growth rate (%)	
	2016	2017	2016	2017	2016	2017
Movu AG	–	21.8	–	n. a.	–	n. a.
Zeus Vermittlungsgesellschaft mbH	13.1	–	9.6	–	1.0	–
Basler Financial Services GmbH	13.6	14.8	6.8	7.2	1.0	1.0
Bâloise Vie Luxembourg S.A.	6.8	7.4	7.0	7.0	2.5	2.5
Bâloise Assurances Luxembourg S.A.	15.4	16.8	7.0	7.0	2.5	2.5
Baloise Belgium NV	14.9	16.2	7.0	7.0	2.6	2.6

The impairment test in 2017 resulted in a write-off being recognised at Zeus Vermittlungsgesellschaft due to a lack of future cash flows owing to the disappearance of fee and commission income. This impairment loss affects the “Other activities” operating segment.

Goodwill in respect of Movu AG was recognised for the first time when it was acquired. Using an income approach, taking account of a discount rate and growth rate, would not be a useful way of measuring this start-up. It was therefore tested for impairment using a multiples-based method.

The management is of the opinion that a possible change in the assumptions based on the exercise of appropriate discretion would not have led, either in 2017 or in 2016, to the carrying amount of an entity being significantly higher than its recoverable value.

10. INVESTMENTS IN ASSOCIATES

10.1 Significant investments in associates

OVB Holding Ltd is a European sales company for risk cover, retirement pension and health care products as well as wealth-building products. It also brokers Basler Versicherungen products. The company is strategically important because it constitutes a significant distribution channel.

The financial information reflects the amounts reported in the financial statements of the associate rather than the share of those amounts that is attributable to the Baloise Group. The associate's financial statements are prepared in accordance with IFRS. OVB Holding Ltd is included in the Baloise Group's consolidated annual financial statements under the equity method. Because the publicly traded OVB Holding Ltd's relevant financial year-end closing information, which is used for measurement purposes, had not been published by the time the Financial Report was being prepared, measurement has been based in each case on the financial closing data for the period ended 30 September of the reporting year.

SIGNIFICANT INVESTMENTS IN ASSOCIATES

	OVB Holding Ltd	
CHF million		
Assets	**30.9.2016**	**30.9.2017**
Non-current assets	24.7	26.9
Current assets	151.8	175.5
Total assets	**176.5**	**202.4**
Equity and liabilities	**30.9.2016**	**30.9.2017**
Equity	91.6	99.5
Non-current liabilities	1.0	1.1
Current liabilities	83.8	101.8
Total assets	**176.5**	**202.4**
Profit for the period	**1.–9.2016**	**1.–9.2017**
Income	183.8	188.6
Expense	173.1	179.9
Profit for the period	**10.7**	**8.7**
Comprehensive income (balance sheet)	0.0	0.0
Comprehensive income (income statement)	–0.2	–0.5
Comprehensive income	**10.5**	**8.3**
Dividends paid to the Baloise Group	3.2	3.8
Baloise Group's interest (per cent)	32.6%	32.6%
Carrying amount as at 30 September	**65.7**	**71.5**
Fair value as at 30 September	**79.9**	**101.7**

10.2 Non-significant investments in associates

The Baloise Group holds investments in a number of non-significant associates.

2016	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income	comprehensive income
CHF million					
Total	94.7	4.1	0.0	0.0	4.0

2017	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income	comprehensive income
CHF million					
Total	66.9	1.7	2.0	4.7	8.4

There were no contingent liabilities arising from investments in associates and no substantial unrecognised shares of the losses of associates as at either 31 December 2017 or 31 December 2016.

As at 31 December 2017, the Baloise Group held more than 20 per cent of the capital of further companies but does not have any influence over these companies' management. As a result, they are not reported as associates.

11. INVESTMENT PROPERTY

CHF million	2016	2017
Balance as at 1 January	6,251.9	6,817.5
Additions	453.7	567.2
Additions arising from change in scope of consolidation	73.9	384.5
Disposals	–49.5	–157.7
Disposals arising from change in scope of consolidation	–	–
Reclassification	31.8	–
Reclassification to non-current assets classified as held for sale	–	–336.8
Change in fair value	67.7	111.1
Exchange differences	–12.0	94.6
Balance as at 31 December	6,817.5	7,480.3
Operating expenses arising from investment property that generates rental income	83.2	86.7
Operating expenses arising from investment property that does not generate rental income	0.6	0.1

The increase in the portfolio during the reporting year was largely attributable to real estate acquired by Baloise's Swiss entities. The additions arising from changes in the scope of consolidation resulted from the acquisition of Baloise Wohnbauten AG and VAC De Meander NV. Reclassification to non-current assets and disposal groups classified as held for sale relates to the properties for the launch of the real-estate fund for institutional investors.

12. FINANCIAL ASSETS

CHF million	31.12.2016	31.12.2017
Financial assets of an equity nature		
Available for sale	4,357.1	4,402.9
Recognised at fair value through profit or loss	1,002.3	343.3
Financial assets of a debt nature		
Held to maturity	8,224.6	8,488.9
Available for sale	23,806.7	24,870.1
Recognised at fair value through profit or loss	30.8	29.2
Financial assets for own account and at own risk	37,421.6	38,134.4
Financial assets for the account and at the risk of life insurance policyholders and third parties		
Recognised at fair value through profit or loss[1]	10,650.6	13,100.6
Financial assets as reported on the balance sheet	48,072.2	51,235.0

1 Of which financial assets totalling CHF 184.3 million (2016: CHF 99.5 million) involved insurance policies that had not been fully reviewed by the balance sheet date.

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	**2016**	**2017**
CHF million		
Financial assets of an equity nature		
Publicly listed	–	–
Not publicly listed	–	–
Total	–	–
Financial assets of a debt nature		
Publicly listed, fixed-interest rate	8,224.6	8,488.9
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	8,224.6	8,488.9

No impairment losses had to be recognised on held-to-maturity financial instruments with characteristics of liabilities, during either the reporting year or the prior year.

	Available for sale		Recognised at fair value through profit or loss				Total	
			Trading portfolio		Designated			
	2016	2017	2016	2017	2016	2017	2016	2017
	2,471.8	2,695.1	–	–	310.7	343.3	2,782.6	3,038.4
	1,885.3	1,707.8	–	–	691.5	0.0	2,576.9	1,707.8
	4,357.1	4,402.9	–	–	1,002.3	343.3	5,359.4	4,746.2
	23,765.6	24,852.3	–	–	0.1	0.1	31,990.3	33,341.3
	11.8	17.8	–	–	25.3	29.1	37.1	46.9
	29.3	–	–	–	5.5	–	34.8	–
	–	–	–	–	–	–	–	–
	23,806.7	24,870.1	–	–	30.8	29.2	32,062.1	33,388.2

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2016	2017
CHF million		
Type of financial asset		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	–	–
Public corporations	7,208.0	7,514.2
Industrial enterprises	14.6	8.0
Financial institutions	986.9	956.6
Other	15.0	10.0
Financial assets of a debt nature	8,224.6	8,488.9
Total	8,224.6	8,488.9
Secured financial assets of a debt nature		
Public corporations	10.7	11.7
Industrial enterprises	–	–
Financial institutions	922.2	901.9
Other	–	–
Total	933.0	913.6

Secured financial instruments with characteristics of liabilities are fixed-income securities for which a mortgage or a government bond has been securitised as collateral.

	Available for sale		Recognised at fair value through profit or loss				Total	
			Trading portfolio		Designated			
	2016	2017	2016	2017	2016	2017	2016	2017
	2,466.5	2,627.5	–	–	–	–	2,466.5	2,627.5
	33.7	69.8	–	–	33.9	19.3	67.6	89.1
	155.6	24.7	–	–	933.7	258.2	1,089.3	283.0
	58.1	57.9	–	–	34.6	65.8	92.7	123.7
	339.2	510.4	–	–	0.0	0.0	339.2	510.4
	627.7	719.4	–	–	–	–	627.7	719.4
	676.4	393.1	–	–	–	–	676.4	393.1
	4,357.1	4,402.9	–	–	1,002.3	343.3	5,359.4	4,746.2
	11,126.9	11,290.8	–	–	16.9	17.2	18,351.8	18,822.3
	6,410.9	7,836.4	–	–	–	–	6,425.5	7,844.4
	6,268.8	5,742.7	–	–	13.9	12.0	7,269.6	6,711.3
	0.2	0.2	–	–	–	–	15.2	10.2
	23,806.7	24,870.1	–	–	30.8	29.2	32,062.1	33,388.2
	28,163.9	29,273.0	–	–	1,033.1	372.5	37,421.6	38,134.4
	239.0	247.2	–	–	–	–	249.8	258.9
	6.5	1,375.7	–	–	–	–	6.5	1,375.7
	4,025.7	3,684.4	–	–	–	–	4,947.9	4,586.4
	0.2	0.2	–	–	–	–	0.2	0.2
	4,271.4	5,307.5	–	–	–	–	5,204.4	6,221.2

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

	Carrying amount		Fair value	
as at 31.12.	2016	2017	2016	2017
CHF million				
Public corporations	7,208.0	7,514.2	8,774.3	8,950.0
Industrial enterprises	14.6	8.0	15.5	8.4
Financial institutions	986.9	956.6	1,098.3	1,049.4
Other	15.0	10.0	16.0	10.9
Total	8,224.6	8,488.9	9,904.1	10,018.7

13. MORTGAGES AND LOANS

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2016	2017	2016	2017	2016	2017	2016	2017
CHF million								
Mortgages and loans carried at cost								
Mortgages	9,818.1	9,840.2	– 24.3	– 20.4	9,793.8	9,819.8	10,265.8	10,237.2
Policy loans	131.5	139.4	–	–	131.5	139.4	144.1	150.0
Promissory notes and registered bonds	4,351.6	4,638.1	– 2.1	–	4,349.5	4,638.1	4,893.5	5,076.4
Time deposits	838.1	939.7	–	–	838.1	939.7	839.5	940.9
Employee loans	25.7	26.8	–	0.0	25.7	26.8	26.2	27.3
Reverse repurchase agreements	–	–	–	–	–	–	–	–
Other loans	334.4	240.5	– 15.3	– 12.4	319.1	228.1	325.5	298.4
Sub-total	15,499.4	15,824.6	– 41.7	– 32.9	15,457.7	15,791.7	16,494.6	16,730.1
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	896.8	776.6	–	–	896.8	776.6	896.8	776.6
Policy loans	0.3	0.2	–	–	0.3	0.2	0.3	0.2
Sub-total	897.0	776.8	–	–	897.0	776.8	897.0	776.8
Mortgages and loans	16,396.4	16,601.4	– 41.7	– 32.9	16,354.7	16,568.6	17,391.7	17,506.9

IMPAIRMENT OF MORTGAGES AND LOANS

CHF million	2016	2017
Balance as at 1 January	– 44.9	– 41.7
Usage not recognised in profit or loss	11.4	7.9
Unused provisions reversed through profit or loss	2.1	1.4
Increases and additional provisions recognised in profit or loss	– 10.5	– 1.5
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets classified as held for sale	–	2.2
Currency translation	0.2	– 1.2
Balance as at 31 December	– 41.7	– 32.9

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value assets		Fair value liabilities	
as at 31.12.	2016	2017	2016	2017
CHF million				
Derivative financial instruments for own account and at own risk	363.0	362.4	299.0	145.3
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	394.4	438.0	–	–
Derivative financial instruments as reported on the balance sheet	757.3	800.4	299.0	145.3

	Contract value		Fair value assets		Fair value liabilities	
as at 31.12.	2016	2017	2016	2017	2016	2017
CHF million						
Interest rate instruments						
Forward contracts	–	–	–	–	–	–
Swaps	1,313.0	1,094.9	72.8	50.2	79.7	60.9
OTC options	607.3	208.5	90.9	27.8	14.9	–
Other	0.9	1.6	113.4	165.7	30.7	20.0
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	1,921.1	1,305.1	277.0	243.7	125.3	80.9
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	2,431.0	2,127.4	39.2	38.7	11.1	2.6
Traded options	703.8	777.6	11.4	12.3	14.8	6.9
Traded futures	–	–	–	–	–	–
Sub-total	3,134.8	2,905.0	50.7	51.0	25.9	9.5
Foreign currency instruments						
Forward contracts	8,591.6	9,022.4	34.2	57.2	146.1	43.5
Swaps	–	–	–	–	–	–
OTC options	652.4	1,242.3	1.0	10.5	1.7	11.4
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	9,244.1	10,264.6	35.3	67.7	147.8	54.9
Total	14,300.0	14,474.7	363.0	362.4	299.0	145.3
Of which: designated as fair value hedges	–	–	–	–	–	–
Of which: designated as cash flow hedges	–	–	–	–	–	–
Of which: designated as hedges of a net investment in a foreign operation	1,086.2	1,751.7	0.8	14.3	27.5	2.3

The contract value or notional amount is used for derivative financial instruments whose principal may be swapped at maturity (options, futures and currency swaps) and for instruments whose principal is only nominally lent or borrowed (interest rate swaps). The contract value or notional amount is disclosed in order to express the aggregate amount of derivative transactions in which the Baloise Group is involved.

15. RECEIVABLES

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2016	2017	2016	2017	2016	2017	2016	2017
CHF million								
Receivables carried at cost								
Receivables from financial contracts	4.2	3.0	–	–	4.2	3.0	4.2	3.0
Other receivables	464.9	403.8	–1.8	–0.7	463.1	403.1	464.2	403.5
Receivables from investments	453.3	442.3	–1.6	–1.5	451.6	440.9	451.6	440.9
Receivables	922.4	849.1	–3.4	–2.2	919.0	846.9	920.0	847.3

IMPAIRMENT OF RECEIVABLES

	2016	2017
CHF million		
Balance as at 1 January	–4.2	–3.4
Usage not recognised in profit or loss	0.2	0.2
Unused provisions reversed through profit or loss	1.4	1.1
Increases and additional provisions recognised in profit or loss	–0.8	–1.1
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	1.2
Currency translation	0.0	–0.1
Balance as at 31 December	–3.4	–2.2

16. REINSURANCE ASSETS

	2016	2017
CHF million		
Reinsurers' share of technical reserves as at 1 January	410.8	415.2
Change in unearned premium reserves	0.2	1.7
Benefits paid	–94.5	–60.8
Interest on and change in liability	103.6	76.9
Additions/disposals arising from change in scope of consolidation	–	–
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–4.9	35.2
Reinsurers' share of technical reserves as at 31 December	415.2	468.3

17. RECEIVABLES FROM REINSURERS

CHF million	2016	2017
Reinsurance deposits as at 1 January	7.8	8.7
Additions	1.2	1.4
Disposals	−0.2	0.3
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	−0.1	0.9
Reinsurance deposits as at 31 December	8.7	11.3
Other reinsurance receivables as at 1 January	44.6	38.9
Additions	99.5	105.5
Disposals	−104.9	−118.8
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	−0.3	1.4
Other reinsurance receivables as at 31 December	38.9	27.0
Impairment of receivables from reinsurers as at 1 January	−0.1	−0.1
Usage not recognised in profit or loss	–	–
Unused provisions reversed through profit or loss	0.1	0.0
Increases and additional provisions recognised in profit or loss	−0.1	0.0
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	–
Impairment of receivables from reinsurers as at 31 December	−0.1	−0.1
Receivables from reinsurers as at 31 December	47.5	38.2

18. EMPLOYEE BENEFITS

18.1 Receivables and liabilities arising from employee benefits

	Receivables from employee benefits		Liabilities arising from employee benefits	
as at 31.12.	2016	2017	2016	2017
CHF million				
Type of benefit				
Short-term employee benefits	0.8	3.3	107.7	115.0
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,316.9	1,242.7
Other long-term employee benefits	–	–	29.1	28.5
Termination benefits	–	–	10.2	8.2
Total	0.8	3.3	1,463.9	1,394.4

18.2 Post-employment benefits – defined benefit plans

The Baloise Group provides a range of pension benefits, which vary from country to country in line with local circumstances. The funded – or partially funded – liabilities relate to the occupational pension provision offered in Switzerland and that of the former Avéro Schadeverzekering Benelux NV.

Switzerland has the largest plans. The employer and employee each contribute to these plans; the contributions are used to cover benefits paid in the event of death or invalidity as well as being saved up to fund a pension. The employee has the option of receiving all or part of the accumulated capital as a one-off payment. Some of the benefits granted in this way are governed by binding statutory regulations that are applicable to all Swiss employers and, in particular, stipulate certain minimum benefits. The pensions are the responsibility of separate legal entities (foundations) that are run by a committee consisting of employer and employee representatives.

In other countries, the benefits are either granted by the employer directly or covered by an insurance policy that, as a rule, is funded by the employer. Directly granted benefits are particularly relevant in Germany, where benefits are agreed between the employer and the employee representatives.

The pension benefits on offer also comprise special benefits that the Baloise Group grants to retirees (especially those in Switzerland). These benefits include subsidised mortgages. These benefits and concessions are classified as defined benefit pension obligations under IAS 19.

18.2.1 Fair value of plan assets

CHF million	2016	2017
Balance as at 1 January	2,373.2	2,374.8
Interest rate effect	15.0	15.2
Return on plan assets	10.7	110.3
Employees' savings and purchases	29.2	37.9
Exchange differences	– 0.2	1.1
Employer contribution	57.9	79.9
Employee contribution	30.7	30.9
Benefits paid	– 141.6	– 111.7
Cash flow between Baloise Group and plan assets (excl. benefits paid to employees and employer contribution)	–	–
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	2,374.8	2,538.4

18.2.2 Partially funded liabilities under defined benefit plans

CHF million	2016	2017
Balance as at 1 January	– 2,821.2	– 2,848.5
Current service cost	– 92.7	– 87.6
Interest rate effect	– 17.9	– 17.9
Employees' savings and purchases	– 29.2	– 37.9
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 52.6	– 53.6
changes in demographic assumptions	– 19.1	19.7
experience adjustments	– 5.3	12.6
Exchange differences	0.2	– 1.7
Unrecognised past service cost	47.7	– 25.9
Benefits paid	141.6	111.7
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 2,848.5	– 2,929.0

18.2.3 Unfunded liabilities under defined benefit plans

CHF million	2016	2017
Balance as at 1 January	– 752.5	– 843.2
Current service cost	– 14.0	– 17.0
Interest rate effect	– 15.4	– 11.5
Employees' savings and purchases	–	–
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 88.2	14.6
changes in demographic assumptions	– 1.9	– 3.0
experience adjustments	– 1.3	– 3.6
Exchange differences	10.1	– 68.1
Unrecognised past service cost	– 14.0	–
Benefits paid	30.7	33.8
Additions / disposals arising from change in scope of consolidation	–	0.6
Reclassification to non-current assets classified as held for sale	3.2	45.4
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 843.2	– 852.1

18.2.4 Net actuarial liabilities under defined benefit plans

CHF million	31.12.2016	31.12.2017
Fair value of plan assets	2,374.8	2,538.4
Present value of (partially) funded liabilities	– 2,848.5	– 2,929.0
Present value of unfunded liabilities	– 843.2	– 852.1
Effect of the asset ceiling	–	–
Net actuarial liabilities under defined benefit plans	– 1,316.9	– 1,242.7

18.2.5 Asset Allocation

CHF million	31.12.2016	31.12.2017
Cash and cash equivalents	52.8	62.3
Real estate	456.1	481.5
Equities and investment funds		
publicly listed	1,313.6	1,359.0
not publicly listed	142.4	179.7
Fixed-interest assets		
publicly listed	114.0	100.2
not publicly listed	–	–
Mortgages and loans	315.2	338.7
Derivatives		
publicly listed	–	–
not publicly listed	– 6.3	– 8.1
Other	– 12.9	25.2
Fair value of plan assets	2,374.8	2,538.4
Of which: Bâloise Holding Ltd shares (fair value) and convertible bonds (fair value)	28.8	35.6
Of which: real estate leased to the Baloise Group	–	–

The investment funds are mainly fixed-income funds.

18.2.6 Expenses for defined benefit plans recognised in the income statement

CHF million	2016	2017
Current service cost	– 106.6	– 104.6
Net interest cost	– 18.4	– 14.2
Unrecognised past service cost	33.7	– 25.9
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Regular employee contribution	31.4	31.7
Total expenses for defined benefit plans recognised in the income statement	– 59.9	– 113.0

18.2.7 Actuarial assumptions

	2016	2017
Per cent		
Discount rate	0.8	0.7
Expected wage and salary increases	1.4	1.4
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	81.0	77.0
Years		
Average life expectancy of a 65-year-old woman	24.2	24.3
Average life expectancy of a 65-year-old man	21.6	21.7

When calculating liabilities and expenses for defined benefit plans, the Baloise Group is required to make actuarial and other assumptions that are determined on a company-by-company and country-by-country basis. The assumptions shown above are weighted averages.

18.2.8 Sensitivity analysis for liabilities under defined benefit plans

	31.12.2016	31.12.2017
CHF million		
Total defined benefit obligation as shown	3,691.7	3,781.1
Discount rate plus 0.5 % age points	– 268.2	– 277.0
Discount rate minus 0.5 % age points	303.8	300.8
Expected wage and salary increases plus 0.5 % age points	36.3	30.5
Expected wage and salary increases minus 0.5 % age points	– 34.4	– 40.2
Expected pension benefits increases plus 0.5 % age points	205.4	202.2
Expected pension benefits increases minus 0.5 % age points	– 36.3	– 41.7
Mortality probabilities for 65-year-olds plus 10.0 % age points	– 93.5	– 99.9
Mortality probabilities for 65-year-olds minus 10.0 % age points	102.8	97.3
Weighted share of annuity option plus 10.0 % age points	14.5	13.3

The Baloise Group determines the sensitivities of liabilities under defined benefit plans by recalculating them using the same models as used for the calculation of the effective value. In this calculation, only one parameter of the base scenario is changed. Possible interaction between individual parameters is not taken into consideration. The effect resulting from various parameters occurring simultaneously may vary from the sum total of individually determined differences.

The sensitivity is only calculated for the liability. A possible simultaneous impact on plan assets is not investigated.

18.2.9 Funding of plan benefits

The plan assets of the Swiss plans are funded jointly by the employer and employee. The amount of individual contributions depends largely on an employee's remuneration and age. Statutory regulations require employers to contribute a minimum of 50 per cent of the total contributions for part of the insured benefits.

18.2.10 Estimated employer contribution

The employer's contribution for the following year can only be predicted with a limited degree of certainty. The Baloise Group expects to pay employer contributions of approximately CHF 68.5 million for the 2018 financial year.

18.2.11 Maturity profile

The maturity profile of liabilities under pension plans differs depending on whether benefits are prospective or current entitlements. For prospective benefit entitlements, the average expected remaining service period is 10.0 years; the average present value factor for current benefit entitlements under pension commitments is 17.6 years.

18.3 Other long-term employee benefits

Benefits granted to current employees that are payable twelve months or more after the end of the financial year are accounted for separately and according to specific rules. The accounting policies applied are similar to those used for pension liabilities, except that actuarial gains and losses are recognised in profit or loss.

Long-service bonuses constitute the principal benefit paid. The present value of liabilities as at 31 December 2017 totalled CHF 28.5 million (2016: CHF 29.1 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 3.6 million (2016: CHF 4.7 million).

18.4 Share-based payment plans

For some time now, the Baloise Group has offered employees and management team members the chance to participate in various plans under which shares are granted as part of their overall remuneration packages: the Employee Incentive Plan, the Share Subscription Plan and the Share Participation Plan as well as Performance share units (PSU). All these plans are equity-settled remuneration programmes. In 2017, a sum of CHF 24.4 million (2016: CHF 21.8 million) was recognised as an expense in profit or loss in connection with the following share-based payment plans.

The textual explanations of the individual compensation programs are contained in Chapters 5, 7 and 8 of the Compensation Report. The most important quantitative information is listed in tabular form below.

18.4.1 Employee Incentive Plan

EMPLOYEE INCENTIVE PLAN

	2016	2017
Number of shares subscribed	183,678	176,252
Restricted until	31.08.2019	31.08.2020
Subscription price per share (CHF)	56.40	77.00
Value of shares subscribed (CHF million)	10.4	13.6
Fair value of subscribed shares on subscription date (CHF million)	21.5	26.9
Employees entitled to participate	3,098	3,146
Participating employees	2,029	2,007
Subscribed shares per participant (average)	90.5	87.8

18.4.2 Share Subscription Plan

SHARE SUBSCRIPTION PLAN (SSP)

	2016	2017
Number of shares subscribed	35,475	34,738
Restricted until[1]	28.02.2019	29.02.2020
Subscription price per share (CHF)	109.26	116.37
Value of shares subscribed (CHF million)	3.9	4.0
Fair value of subscribed shares on subscription date (CHF million)	4.5	4.5
Employees entitled to participate	929	917
Participating employees	110	116
SSP portion of variable remuneration	14 %	15 %

1 The closed period during which shares are allocated to the Chairman of the Board of Directors is five years instead of three. This means that the shares are restricted until 28 February 2021 and 28 February 2022 respectively.

18.4.3 Share Participation Plan

SHARE PARTICIPATION PLAN (SPP)

	2016	2017
Number of shares subscribed[1]	104,075	95,009
Restricted until	28.02.2019	29.02.2020
Subscription price per share[2] (CHF)	106.59	114.49
Value of shares subscribed[2] (CHF million)	11.1	10.9
Fair value of subscribed shares on subscription date (CHF million)	13.1	12.4
Employees entitled to participate	909	889
Participating employees	104	96
SPP portion of variable remuneration	6 %	6 %

1 Including shares financed by loans.
2 Net of the discounted dividend right over three years.

18.4.4 Performance share units

The value of PSUs is exposed to market risk until the end of the vesting period and may, of course, fluctuate significantly, as shown in the table below:

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF)[1]	Date	Multiplier	Price (CHF)[1]	Value (CHF)[2]	[3]
2007	01.03.2007	125.80	01.01.2010	1.182	86.05	101.71	– 19 %
2008	01.01.2008	109.50	01.01.2011	1.24	91.00	112.84	3 %
2009	01.01.2009	82.40	01.01.2012	0.64	64.40	41.22	– 50 %
2010	01.01.2010	86.05	01.01.2013	0.58	78.50	45.53	– 47 %
2011	01.01.2011	91.00	01.01.2014	0.77	113.60	87.47	– 4 %
2012	01.03.2012	71.20	01.03.2015	1.21	124.00	150.04	111 %
2013	01.03.2013	84.50	01.03.2016	1.50	126.00	189.00	124 %
2014	01.03.2014	113.40	01.03.2017	1.05	130.70	137.24	21 %
2015	01.03.2015	124.00	01.03.2018	1.44[4]	151.70[4]	218.30[4]	76 %[4]
2016	01.03.2016	126.00	01.03.2019	1.05[4]	151.70[4]	159.90[4]	27 %[4]
2017	01.03.2017	130.70	01.03.2020	1.34[4]	151.70[4]	203.60[4]	56 %[4]

1 Price = price of Baloise shares at the PSU grant date or conversion date.
2 Value = value of one PSU at the conversion date (share price at the conversion date times the multiplier).
3 Change in value = difference between the value at the conversion date (multiplier times the share price at the conversion date) and the share price at the grant date, expressed as a percentage of the share price at the grant date; example of the PSU plan in 2007: ([{1.182 × 86.05} – 125.80] / 125.80) × 100 = – 19 %.
4 Interim measurement as at 31 December 2017.

Measurement of the PSU at their issue date is based on a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period. This measurement incorporates the following parameters:

- interest rate of 1 per cent;
- the volatilities of all shares in the peer group and their correlations with each other (measured over a three-year track record);
- the expected dividend yields;
- empirical data on how long eligible programme participants remain with the Company.

PERFORMANCE SHARE UNITS (PSU)

	Plan 2015	Plan 2016	Plan 2017
Employees entitled to participate at launch of programme	62	69	65
Number of allocated PSU	42,162	40,748	33,698
Of which: expired (departures in 2015)	0	–	–
Number of active PSUs as at 31 December 2015	42,162	–	–
Of which: expired (departures in 2016)	–2,429	–604	–
Number of active PSUs as at 31 December 2016	39,733	40,144	–
Of which: expired (departures in 2017)	–139	–413	–263
Number of active PSUs as at 31 December 2017	39,594	39,731	33,435
Value of allocated PSUs on issue date (CHF million)	5.1	5.3	4.7
PSU expense incurred by the Baloise Group for 2015 (CHF million)	1.4		
PSU expense incurred by the Baloise Group for 2016 (CHF million)	1.5	1.3	
PSU expense incurred by the Baloise Group for 2017 (CHF million)	1.6	1.9	1.1

19. DEFERRED INCOME TAXES

19.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

2016	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	31.6	0.3	–	–	–	– 0.4	31.5
Other investments	19.0	– 2.5	–	–	–	0.0	16.5
Other comprehensive income	118.8	–	27.4	–	–	– 0.6	145.6
Tax credits and losses carried forward[1]	30.6	43.9	–	–	–	– 0.1	74.3
Insurance receivables	7.1	– 1.2	–	–	–	0.0	5.9
Technical reserves	452.3	10.5	–	–	–	– 4.1	458.7
Insurance liabilities	652.8	130.5	–	–	–	– 9.8	773.5
Liabilities arising from banking business and financial contracts	125.5	8.7	–	–	–	– 1.2	133.0
Liabilities arising from employee benefits	69.0	0.1	–	–	– 0.9	– 0.8	67.5
Other	43.6	2.5	–	0.4	–	– 0.1	46.3
Total	1,550.1	192.8	27.4	0.4	– 0.9	– 17.0	1,752.8

2017	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	31.5	– 1.6	–	–	– 0.1	2.6	32.4
Other investments	16.5	11.2	–	–	– 4.0	0.2	23.9
Other comprehensive income	145.6	–	– 32.2	–	– 4.5	3.4	112.3
Tax credits and losses carried forward	74.3	17.0	–	–	0.0	2.3	93.7
Insurance receivables	5.9	– 1.8	–	–	–	0.1	4.3
Technical reserves	458.7	– 6.5	–	–	–	28.1	480.2
Insurance liabilities	773.5	– 136.4	–	–	–	61.3	698.4
Liabilities arising from banking business and financial contracts	133.0	– 8.0	–	–	–	7.7	132.7
Liabilities arising from employee benefits	67.5	– 13.2	–	–	–	4.9	59.2
Other	46.3	– 7.6	–	–	0.0	0.9	39.7
Total	1,752.8	– 147.0	– 32.2	–	– 8.7	111.7	1,676.7

1 As a result of the transfer of the intercompany reinsurance activities of Baloise Insurance Bermuda to Switzerland, tax assets of CHF 26.9 million were recognised in 2016.

DEFERRED TAX LIABILITIES

2016	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Depreciable assets	3.6	0.0	–	–	–	0.0	3.5
Other intangible assets	3.3	0.0	–	–	–	0.0	3.3
Deferred acquisition costs	192.0	11.0	–	–	–	– 2.1	201.0
Long-term equity investments	43.1	– 3.4	–	–	–	– 0.1	39.6
Investment property	333.0	19.7	–	9.8	–	– 0.9	361.7
Financial assets	112.1	5.8	–	–	–	– 0.1	117.8
Other investments	88.5	7.3	–	–	–	– 0.7	95.1
Other comprehensive income	305.3	–	19.6	–	–	– 2.9	322.0
Insurance receivables	1.5	0.3	–	–	–	0.0	1.7
Technical reserves	1,273.7	150.3	–	–	–	– 13.6	1,410.4
Other	64.0	8.5	–	–	–	– 0.1	72.4
Total	2,420.0	199.4	19.6	9.8	–	– 20.5	2,628.4

2017	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Depreciable assets	3.5	– 0.1	–	–	–	0.3	3.8
Other intangible assets	3.3	1.3	–	0.9	–	0.4	5.9
Deferred acquisition costs	201.0	10.9	–	–	–	15.6	227.4
Long-term equity investments	39.6	9.9	–	–	–	0.6	50.2
Investment property	361.7	2.8	–	2.4	– 23.0	5.0	348.9
Financial assets	117.8	– 38.8	–	–	–	0.6	79.6
Other investments	95.1	– 20.5	–	–	– 4.0	4.8	75.4
Other comprehensive income	322.0	–	– 61.8	–	– 4.5	16.3	271.9
Insurance receivables	1.7	– 0.5	–	–	–	0.1	1.3
Technical reserves	1,410.4	– 122.4	–	–	–	87.3	1,375.3
Other	72.4	– 5.9	–	4.0	– 0.4	0.4	70.6
Total	2,628.4	– 163.2	– 61.8	7.3	– 31.9	131.5	2,510.3

The Baloise Group reports its deferred taxes on a net basis. Deferred tax assets and liabilities are offset against each other in cases where the criteria for such offsetting have been met. This is usually the case if the tax jurisdiction, the taxable entity and the type of taxation are identical.

The Baloise Group had recognised deferred tax assets on tax loss carryforwards totalling CHF 272.6 million as at 31 December 2017 (2016: CHF 195.1 million). Of this total, CHF 0.5 million will expire after one year, 0.0 million after two to four years and CHF 272.1 million will expire after five years or more.

As a result of the transfer of the intragroup reinsurance business (Baloise Insurance Company Bermuda Ltd) to Switzerland, the Baloise Group had offsettable tax assets of CHF 134.7 million as at 31 December 2017 (2017: CHF 134.7 million), which it can use until the end of 2025.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 261.7 million as at 31 December 2017 (2016: CHF 213.5 million) because the relevant offsetting criteria had not been met. Of this total, CHF 19.8 million will expire after one year, a further CHF 2.4 million will expire after two to four years and CHF 239.5 million will expire after five years or more.

19.2 Deferred income taxes

CHF million	31.12.2016	31.12.2017
Deferred tax assets	1,752.8	1,676.7
Deferred tax liabilities	– 2,628.4	– 2,510.3
Total (net)	– 875.6	– 833.6
Of which: recognised as deferred tax assets	69.3	88.8
Of which: recognised as deferred tax liabilities	– 944.9	– 922.4

20. OTHER ASSETS

CHF million	31.12.2016	31.12.2017
Liabilities to brokers and agents	54.2	84.2
Tax credits indirect taxes (withholding tax etc.)	49.8	37.2
Prepaid insurance benefits	57.7	56.3
Development properties	–	144.7
Other assets	25.9	32.0
Impairments	–	– 5.3
Sub-total	187.6	349.1
	54.5	70.5
Sub-total	54.5	70.5
	242.1	419.6

Numerous development projects in Switzerland were taken on as part of the acquisition of Baloise Wohnbauten AG. Most of them are new properties in blocks of apartments owned by different people and will be sold upon completion.

21. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

	Disposal groups		Non-current assets	
as at 31.12.	**2016**	**2017**	**2016**	**2017**
CHF million				
Property, plant and equipment	–	0.3	–	–
Intangible assets	13.2	0.4	–	–
Investment property	–	336.8	–	–
Financial assets	1,911.1	653.5	–	–
Other investments	–	41.3	–	–
Receivables	27.7	8.3	–	–
Other assets	9.9	0.5	–	–
Total assets	**1,962.0**	**1,041.1**	**–**	**–**
Technical reserves	1,888.5	–	–	–
Liabilities arising from banking business and financial contracts	–	540.5	–	–
Other financial obligations	14.5	79.4	–	–
Other liabilities	5.4	23.7	–	–
Total equity and liabilities	**1,908.3**	**643.6**	**–**	**–**
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	**– 7.6**	**– 19.9**	**–**	**–**

The disposal group reported for the 2016 financial year comprised the assets and related liabilities of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]).

The sale of this portfolio to the Frankfurter Leben Group was approved by the German Federal Financial Supervisory Authority (BaFin) on 5 January 2017. The transfer was completed on 3 February 2017. The financial implications are provided in the “Acquisition and disposal of companies” section in chapter 39.

In the year under review, the following events took place that satisfy the criteria for IFRS 5:

On 14 December 2017, it was publicly announced that Basler Lebensversicherungs-AG, based in Hamburg, and Basler Sachversicherungs-AG, based in Bad Homburg, in collaboration with SIGNAL IDUNA Krankenversicherung a.G., Dortmund, was selling its long-term equity investment in Deutscher Ring Bausparkasse AG to the BAWAG P.S.K. in Vienna. The reclassification of assets and liabilities affects the Banking segment in Germany.

An agreement was signed on 18 December 2017, under which Basler Beteiligungsholding GmbH is selling its long-term equity investment in ROLAND Rechtsschutz Beteiligung GmbH. This reclassification affects the other activities operating segment.

In 2018, it is planned to launch a real-estate fund in Switzerland for institutional investors. To this end, investment properties held by Baloise Life Ltd and Basler Versicherung AG will be transferred to this new real-estate portfolio. This affects the life and non-life segments in Switzerland.

22. SHARE CAPITAL

2016	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**3,464,540**	**46,535,460**	**50,000,000**	**5.0**
Purchase/sale of treasury shares	– 964,595	964,595	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	**2,499,945**	**47,500,055**	**50,000,000**	**5.0**

2017	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**2,499,945**	**47,500,055**	**50,000,000**	**5.0**
Purchase/sale of treasury shares	28,048	– 28,048	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	– 1,200,000	–	– 1,200,000	– 0.1
Balance as at 31 December	**1,327,993**	**47,472,007**	**48,800,000**	**4.9**

The share capital of Bâloise Holding Ltd totals CHF 4.88 million and is divided into 48,800,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (2016: CHF 0.10). As far as individuals, legal entities and partnerships are concerned, entry in the share register with voting rights is limited to 2 per cent of the registered share capital entered in the commercial register. The Baloise Group buys and sells its own shares as part of its ordinary investing activities and for employee share ownership programmes.

The reduction of share capital from CHF 5.0 million to CHF 4.88 million by cancelling 1,200,000 registered treasury shares, each with a nominal value of CHF 0.10, which was approved by the shareholders of Bâloise Holding Ltd at the Annual General Meeting on 28 April 2017, was carried out following expiry of the statutory time limit set for creditors to register their claims (article 734 OR). The related changes to the commercial register of the Basel City canton were published in the Swiss Official Gazette of Commerce (SOGC no. 133 of 12 July 2017).

As at the balance sheet date (31 December 2017), a cumulative total of 423,450 shares in Bâloise Holding Ltd had been repurchased for a total amount of CHF 63.3 million under the share buy-back programme that had been announced on 4 April 2017. The buy-back programme is planned for a maximum of three years.

The Annual General Meeting held on 28 April 2017 voted to pay a gross dividend of CHF 5.20 per share forthe 2016 financial year. This amounted to a total dividend distribution of CHF 260.0 million. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 248.5 million.

As part of the share buy-back programme that has been running since 16 April 2015, a total of 1,000,000 shares in Bâloise Holding Ltd had been repurchased for a total of CHF 113.8 million. The share buy-back programme was concluded ahead of schedule on 29 July 2016.

23. TECHNICAL RESERVES (GROSS)

	31.12.2016	31.12.2017
CHF million		
Unearned premium reserves (gross)	589.0	649.1
Claims reserve (gross)	5,307.8	5,595.0
Other technical reserves	89.6	74.7
Technical reserves (non-life)	5,986.4	6,318.8
Actuarial reserves (gross)	36,813.2	38,008.1
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,409.4	3,681.5
Technical reserves (life)	40,222.5	41,689.7
Technical reserves (gross)	46,209.0	48,008.5

23.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2016			31.12.2017
CHF million						
Unearned premium reserves	589.0	1.8	590.8	649.1	0.1	649.3
Claims reserve	4,787.3	–	–	5,082.5	–	–
Provision for claims handling costs	520.5	–	–	512.5	–	–
Claims reserve	5,307.8	– 393.2	4,914.7	5,595.0	– 438.3	5,156.7
Other technical reserves	89.6	–	89.6	74.7	–	74.7
Total technical reserves (non-life)	5,986.4	– 391.4	5,595.1	6,318.8	– 438.2	5,880.7

23.1.1 Maturity structure of technical reserves

CHF million	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2016			31.12.2017
Unearned premium reserves						
Up to 1 year	555.8	1.7	557.4	613.3	0.1	613.3
More than 1 year	8.2	0.1	8.4	8.8	0.1	9.0
No determinable residual term	25.0	–	25.0	27.0	– 0.1	27.0
Total unearned premium reserves	589.0	1.8	590.8	649.1	0.1	649.3
Claims reserve						
Up to 1 year	838.9	– 45.6	793.3	879.0	– 50.4	828.6
More than 1 year	3,236.8	– 80.6	3,156.3	3,508.7	– 99.1	3,409.6
No determinable residual term	1,232.1	– 267.0	965.1	1,207.2	– 288.8	918.4
Total claims reserve	5,307.8	– 393.2	4,914.7	5,595.0	– 438.3	5,156.7

All figures relating to maturities are based on best estimates. The line item "No determinable residual term" mainly comprises old-age health insurance reserves and annuity reserve funds.

23.1.2 Unearned premium reserves

CHF million	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2016			2017
Balance as at 1 January	562.7	2.0	564.8	589.0	1.8	590.8
Netted premiums	3,140.7	– 150.0	2,990.8	3,229.3	– 164.3	3,065.0
Less: premiums earned during the reporting period	– 3,109.7	149.8	– 2,959.9	– 3,214.4	162.6	– 3,051.8
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	– 4.7	0.0	– 4.8	45.2	0.1	45.2
Balance as at 31 December	589.0	1.8	590.8	649.1	0.1	649.3

Apart from the actual unearned premium reserves, this item includes health insurance reserves for old age and deferred unearned premiums.

23.1.3 Other technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2016			2017
CHF million						
Balance as at 1 January	77.6	– 0.1	77.5	89.6	–	89.6
Less: expenditures during the reporting period	– 19.2	0.1	– 19.1	– 19.1	0.2	– 18.9
Additional provisions recognised and unused provisions reversed through profit or loss	31.5	– 0.1	31.4	2.5	– 0.2	2.4
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	– 0.2	–	– 0.2	1.7	–	1.7
Balance as at 31 December	89.6	–	89.6	74.7	–	74.7

23.1.4 Claims reserve (including claims handling costs)

CHF million	2016	2017
Balance as at 1 January (gross)	5,306.7	5,307.8
Reinsurers' share	– 389.6	– 393.2
Balance as at 1 January (net)	4,917.1	4,914.7
Claims incurred (including claims handling costs)		
For the reporting period	1,884.2	1,936.3
For previous years	– 85.7	– 87.3
Total	1,798.5	1,849.0
Payments for claims and claims handling costs		
For the reporting period	– 884.7	– 913.3
For previous years	– 886.7	– 911.9
Total	– 1,771.4	– 1,825.2
Other changes		
Additions / disposals arising from changes in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 29.5	218.1
Total	– 29.5	218.1
Balance as at 31 December (net)	4,914.7	5,156.7
Reinsurers' share	393.2	438.3
Balance as at 31 December (gross)	5,307.8	5,595.0

The Baloise Group pays particular attention to cases of environmental pollution involving landfill sites, refuse, asbestos or any other materials harmful to human beings or the environment.

The relevant net reserves included in the total amounted to CHF 74.2 million at the end of 2017 (2016: CHF 81.3 million). The decrease was attributable to commutations of reserves and currency effects.

23.2 Technical reserves (life)

CHF million	31.12.2016	31.12.2017
Actuarial reserves from non-unit-linked life insurance contracts[1]	33,553.2	34,328.1
Actuarial reserves from unit-linked life insurance contracts	2,727.3	3,108.1
Reserves for final policyholders' dividends	185.1	181.3
Unearned revenue reserve	347.6	390.7
Structure of actuarial reserves (life)	36,813.2	38,008.1
Policyholders' dividends credited and provisions for future policyholders' dividends	3,409.4	3,681.5
Total technical reserves (life)	40,222.5	41,689.7

1 The actuarial reserves include unearned premium reserves and claims reserves.

23.2.1 Maturity structure of technical reserves

CHF million	31.12.2016	31.12.2017
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,193.8	1,256.3
1 to 5 years	3,139.7	3,123.1
5 to 10 years	3,186.7	3,314.7
More than 10 years	5,931.1	6,062.6
No determinable residual term	8,812.4	9,229.9
Business from Swiss occupational pension plans[1]	11,289.4	11,341.6
Total actuarial reserves from non-unit-linked life insurance contracts	**33,553.2**	**34,328.1**
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	99.0	84.8
1 to 5 years	296.1	341.1
5 to 10 years	372.9	365.8
More than 10 years	365.3	416.7
No determinable residual term	1,593.9	1,899.7
Total actuarial reserves from unit-linked life insurance contracts	**2,727.3**	**3,108.1**
Policyholders' dividends credited		
Up to 1 year	55.1	86.6
1 to 5 years	269.4	252.4
5 to 10 years	215.6	214.4
More than 10 years	311.7	296.7
No determinable residual term	181.2	182.9
Total policyholders' dividends credited	**1,033.1**	**1,032.9**
Provisions for future policyholders' dividends		
Up to 1 year	93.3	88.9
No determinable residual term	2,283.0	2,559.7
Total provisions for future policyholders' dividends	**2,376.3**	**2,648.6**

1 The Swiss pensions business is disclosed separately owing to its specific features. It comprises group contracts which may be cancelled annually by either party, whereas the coverage period for the individuals enrolled is significantly longer.

All figures relating to maturities are based on the residual terms of contracts. The line item "No determinable residual term" mainly comprises deferred and current annuities.

23.2.2 Actuarial reserves from non-unit-linked life insurance contracts

CHF million	2016	2017
Balance as at 1 January	**33,159.2**	**33,553.2**
Change in actuarial reserves	508.0	– 55.3
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 114.1	830.2
Balance as at 31 December	**33,553.2**	**34,328.1**

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for DPF business as at 31 December 2017 amounted to CHF 34,046.7 million (31 December 2016: CHF 33,271.7 million), while for non-DPF business they totalled CHF 281.4 million (31 December 2016: CHF 281.5 million).
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2017 came to CHF 10.5 million (31 December 2016: CHF 8.5 million).

23.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF million	2016	2017
Balance as at 1 January	**2,622.7**	**2,727.3**
Additions	233.0	255.4
Disposals	– 177.8	– 236.9
Fees	– 5.1	– 5.8
Interest on and change in liabilities	80.2	175.6
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 25.8	192.7
Balance as at 31 December	**2,727.3**	**3,108.1**

23.2.4 Reserve for final policyholders' dividends

CHF million	2016	2017
Balance as at 1 January	**201.5**	**185.1**
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 8.0	– 7.0
Interest on and change in liability	8.6	6.2
Final policyholders' dividends paid	– 22.5	– 20.8
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	7.0	6.8
Exchange differences	– 1.5	11.0
Balance as at 31 December	**185.1**	**181.3**

Final policyholders' dividends, which are only paid upon contract expiry, are funded and accrued over the duration of the policy in proportion to the profits attributable to the contract.

23.2.5 Unearned revenue reserve

CHF million	2016	2017
Balance as at 1 January	**348.5**	**347.6**
Reserved during the reporting period	20.8	19.2
Change in balance	– 16.7	– 8.0
Change due to unrealised gains and losses on investments (shadow accounting)	– 0.8	0.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 4.2	31.7
Balance as at 31 December	**347.6**	**390.7**

23.2.6 Policyholders' dividends credited and reserves for future policyholders' dividends

	2016	2017
CHF million		
Policyholders' dividends credited as at 1 January	1,111.0	1,033.1
Dividends credited to policyholders during the reporting period	45.0	45.4
Policyholders' dividends paid	– 114.2	– 108.6
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	– 8.8	63.1
Balance as at 31 December	1,033.1	1,032.9
Provisions for future policyholders' dividends as at 1 January	2,386.6	2,376.3
Adjustment arising from unrealised gains and losses as at 1 January	– 722.2	– 771.4
Additions	57.0	115.3
Withdrawals	– 92.9	– 103.8
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	– 14.3	290.0
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	771.4	663.0
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 9.4	79.3
Balance as at 31 December	2,376.3	2,648.6
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	3,409.4	3,681.5

24. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

	Carrying amount		Fair value	
as at 31.12.	2016	2017	2016	2017
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs)[1]	2,317.4	2,814.2	–	–
Sub-total	2,317.4	2,814.2	–	–
Measured at amortised cost				
Liabilities to banks	263.9	225.1	263.8	225.0
Repurchase agreements	600.0	820.0	600.0	820.0
Liabilities arising from time deposits	6.1	–	6.1	–
Loans	–	8.9	–	8.9
Mortgages	–	36.8	–	36.8
Savings and customer deposits	5,682.3	5,107.8	5,737.0	5,144.1
Medium-term bonds	137.1	104.2	141.8	107.3
Mortgage-backed bonds	1,267.3	1,300.6	1,360.3	1,371.4
Bonds	–	–	–	–
Liability for future financial lease payments (present value)	0.0	0.0	0.0	0.0
Other financial contracts	44.3	25.4	44.3	25.4
Sub-total	8,000.9	7,628.8	8,153.3	7,738.9
Recognised at fair value through profit or loss (designated)				
Other financial contracts	9,999.4	12,253.6	9,999.4	12,253.6
Sub-total	9,999.4	12,253.6	9,999.4	12,253.6
Total liabilities arising from banking business and financial contracts	20,317.7	22,696.5	–	–

1 There are currently no internationally accepted mathematical methods available for determining the fair value of financial contracts with discretionary participation features (DPFs).

Savings deposits and customer deposits essentially consist of savings accounts, business accounts and deposit accounts held by Swiss banking clients. The mortgage-backed bonds reported have all been issued by Pfandbriefbank schweizerischer Hypothekarinstitute AG.

The other financial contracts designated as at fair value through profit or loss largely relate to the life insurance liability arising from investment-linked life insurance contracts involving little or no transfer of risk. The year-on-year change in this liability consists entirely of the funds flowing into and out of the pertinent investment portfolio, the latter’s market-related price fluctuations and exchange-rate movements.

25. FINANCIAL LIABILITIES

SENIOR DEBT

CHF million	2016	2017
Balance as at 1 January	1,707.8	1,470.4
Issue price of newly issued bonds	–	496.5
Embedded derivative	–	–
Additions (sub-total)	–	496.5
Disposals / repayments / conversions	– 242.4	– 225.0
Interest expenses	38.0	34.3
Borrowing costs paid	– 33.4	– 30.9
Accrued borrowing costs	0.4	– 2.2
Interest costs (sub-total)	5.0	1.1
Balance as at 31 December	1,470.4	1,742.9

On 19 September 2017, Baloise Life Ltd issued two cancellable subordinated bonds with a total nominal value of CHF 500 million. These bonds are guaranteed by Bâloise Holding Ltd. The bond of CHF 200 million, which matures on 19 June 2048, cannot be redeemed before 19 June 2028 (ISIN CH0379611004). Until this date, the coupon is 2.2 per cent per year. Thereafter, the coupon will be determined for five-year successive periods on the basis of the five-year CHF mid-swap rate plus the initial margin of 194.6 basis points per year. The bond of CHF 300 million is perpetual and cannot be redeemed before 19 June 2023 (ISIN CH0379610998). Until this date, the coupon is 1.75 per cent per year. Thereafter, the coupon will be determined for five-year successive periods on the basis of the five-year CHF mid-swap rate plus the initial margin of 194.4 basis points per year. The issuer can subsequently repay the bonds annually on the interest payment date, provided it has given prior notice and obtained the approval of FINMA.

The bond of CHF 225.0 million (1.0 per cent, 2012 – 2017, ISIN CH0188295536) was redeemed in full on 12 October 2017.

TERMS & CONDITIONS GOVERNING SENIOR DEBT OUTSTANDING (SENIOR BONDS BÂLOISE HOLDING LTD AND BALOISE LIFE LTD)

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Baloise Life Ltd	Baloise Life Ltd
Face value (CHF million)	300	250	175	150	225	150	300	200
Interest rate	2.875 %	3.000 %	2.250 %	2.000 %	1.750 %	1.125 %	1.750 %	2.200 %
Redemption value	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Year of issue	2010	2011	2012	2012	2013	2014	2017	2017
Repayment date	14.10.2020	07.07.2021	01.03.2019	12.10.2022	26.04.2023	19.12.2024	perpetual	19.06.2048
ISIN	CH0117683794	CH0131804616	CH0148295014	CH0194695083	CH0200044821	CH0261399064	CH0379610998	CH0379611004

26. PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
			2016			2017
CHF million						
Balance as at 1 January	18.4	76.4	94.8	11.3	68.7	80.0
Addition arising from change in scope of consolidation	–	–	–	–	0.6	0.6
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	– 25.6	– 25.6
Increases and additional provisions recognised in profit or loss	4.8	14.8	19.6	0.2	15.7	15.9
Unused provisions reversed through profit or loss	– 1.1	– 11.0	– 12.1	– 0.8	– 15.2	– 16.0
Usage not recognised in profit or loss	– 10.7	– 11.1	– 21.8	– 5.6	– 2.5	– 8.1
Unwinding of discount	–	–	–	–	–	–
Exchange differences	– 0.1	– 0.4	– 0.5	0.7	1.6	2.2
Balance as at 31 December	11.3	68.7	80.0	5.8	43.2	49.0

The balance shown for other provisions includes the usual amounts for legal advice and litigation risks. Other provisions utilised but not recognised in profit or loss are primarily attributable to Baloise's Belgian and Swiss entities. The recognition of restructuring provisions in profit or loss largely relates to the German entities. Other provisions recognised in profit or loss were primarily attributable to Baloise's German entities and those utilised but not recognised in profit or loss were primarily attributable to its Swiss entities.

27. INSURANCE LIABILITIES

	31.12.2016	31.12.2017
CHF million		
Liabilities to policyholders	1,255.0	1,350.3
Liabilities to brokers and agents	126.2	147.9
Liabilities to insurance companies	167.4	186.7
Other insurance liabilities	16.6	21.3
Total insurance liabilities	1,565.2	1,706.3

Notes to the consolidated income statement

28. PREMIUMS EARNED AND POLICY FEES

	Non-Life	Life	Total	Non-Life	Life	Total
			2016			2017
CHF million						
Gross premiums written and policy fees	3,140.7	3,570.9	6,711.6	3,229.3	3,512.0	6,741.3
Change in unearned premium reserves	– 31.0	–	– 31.0	– 14.9	–	– 14.9
Premiums earned and policy fees (gross)	3,109.7	3,570.9	6,680.6	3,214.4	3,512.0	6,726.4
Reinsurance premiums ceded	– 150.0	– 18.4	– 168.4	– 164.3	– 20.8	– 185.1
Reinsurers' share of change in unearned premium reserves	0.2	–	0.2	1.7	–	1.7
Total premiums earned and policy fees (net)	2,959.9	3,552.4	6,512.4	3,051.8	3,491.1	6,542.9

29. INCOME FROM INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

	2016	2017
CHF million		
Investment property	246.3	263.2
Financial assets of an equity nature		
Available for sale	128.1	126.5
Recognised at fair value through profit or loss	39.4	13.1
Financial assets of a debt nature		
Held to maturity	214.1	214.5
Available for sale	479.6	480.9
Recognised at fair value through profit or loss	2.8	1.9
Mortgages and loans		
Carried at cost	352.2	280.9
Recognised at fair value through profit or loss	14.6	13.1
Cash and cash equivalents	– 0.6	– 1.6
Total investment income for own account and at own risk	1,476.6	1,392.5

Income from investment property consists mainly of rental income. Income from financial instruments with characteristics of equity primarily comprises dividend income, while income from financial instruments with characteristics of liabilities essentially contains interest income and net income from the recognition and reversal of impairment losses owing to application of the effective interest method. Income from mortgages and loans and from cash and cash equivalents is mainly derived from the interest paid on these assets.

Interest income of CHF 2.8 million had been recognised on impaired investments at the balance sheet date (2016: CHF 3.1 million).

30. REALISED GAINS AND LOSSES ON INVESTMENTS

30.1 Realised gains and losses on investments for own account and at own risk

2016	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on sales and book profits						
Investment property	166.1	–	–	–	–	166.1
Held to maturity[1]	–	–	0.3	–	–	0.3
Available for sale	–	148.8	440.2	–	–	589.0
Recognised at fair value through profit or loss	–	52.6	–	6.7	474.1	533.4
Carried at cost	–	–	–	42.5	–	42.5
Sub-total	166.1	201.4	440.5	49.2	474.1	1,331.3
Realised losses on sales and book losses						
Investment property	– 106.4	–	–	–	–	– 106.4
Held to maturity[1]	–	–	– 19.5	–	–	– 19.5
Available for sale	–	– 41.7	– 61.8	–	–	– 103.5
Recognised at fair value through profit or loss	–	– 8.3	– 2.9	– 22.7	– 643.4	– 677.2
Carried at cost	–	–	–	– 4.6	–	– 4.6
Sub-total	– 106.4	– 50.0	– 84.2	– 27.3	– 643.4	– 911.3
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	– 108.2	– 0.3	–	–	– 108.5
Carried at cost	–	–	–	– 10.5	–	– 10.5
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	2.1	–	2.1
Sub-total	–	– 108.2	– 0.3	– 8.4	–	– 116.9
Total realised gains and losses on investments	59.7	43.2	356.0	13.5	– 169.3	303.1

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and/or realised book losses.

30.2 Realised gains and losses on investments for own account and at own risk

2017	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on sales and book profits						
Investment property	244.9	–	–	–	–	244.9
Held to maturity[1]	–	–	141.2	–	–	141.2
Available for sale	–	284.6	467.8	–	–	752.4
Recognised at fair value through profit or loss	–	25.0	2.6	0.0	457.9	485.5
Carried at cost	–	–	–	38.6	–	38.6
Sub-total	244.9	309.7	611.6	38.6	457.9	1,662.6
Realised losses on sales and book losses						
Investment property	– 133.8	–	–	–	–	– 133.8
Held to maturity[1]	–	–	– 0.5	–	–	– 0.5
Available for sale	–	– 47.6	– 234.6	–	–	– 282.2
Recognised at fair value through profit or loss	–	– 23.3	– 1.1	– 12.6	– 753.7	– 790.8
Carried at cost	–	–	–	– 0.1	–	– 0.1
Sub-total	– 133.8	– 70.9	– 236.3	– 12.7	– 753.7	– 1,207.4
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	– 27.3	–	–	–	– 27.3
Carried at cost	–	–	–	– 1.5	–	– 1.5
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	1.4	–	1.4
Sub-total	–	– 27.3	–	– 0.1	–	– 27.5
Total realised gains and losses on investments	111.1	211.4	375.3	25.8	– 295.8	427.8

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and/or realised book losses.

30.3 Impairment losses on financial assets recognised in profit or loss

	2016	2017
CHF million		
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	–90.7	–14.4
Equity funds	–	–
Mixed funds	–3.2	–
Bond funds	–	–
Real estate funds	–1.1	–0.1
Private equity	–3.6	–10.3
Hedge funds	–9.6	–2.5
Sub-total	–108.2	–27.3
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–
Industrial enterprises	–	–
Financial institutions	–0.3	–
Other	–	–
Sub-total	–0.3	–
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	–1.7	–1.5
Policy loans	–	–
Promissory notes and registered bonds	–5.4	–
Time deposits	–	–
Employee loans	–	0.0
Reverse repurchase agreements	–	–
Other loans	–3.4	0.0
Sub-total	–10.5	–1.5
Total impairment losses on financial assets recognised in profit or loss	–119.0	–28.8

30.4 Currency gains and losses

Excluding exchange-rate losses on transactions involving financial instruments that are recognised at fair value through profit or loss, a currency gain of CHF 98.0 million was reported for 2017 (2016: gain of CHF 45.5 million).

A gross currency gain of CHF 116.6 million was recognised directly in equity for the reporting year (2016: loss of CHF 2.2 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net gain of CHF 194.8 million was recognised for 2017 (2016: net loss of CHF 17.5 million).

31. INCOME FROM SERVICES RENDERED

CHF million	2016	2017
Asset management	40.6	45.4
Services	19.5	15.3
Banking services	41.9	48.1
Investment management	8.0	8.1
Income from services rendered	110.1	116.9

32. OTHER OPERATING INCOME

CHF million	2016	2017
Interest income from insurance and reinsurance receivables	12.3	19.9
Other interest income	1.2	0.8
Gains on the sale of property, plant and equipment	0.4	6.6
Badwill [1]	–	10.3
Currency gains on assets and liabilities	5.5	9.5
Reversal of impairment losses recognised on receivables	6.3	5.5
External income from owner-occupied property	6.8	6.9
Income from development properties	–	101.2
Other income	104.2	74.4
Other operating income	136.8	235.0

1 Opposite negative effect on earnings of CHF –8.8 million as a result of applying the deferred gains/losses for policyholders' dividends (note 39).

The negative goodwill in the reporting year was due to the purchase of Pax Anlage AG and Pax Wohnbauten AG and arose from the remeasurement of development projects taking account of the current situation in the real-estate market.

In 2017, the development projects gave rise to income for the first time; the corresponding expenses are recognised in other operating expenses (note 33).

33. CLASSIFICATION OF EXPENSES

CHF million	2016	2017
Personnel expenses (excluding loss adjustment expenses)	– 753.7	– 801.4
Marketing and advertising	– 35.0	– 42.0
Depreciation and impairment of property, plant and equipment	– 31.9	– 32.3
Amortisation and impairment of intangible assets	– 31.3	– 50.4
IT and other equipment	– 63.6	– 73.4
Expenses for rent, maintenance and repairs	– 43.1	– 42.7
Losses arising from exchange differences in respect of assets and liabilities	– 2.8	– 41.1
Commission and selling expenses	– 526.7	– 544.2
Fees and commission for financial assets and liabilities not recognised at fair value	– 13.9	– 13.1
Fees and commission expenses for assets managed for third parties	– 6.3	– 6.5
Expenses arising from non-current assets classified as held for sale	–	–
Expenses from development properties	–	– 106.5
Other[1]	– 119.8	– 163.3
Total	– 1,628.0	– 1,916.9

1 This includes changes in deferred acquisition costs recognised in profit or loss, as shown in table 9.

In 2017, the expense arising on development projects resulting from the acquisition of Pax Anlage AG and Pax Wohnbauten AG (renamed Baloise Wohnbauten AG) was recognised for the first time. The corresponding income for this expense is recognised in other operating income (note 32).

34. PERSONNEL EXPENSES

Total personnel expenses for 2017 came to CHF 916.3 million (2016: CHF 868.1 million).

35. GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	2016	2017
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	– 52.7	– 49.7
Sub-total	**– 52.7**	**– 49.7**
Measured at amortised cost		
Interest on loans	0.0	– 0.1
Interest due	– 6.7	– 9.4
Interest arising from banking business	– 16.3	– 12.1
Interest expenses on repurchase agreements	4.7	6.8
Acquisition costs in banking business	– 15.7	– 19.8
Expenses arising from financial contracts	– 13.7	– 11.1
Sub-total	**– 47.7**	**– 45.7**
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts	– 242.5	– 518.1
Sub-total	**– 242.5**	**– 518.1**
Total gains or losses on financial contracts	**– 342.9**	**– 613.4**
Of which: gains on interest rate hedging instruments		
Interest rate swaps: cash flow hedges, balance carried forward from cash flow hedge reserves	–	–
Interest rate swaps: fair value hedges	–	–
Total gains on interest rate hedging instruments	**–**	**–**

36. INCOME TAXES

36.1 Current and deferred income taxes

CHF million	2016	2017
Current income taxes	–107.2	–134.1
Deferred income taxes	–4.5	16.2
Total current and deferred income taxes	–111.7	–117.9

36.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 25.6 per cent in 2016 and 18.8 per cent in 2017. These rates correspond to the weighted average tax rates in those countries where the Baloise Group operates.

CHF million	2016	2017
Profit before taxes	645.6	649.8
Expected average tax rate (per cent)	25.63%	18.81%
Expected income taxes	–165.5	–122.2
Increase/reduction owing to		
tax-exempt profits and losses	9.4	16.7
non-deductible expenses	–6.7	–9.8
withholding taxes on dividends	–0.4	–0.6
change in tax rates	–18.0	31.0
change in unrecognised tax losses	18.1	–10.3
recognition of tax credits	31.0	–
tax items related to other reporting periods	9.0	–1.1
non-taxable measurement differences	–5.0	–7.9
intercompany effects	6.7	–17.9
other impacts	9.5	4.2
Current income taxes	–111.7	–117.9

37. EARNINGS PER SHARE

	2016	2017
Profit for the period attributable to shareholders (CHF million)	534.8	548.0
Average number of shares outstanding	46,381,359	47,641,577
Basic earnings per share (CHF)	11.53	11.50

	2016	2017
Profit for the period attributable to shareholders (CHF million)	534.8	548.0
Adjustment of interest expenses on convertible bonds, including tax effects (CHF million)	6.0	–
Adjusted profit for the period attributable to shareholders (CHF million)	540.8	548.0
Average number of shares outstanding	46,381,359	47,641,577
Adjustment due to theoretical conversion of convertible bond[1]	1,756,722	–
Adjustment due to theoretical exercise of share-based payment plans	75,748	97,459
Adjustment due to theoretical exercise of put options	–	–
Adjusted average number of shares outstanding	48,213,829	47,739,036
Diluted earnings per share (CHF)	11.22	11.48

1 Pro-rata recognition in 2016 of the convertible bond, which matured on 17 November 2016 (in accordance with IAS 33).

The dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan and in they year 2016 the convertible bond issued by Bâloise Holding Ltd.

38. OTHER COMPREHENSIVE INCOME

38.1 Other comprehensive income

CHF million	2016	2017
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	7.9	– 0.7
Other items not to be reclassified to the income statement	–	1.3
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 153.7	72.4
Change arising from shadow accounting	40.5	9.9
Deferred income taxes	27.2	– 21.4
Total items not to be reclassified to the income statement	– 78.1	61.6
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	437.9	369.4
Gains and losses reclassified to the income statement	– 311.2	– 551.9
Total available-for-sale financial assets	126.6	– 182.5
Investments in associates		
Gains and losses arising during the reporting period	– 0.4	7.5
Gains and losses reclassified to the income statement	–	–
Total investments in associates	– 0.4	7.5
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation		
Gains and losses arising during the reporting period	– 14.8	72.7
Gains and losses reclassified to the income statement	– 0.6	5.4
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 15.3	78.1
Reserves arising from reclassification of held-to-maturity financial assets:		
Gains and losses arising during the reporting period	0.0	0.2
Gains and losses reclassified to the income statement	– 1.1	– 2.6
Total reserves arising from reclassification of held-to-maturity financial assets:	– 1.1	– 2.5
Change arising from shadow accounting	– 117.3	197.0
Change arising from exchange differences	– 2.5	119.3
Deferred income taxes	– 14.8	38.1
Total items to be reclassified to the income statement	– 24.9	255.1
Total other comprehensive income	– 103.0	316.6

38.2 Income taxes on other comprehensive income

CHF million	2016	2017
Other comprehensive income before deferred income taxes	– 115.4	299.9
Deferred income taxes of Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	0.1
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	41.1	– 26.1
Change arising from shadow accounting	– 13.4	1.0
Change arising from exchange differences	– 0.6	3.6
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred income taxes of items not to be reclassified to the income statement	27.2	– 21.4
Deferred income taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	– 18.4	120.8
Investments in associates	0.0	– 1.5
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	3.1	– 15.4
Reserves arising from reclassification of held-to-maturity financial assets	0.3	0.8
Change arising from shadow accounting	– 2.6	– 50.1
Change arising from exchange differences	2.9	– 16.5
Additions and disposals arising from change in the scope of consolidation	–	– 0.1
Total deferred income taxes of items to be reclassified to the income statement	– 14.8	38.1
Other comprehensive income after deferred income taxes	– 103.0	316.6

Other disclosures

39. ACQUISITION AND DISPOSAL OF COMPANIES

		Cumulative acquisitions		Cumulative disposals
	2016	2017	2016	2017
CHF million				
Investments	–	386.8	–	1,911.5
Other assets	–	10.5	–	24.5
Receivables and assets	–	1.1	–	37.2
Cash and cash equivalents	–	99.3	–	0.1
Actuarial liabilities	–	–	–	–1,888.5
Other accounts payable	–	–192.7	–	–40.5
Non-controlling interests	–	–47.8	–	–
Net assets acquired/disposed of	–	257.2	–	44.5
Funds used/received for acquisitions and disposals				
Cash and cash equivalents	–	262.6	–	37.7
Offsetting	–	7.3	–	–
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–7.8
Equity instruments issued	–	–	–	–
Reclassification of investments in associates	–	–	–	–
Acquisition/disposal price	–	269.9	–	29.9
Net assets acquired/disposed of	–	–257.2	–	–44.5
Other comprehensive income[1]	–	–	–	–7.1
Goodwill/negative goodwill or proceeds from disposals	–	12.7	–	–21.7
Cash and cash equivalents used/received for acquisitions and disposals	–	–262.6	–	37.7
Cash and cash equivalents acquired/disposed of	–	99.3	–	–
Outflow/inflow of cash and cash equivalents	–	–163.3	–	37.7

1 This includes primarily historical cumulative exchange differences.

In 2017, 84.9 per cent of the shares in the listed company Pax Anlage AG, Basel, were purchased. Pax Anlage AG's wholly owned subsidiary Pax Wohnbauten AG (since 3 July 2017 Baloise Wohnbauten AG) has a real-estate portfolio comprising investment properties and development projects. The intention is for the development projects to be sold at a later date. They have therefore been recognised on the balance sheet under other assets. Most of the properties are located in German-speaking Switzerland.

This transaction represents a further expansion of Baloise's real-estate portfolio and takes Baloise's total investment of insurance assets in a secure and attractive asset class to up to CHF 288 million.

The acquisition resulted in negative goodwill of CHF 10.3 million, which was recognised under other operating income. This negative goodwill arose from the remeasurement of development projects, taking account of the current situation in the real-estate market. In the acquiring Group company, there was an opposite negative effect on earnings of CHF 8.8 million as a result of applying the deferred gains/losses for policyholders' dividends.

The purchase price for Movu AG in Switzerland was CHF 25.6 million. Of this amount, CHF 18.3 million was paid in cash and CHF 7.3 million was paid in other forms of consideration. Goodwill of CHF 21.8 million was recognised in connection with the acquisition. The goodwill essentially comprises expected future income. The goodwill is not tax-deductible and is allocated to the Non-Life segment in Switzerland.

The purchase price for DrivOlution NV in Belgium was CHF 2.0 million and was paid in cash. Goodwill of CHF 1.2 million was recognised in connection with the acquisition. It is allocated to the non-life segment in Belgium.

The disposals included the German companies Assekuranz Herrmann GmbH and Wilhelm Herrmann Assekuranz Makler GmbH as well as the portfolio of life insurance policies of Baloise Life Ltd. The loss on the disposal of the two Herrmann insurance companies totalled CHF 5.9 million. The sale of the portfolio of life insurance policies of Baloise Life Ltd. resulted in a loss of CHF 15.8 million. These losses were recognised under other operating expenses.

The acquisitions and disposals had no material effect for the year profit 2017.

This table does not include purchases of real-estate companies that, according to the provisions of IFRS 3 Business Combinations, do not constitute a business, which means that these purchases are classified as the acquisition of assets. That is why the outflows and inflows of cash and cash equivalents vary from the presentation in thecash flow statement. Further explanations are provided in note 6 (Changes to the group of consolidated companies).

40. RELATED PARTY TRANSACTIONS

As part of its ordinary operating activities the Baloise Group conducts transactions with associates and with members of Bâloise Holding Ltd’s Board of Directors and Corporate Executive Committee. The terms and conditions governing such transactions can be found in the Remuneration Report as part of corporate governance (page 80 to 107).

The executive management team consists of the members of Bâloise Holding Ltd’s Board of Directors and Corporate Executive Committee.

RELATED PARTY TRANSACTIONS

	Premiums earned and policy fees		Investment income		Expenses		Mortgages and loans		Liabilities	
	2016	2017	2016	2017	2016	2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
CHF million										
Associates	0.1	–	2.9	1.7	– 27.7	– 28.2	–	–	– 6.4	– 3.9
Key management personnel	0.1	0.1	0.0	0.1	– 12.2	– 12.1	7.7	10.3	–	–

EXECUTIVE MANAGEMENT REMUNERATION

	2016	2017
CHF million		
Short-term employee benefits	– 7.4	– 7.7
Post-employment benefits	– 1.2	– 1.3
Payments under share-based payment plans	– 3.6	– 3.2
Total	– 12.2	– 12.1

19,037 shares worth CHF 2.5 million were repurchased from members of the Corporate Executive Committee in 2017 (2016: CHF 4.2 million) under the Share Participation Plan (section 18.4.3).

41. REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The information to be disclosed in accordance with sections 663b (bis) and 663c of the Swiss Code of Obligations (OR) is contained in the Remuneration Report, which can be found on pages 80 to 107 in the part of corporate governance. The key information disclosed here includes:

- Remuneration paid to the members of the Board of Directors
- Remuneration paid to the members of the Corporate Executive Committee
- Loans and credit facilities granted to members of the Board of Directors and the Corporate Executive Committee
- Shares held by members of the Board of Directors and the Corporate Executive Committee

42. CONTINGENT AND FUTURE LIABILITIES

42.1 Contingent liabilities

42.1.1 Legal disputes

The companies in the Baloise Group are regularly involved in litigation, legal claims and lawsuits, which in most cases constitute a normal part of its operating activities as an insurer.

The Corporate Executive Committee is not aware of any new circumstances having arisen since the last balance sheet date that could have a material impact on the consolidated annual financial statements for 2017.

42.1.2 Guarantees and collateral for the benefit of third parties

The Baloise Group has issued guarantees and provided collateral to third parties. These include obligations – in contractually specified cases – to make capital contributions or payments to increase the amount of equity, provide funds to cover principal and interest payments when they fall due, and issue guarantees as part of its operating activities. The Baloise Group is not aware of any cases of default that could trigger such guarantee payments.

There is a contingent liability arising from a release agreement for employees of Baloise Life Ltd in connection with the sale to the Frankfurter Leben Group of the policy portfolio and associated business of the German branch of Baloise Life Ltd, which was announced on 3 February 2017.

In the normal course of its insurance business, the Baloise Group provided contractually binding collateral, mainly joint collateral relating to insurance-backed construction guarantees, and professional and commercial surety bonds.

	31.12.2016	31.12.2017
CHF million		
Guarantees	54.2	51.5
Collateral	618.6	509.0
Total guarantees and collateral for the benefit of third parties	**672.8**	**560.5**
Of which: for the benefit of partners in joint ventures	–	–
Of which: from joint ventures	–	–
Of which: for the benefit of joint ventures	–	–

CREDIT RATINGS OF GUARANTEES AND COLLATERAL

31.12.2016	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.3	–	23.9	54.2
Collateral	–	–	–	0.2	618.4	618.6

31.12.2017	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.3	0.0	21.2	51.5
Collateral	–	–	–	0.2	508.7	509.0

42.1.3 Pledged or ceded assets, securities-lending assets and collateral held

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

	31.12.2016	31.12.2017
CHF million		
Financial assets under repurchase agreements	514.1	649.5
Financial assets in the context of securities lending	3,358.2	3,983.0
Investments	1,971.9	2,024.0
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	5,844.2	6,656.5

FAIR VALUE OF COLLATERAL HELD

	31.12.2016	31.12.2017
CHF million		
Financial assets under reverse repurchase agreements	61.2	59.1
Financial assets in the context of securities lending	4,770.4	4,883.4
Other	–	–
Total	4,831.6	4,942.5
Of which: sold or repledged		
– with an obligation to return the assets	–	–
– with no obligation to return the assets	–	–

The Baloise Group engages in securities-lending transactions that may give rise to credit risk. Collateral is required in order to hedge these credit risks by more than covering the underlying value of the securities that are being lent (mainly bonds). The value of the counterparty's lending securities is regularly measured in order to minimise the credit risk involved. Additional collateral is immediately required if this value falls below the value of cover provided.

The Baloise Group retains control over the loaned securities throughout the term of its lending transactions. The income received from securities lending is recognised in profit or loss.

42.2 Future liabilities

42.2.1 Capital commitments

	31.12.2016	31.12.2017
CHF million		
Commitments undertaken for future acquisition of		
investment property	326.5	451.8
financial assets	873.8	735.7
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	1,200.3	1,187.5
Of which: in connection with joint ventures	–	–
Of which: own share of joint ventures' capital commitments	–	–

CREDIT RATINGS OF CAPITAL COMMITMENTS

31.12.2016	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	318.8	0.4	92.2	18.6	770.3	1,200.3

31.12.2017	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	199.2	–	61.5	–	926.9	1,187.5

As at 31 December 2016, there was an investment obligation of CHF 218 million for the purchase of the Belgian real-estate company VAC De Meander. Obligations undertaken by the Baloise Group to make future purchases of investments include commitments in respect of private equity, which constitute unfunded commitments to invest directly in private equity or to invest in private equity funds.

43. OPERATING LEASES

43.1 The Baloise Group as a lessee

The Baloise Group has entered into non-cancellable leasing arrangements to lease buildings, vehicles and operating equipment. The average residual term of its leases is between three and five years.

DUE DATES OF LEASE PAYMENTS

CHF million	2016	2017
Due within one year	– 2.1	– 2.2
Due after one to five years	– 1.4	– 1.6
Due after five years or more	–	–
Total	**– 3.5**	**– 3.8**
Minimum lease payments	– 3.4	– 3.3
Contingent lease payments	–	–
Leasing expenses	**– 3.4**	**– 3.3**
Income from sub-leases during the reporting period	–	–
Future income from sub-leases	–	–

Contingent lease payments are made in cases where the lease is indexed.

43.2 The Baloise Group as a lessor

The Baloise Group has entered into operating leasing arrangements in order to lease its investment property to third parties. There were no further leasing arrangements at the balance sheet date.

DUE DATES OF CONTRACTUALLY STIPULATED LEASING INCOME

CHF million	2016	2017
Due within one year	28.1	49.3
Due after one to five years	49.0	119.5
Due after five years or more	24.0	200.7
Total	**101.1**	**369.6**
Minimum lease payments	37.6	50.5
Contingent lease payments	0.2	0.1
Leasing income	**37.7**	**50.5**

44. CLAIM PAYMENTS RECEIVED FROM NON-GROUP INSURERS

The companies in the Baloise Group received claim payments totalling CHF 0.1 million in 2017 (2016: CHF 0.1 million) from non-Group insurers in connection with insurance contracts under which the Baloise Group companies are themselves policyholders. Most of these claim payments were made for damage to buildings in Switzerland where, depending on the building's location, mandatory insurance cover is provided by government agencies.

45. SIGNIFICANT SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Entities are defined as significant if they either individually or together contribute a significant proportion of the gross premiums, net income or total assets of the Baloise Group. Other long-term equity investments may be included for qualitative reasons, e. g. they are listed on a stock exchange.

31.12.2017	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Switzerland									
Bâloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	4.9	2,131.5	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,442.9	1,333.4
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	33,063.6	2,904.3
Pax Anlage AG, Basel	Holding	L	84.88	84.88	F	CHF	18.0	179.2	–
Baloise Wohnbauten AG, Basel	Other	L	84.88	100.00	F	CHF	1.0	366.4	–
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	7,526.0	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	56.3	–
Baloise Asset Management Schweiz AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.5	31.8	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	21.7	–
Germany									
Basler Versicherung Beteiligungen B. V. & Co KG, Hamburg	Holding	O	100.00	100.00	F	EUR	94.7	369.0	–
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	9,634.7	337.6
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,783.1	646.7
Deutscher Ring Bausparkasse Aktiengesellschaft, Hamburg	Banking	B	65.00	65.00	F	EUR	12.8	566.1	–
Basler Beteiligungsholding GmbH, Hamburg	Holding	O	100.00	100.00	F	EUR	12.8	234.0	–
Basler Financial Services GmbH, Hamburg	Other	O	100.00	100.00	F	EUR	1.5	7.7	–
OVB Holding AG, Cologne	Other	–	32.57	32.57	E	EUR	–	–	–
ROLAND Rechtsschutz Beteiligung GmbH, Cologne	Other	O	60.00	60.00	F	EUR	0.1	35.6	–
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	13.3	–

1 L: Life, NL: Non-Life, B: Banking, O: Other activities/Group business.
2 Shares stated as a percentage are rounded down.
3 F: Full consolidation, E: Equity-accounted investment.

31.12.2017	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Belgium									
Baloise Belgium NV, Antwerp	Life and Non-Life	L/NL	100.00	100.00	F	EUR	215.2	8,987.4	972.0
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	188.9	64.1
Merno-Immo NV, Antwerp	Other	NL	100.00	100.00	F	EUR	17.1	24.5	–
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,215.3	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	342.9	110.0
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	7,686.0	70.7
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	14.4	–
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	EUR	224.3	274.7	–
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	3,241.1	1.1
Other territories									
Bâloise Participations Holding, Amsterdam	Holding	O	100.00	100.00	F	EUR	10.9	0.8	–
Baloise Alternative Investment Strategies Limited, St. Helier (Jersey/Channel Islands)	Investment management	L/NL	100.00	100.00	F	USD	0.0	415.5	–
Baloise Finance (Jersey) Ltd., St. Helier (Jersey/Channel Islands)	Other	O	100.00	100.00	F	CHF	1.3	149.1	–
Baloise Private Equity Limited, St. Helier (Jersey/Channel Islands)	Investment management	L/NL	100.00	100.00	F	USD	0.0	599.3	–

1 L: Life, NL: Non-Life, B: Banking, O: Other activities/Group business.
2 Shares stated as a percentage are rounded down.
3 F: Full consolidation, E: Equity-accounted investment.

46. CHANGES TO SHAREHOLDINGS

The share of capital and share of voting rights in the real-estate company SA Keiberg 401 in Belgium was increased from 46.8 per cent to 100 per cent in the second half of 2016. As a result, the company switched from being an associate to a fully consolidated subsidiary. In 2017, there had been no transactions resulting in a change of control over a subsidiary.

47. CONSOLIDATED STRUCTURED ENTITIES

The Baloise Group held one consolidated structured entity – Baloise Fund Invest (Lux) – at the end of the reporting year. Baloise Fund Invest (Lux) is a Luxembourg-based firm in the legal form of an investment company with variable capital (SICAV managed by a third party). Baloise Fund Invest (Lux) is an umbrella fund consisting of various pools of assets and liabilities (or “sub-funds”), with each sub-fund pursuing its own investment policy. Baloise Fund Invest (Lux) and its sub-funds collectively constitute a legal entity. However, each sub-fund is deemed to be a separate entity as far as the legal relationship between unitholders is concerned. A sub-fund’s assets are liable to third parties only for the liabilities and obligations relating to this sub-fund.

The prime objective of Baloise Fund Invest (Lux) is to enable unitholders to benefit from professional management strategies based on the principle of risk diversification in line with each sub-fund’s specified investment policy. The holding of units in Baloise Fund Invest (Lux) does not give rise to any contractual obligations. There are no arrangements that oblige the Baloise Group to provide financial support to the consolidated entity Baloise Fund Invest (Lux), and no voluntary financial or other support was provided during the reporting year.

48. JOINT ARRANGEMENTS

There were no joint arrangements in 2017 and in 2016.

49. EVENTS AFTER THE BALANCE SHEET DATE

By the time that these consolidated annual financial statements had been completed on 21 March 2018, we had not become aware of any further events that would have a material impact on the consolidated annual financial statements as a whole.

This page has been left empty on purpose.

Building a better working world

Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basel

Phone: +41 58 286 86 86
Fax: +41 58 286 86 00
www.ey.com/ch

To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 21 March 2018

Report of the statutory auditor on the consolidated financial statements

Opinion

We have audited the consolidated financial statements (pages 112 - 260) of Bâloise Holding Ltd and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the section *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the section *Auditor's responsibilities for the audit of the consolidated financial statements* of our report. Accordingly, our audit included procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

EY
Building a better working world

Claims reserves - non-life

Area of focus	Claims reserves non-life include Management's estimate of notified but not yet paid claims, reserves for incurred but not reported losses and the provision for claims handling costs. Inappropriate valuation of the claims reserves non-life could result in a misstatement to the financial statements of the Group and its overall financial position. The valuation of claims reserves non-life involves a significant amount of Management's judgement. The selection of methodology, underlying assumptions and input parameters may significantly affect the annual result and the Group's equity position. Management discloses the valuation principles used in the recognition of the claims reserves in note 5.4 "Non-Life" and note 5.4.2 "Assumptions". The impact of various scenarios is described in note 5.4.4 "Sensitivity analysis". We also refer to notes 3.18 and 23.1 on pages 135 to 137 and 227 to 230 of the Group's financial statements.
Our audit response	As part of the audit of the significant portfolios, we involved our non-life insurance actuarial specialists to independently assess the methodology and the underlying assumptions used by Management. Our assessment of the claims reserves included an independent valuation and a comparison to the Group's financial statements. We further assessed the operating effectiveness of selected key controls over the input parameters and the mathematical correctness of the actuarial calculations. In addition, we evaluated the required disclosures in the notes to the financial statements.

Technical reserves - life

Area of focus	Life insurance technical reserves consist of the actuarial reserves and the policyholders' dividends credited and provisions for future policyholders' dividends. The actuarial reserves are valued using actuarial methodologies and assumptions (such as biometric, economic and cost assumptions). Inappropriate valuation of the life insurance technical reserves could result in a misstatement to the financial statements of the Group and its overall financial position. The valuation of technical reserves for life insurance contracts involves a significant amount of Management's judgement. The selection of methodology, underlying assumptions and input parameters may significantly affect the annual result and the Group's equity position. Management discloses the valuation principles used in the recognition of technical reserves for life insurance contracts in note 5 "Management of insurance and financial risk" and note 5.5.2 "Assumptions". The impact of various scenarios is described in note 5.4.4 "Sensitivity analysis". We also refer to notes 3.19 and 23.2 on pages 137 to 139 and 231 to 235 of the Group's financial statements.

Building a better working world

Our audit response

As part of the audit, we involved our life insurance actuarial specialists. On a sample basis, the actuaries assessed the methodology and underlying assumptions used by Management as well as the implementation of the technical reserves based on tariff assumptions.

In addition, we assessed the technical reserves by reviewing Management's Liability Adequacy Tests (LAT). We further tested the operating effectiveness of selected key controls over the input parameters and the mathematical correctness of the actuarial calculations. In addition, we evaluated the required disclosures in the notes to the financial statements.

Valuation of investments without publically available market values

Area of focus

Certain investments (such as derivatives and investment properties) are valued using generally recognised methods without reference to any observable market data. Due to the complexity of those models and the significant judgement exercised by Management in determining the parameters of the models, any deficiencies or inaccurate input data could lead to a material misstatement within the Group's financial statements.

Management discloses the inherent risks related to the valuation of investments without publically available market prices in note 4 "Key accounting judgements, estimates and assumptions" and the valuation principles in note 5.10 "Fair value measurement". We also refer to notes 3.7 and 12 on pages 127 to 129 and 203 to 207 of the Group's financial statements.

Our audit response

We assessed and tested the design and the operating effectiveness of key controls related to the valuation of investment properties, including the controls over the review of the models and the model parameters. We engaged real estate valuation specialists to independently assess the valuation of selected investment property positions.

For a sample of equity instruments and derivative financial instruments without publically available market prices, we identified the market data input used by the Group and tested it against independent data. For complex products, we engaged our internal valuation specialists to perform an independent calculation. In addition, we evaluated the required disclosure in the notes to the financial statements.

Building a better working world

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of the other information, we are required to report it. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. The description forms part of our auditor's report.

EY
Building a better working world

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Stefan Marc Schmid Licensed audit expert (Auditor in charge)	Christian Fleig Licensed audit expert

This page has been left empty on purpose.

Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

	Note	2016	2017
CHF million			
Income from long-term equity investments		256.3	406.8
Income from interest and securities	2	102.0	33.8
Other income		12.4	6.9
Total income		**370.7**	**447.5**
Administrative expenses	3	–40.7	–46.6
Interest expenses	4	–33.0	–30.5
Other expenses		–2.5	–2.8
Total expenses		**–76.2**	**–79.9**
Tax expense		**–5.3**	**–0.3**
Profit for the period		**289.2**	**367.3**

Balance sheet of Bâloise Holding Ltd

	Note	31.12.2016	31.12.2017
CHF million			
Assets			
Cash and cash equivalents		76.5	96.1
Receivables from Group companies	5	207.5	359.9
Receivables from third parties		5.0	2.8
Current assets		289.0	458.8
Financial assets			
Loans to Group companies	6	102.0	102.0
Long-term equity investments	7	1,849.5	1,860.8
Non-current assets		1,951.5	1,962.8
Total assets		2,240.5	2,421.6
Equity and liabilities			
Current liabilities			
Liabilities to Group companies		8.5	3.4
Liabilities to third parties		0.0	1.6
Current interest-bearing liabilities to third parties		225.0	–
Deferred income		22.9	27.7
Non-current liabilities			
Long-term interest-bearing liabilities to Group companies		–	340.0
Long-term interest-bearing liabilities to third parties	8	1,250.0	1,250.0
Provisions		8.2	7.7
Liabilities		1,514.6	1,630.4
Share capital		5.0	4.9
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		2.3	6.1
Voluntary retained earnings			
Free reserves		573.9	472.4
Distributable profit:			
– Profit carried forward		0.4	0.6
– Profit for the period		289.2	367.3
Treasury shares	9	–156.6	–71.8
Equity	10	725.9	791.2
Total equity and liabilities		2,240.5	2,421.6

Notes to the financial statements of Bâloise Holding Ltd

1. ACCOUNTING POLICIES

General
These annual financial statements of Bâloise Holding Ltd domiciled in Basel have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). The main policies applied which are not prescribed by law are described below.

Cash and cash equivalents
Cash and cash equivalents include bank deposits and cash equivalents such as call money, fixed-term deposits and money market instruments. They are recognised at their nominal amount.

Receivables from Group companies
This line item includes expenses relating to the new financial year that have been paid in advance and income from the reporting year that will not be received until a later date. It also comprises dividends approved by subsidiaries' annual general meetings at the balance sheet date, which Bâloise Holding reports as dividends receivable. They are recognised at their nominal amount.

Receivables from third parties
Receivables are recognised at their nominal amount less any impairment losses.

Loans to Group companies
These loans are measured at their nominal amount less any impairment losses. Specific write-downs are recognised for all identifiable risks in accordance with the prudence principle.

Long-term equity investments
Long-term equity investments are recognised individually at cost less any impairment losses.

Liabilities

Liabilities are recognised at their nominal amount.

Deferred income and accrued expenses

This line item comprises income relating to the new financial year that has already been received, as well as expenses relating to the reporting year that will not be paid until a later date.

Interest-bearing liabilities

Interest-bearing liabilities include bonds to third parties and interest-bearing liabilities to Group companies are recognised at their nominal amount. Issuance costs – less any premiums – are charged in full to the income statement at the time the bonds are issued. The liabilities are categorised as current (less than twelve months) or non-current interest-bearing liabilities depending on their residual term.

Provisions

Provisions to cover any risks that may arise are recognised in accordance with the principles of risk-based management and are charged to the income statement.

Treasury shares

Treasury shares are recognised at cost on the date of acquisition as deductions from equity. If the shares are subsequently sold, any gains or losses are recognised in profit or loss as financial income or expense.

NOTES TO THE INCOME STATEMENT

2. INCOME FROM INTEREST AND SECURITIES

CHF million	2016	2017
Income from treasury shares	13.1	6.7
Interest on loans to Group companies	3.7	3.7
Realized income treasury shares	85.2	23.4
Other income from interest and securities	0.0	–
Total income from interest and securities	**102.0**	**33.8**

3. ADMINISTRATIVE EXPENSES

CHF million	2016	2017
Personnel expenses [1]	– 27.6	– 33.5
Other administrative expenses	– 13.1	– 13.1
Total administrative expenses	**– 40.7**	**– 46.6**

1 Bâloise Holding Ltd has no direct employees. All staff members are employed by Baloise Insurance Ltd, Basel.

4. INTEREST EXPENSES

CHF million	2016	2017
Interest on bonds	– 33.0	– 30.5
Other interest expenses	– 0.0	–
Total interest expenses	**– 33.0**	**– 30.5**

NOTES TO THE BALANCE SHEET

5. RECEIVABLES FROM GROUP COMPANIES

CHF million	31.12.2016	31.12.2017
Dividends	207.0	359.1
Other receivables	0.5	0.8
Total receivables from Group companies	**207.5**	**359.9**

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2017 financial year as accrued income:

- 7 March 2018: Baloise Asset Management Schweiz AG (Basel) and Baloise Asset Management International AG (Basel)
- 13 March 2018: Haakon AG (Basel)
- 21. March 2018: Basler Versicherung AG (Basel) and Basler Leben AG (Basel)
- 22. March 2018: Baloise Bank SoBa AG (Solothurn)

6. LOANS TO GROUP COMPANIES

CHF million	31.12.2016	31.12.2017
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Bâloise (Luxembourg) Holding S.A.	62.0	62.0
Total loans to Group companies	**102.0**	**102.0**

7. LONG-TERM EQUITY INVESTMENTS

	Total shareholding as at 31.12.2016 (with voting rights)	Total shareholding as at 31.12.2017 (with voting rights)		Share capital as at 31.12.2017	Capital share
	(per cent)[1]	(per cent)[1]	Currency	(million)	(million)
Company					
Basler Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Basler Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank SoBa AG, Solothurn	100.00	100.00	CHF	50.0	50.0
Baloise Asset Management Schweiz AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Immobilien Management AG, Basel	100.00	100.00	CHF	0.1	0.1
Haakon AG, Basel	74.75	74.75	CHF	0.2	0.1
Baloise Life (Liechtenstein) AG, Balzers	100.00	100.00	CHF	7.5	7.5
Basler Saturn Management B.V., Amsterdam	100.00	100.00	EUR	<0.1	<0.1
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Alternative Investments Partner S.à r.l., Bertrange (Luxembourg)	–	100.00	EUR	<0.1	<0.1
Baloise Private Equity Partner S.à r.l., Bertrange (Luxembourg)	–	100.00	EUR	<0.1	<0.1
Baloise Finance (Jersey) Ltd, St. Helier (Jersey)	100.00	100.00	CHF	1.3	1.3

1 Investments stated as a percentage are rounded down.

8. LONG-TERM INTEREST-BEARING LIABILITIES

31.12.2017	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 14 829 501	2.250 %	01.03.2012	01.03.2019	175.0
Bond 11 768 379	2.875 %	14.10.2010	14.10.2020	300.0
Bond 13 180 461	3.000 %	07.07.2011	07.07.2021	250.0
Bond 19 469 508	2.000 %	12.10.2012	12.10.2022	150.0
Bond 20 004 482	1.750 %	26.04.2013	26.04.2023	225.0
Bond 26 139 906	1.125 %	19.12.2014	19.12.2024	150.0
Total long-term interest-bearing liabilities				**1,250.0**

9. TREASURY SHARES

Number of registered shares	Low in CHF	High in CHF	Average share price (CHF)	Number
Balance as at 1 January 2016				**2,572,720**
Purchases	103.69	124.55	111.61	581,402
Sales	121.80	129.26	125.80	−768,901
Conversion convertible bonds				−660,973
Disposals in connection with share participation programmes				−99,504
Balance as at 31 December 2016				**1,624,744**
Purchases	135.86	158.89	149.88	468,450
Sales	126.79	131.25	129.27	−345,943
Reduction of share capital				−1,200,000
Disposals in connection with share participation programmes				−50,848
Balance as at 31 December 2017				**496,403**

10. CHANGES IN EQUITY

	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
		General reserve	Reserve for treasury shares	Free reserves	Distributable profit		
CHF million							
Balance as at 1 January 2016	**5.0**	**11.7**	**3.5**	**387.6**	**435.4**	**–194.8**	**648.4**
Allocation 2016	–	–	–	185.0	–185.0	–	0.0
Dividend	–	–	–	–	–250.0	–	–250.0
Additions	–	–	–	–	–	–	0.0
Change in treasury shares	–	–	–	–	–	38.2	38.2
Recognition/reversal	–	–	–1.2	1.2	–	–	0.0
Profit for the period	–	–	–	–	289.2	–	289.2
Balance as at 31 December 2016	**5.0**	**11.7**	**2.3**	**573.8**	**289.6**	**–156.6**	**725.8**
Allocation 2017	–	–	–	29.0	–29.0	–	0.0
Dividend	–	–	–	–	–260.0	–	–260.0
Additions	–	–	–	–	–	–	0.0
Reduction of share capital	–0.1	–	–	–126.6	–	126.7	0.0
Change in treasury shares	–	–	–	–	–	–41.9	–41.9
Recognition/reversal	–	–	3.8	–3.8	–	–	0.0
Profit for the period	–	–	–	–	367.3	–	367.3
Balance as at 31 December 2017	**4.9**	**11.7**	**6.1**	**472.4**	**367.9**	**–71.8**	**791.2**

11. SIGNIFICANT SHAREHOLDERS

The information available to the Company reveals that the following significant shareholders and shareholder groups linked by voting rights held long-term equity investments in the Company within the meaning of section 663c of the Swiss Code of Obligations (OR) as at 31 December 2017:

	Total shareholding as at 31.12.2016	Share of voting rights as at 31.12.2016	Total shareholding as at 31.12.2017	Share of voting rights as at 31.12.2017
Per cent				
Shareholders				
Chase Nominees Ltd.[1]	7.2	2.0	8.1	2.0
BlackRock Inc.	›5.0	‹2.0	›5.0	‹2.0
UBS Fund Management AG	0.0	0.0	3.3	2.0
LSV Asset Management	›3.0	0.0	›3.0	0.0
Nortrust Nominees Ltd.[1]	2.8	0.0	3.5	0.0
Bank of New York Mellon N. V.[1]	5.9	0.0	5.8	0.0
Credit Suisse Funds AG	‹3.0	‹2.0	‹3.0	‹2.0

1 Custodian nominees who hold shares in trust for third parties are counted as part of the free float under the SIX Exchange regulations. Such shareholder groups are not subject to disclosure requirements under Swiss stock market legislation.

12. CONTINGENT LIABILITIES

	31.12.2016	31.12.2017
CHF million		
Collateral, guarantee commitments	57.8	534.8

Bâloise Holding Ltd has furthermore issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Bâloise Holding Ltd, Basel, undertakes to ensure that its subsidiary Baloise Life (Liechtenstein) AG is at all times in a financial position to meet in full its liabilities to its customers arising from the contracts relating to its RentaSafe, BelRenta Safe, RentaProtect and RentaSafe Time products, especially its guarantee commitments. Since October 2012 this letter of comfort has also applied to customers with contracts relating to its RentaProtect Time, RentaSafe Time (D-CHF) and RentaProtect Performance products. The maximum liability corresponds to the present value of the outstanding guaranteed insurance benefits as at 31 December 2017. As at the balance sheet date, the expected insurance benefits were fully backed by customer deposit accounts governed by individual agreements, the reinsurance contract and the collateral lodged with Baloise Life (Liechtenstein) AG by the reinsurer.

Bâloise Holding Ltd guarantees all obligations of Baloise Life Ltd relating to the various tranches of the subordinated bonds, which had a total nominal value of CHF 500 million as at the balance sheet date.

Bâloise Holding Ltd is jointly and severally liable for the value-added tax (VAT) owed by all companies that form part of the tax group headed by Baloise Insurance Ltd.

13. CEDED ASSETS

Bâloise Holding Ltd lends some of its treasury shares to Baloise Insurance Ltd every year under a securities lending agreement. These shares are used in the Share Participation Plan run by Baloise Insurance Ltd. No assets had been ceded at the balance sheet date (2016: none).

14. REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The information to be disclosed in accordance with sections 663b (bis) and 663c of the Swiss Code of Obligations (OR) is contained in the Remuneration Report, which can be found on pages 80 to 107 in the part of corporate governance. The key information disclosed here includes

- remuneration paid to the members of the Board of Directors,
- remuneration paid to the members of the Corporate Executive Committee,
- loans and credit facilities granted to members of the Board of Directors and the Corporate Executive Committee,
- shares and options held by members of the Board of Directors and the Corporate Executive Committee.

15. NET REVERSAL OF HIDDEN RESERVES

In 2017, no hidden reserves were reversed.

16. EXEMPTIONS DUE TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Because Bâloise Holding Ltd has prepared consolidated financial statements in accordance with recognised financial reporting standards (IFRS), in accordance with statutory provisions (article 961d [1] of the Swiss Code of Obligations [OR]), it has dispensed with the notes on long-term interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement or a management report in these annual financial statements.

17. EVENTS AFTER THE BALANCE SHEET DATE

By the time that these annual financial statements had been completed on 21 March 2018, we had not become aware of any events that would have a material impact on the annual financial statements as a whole.

Appropriation of distributable profit as proposed by the Board of Directors

DISTRIBUTABLE PROFIT AND APPROPRIATION OF PROFIT

The profit for the period amounted to CHF 367,343,969.45.

The Board of Directors will propose to the Annual General Meeting that the Company's distributable profit be appropriated as shown in the table below.

	2016	2017
CHF		
Profit for the period	289,202,029.24	367,343,969.45
Profit carried forward from the previous year	395,199.00	597,228.24
Distributable profit	289,597,228.24	367,941,197.69
Proposals by the Board of Directors:		
Allocated to free reserves	– 29,000,000.00	– 94,000,000.00
Withdrawn from free reserves	–	–
Dividend	– 260,000,000.00	– 273,280,000.00
Profit to be carried forward	597,228.24	661,197.69

The appropriation of profit is consistent with section 30 of the Articles of Incorporation. Each share confers the right to receive a dividend of CHF 5.60 gross or CHF 3.64 net of withholding tax.

Building a better working world

Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basel

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 21 March 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements (pages 270 - 280) of Bâloise Holding Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of long-term equity investments

Area of focus	Bâloise Holding Ltd accounts for long-term equity investments at cost less necessary impairments and valued on an individual basis. Management assesses whether there are any impairment losses in the carrying value of the long-term equity investments by comparing the carrying amount to the net asset value of the subsidiary or to a valuation of the subsidiary using a discounted cash flow analysis. The determination whether a long-term equity investment needs to be impaired involves management's judgement. This includes assumptions about the profitability of the underlying business and growth. We consider this a key audit matter not only due to the judgement involved but also based on the magnitude of the carrying value of the long-term equity investments within the financial statements of Bâloise Holding Ltd. Bâloise Holding Ltd describes the valuation principles for long-term equity investments as part of the accounting policy note in the financial statements.
Our audit response	In relation to the key audit matter set out above, we assessed the appropriateness of the company's impairment testing methodology. We reperformed management's impairment test on the carrying value of each investment, including the assessment of management's assumptions and challenged the impairment decisions taken. We have audited the required disclosures in the notes to the financial statements as at 31 December 2017.

EY
Building a better working world

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Stefan Marc Schmid Licensed audit expert (Auditor in charge)	Christian Fleig Licensed audit expert

This page has been left empty on purpose.

General information

Glossary

Actuarial reserves
Actuarial reserves are the reserves set aside to cover current life insurance policies.

Annual premium equivalent
The annual premium equivalent (APE) is the insurance industry standard for measuring the volume of new life insurance business. It is calculated as the sum of the annual premiums earned from new business plus 10 per cent of the single premiums received during the reporting period.

Baloise
“Baloise” stands for “the Baloise Group”, and “Bâloise Holding” means “Bâloise Holding Ltd”. Baloise shares are the shares of Bâloise Holding Ltd.

Broker
Insurance brokers are independent intermediaries. These are firms or individuals who are not restricted to any particular insurance companies when selling insurance products. They are paid commission for the insurance policies that they sell.

Business volume
The total volume of business comprises the premium income earned from non-life and life insurance and from investment-linked life insurance policies during the reporting period. The accounting principles used by the Baloise Group do not allow premium income earned from investment-linked life insurance to be reported as revenue in the consolidated financial statements.

Claims incurred
Claims incurred comprise the amounts paid out for claims during the financial year, the reserves set aside to cover unsettled claims, the reversal of reserves for claims that no longer have to be settled or do not have to be paid in full, the costs incurred by the processing of claims, and changes in related reserves.

Claims ratio
The total cost of claims settled as a percentage of total premiums.

Claims reserve
A reserve for claims that have not been settled by the end of the year.

Combined ratio
A non-life insurance ratio that is defined as the sum of the cost of claims settled (claims ratio), total expenses (expense ratio) and profit sharing (profit-sharing ratio) as a percentage of total premiums. This ratio is used to gauge the profitability of non-life insurance business.

Deferred taxes
Probable future tax expenses and tax benefits arising from temporary differences between the carrying amounts of assets and liabilities recognised in the consolidated financial statements and the corresponding amounts reported for tax purposes. The pertinent calculations are based on country-specific tax rates.

Embedded value
The market-consistent embedded value (MCEV) measures the value of a life insurance portfolio for shareholders at the balance sheet date. Please also refer to the separate MCEV report.

Expense ratio
Non-life insurance business expenses as a percentage of total premiums.

- **Fixed-income securities**
  Securities (primarily bonds) that yield a fixed rate of interest throughout their term to maturity.

- **Gross**
  The gross figures shown on the balance sheet or income statement in an insurance company's annual report are stated before deduction of reinsurance.

- **Group life business**
  Insurance policies taken out by companies or their employee benefit units for the occupational pension plans of their entire workforce.

- **Impairment**
  An asset write-down that is recognised in profit or loss. An impairment test is carried out to ascertain whether an asset's carrying amount is higher than its recoverable amount. If this is the case, the asset is written down to its recoverable amount and a corresponding impairment loss is recognised in the income statement.

- **Insurance benefit**
  The benefits provided by the insurer in connection with the occurrence of an insured event.

- **International Financial Reporting Standards**
  Since 2000 the Baloise Group has been preparing its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), which were previously called International Accounting Standards (IAS).

- **Investments**
  Investments comprise investment property, equities and alternative financial assets (financial instruments with characteristics of equity), fixed-income securities (financial instruments with characteristics of liabilities), mortgage assets, policy loans and other loans, derivatives, and cash and cash equivalents. Precious metals in connection with investment-linked insurance are reported as "other assets."

- **Investment-linked life insurance**
  Life insurance policies under which policyholders invest their savings for their own account and at their own risk.

- **Investment-linked premium**
  Premium income from life insurance policies under which the insurance company invests the policyholder's savings for the latter's own account and at his or her own risk. The International Financial Reporting Standards applied by the Baloise Group do not allow the savings component of this premium income to be recognised as revenue on the income statement.

- **Legal quota**
  A legally or contractually binding percentage requiring life insurance companies to pass on a certain share of their profits to their policyholders.

- **Minimum interest rate**
  The minimum guaranteed interest rate paid to savers under occupational pension plans.

- **Net**
  The net figures shown on the balance sheet or income statement in an insurance company's annual report are stated after deduction of reinsurance.

- **New business margin**
  The value of new business divided by the annual premium equivalent (APE).

- **Operating segments**
  Similar or related business activities are grouped together in operating segments. The Baloise Group's operating segments are Non-Life, Life, Banking (which includes asset management), and Other Activities. The "Other Activities" operating segment includes equity investment companies, real estate firms and financing companies.

- **Performance of investments**
  Performance in this context is defined as the rates of return that Baloise generates from its investments. It constitutes the gains, losses, income and expenses recognised in the income statement plus changes in unrealised gains and losses as a percentage of the average portfolio of investments held.

- **Periodic premium**
  Periodically recurring premium income (see definition of "premium").

- **Policyholder's dividend**
  An annual, non-guaranteed benefit paid to life insurance policyholders if the revenue generated by their policies is higher and/or the risks and costs associated with their policies are lower than the assumptions on which the calculation of their premiums was based.

- **Premium**
  The amount paid by the policyholder to cover the cost of insurance.

- **Premium earned**
  The proportion of the policy premium available to cover the risk insured during the financial year, i.e. the premium minus changes in unearned premium reserves.

- **Profit after taxes**
  Profit after taxes is the consolidated net result of all income and expenses, minus all borrowing costs as well as current and deferred income taxes. Profit after taxes includes non-controlling interests.

- **Profit-sharing ratio**
  Total profit sharing as a percentage of total premiums; profit sharing is defined as the reimbursement of amounts to non-life policyholders to reflect the profitability of insurance policies.

- **Reinsurance**
  If an insurance company itself does not wish to bear the full risk arising from an insurance policy or an entire portfolio of policies, it passes on part of the risk to a reinsurance company or another direct insurer. However, the primary insurer still has to indemnify the policyholder for the full risk in all cases.

- **Reserves**
  A measurement of future insurance benefit obligations arising from known and unknown claims that are reported as liabilities on the balance sheet.

- **Return on equity**
  A calculation of the percentage return earned on a company's equity capital during a financial year; it represents the profit generated in a given financial year divided by the company's average equity during that period.

- **Risk scoring**
  Risk scoring uses analytical statistical methods to derive risk assessments from collected data based on empirical values. Insurance companies use this kind of scoring to ensure that the premiums they charge reflect the risks involved.

- **Run-off business**
  An insurance policy portfolio that has ceased to accept new policies and whose existing policies are gradually expiring.

- **Segment**
  Financial reporting in the Baloise Group is carried out in accordance with International Financial Reporting Standards (IFRSs), which require similar transactions and business activities to be grouped and presented together. These aggregated operating activities are presented in "segments", broken down by geographic region and business line.

- **Share buy-back programme**
  Procedure approved by the Board of Directors under which Baloise can repurchase its own outstanding shares. Companies in Switzerland open a separate trading line in order to carry out such buy-backs.

- **Shares issued**
  The total number of shares that a company has issued; multiplying the total number of shares in issue by their face value gives the company’s nominal share capital.

- **Single premium**
  Single premiums are used to finance life insurance policies at their inception in the form of a one-off payment. They are mainly used to fund wealth-building life insurance policies, with the prime focus on investment returns and safety.

- **Swiss Leader Index**
  The Swiss Leader Index (SLI) comprises the 30 largest and most liquid equities on the Swiss stock market.

- **Solvency**
  Minimum capital requirements that the regulatory authorities impose on insurance companies in order to cover their business risks (investments and claims). These requirements are usually specified at a national level and may vary from country to country.

- **Technical reserve**
  Insurers disclose on their balance sheets the value of the benefits that they expect to have to provide in future under their existing insurance contracts. This value is calculated from a current perspective in accordance with generally accepted principles.

- **Technical result**
  Baloise calculates its technical result by netting all income and expenses arising from its insurance business. Its technical result does not include income and expenses unrelated to its insurance business or the net gains or losses on its investments.

- **Unearned premium reserves**
  Deferred income arising from premiums that have already been paid for periods after the balance sheet date.

- **Unrealised gains and losses (recognised directly in equity)**
  Unrealised gains and losses are increases or decreases in value that are not recognised in profit or loss and arise from the measurement of assets. They are recognised directly in equity after deduction of deferred policyholders’ dividends (life insurance) and deferred taxes. These gains or losses are only taken to income if the underlying asset is sold or if impairment losses are recognised.

- **Value of new business**
  The value added by new business transacted during the reporting period; this figure is measured at the time the policy is issued.

Addresses

SWITZERLAND

Basler Versicherungen
Aeschengraben 21
CH-4002 Basel
Tel. + 41 58 285 85 85
Fax + 41 58 285 70 70
kundenservice@baloise.ch
www.baloise.ch

MOVU
Universitätstrasse 63
CH-8006 Zürich
Telefon + 41 44 505 14 14
captain@movu.ch
www.movu.ch

Baloise Bank SoBa
Amthausplatz 4
CH-4502 Solothurn
Tel. + 41 58 285 33 33
Fax + 41 58 285 03 33
bank@baloise.ch
www.baloise.ch

GERMANY

Basler Versicherungen
Basler Strasse 4
Postfach 1145
D-61345 Bad Homburg
Tel. + 49 61 72 130
Fax + 49 61 72 13 200
info@basler.de
www.basler.de

FRI:DAY
Klosterstrasse 62
D-10179 Berlin
Telefon + 49 30 959 983 200
info@friday.de
www.friday.de

LUXEMBOURG

Bâloise Assurances
23, rue du Puits Romain
Bourmicht
L-8070 Bertrange
Tel. + 352 290 190 1
Fax + 352 290 190 9001
info@baloise.lu
www.baloise.lu

BELGIUM

Baloise Insurance
Posthofbrug 16
B-2600 Antwerp
Tel. + 32 3 247 21 11
Fax + 32 3 247 27 77
info@baloise.be
www.baloise.be

MOBLY
Hessenstraatje 10
B-2000 Antwerp
Tel. + 32 491 19 18 49
info@mobly.be
www.mobly.be

Information on the Baloise Group

The 2017 Annual Report is published in German and English. The German version is authoritative in the event of any discrepancy. The Financial Report contains the audited 2017 annual financial statements together with detailed information.

The annual report contains all of the elements that, in accordance with section 961c of the Swiss Code of Obligations, make up the management report.

AVAILABILITY AND ORDERING

The 2017 Annual Report and the Summary of the 2017 Annual Report will be available from 27 March 2018 on the internet at: www.baloise.com/annualreport

Corporate publications can be ordered either on the internet or by post from the Baloise Group, Corporate Communications, Aeschengraben 21, 4002 Basel, Switzerland.
www.baloise.com/order

INFORMATION FOR SHAREHOLDERS AND FINANCIAL ANALYSTS

Detailed information and data on Baloise shares, the IR agenda, the latest presentations and how to contact the Investor Relations team can be found on the internet at www.baloise.com/investors. This information is available in German and English.

INFORMATION FOR MEMBERS OF THE MEDIA

You will find the latest media releases, presentations, reports, images and podcasts of various Baloise events as well as media contact details at www.baloise.com/media.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This publication is intended to provide an overview of Baloise's operating performance. It contains forward-looking statements that include forecasts of future events, plans, goals, business developments and results and are based on Baloise's current expectations and assumptions. These forward-looking statements should be noted with due caution because they inherently contain both known and unknown risks, are subject to uncertainty and may be adversely affected by other factors. Consequently, business performance, results, plans and goals could differ substantially from those presented explicitly or implicitly in these forward-looking statements. Among the influencing factors are (i) hanges in the overall state of the economy, especially in key markets; (ii) financial market performance; (iii) competitive factors; (iv) changes in interest rates; (v) exchange rate movements; (vi) changes in the statutory and regulatory framework, including accounting standards; (vii) frequency and magnitude of claims as well as trends in claims history; (viii) mortality and morbidity rates; (ix) renewal and expiry of insurance policies; (x) legal disputes and administrative proceedings; (xi) departure of key employees; and (xii) negative publicity and media reports.

Baloise accepts no obligation to update or revise these forward-looking statements or to allow for new information, future events, etc. Past performance is not indicative of future results.

Publisher Bâloise Holding Ltd
Corporate Communications & Investor Relations

Concept, design NeidhartSchön AG, Zurich

Photography Dominik Plüss, Basel

Publishing mms solutions ag, Zurich

English translation LingServe Ltd (UK)

Printing Kreaflex Ltd, Oberwil

Financial calendar and contacts

27 MARCH 2018
Annual financial results
Media conference
Conference call for analysts

27 APRIL 2018
Annual General Meeting
Bâloise Holding Ltd

28 AUGUST 2018
Half-year financial results
Conference call for analysts and the media

14 NOVEMBER 2018
Q3 interim statement

28 MARCH 2019
Annual financial results
Media conference
Conference call for analysts

26 APRIL 2019
Annual General Meeting
Bâloise Holding Ltd

Corporate Governance
Philipp Jermann
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 58 285 89 42
philipp.jermann@baloise.com

Investor Relations
Marc Kaiser
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 58 285 81 81
investor.relations@baloise.com

Media Relations
Dominik Marbet
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 58 285 84 67
media.relations@baloise.com

www.baloise.com

Bâloise Holding Ltd
Aeschengraben 21
CH-4002 Basel, Switzerland

www.baloise.com