

ANNUAL REPORT

2018

Baloise Group

Baloise Group
Annual Report 2018

Contents

BALOISE

Baloise key figures	4
At a glance	5
Letter to shareholders	6
Baloise shares	8
Core activities	10
Strategy	11
Brand	14

REVIEW OF OPERATING PERFORMANCE

Group	18
Switzerland	22
Germany	23
Belgium	24
Luxembourg	25
Asset management and banking	26
Consolidated income statement	27
Consolidated balance sheet	29
Business volume, premiums and combined ratio	30
Technical income statement	32
Gross premiums by sector	33
Banking activities	34
Investment performance	35

SUSTAINABLE BUSINESS MANAGEMENT

Responsibility	40
Human resources	47
The environment	54
Risk management	58
Commitment to art	62

CORPORATE GOVERNANCE

Corporate Governance Report	66
Appendix 1: Remuneration Report	88
Appendix 2: Remuneration Report Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel	114

FINANCIAL REPORT

Consolidated balance sheet	118
Consolidated income statement	120
Consolidated statement of comprehensive income	121
Consolidated cash flow statement	122
Consolidated statement of changes in equity	124
Notes to the consolidated annual financial statements	126
Notes to the consolidated balance sheet	202
Notes to the consolidated income statement	245
Other disclosures	256
Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel	268

BÂLOISE HOLDING LTD

Income statement of Baloise Holding Ltd	276
Balance sheet of Baloise Holding Ltd	277
Notes to the financial statements of Baloise Holding Ltd ..	278
Appropriation of distributable profit as proposed by the Board of Directors	287
Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel	288

GENERAL INFORMATION

Glossary	294
Addresses	298
Information on the Baloise Group	299
Financial calendar and contacts	300

Baloise key figures

	2017	2018	Change (%)
CHF million			
Business volume			
Gross premiums written (non-life)	3,229.3	3,405.9	5.5
Gross premiums written (life)	3,512.0	3,360.3	-4.3
Sub-total of IFRS gross premiums written ¹	6,741.3	6,766.2	0.4
Investment-type premiums	2,519.5	1,912.1	-24.1
Total business volume	9,260.8	8,678.2	-6.3
Operating profit (loss)			
Profit / loss before borrowing costs and taxes			
Non-life	374.7	371.7	-0.8
Life ²	306.0	333.2	8.9
Banking	81.8	92.1	12.6
Other activities	-78.5	-59.4	-24.3
Profit for the period	531.9	522.9	-1.7
Balance sheet			
Technical reserves	48,008.5	46,575.2	-3.0
Equity	6,409.2	6,008.2	-6.3
Ratios (per cent)			
Return on equity (RoE)	8.9	8.6	-
Gross combined ratio (non-life)	90.2	89.2	-
Net combined ratio (non-life)	92.3	91.7	-
New business margin (life)	33.4	48.5	-
Investment performance (insurance) ³	2.5	0.7	-
Embedded value of life insurance policies			
Embedded value (MCEV)	4,896.8	5,181.3	5.8
Annual premium equivalent (APE)	376.8	293.9	-22.0
Value of new business	125.8	142.4	13.2
Key figures on the Company's shares			
Shares issued (units)	48,800,000	48,800,000	0.0
Basic earnings per share ⁴ (CHF)	11.50	11.14	-3.1
Diluted earnings per share ⁴ (CHF)	11.48	11.12	-3.1
Equity per share ⁴ (CHF)	133.2	127.1	-4.6
Closing price (CHF)	151.70	135.40	-10.7
Market capitalisation (CHF million)	7,403.0	6,607.5	-10.7
Dividend per share ⁵ (CHF)	5.60	6.00	7.1

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments (31 December 2017: CHF 14.5 million; 31 December 2018: CHF 10.2 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 2018 based on the proposal submitted to the Annual General Meeting.

At a glance

Equity of
CHF **6,008.2** million

Return on equity
(RoE) of
8.6 %

Profit for the period of
CHF **522.9** million

Profit (attributable to the
shareholders)

CHF **523.2** million

Dividend of
CHF **6.00** per share
(will be proposed to the
Annual General Meeting
on 26 April 2019)

- 24.1 %
lower business volume
with investment-type premiums

Net investment yield
of insurance assets
2.2 %

Net combined ratio of
91.7 %

New business margin of
48.5 %



Dr Andreas Burckhardt, Chairman of the Board of Directors (on the left), and Gert De Winter, Group CEO (on the right), on site of the Baloise Park.

DEAR SHAREHOLDERS

The continuing success and strong positioning of Baloise underpin its five-year strategic phase, Simply Safe, which is intended to equip the Company to face the challenges of the future. We are now two years into the initiative and the progress made so far towards the strategic goals is extremely promising. The holding company has already received CHF 864 million in cash of the total target amount of CHF 2 billion, we have signed up 304,000 new customers (our target: 1 million) and we are among the top 23 per cent of the most attractive employers in our sector in Europe (our ambition: top 10 per cent).

In 2018, Baloise's profit for the period attributable to shareholders amounted to CHF 523.2 million (2017: CHF 548.0 million). In the non-life business, we achieved an improved net combined ratio of 91.7 per cent (2017: 92.3 per cent) while in the life business, stable interest rates and further portfolio reallocations led to an improved EBIT of CHF 333.2 million (2017: CHF 306.0 million). In Asset Management, we achieved a net investment yield on the insurance assets of 1.2 per cent (2017: 1.3 per cent).

The change in corporate culture that began two years ago is being vigorously driven forward and we have achieved a balance

between the core business that underpins our current business performance and the initiatives that are designed to secure our future. Sustainable value generation requires a strong focus on the core business, but at the same time it needs the core business to be expanded and new, modern, streamlined business models to be introduced. Only by balancing all these aspects can value be continuously created. Baloise also has a strong balance sheet and strong operational profitability, which has been optimised in terms of risk-bearing capacity and earnings opportunities. Ultimately, successful value management relies on having the right corporate culture and the ability to adapt.

The value of Baloise is measured by the return on equities or total shareholder return. It is driven by four, equally important dimensions: profit, capital, cash and the value of optionality. The last of these is reflected in the development opportunities created by Baloise. They influence the future value and therefore have to be taken into account in the value appraisal. Cash and profit reflect the current earnings power of the Baloise Group, while capital indicates the resilience of the Company's financial position. The value of optionality includes the effect of capital

spending and initiatives that should generate additional income from existing and new areas of business in future. The Company has a dynamic process in place to ensure that these innovations bring the Baloise business model in line with the needs of the future.

In the existing business model, Baloise is driving forward the adjustment and renewal of its core business with services such as a simplified digital claims handling process, property insurance and cyber insurance. When developing new areas of business, we have four approaches: we invest in young companies, develop our own start-ups, acquire companies and enter into partnerships. For example, we are investing up to CHF 50 million in insurtech and fintech companies in partnership with the investment firm Anthemis. We are working to develop start-up companies with digital insurer FRIDAY in Germany and Mobly in Belgium, a platform for mobility services that focuses on the used car sector. But we are also buying companies such as the removals platform MOVU in Switzerland and Drivolution in Belgium, a company specialising in drive safety for fleets. Finally, we are entering into partnerships such as that with the Baselbieter Kantonalbank and Bank Cler in Switzerland, which offer our insurance services in combination with new customer solutions via their sales channels.

“The course is set for the next stage of the strategic phase.”

The Baloise innovation cycle is a four-phase process. As well as launching new initiatives, it is important to have a system in place to halt those that are less successful while they are still in their early stages. The more phases an initiative goes through, the more resources and capital expenditure it consumes. The initial, exploratory phase requires little capital spending and generally lasts one to two weeks. Thanks to the strong entrepreneurial spirit that now exists within the Company, the pipeline is currently well stocked. If an idea makes it through the first couple of weeks, it enters a two to three month validation phase which culminates in a “minimal viable product”. This then passes to the third phase – incubation – which can last up to a year. The objective for the end of the incubation phase is to have a marketable product that can be used to invest in growth, i. e. to increase the number of customers and the level of revenue. Baloise can invest in such a phase itself or bring in third parties.

At the beginning of this phase, the focus is still not yet on profitability. However, it is important to get as many initiatives as possible from the growth phase onto the road to success.

Over the past year, we have also implemented a number of organisational changes. The demands placed on IT systems at Baloise have always been immense, but are now skyrocketing due to the rapid pace of the innovation process and the new challenges of digitalisation. The Board of Directors of Baloise has therefore created a Group IT corporate division in order to simplify the IT landscape, leverage synergies and drive forward the change process and further digitalisation with the necessary speed and sense of purpose. Alexander Bockelmann has been appointed to the newly created post of Chief Technology Officer.

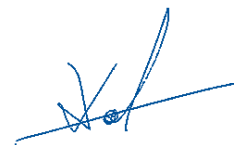
The first two years of the new strategy have focused on Baloise’s objectives and strategic direction. The experience gathered during this period has been used to make necessary and useful adjustments, setting the course for the coming years. Agility in the implementation of this strategy will be crucial to our future success. With the support of our employees and a strong corporate culture to build on, we believe we are on the right track. Our shareholders should also be able to reap the benefit. As an indicator of the confidence we have in our targets, the Board of Directors will be asking the Annual General Meeting to increase the dividend by CHF 0.40 to CHF 6.00.

Basel, March 2019



Dr. Andreas Burckhardt

Chairman of the Board of Directors



Gert De Winter

Group CEO

A difficult year on the stock markets

Geopolitical risks and concerns about a slowdown in global economic growth made 2018 a year of volatile stock markets and significant price falls. Baloise shares* were unable to escape these challenging market conditions and weakened broadly in line with the Swiss Market Index (SMI). Nevertheless, distributions to shareholders remain reliable and attractive – the dividend was raised by 7 per cent.

After a very positive trading year in 2017, 2018 was characterised by high levels of volatility and falling prices. The turbulent market conditions were caused by concerns about inflation, fears that the central banks might normalise their monetary policy more quickly than expected, geopolitical risks and worries about a slowdown in the global economy. The market sentiment was primarily affected by protectionist measures in the US, the Brexit process and the new coalition government of two Eurosceptic parties in Italy and its budget dispute with the EU.

The aforementioned events created turbulence in the financial markets, despite a solid economic foundation supported by strong fundamentals. The US was a case in point – the tax reform and expansionary fiscal policy measures gave the country's economy a significant boost. The global economic outlook remains positive overall, even though leading indicators have recently started to show signs of a slowdown in growth.

The normalisation of the central banks' monetary policy is also advancing. The European Central Bank terminated its asset purchase programme at the end of 2018 and announced that it was planning to start raising its key interest rate from September 2019. In the US, the Federal Reserve raised its base rate four times in 2018 to counteract rising levels of inflation. Its target rate band is now 2.25 – 2.50 per cent. In December, however, the Fed lowered the number of interest-rate hikes planned for 2019 from three to two in light of early indications of a slowdown in economic growth. Investors reacted with disappointment, as they had expected an even more cautious approach.

Following their excellent performance in 2017, Baloise shares were adversely affected by the aforementioned factors in 2018. As at the end of the year, Baloise shares traded at CHF 135.40 and thus 10.7 per cent below the closing price of the prior year. The European insurance sector index (STOXX Europe 600 Insurance Index, SXIP) suffered similar losses and closed 10.3 per cent lower than in 2017. Two of Switzerland's main share indices followed the same downward trend. The Swiss

Market Index and the Swiss Leader Index fell by 10.2 per cent and 14.6 per cent respectively for the year as a whole.

DIVIDENDS PAID TO SHAREHOLDERS

The Board of Directors of Baloise Holding Ltd will propose to the Annual General Meeting on 26 April 2019 that a cash dividend of CHF 6.00 per share be paid for the 2018 financial year, an increase of CHF 0.40 compared with the dividend for 2017. This would represent an attractive dividend yield of 4.4 per cent of 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 2018, the programme had resulted in the purchase of 1,336,575 treasury shares, returning CHF 198.5 million to shareholders (number of shares bought back and aggregate value of buy-backs in 2018: 913,125 shares, worth CHF 135.1 million).

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2014	250.0	–	250.0
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8 ¹	135.1	427.9
Total	1,326.1	312.3	1,638.4

All figures stated as at 31 December.

¹ Proposal to the Annual General Meeting on 26 April 2019.

* Baloise shares = shares of Baloise Holding Ltd.

SHAREHOLDER STRUCTURE

The shares in Baloise Holding Ltd are widely held and their free float remains unchanged at 100 per cent. During the 2018 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 15 October 2018, several collective investments managed by Credit Suisse Funds AG, based in Zurich, together rose above the threshold of 3 per cent stipulated in the aforementioned Article. Further information on Baloise's significant shareholders as at 31 December 2018 can be found in table 13 on page 285.

STATISTICS ON BALOISE SHARES

	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Price at year-end (CHF)	127.80	127.60	128.30	151.70	135.40
High (CHF)	129.90	136.30	131.00	159.40	159.40
Low (CHF)	101.60	109.60	103.20	121.35	131.60
Market capitalisation (CHF million)	6,390.0	6,380.0	6,415.0	7,403.0	6,607.5
Basic earnings per share (CHF)	15.15	10.96	11.53	11.50	11.14
Diluted earnings per share (CHF)	14.63	10.65	11.22	11.48	11.12
Price / earnings (p / e) ratio ¹	8.44	11.64	11.13	13.19	12.15
Price / book (p / b) ratio ¹	1.04	1.10	1.04	1.14	1.07
Number of shares issued (units)	50,000,000	50,000,000	50,000,000	48,800,000	48,800,000
Minus the number of treasury shares (units)	3,048,791	3,464,540	2,499,945	1,327,993	2,218,134
Number of shares in circulation (units)	46,951,209	46,535,460	47,500,055	47,472,007	46,581,866
Average number of shares outstanding ²	46,921,282	46,721,219	46,381,359	47,641,577	46,979,421
Dividend per share ³ (CHF)	5.00	5.00	5.20	5.60	6.00
Dividend payout ratio ³	33.0	45.6	45.1	48.7	53.9
Dividend yield ³	3.9	3.9	4.1	3.7	4.4

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

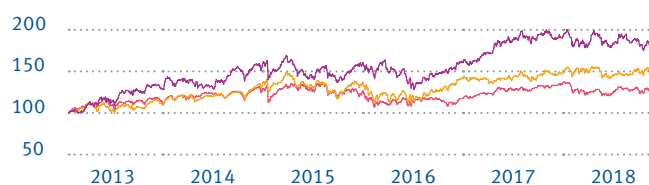
2 Relevant for calculation of earnings per share (see page 253 of the Financial Report).

3 2018 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 PERFORMANCE¹ BALOISE HOLDING REGISTERED SHARES 2013 – 2018



1 31 December 2012 = 100

■ Baloise Holding registered shares (BALN)
 ■ SWX SP Insurance Price Index (SMINNX)
 ■ Swiss Market Index (SMI)

Our core activities

BELGIUM



Business volume (CHF million)

Life: 166.1 Non-life: 1,099.6

Investment-type premiums: 456.6

Employees: 1,224

Net combined ratio: 92.3%

LUXEMBOURG



Business volume (CHF million)

Life: 80.5 Non-life: 134.5

Investment-type premiums: 1,116.0

Employees: 475

Net combined ratio: 89.9%

SWITZERLAND



Business volume (CHF million)

Life: 2,728.0 Non-life: 1,349.2

Investment-type premiums: 112.3

Employees: 3,782

Net combined ratio: 84.5%

Baloise Bank SoBa

Sales force assets under management: CHF 2,082 million

Credit assets from the sales force: CHF 986 million

Wealth & pensions advisory mandates: 2,193

Return on equity: 7.5%

Employees: 360



Business volume (CHF million)

Total assets under management: 86,182

Assets under management third-party assets: 8,964

Insurance assets: 801

Employees: 147

Cost/Income ratio: 45.1%

GERMANY



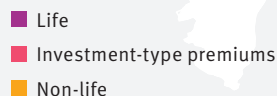
Business volume (CHF million)

Life: 385.7 Non-life: 803.1

Investment-type premiums: 227.1

Employees: 1,722

Net combined ratio: 95.8%



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 was 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 1 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 Baloise 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 7,200 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.

From strategic initiatives to ecosystems

EXTENDING BEYOND TRADITIONAL INSURANCE BUSINESS: ECOSYSTEMS REPRESENTING THE AREAS OF FUTURE SUCCESS

Baloise's strategic ambitions are based on its excellent track record over the past decade, with one of the most profitable non-life portfolios in Europe, a strong position in core markets, cutting-edge IT systems and digital processes, and forward-looking capital management and risk management. Based on these strengths, Baloise is continuing to invest in the future. More than 50 initiatives have been launched since the start of Simply Safe and, in combination with a cultural transformation campaign, are injecting momentum into the new ecosystems: personal transport, home, life, pensions, health and business services.



PROGRESS MADE 2018

CUSTOMERS

Ambition: 1 million additional customers

2018: **+ 186,000** Ambition 2021: **+ 1,000,000**

■ 304,000: sum since the start of the Simply Safe strategy

EMPLOYEES

Ambition: leading employer amongst European financials

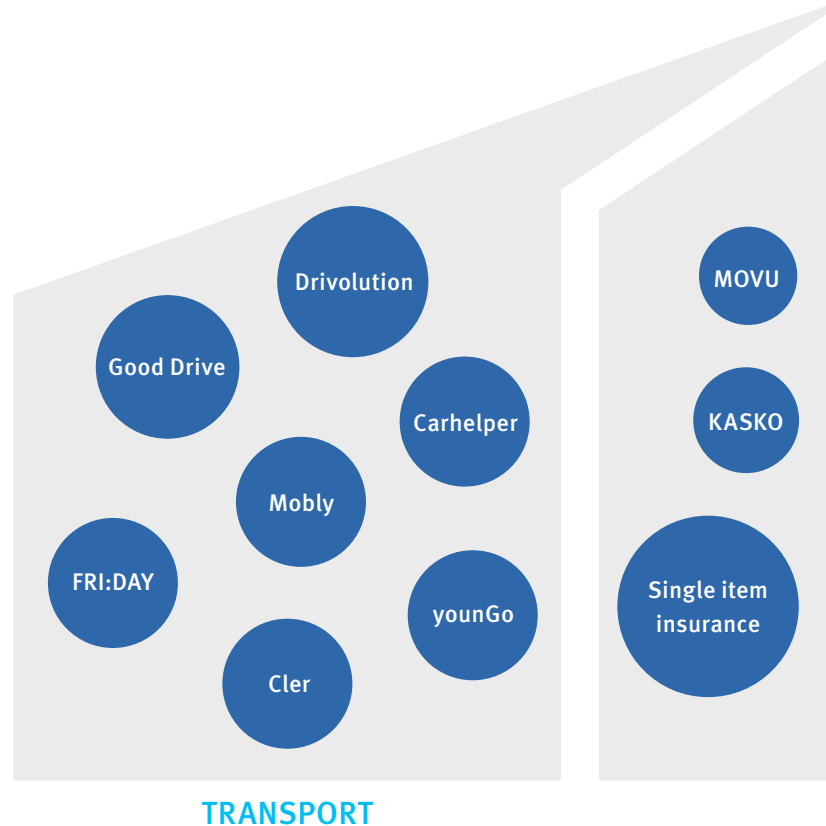
2018: **top 23%** Ambition 2021: **top 10%**

SHAREHOLDERS

Ambition: CHF 2 billion cash remittance to the holding

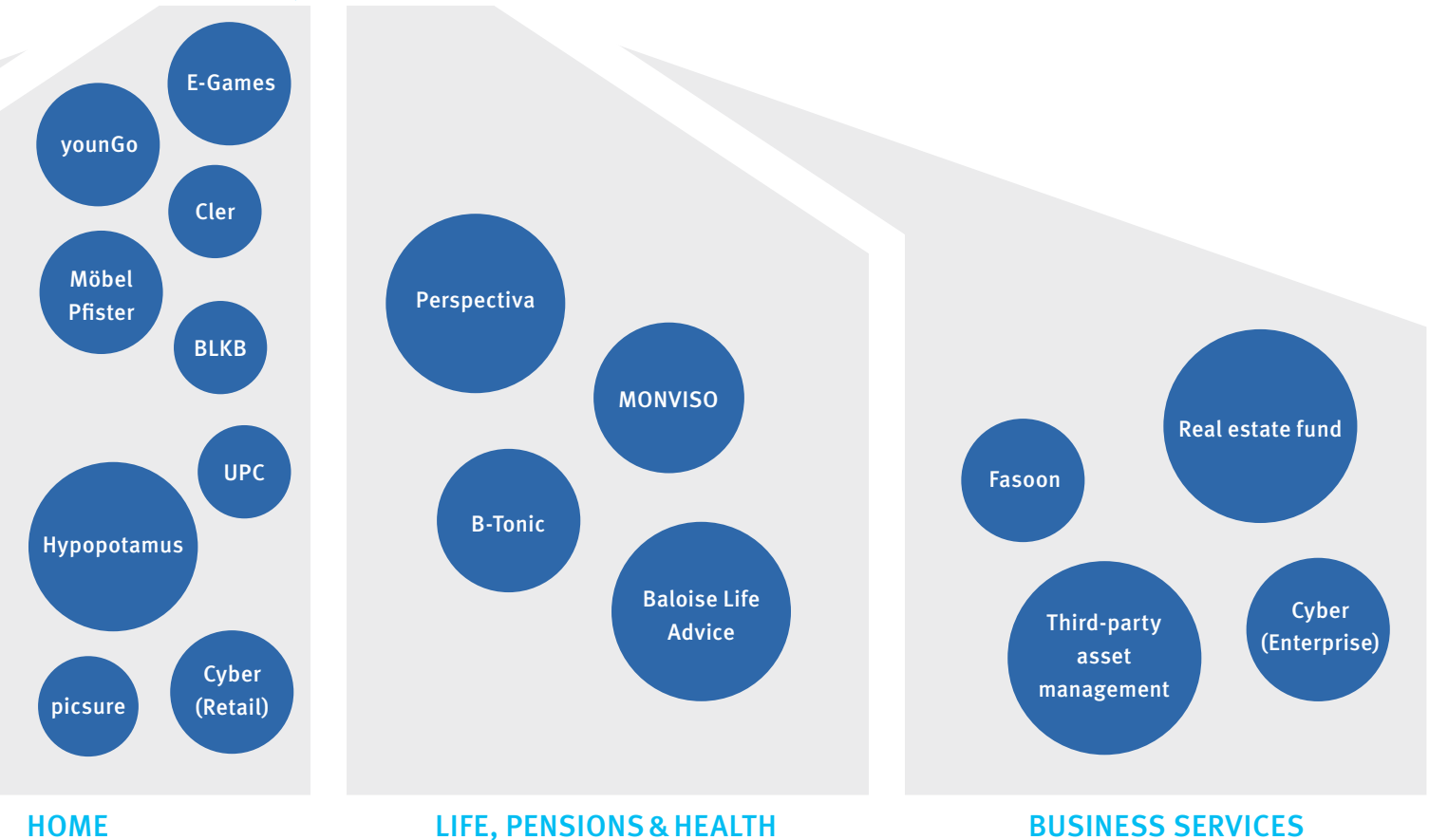
2018: **CHF 449 mn** Ambition 2021: **CHF 2 bn**

■ 864,000: sum since the start of the Simply Safe strategy





Ecosystems



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?

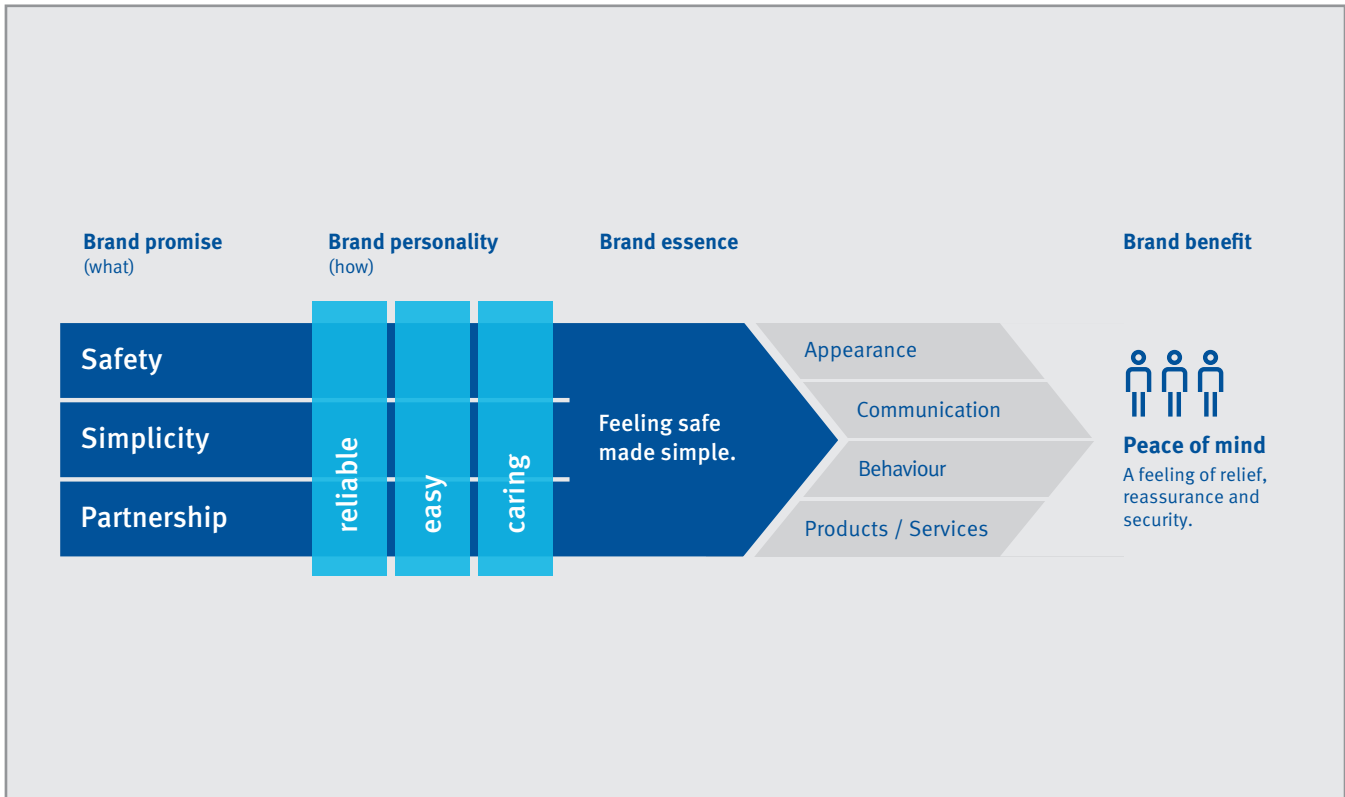
- ▶ The Baloise brand stands for safety, simplicity and partnership. Safety is the core promise and provides the foundation for every benefit, every service and every product. Simplicity expresses our ambition to offer an outstanding customer experience with simple products, easy processes and clear 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

GROUP	18
Baloise on course for success after two years of Simply Safe	18
SWITZERLAND	22
Profitable non-life business and encouraging increase in new business	22
GERMANY	23
Growth in the target segments and stabilisation of the combined ratio	23
BELGIUM	24
Market growth outstripped; strong profitability and innovation	24
LUXEMBOURG	25
High profitability and strong growth in non-life business	25
ASSET MANAGEMENT AND BANKING	26
Encouraging rise in income	26
FINANCIAL INFORMATION	27
Consolidated income statement	27
Consolidated balance sheet	29
Business volume, premiums and combined ratio	30
Technical income statement	32
Gross premiums by sector	33
Banking activities	34
Investment performance	35

Baloise on course for success after two years of Simply Safe

Baloise can look back on a successful 2018. The results show that its chosen strategic direction is the right one. In the last few years, more than 50 initiatives have been launched that are driving the digital and cultural transformation. At the same time, Baloise's operational success shows that its core business remains strong. 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. As a result, the contribution to EBIT from the life business again rose significantly in 2018. The non-life portfolio's good profitability can be seen from the further improvement of the combined ratio, which was achieved despite the adverse impact of severe winter storms.

OVERVIEW

In 2018, Baloise's profit attributable to shareholders was down slightly year on year at CHF 523.2 million (2017: CHF 548.0 million). The volume of business fell by 6.3 per cent to CHF 8,678.2 million (2017: CHF 9,260.8 million), primarily because of a sharp reduction in investment-type premiums and the continuation of the strict underwriting policy in the traditional life business. There was an encouraging rise in earnings before interest and tax (EBIT), which climbed by 7.8 per cent to CHF 737.5 million (2017: CHF 684.1 million).

In the second year of Simply Safe, significant progress was made on the strategic objectives to be achieved by 2021. The number of customers increased by 186,000. The total number of new customers therefore stands at 304,000. The cash upstream to Baloise Holding is exceeding expectations and amounted to CHF 449 million in 2018. So far, CHF 864 million of the targeted CHF 2 billion has been achieved. Progress has also been made in terms of making it into the top 10 per cent of employers in the industry, with Baloise now in the top 23 per cent (2017: top 25 per cent). In view of the strong annual financial results for 2018 overall, the 2019 Annual General Meeting will be asked to raise the dividend by CHF 0.40 to CHF 6.00.

The non-life business generated premium income reported under IFRS of CHF 3,405.9 million (2017: CHF 3,229.3 million), a year-on-year rise of 5.5 per cent. All business units contributed to this improvement. EBIT in the non-life business came to CHF 371.7 million and was thus on a par with the strong prior-year figure (2017: CHF 374.7 million). The net combined ratio improved to 91.7 per cent, which was 0.6 percentage points lower than the already very good figure reported a year ago.

The volume of traditional life business amounted to CHF 3,360.3 million in 2018, a year-on-year fall of 4.3 per cent (2017: CHF 3,512.0 million). This further reduction was due to the underwriting policy, which remains restrictive in view of the negative interest-rate situation. EBIT in the life business rose once again in 2018, advancing by 8.9 per cent to CHF 333.2 million (2017: CHF 306.0 million). The reason for this improvement was the ongoing optimisation of the business mix and the reduced need to strengthen reserves.

At CHF 1,912.1 million, the volume of investment-type premiums was down substantially compared with the prior year (2017: CHF 2,519.5 million) owing to the smaller underwriting volume in Luxembourg. Following strong growth in previous years, the main reasons for this decrease were volatility in the stock markets and postponement of sales due to the implementation of new regulatory requirements.

Gains on investments achieved for insurance assets amounted to CHF 1,250.7 million, which was lower than the figure for 2017 of CHF 1,621.6 million. This was due to the drop in realised gains compared with the prior year. The difficulties presented by the interest-rate environment were largely overcome by means of systematic reallocation among the asset classes. Current income decreased slightly, by CHF 17.9 million, to reach CHF 1,282.6 million. The gains on investments achieved for insurance assets equated to a net return of 2.2 per cent. The rate of return on insurance assets according to IFRS was 0.7 per cent, representing a decrease on the 2.5 per cent rate of return according to IFRS in 2017.

In operational terms, the EBIT generated by the banking business was encouraging at CHF 92.1 million (2017: CHF 81.8 million). This equated to a year-on-year rise of 12.6 per cent.

Consolidated equity fell by 6.3 per cent year on year to reach CHF 6,008.2 million at the end of 2018 (31 December 2017: CHF 6,409.2 million). This decrease was due to the lower valuation of available-for-sale securities with characteristics of liabilities and equity and to the ongoing share buy-back.

BUSINESS VOLUME IN 2018 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

→ Switzerland	48.3
→ Germany	16.3
→ Belgium	19.8
→ Luxembourg	15.3



Baloise remains strongly capitalised, as confirmed when Standard & Poor's raised the Company's credit rating from "A" to "A+" in 2018. In the Swiss Solvency Test (SST), a ratio of over 200 per cent is expected as at 1 January 2019.

BUSINESS VOLUME

	2017	2018	+/- %
CHF million			
Total business volume	9,260.8	8,678.2	-6.3
Life	3,512.0	3,360.3	-4.3
Non-life	3,229.3	3,405.9	5.5
Investment-type premiums	2,519.5	1,912.1	-24.1

NON-LIFE DIVISION: IMPROVED PROFITABILITY AND SUSTAINED GROWTH

The non-life division saw a further rise in the volume of premiums (in Swiss francs). At CHF 3,405.9 million, it was up by 5.5 per cent compared with 2017. In local currency terms, the increase was 3.1 per cent. All of the strategic business units reported growth. While Switzerland's growth was 1.9 per cent, Belgium achieved 10.1 per cent, Germany 5.4 per cent and Luxembourg

10.0 per cent. EBIT in the non-life business was only slightly lower than in the prior year, falling to CHF 371.7 million (2017: CHF 374.7 million). The net combined ratio improved to an excellent 91.7 per cent, which was 0.6 percentage points below the good ratio reported a year ago (2017: 92.3 per cent). The main reason for this improvement was a higher profit on claims reserves. The net combined ratio in the German business was also encouraging, as it stabilised at 95.8 per cent.

FRIDAY, Germany's leading digital insurance company, has received a "media for equity" investment in a volume of around CHF 43 million. SevenVentures – the investment arm of ProSiebenSat.1 Media SE – and media investor German Media Pool have acquired a stake in the start-up, which Baloise founded around two years ago when it announced its Simply Safe strategy. Following their investment, SevenVentures and German Media Pool now hold a combined 18.2 per cent stake in FRIDAY. With a stake of 81.8 per cent, Baloise remains the majority shareholder and is investing a further sum of around CHF 85 million as part of the ongoing development of this business. FRIDAY enjoyed another successful year in 2018. The Berlin-based firm doubled the number of new customers to around 30,000 (2017: 15,000).

NET COMBINED RATIO

As a percentage



LIFE DIVISION: FURTHER IMPROVEMENT IN THE EBIT CONTRIBUTION

The ongoing improvements to the business mix in view of the extremely low level of interest rates and the sharp contraction of business involving investment-type premiums in Luxembourg were reflected in the decrease in the life business volume, which fell by 12.6 per cent to CHF 5,272.4 million. In the traditional life business, the volume of premiums decreased by 4.3 per cent to CHF 3,360.3 million (2017: CHF 3,512.0 million) in line with the strategy. The volume of investment-type premiums dropped

by a substantial 24.1 per cent to CHF 1,912.1 million (2017: CHF 2,519.5 million). This was primarily attributable to the performance of the business in Luxembourg. Following more than ten years of double-digit growth rates, with assets under management more than doubling to CHF 10 billion since 2012, the volume of premiums underwent a correction in 2018 because of reduced demand resulting from volatility and uncertainty in the capital markets last year and from the postponement of sales due to the implementation of new regulatory requirements. At CHF 456.6 million and CHF 112.3 million respectively, the volume of investment-type premiums in Belgium and Switzerland was on a par with the prior-year level. In Germany, investment-type premiums increased by an encouraging 9.7 per cent to CHF 227.1 million (2017: CHF 207.1 million).

EBIT in the life business was even higher than in the prior year, with a further substantial rise of CHF 27.2 million or 8.9 per cent to CHF 333.2 million (2017: CHF 306.0 million). This increase was predominantly driven by the shift in the portfolio towards products that tie up less capital and by the overall reduced need to strengthen reserves thanks to the more stable interest-rate environment. Moreover, the risk result in Switzerland benefited from a non-recurring effect resulting from an adjustment to the biometric basis. The new business margin improved to 48.5 per cent thanks to the selective underwriting policy and the better business mix (2017: 33.4 per cent). The interest margin in the life business stood at 1.3 per cent (2017: 1.14 per cent). The positive operating income resulted in an increase in the embedded value

of the life insurance business from CHF 4,896.8 million to CHF 5,181.3 million in 2018. The value of new business also rose, reaching CHF 142.4 million (2017: CHF 125.8 million).

ASSET MANAGEMENT AND BANKING DIVISION: EARNINGS REMAIN STABLE

In operational terms, the EBIT generated by the banking business was encouraging at CHF 92.1 million (2017: CHF 81.8 million). This equated to a year-on-year rise of 12.6 per cent. Baloise Bank SoBa and Baloise Asset Management played the biggest part in this division's stable profit contribution. Net new assets in the business with third parties came to CHF 801 million, representing a significant increase compared with the prior-year figure of CHF 406 million.

INVESTMENTS: SOLID RESULTS IN A QUIET MARKET ENVIRONMENT

The gains on the investment of insurance assets amounted to CHF 1,250.7 million, which was below the 2017 level of CHF 1,621.6 million. The difficulties presented by the interest-rate environment were largely overcome by means of systematic reallocation. Current income decreased slightly, by CHF 17.9 million, to reach CHF 1,282.6 million. There was limited appeal in the reinvestment of maturing bonds denominated in Swiss francs. Baloise therefore avoided reinvesting them for the most part and instead opted for currency-hedged euro-denominated bonds. It continued to build up its portfolio of investment

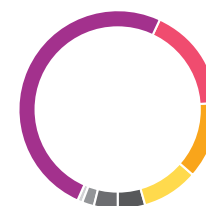
PROPRIETARY INVESTMENTS BY CATEGORY¹

	31.12.2017	31.12.2018	+/- %
CHF million			
Investment property	7,480.3	7,904.0	5.7
Equities	3,633.6	2,834.6	-22.0
Alternative financial assets	1,112.6	1,153.6	3.7
Fixed-income securities	33,388.2	31,798.7	-4.8
Mortgage assets	10,596.4	10,724.9	1.2
Policy loans and other loans	5,972.1	5,671.3	-5.0
Derivatives	362.4	453.9	25.2
Cash and cash equivalents	2,133.2	2,543.5	19.2
Total	64,678.9	63,084.5	-2.5

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

INVESTMENT COMPONENTS IN 2018

As a percentage	
Fixed-income securities	50.4
Mortgage assets	17.0
Investment property	12.5
Policy loans and other loans	9.0
Equities	4.5
Cash and cash equivalents	4.0
Alternative financial assets	1.8
Derivatives	0.7



ASSETS HELD BY BALOISE

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

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

¹ Including CHF 54.1 million (2017: CHF 70.5 million) in other assets (precious metal holdings from investment-linked life insurance policies).

property and mortgages with stable income, thereby slightly mitigating the effect of declining income.

At CHF 386.6 million, the gains recognised in the income statement were down by CHF 180.9 million compared with the prior year. Significantly smaller gains were realised on bonds than in 2017. As a result of the strong correction in the stock markets in December 2018, gross impairment losses were CHF 66.7 million higher than in 2017, which had been an exceptionally good year for the stock markets. The currency-related losses of CHF 192.3 million were attributable to currency hedging costs and to currency effects arising on unhedged currency exposures. The gains on investments achieved for insurance assets equated to a net return of 2.2 per cent, which was lower than the net return of 2.9 per cent achieved in 2017. This was primarily due to the reduction in realised gains. Unrealised gains fell by CHF 864.8 million on the back of the poor performance of equities and the widening of spreads. 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 0.7 per cent, representing a decrease on the 2.5 per cent rate of return according to IFRS in 2017.

EQUITY REMAINS ROBUST

Consolidated equity fell by 6.3 per cent year on year to reach CHF 6,008.2 million at the end of 2018 (31 December 2017: CHF 6,409.2 million). This decrease was due to the lower valuation of available-for-sale securities with characteristics of liabilities and equity and to the ongoing share buy-back. Under the programme to buy back more than 3 million shares, which began in April 2017, a total of 1,336,575 shares had been repurchased by the end of 2018. This meant CHF 198.5 million was returned to the shareholders. Baloise remains strongly capitalised, as confirmed when Standard & Poor's raised the Company's credit rating from "A" to "A+" in 2018. In the Swiss Solvency Test (SST), a ratio of over 200 per cent is expected as at 1 January 2019. The SST ratio will be disclosed at the end of April 2019.

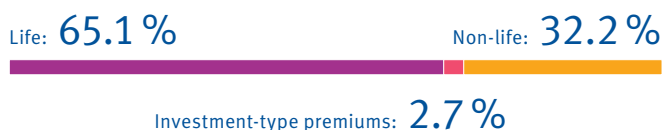
Switzerland

Profitable non-life business and encouraging increase in new business

BUSINESS VOLUME

CHF million (as a percentage of the Group)

4,189.5 (48.3%)



KEY FIGURES FOR SWITZERLAND

	2017	2018	+/- %
CHF million			
Business volume	4,340.6	4,189.5	-3.5
Of which: life	3,015.9	2,840.3	-5.8
Of which: non-life	1,324.6	1,349.2	1.9
Net combined ratio (per cent)	83.5	84.5	1.0
Profit before borrowing costs and taxes	618.4	554.2	-10.4

BASLER VERSICHERUNGEN SWITZERLAND

Basler Switzerland again reported an outstanding level of profit in 2018, albeit slightly below the record prior-year figure, which had been influenced by large non-recurring effects. Once again, the quality of the non-life portfolio in particular was demonstrated by the excellent combined ratio and exceptionally good technical result. These were achieved despite the increase in claims incurred as a result of winter storms and other factors. The overall volume of business contracted by 3.5 per cent to CHF 4,189.5 million. This decrease was exclusively attributable to the traditional life business, where – in line with the strategy – a very restrictive underwriting policy is being applied due to the interest-rate situation.

The business model combining banking and insurance gained further momentum, with net inflows generated by the insurance sales force increasing to CHF 99.4 million at Baloise Bank SoBa. Following the exceptionally high figure reported in

2017, EBIT returned to a normal level. Basler Switzerland's profit contribution in 2018 remained healthy at CHF 554.2 million (2017: CHF 618.4 million).

The year-on-year increase in premiums in the non-life division was even higher than in 2017, with the volume climbing by 1.9 per cent to CHF 1,349.2 million in 2018. There was also an encouraging rise in new customers that was partly thanks to the YounGo product line. At the same time, EBIT in the non-life business advanced by 5.8 per cent to CHF 317.5 million. The net combined ratio stood at an outstanding 84.5 per cent, which was just 1.0 percentage point higher than the exceptionally good prior-year figure. The level of claims incurred in 2018 was higher than in the prior year, for example as a result of storm Burglind.

Reflecting the strategy being pursued, the life division registered a decrease in premiums in 2018. Their volume declined by CHF 176.3 million, or 6.1 per cent, to CHF 2,728.0 million (2017: CHF 2,904.3 million). There was a fall in single premiums in the individual life insurance business but an increase in the net inflows generated for Baloise Bank SoBa. At CHF 382.3 million, periodic individual premiums were on a par with the prior year (2017: CHF 383.5 million). The partially autonomous collective foundation Perspectiva continued to generate strong growth, and the total number of companies signed up rose to 1,345 in 2018 (2017: 749). EBIT in the life business amounted to CHF 176.9 million (2017: CHF 264.8 million). The significant year-on-year difference was due to the reduction in net gains on investments on the back of market volatility in 2018 as well as lower realised gains on investments.

The banking business of **Baloise Bank SoBa** (all figures reported according to local accounting standards) continues to perform well, which is testament to the success of the unique business model of banking and insurance in Switzerland. The number of asset management and investment advice mandates increased by 38 per cent to 2,193. EBIT came to CHF 29.1 million, which was slightly below the prior-year figure of CHF 30.7 million. This decrease was due to the acquisition costs that were incurred as a result of the higher number of mandates.

Germany

Growth in the target segments and stabilisation of the combined ratio

BUSINESS VOLUME

CHF million (as a percentage of the Group)

1,415.9 (16.3%)

Life: **27.2%** Non-life: **56.7%**

Investment-type premiums: **16.0%**

KEY FIGURES FOR GERMANY

	2017 (restated) ¹	2018	+/- %
CHF million			
Business volume	1,348.2	1,415.9	5.0
Of which: life	586.3	612.8	4.5
Of which: non-life	762.0	803.1	5.4
Net combined ratio (per cent)	98.7	95.8	-2.9
Loss before borrowing costs and taxes	-40.2	6.0	n. a.

¹ Change of chief operating decision-maker for the medical malpractice portfolio from Germany to Group business.

BASLER VERSICHERUNGEN IN GERMANY

EBIT in the German business recovered to reach CHF 6.0 million in 2018 (2017 adjusted: loss of CHF 40.2 million). This was due to the transfer of a hospital liability portfolio to a run-off unit. Moreover, the level of large claims incurred was far lower than in 2017. The volume of business in the German company improved by 5.0 per cent to CHF 1,415.9 million thanks to expansion in the target segments (2017: CHF 1,348.2 million).

The non-life division reported encouraging growth of 5.4 per cent with a volume of business of CHF 803.1 million (2017: CHF 762.0 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. Corporate customer business is declining, primarily a reflection of the planned restructuring being carried out in these segments. The optimisation of the business mix is paying off. The adjusted net combined ratio improved by 2.9 percentage points to 95.8 per cent (2017 adjusted: 98.7 per cent). In 2018, Basler Germany was therefore below its short- to medium-term target range of 96 to 98 per cent.

Premiums in the life division increased by 1.7 per cent to CHF 385.5 million. In 2017, they had been adversely affected by the sale of a closed life insurance portfolio, whereas the volume in 2018 held steady year on year. Biometric products and business involving investment-type premiums performed well. These now account for around 90 per cent of new business. Investment-type premiums therefore increased by a substantial 9.7 per cent to CHF 227.1 million (2017: CHF 207.1 million).

Belgium

Market growth outstripped; strong profitability and innovation

BUSINESS VOLUME

CHF million (as a percentage of the Group)

1,722.3 (19.8%)

Life: **9.2%** Non-life: **63.8%**

Investment-type premiums: **26.5%**

KEY FIGURES FOR BELGIUM

	2017	2018	+ / - %
CHF million			
Business volume	1,587.1	1,722.3	8.5
Of which: life	588.1	622.7	5.9
Of which: non-life	999.0	1,099.6	10.1
Net combined ratio (per cent)	91.9	92.3	0.4
Profit before borrowing costs and taxes	140.8	199.0	41.3

BALOISE INSURANCE BELGIUM

Baloise Insurance in Belgium again delivered a very robust operating performance in 2018. The volume of business increased by a substantial 8.5 per cent to CHF 1,722.3 million (2017: CHF 1,587.1 million), which was primarily due to the strong growth of the life and non-life business. Profitability in the non-life business was maintained at the prior-year level. The net combined ratio was only slightly higher year on year at 92.3 per cent (2017: 91.9 per cent). EBIT rose by 41.3 per cent to CHF 199.0 million, partly due to the reversal of additional reserves in the life business that had been created in prior years because of the low-interest-rate environment but are now no longer required.

Belgian non-life business again registered strong growth, expanding by 10.1 per cent to CHF 1,099.6 million (2017: CHF 999.0 million). This shows that Baloise Insurance Belgium was able to hold its own in a very competitive market. In fact, it outstripped the growth of the market as a whole. As a result of this growth, the Belgian market now accounts for 32.3 per cent of the Baloise Group's total non-life premiums.

In the life business, there was substantial growth in periodic and single premiums, both of which increased by more than 11 per cent. The volume of business therefore grew by 5.9 per cent to CHF 622.7 million. The traditional life business expanded by 11.6 per cent to CHF 166.1 million, mainly thanks to a rise in periodic premiums. Investment-type premiums were up by 3.9 per cent to CHF 456.6 million (2017: CHF 439.3 million). As well as performing well in its core business, Baloise Insurance Belgium is also highly innovative. The Baloise start-up Mobly has registered more than 30,000 downloads of its app for services in the second-hand car market and is looking to expand abroad. Baloise has also launched B-Tonic, a platform in the health and well-being ecosystem. The services offered on the platform are designed to motivate customers to get fitter and live more healthily.

Luxembourg

High profitability and strong growth in non-life business

BUSINESS VOLUME

CHF million (as a percentage of the Group)

1,331.0 (15.3%)



KEY FIGURES FOR LUXEMBOURG

	2017	2018	+/- %
CHF million			
Business volume	1,963.5	1,331.0	-32.2
Of which: life	1,841.2	1,196.5	-35.0
Of which: non-life	122.3	134.5	10.0
Net combined ratio (per cent)	91.5	89.9	-1.6
Profit before borrowing costs and taxes	27.5	24.7	-10.2

BÂLOISE ASSURANCES LUXEMBOURG

The business volume of the Luxembourg business unit contracted to CHF 1,331.0 million in 2018 (2017: CHF 1,963.5 million). This was attributable to the business involving investment-type premiums. Following more than ten years of double-digit growth, a correction has now taken place in this business. Moreover, new regulatory requirements and their implementation have resulted in the postponement of sales of specific products. The prevailing uncertainty in the capital markets also had an adverse effect.

The non-life business again saw stronger growth and also improved its profitability. In this segment, Baloise Assurance's growth is outstripping that of the market. Premiums in the non-life business increased by 10.0 per cent to CHF 134.5 million (2017: CHF 122.3 million). Profitability was even better than in 2017. The net combined ratio decreased by 1.6 percentage points to 89.9 per cent (2017: 91.5 per cent).

Despite the smaller volume of business involving investment-type premiums, the life business was a major driver of business performance. Investment-type premiums amounted to CHF 1,116.0 million in 2018 (2017: 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. Assets under management stood at CHF 10.7 billion. They have thus doubled since 2012 thanks to robust premium growth and good portfolio management.

Premiums amounted to CHF 80.5 million in the traditional life business (2017: CHF 79.6 million). This equated to a small year-on-year rise of 1.1 per cent.

Asset management and banking

Encouraging rise in income

TOTAL ASSETS UNDER MANAGEMENT INCL. BALOISE GROUP
CHF million

86,182

ASSETS UNDER MANAGEMENT THIRD-PARTY ASSETS
CHF million

8,964

NET NEW ASSETS THIRD-PARTIES
CHF million

801

BALOISE ASSET MANAGEMENT

TOTAL INCOME

CHF 129.2 million

COST / INCOME RATIO

45.1 %

NO. OF EMPLOYEES

147

Volatility returned to the capital markets in 2018, following the longest bull run in the history of the US stock market. Risk-prone asset classes experienced some sharp price falls.

As at 31 December 2018, total assets under management stood at CHF 55,929 million, a decrease of 2.1 per cent on the prior year. Income amounted to CHF 129.2 million, a year-on-year rise of 25.2 per cent. This increase was predominantly attributable to the income of Baloise Immobilien Management AG, which commenced operations in the year under review.

Baloise Asset Management primarily manages the assets of the Baloise Group, but also looks after third-party assets. Business with third parties was further expanded in 2018, partly due to the launch of investment funds specifically focused on the needs of external institutional customers. Net new assets in the business with third parties came to CHF 801 million (Baloise Group), representing a significant increase compared with the prior-year figure of CHF 406 million. Real estate accounted for CHF 318 million (39.7 per cent) of this total. The inflow of new funds can also be attributed to the collective foundation

Perspectiva, a partially autonomous occupational pension solution for SMEs of all sizes that uses our investment vehicles. The Perspectiva Relax investment vehicle grew by 43.6 per cent compared with 2017. Its volume as at the end of 2018 stood at CHF 448 million.

Baloise Immobilien Management AG was granted a licence to operate as a fund management company by the Swiss Financial Market Supervisory Authority and launched the Baloise Swiss Property Fund, a real-estate fund for qualified investors. On 1 October 2018, a total of 35 properties with a value of CHF 352.3 million were transferred from the insurance investments to the real-estate fund, which was subscribed to by a broad range of customers. Baloise Life Ltd also participates in the fund. At the end of December, the property portfolio was expanded with an investment of CHF 86.5 million in Infracore SA, a company specialising in Swiss real estate in the healthcare market.

Baloise Immobilien Management AG is coordinating the construction of the three new buildings at Baloise Park, the headquarters of the Baloise Group. The skeleton of the 24-storey skyscraper was completed in 2018. Baloise Park will be ready to welcome its first tenants in spring 2020.

The choice of funds was also extended for retail investors last year. The focus was on investment funds with flexible equity exposures that can capture gains when equity markets rise and reduce the downside risk when they fall (e. g. BVG-Mix Dynamic Allocation 0-80). As an investor with a long-term horizon, Baloise Asset Management has integrated the Responsible Investment directives (RI) into its approach for investing insurance assets and signed up to the Principles for Responsible Investments (PRI). And for many years now, Baloise Asset Management has followed the recommendations of the Swiss Association for Responsible Investments (SVVK-ASIR). From 1 January 2019, its processes will take into account additional ESG criteria (environmental, social and corporate governance) for the first-time investment of insurance assets.

Consolidated income statement

FIVE-YEAR OVERVIEW

	2014	2015	2016	2017	2018
CHF million					
Income					
Premiums earned and policy fees (gross) ¹	7,168.1	6,832.4	6,680.6	6,726.4	6,737.0
Reinsurance premiums ceded	-163.6	-148.6	-168.2	-183.4	-209.0
Premiums earned and policy fees (net)	7,004.5	6,683.7	6,512.4	6,542.9	6,528.0
Investment income	1,701.9	1,521.8	1,476.6	1,392.5	1,376.0
Realised gains and losses on investments ²					
For own account and at own risk	775.1	379.1	303.1	427.8	96.1
For the account and at risk of life insurance policyholders and third parties	587.4	7.1	364.1	696.5	-1,087.8
Income from services rendered	110.7	112.6	110.1	116.9	130.4
Share of profit (loss) of associates	8.1	36.8	7.1	5.5	6.2
Other operating income	185.2	136.6	136.8	235.0	227.6
Income	10,372.8	8,877.9	8,910.2	9,417.1	7,276.6
Expense					
Claims and benefits paid (gross)	-5,666.4	-5,352.4	-5,664.2	-5,726.5	-5,904.4
Change in technical reserves (gross)	-1,469.5	-1,241.9	-669.1	-535.0	412.4
Reinsurance share of claims incurred	146.6	97.9	108.2	80.8	83.3
Acquisition costs	-569.6	-472.4	-502.9	-482.1	-535.8
Operating and administrative expenses for insurance business	-866.5	-761.3	-763.9	-765.8	-810.8
Investment management expenses	-66.9	-60.4	-60.3	-77.2	-82.2
Interest expenses on insurance liabilities	-42.6	-34.1	-30.5	-21.9	-19.2
Gains or losses on financial contracts	-462.6	-0.9	-342.9	-613.4	801.2
Other operating expenses	-446.8	-333.1	-300.9	-591.8	-483.6
Expense	-9,444.3	-8,158.6	-8,226.6	-8,733.0	-6,539.1
Profit before borrowing costs and taxes	928.6	719.2	683.6	684.1	737.5

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

	2014	2015	2016	2017	2018
CHF million					
Profit before borrowing costs and taxes	928.6	719.2	683.6	684.1	737.5
Borrowing costs	-43.5	-40.0	-38.0	-34.3	-39.9
Profit before taxes	885.1	679.3	645.6	649.8	697.6
Income taxes	-173.2	-168.2	-111.7	-117.9	-174.7
Profit for the period	711.9	511.1	533.9	531.9	522.9
Attributable to					
Shareholders	710.7	512.1	534.8	548.0	523.2
Non-controlling interests	1.3	-1.0	-0.9	-16.1	-0.3
Earnings / loss per share					
Basic (CHF)	15.15	10.96	11.53	11.50	11.14
Diluted (CHF)	14.63	10.65	11.22	11.48	11.12

ADDITIONAL INFORMATION INSURANCE

	2014	2015	2016	2017	2018
CHF million					
Gross premiums written and policy fees	7,175.6	6,833.4	6,711.6	6,741.3	6,766.2
Investment-type premiums	2,130.2	2,085.1	2,199.2	2,519.5	1,912.1
Total business volume	9,305.8	8,918.6	8,910.8	9,260.8	8,678.2
Investments for the account and at the risk of life insurance policyholders	10,904.2	10,873.2	12,001.0	14,543.8	13,640.8
Net combined ratio	93.6	93.3	92.2	92.3	91.7
Funding ratio (non-life) (per cent)	182.9	192.4	188.5	193.3	179.4

Consolidated balance sheet

FIVE-YEAR OVERVIEW

as at 31.12.	2014	2015 (restated)	2016	2017	2018
CHF million					
Assets					
Property, plant and equipment	379.2	399.1	349.3	353.3	318.3
Intangible assets	909.2	838.2	836.1	1,002.5	1,041.2
Investments in associates	227.9	162.3	160.4	138.4	221.1
Investment property	5,962.9	6,251.9	6,817.5	7,480.3	7,904.0
Financial instruments with characteristics of equity	13,451.2	13,770.8	14,305.6	15,874.9	14,137.9
Financial instruments with characteristics of liabilities	34,461.6	33,248.4	33,766.5	35,360.1	33,775.1
Mortgages and loans	18,165.9	16,656.6	16,354.7	16,568.6	16,396.2
Derivative financial instruments	613.2	653.9	757.3	800.4	914.8
Other assets / receivables	2,153.5	3,921.5	4,024.3	3,305.1	2,036.6
Deferred tax assets	48.3	39.8	69.3	88.8	73.5
Cash and cash equivalents	2,969.6	2,839.8	3,173.3	3,551.6	4,036.1
Total assets	79,342.3	78,782.3	80,614.3	84,523.9	80,854.8

as at 31.12.	2014	2015 (restated)	2016	2017	2018
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	5,791.3	5,418.9	5,741.3	6,346.2	5,970.6
Non-controlling interests	39.7	34.7	32.4	63.0	37.6
Total equity	5,831.0	5,453.6	5,773.7	6,409.2	6,008.2
Liabilities					
Gross technical reserves	48,738.9	45,776.6	46,209.0	48,008.5	46,575.2
Liabilities arising from banking business and financial contracts	17,740.8	19,012.0	20,317.7	22,696.5	21,539.0
Derivative financial instruments	176.4	250.8	299.0	145.3	117.3
Other accounts payable	5,789.7	7,379.5	7,070.0	6,341.9	5,707.2
Deferred tax liabilities	1,065.5	909.7	944.9	922.4	907.8
Total liabilities	73,511.4	73,328.7	74,840.6	78,114.7	74,846.6
Total equity and liabilities	79,342.3	78,782.3	80,614.3	84,523.9	80,854.8

Business volume, premiums and combined ratio

BUSINESS VOLUME

2017	Group	Switzerland	Germany (restated) ¹	Belgium	Luxembourg
CHF million					
Non-life	3,229.3	1,324.6	762.0	999.0	122.3
Life	3,512.0	2,904.3	379.2	148.8	79.6
Sub-total of IFRS gross premiums written ²	6,741.3	4,228.9	1,141.2	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	1,348.2	1,587.1	1,963.5

2018	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,405.9	1,349.2	803.1	1,099.6	134.5
Life	3,360.3	2,728.0	385.7	166.1	80.5
Sub-total of IFRS gross premiums written ²	6,766.2	4,077.2	1,188.7	1,265.7	215.0
Investment-type premiums	1,912.1	112.3	227.1	456.6	1,116.0
Total business volume	8,678.2	4,189.5	1,415.9	1,722.3	1,331.0

1 Change of chief operating decision-maker for the medical malpractice portfolio from Germany to Group business.

2 Premiums written and policy fees (gross).

NET COMBINED RATIO

2017	Group	Switzerland	Germany (restated) ¹	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ²	60.7	56.6	62.1	57.3	61.5
Expense ratio	31.6	26.9	36.6	34.6	30.0
Combined ratio	92.3	83.5	98.7	91.9	91.5

2018	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio ²	59.9	57.5	59.7	57.9	56.6
Expense ratio	31.8	27.0	36.1	34.4	33.3
Combined ratio	91.7	84.5	95.8	92.3	89.9

1 Change of chief operating decision-maker for the medical malpractice portfolio from Germany to Group business.

2 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2017	2018	2017	2018
as a percentage of premiums earned				
Claims ratio ¹	59.7	58.6	60.7	59.9
Expense ratio	30.5	30.6	31.6	31.8
Combined ratio	90.2	89.2	92.3	91.7

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2017	2018
CHF million		
Technical reserve for own account ¹	5,924.8	5,777.1
Premiums written and policy fees for own account	3,065.0	3,220.1
Funding ratio (per cent)	193.3	179.4

1 Not including capitalised settlement premiums.

Technical income statement

CHF million	Non-life		Life ³	
	2017	2018	2017	2018
Gross				
Gross premiums written and policy fees	3,229.3	3,405.9	3,512.0	3,360.3
Change in unearned premium reserves	-14.9	-29.2	-	-
Premiums earned and policy fees (gross)	3,214.4	3,376.7	3,512.0	3,360.3
Claims and benefits paid (gross)	-1,881.0	-2,018.2	-3,845.5	-3,886.2
Change in technical reserves (gross)				
Change in claims reserve / actuarial reserves ¹	-35.7	50.6	-87.7	888.5
Change in other technical reserves	-2.5	-21.0	-409.2	-505.7
Technical expenses	-1,003.5	-1,064.0	-302.7	-348.6
Total technical result (gross)	291.7	324.0	-1,133.2	-491.7
Ceded to reinsurers				
Reinsurance premiums ceded	-162.6	-184.5	-20.8	-24.6
Claims and benefits paid	55.8	66.2	5.0	8.5
Reinsurers' share of claims incurred	11.9	0.4	4.3	3.4
Change in other technical reserves	0.2	0.0	3.9	4.9
Technical expenses	14.8	18.6	1.3	1.3
Total technical result of ceded business	-79.9	-99.2	-6.4	-6.5
For own account				
Premiums earned and policy fees	3,051.8	3,192.2	3,491.1	3,335.7
Claims and benefits paid	-1,825.2	-1,952.0	-3,840.5	-3,877.7
Change in claims reserve / actuarial reserves ¹	-23.9	51.0	-83.5	891.9
Change in other technical reserves	-2.4	-21.0	-405.3	-500.8
Technical expenses	-988.6	-1,045.4	-301.4	-347.2
Total technical result for own account	211.8	224.8	-1,139.6	-498.2
Investment income (gross)	213.2	198.7	1,087.3	1,083.9
Realised gains and losses on investments ²	102.7	35.3	1,001.4	-986.8
Investment management expenses	-27.0	-30.1	-95.4	-102.9
Other financial expenses and income	-125.9	-57.1	-547.8	837.1
Gains or losses on investments	163.0	146.9	1,445.6	831.3
Profit before borrowing costs and taxes	374.7	371.7	306.0	333.2
Borrowing costs	-	-	-2.8	-10.1
Income taxes	-100.2	-70.4	-14.2	-61.1
Profit for the period (segment result)	274.5	301.3	289.0	261.9

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 2017: CHF 14.5 million; 31 December 2018: CHF 10.2 million).

Gross premiums by sector

GROSS PREMIUMS BY SECTOR (NON-LIFE)

	2017	2018	+ / - %
CHF million			
Accident	374.9	396.9	5.9
Health	130.9	146.6	12.0
General liability	343.2	341.0	-0.6
Motor	1,062.3	1,115.2	5.0
Property	1,025.9	1,084.5	5.7
Marine	187.3	196.3	4.8
Other	78.6	86.4	9.9
Inward reinsurance	26.3	38.8	47.5
Gross premiums written (non-life)	3,229.3	3,405.9	5.5

GROSS PREMIUMS BY SECTOR (LIFE)

	2017	2018	+ / - %
CHF million			
Business volume generated by single premiums	3,553.7	2,759.1	-22.4
Business volume generated by periodic premiums	2,477.8	2,513.3	1.4
Investment-type premiums	-2,519.5	-1,912.1	-24.1
Gross premiums written (life)	3,512.0	3,360.3	-4.3

Banking activities

PROFIT OR LOSS FROM BANKING ACTIVITIES

	2017	2018
CHF million		
Net interest income	85.6	82.1
Net fee and commission income	76.3	101.9
Trading profit	0.7	0.7
Other net income	1.4	2.6
Total operating income	164.0	187.3
Personnel expenses	-60.1	-67.5
General and administrative expenses	-14.8	-21.1
Total operating expenses	-75.0	-88.6
Gross profit	89.0	98.7
Net losses and impairment due to credit risk	0.6	0.6
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	-7.8	-7.2
Profit before taxes	81.8	92.1
Income taxes	-15.8	-18.3
Profit for the period (segment result)	66.0	73.8

ADDITIONAL INFORMATION

	31.12.2017	31.12.2018
CHF million		
Third-party assets	8,958.6	8,963.6

ASSET ALLOCATION

	31.12.2017	31.12.2018
CHF million		
Investment property	-	-
Equities	11.9	11.5
Alternative financial assets	-	-
Fixed-income securities	172.7	160.1
Mortgage assets	6,227.2	6,253.6
Policy loans and other loans	186.4	181.1
Derivative financial instruments	12.6	7.6
Cash and cash equivalents	787.1	959.0
Total	7,397.8	7,572.9

Investment performance

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.

2018 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	686.4	128.0	276.6	266.9	18.1	1,376.0
Realised gains and losses and impairment losses recognised in profit or loss (net)	-91.7	61.4	106.5	64.3	-44.4	96.1
Change in unrealised gains and losses recognised directly in equity	-541.8	-363.1	-	-	30.6	-874.3
Investment management costs	-43.6	-5.7	-9.3	-13.8	-8.3	-80.6
Operating profit	9.4	-179.3	373.8	317.4	-4.0	517.3
Average investment portfolio	32,593.4	3,234.1	7,692.1	16,482.4	3,879.6	63,881.7
Performance (per cent)	0.0	-5.5	4.9	1.9	-0.1	0.8

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

CURRENT INCOME FROM INSURANCE¹

	2017			2018		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	39.6	222.3	261.9	43.0	232.2	275.3
Equities	40.9	80.3	121.3	36.8	90.8	127.6
Alternative financial assets	2.7	15.1	17.8	2.8	16.2	19.0
Fixed-income securities	99.6	591.1	690.7	95.7	586.2	681.9
Mortgage assets	7.0	71.3	78.3	7.2	66.8	74.0
Policy loans and other loans	23.7	108.2	131.8	13.2	92.3	105.5
Cash and cash equivalents	-0.3	-1.0	-1.3	-0.1	-0.5	-0.6
Total current income	213.2	1,087.3	1,300.5	198.7	1,083.9	1,282.6

REALISED GAINS AND LOSSES IN INSURANCE¹

	2017			2018		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	33.2	77.9	111.1	14.7	91.0	105.7
Equities	45.6	92.6	138.2	57.0	3.6	60.6
Alternative financial assets	9.3	63.9	73.2	3.3	10.1	13.3
Fixed-income securities	47.4	327.1	374.5	-36.9	-54.8	-91.7
Mortgage assets	-	2.0	2.0	0.4	0.3	0.7
Policy loans and other loans	1.0	35.0	35.9	5.2	56.1	61.2
Derivative financial instruments	-33.8	-259.2	-293.0	-8.4	-41.9	-50.3
Total capital gains and losses	102.7	339.3	442.0	35.3	64.3	99.6

ASSET ALLOCATION IN INSURANCE¹

as at 31.12.	2017			2018		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	952.4	6,502.5	7,454.9	1,001.9	6,876.4	7,878.3
Equities	1,076.4	2,543.9	3,620.3	771.0	2,050.5	2,821.5
Alternative financial assets	312.5	800.0	1,112.6	325.6	828.1	1,153.6
Fixed-income securities	5,247.3	27,967.3	33,214.7	4,926.4	26,702.4	31,628.8
Mortgage assets	442.4	3,926.8	4,369.2	483.5	3,987.8	4,471.3
Policy loans and other loans	1,084.6	5,384.5	6,469.1	1,438.8	4,731.4	6,170.2
Derivative financial instruments	28.5	317.8	346.4	32.3	413.2	445.5
Cash and cash equivalents	461.7	698.3	1,160.0	408.9	1,022.8	1,431.7
Total	9,605.9	48,141.2	57,747.2	9,388.5	46,612.6	56,001.1

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

This page has been left empty on purpose.

Sustainable business management

RESPONSIBILITY	40
How Baloise creates value	40
HUMAN RESOURCES	47
Establishing the culture of growth	47
THE ENVIRONMENT	54
Environmental mission statement	54
Protecting the environment over the long term	55
RISK MANAGEMENT	58
Baloise's risk management is one of the main pillars of its business model	58
COMMITMENT TO ART	62
The Baloise Group's commitment to art	62

How Baloise creates value

RESOURCES

INVESTORS

The shareholder base is broadly diversified. Most of the shares are held by institutional investors from Europe and the USA who have a long-term investment horizon.

EMPLOYEES

Using 21st century working models, we focus on employees with initiative and offer opportunities for internal mobility and development.

- ▶ Culture of growth and learning supported by initiative, dialogue and performance to equip the company for the future
- ▶ Values-based culture
- ▶ Equality-based working environment, and communication on equal terms
- ▶ Scope for personal initiative
- ▶ Focus on development
- ▶ Individual working models (remote working, part-time, job-sharing) and a modern work environment

PARTNERS

Baloise works with a wide network of distributors (agents, brokers and banks), service providers, advisors and start-ups in various markets. We work with our partners to optimise and expand our core business.

- ▶ Start-up fund: CHF 50 million for investment in European, UK and US-based start-ups
- ▶ Baloise's own start-ups: e.g. FRIDAY, Mobly and Movu
- ▶ Selected partners such as TCS, Bank Cler, BLKB, Möbel Pfister and many others

RELIABLE.

The funding of risk protection for customers and of the return on equities for shareholders is balanced and robust.

ENGAGED.

Inspired employees with a strong sense of personal responsibility deliver the right solutions for our customers.

EFFECT

Our shareholders expect a long-term attractive investment. The high level of security comes from a strong balance sheet, a proactive approach to risk management and a conservative investment policy.

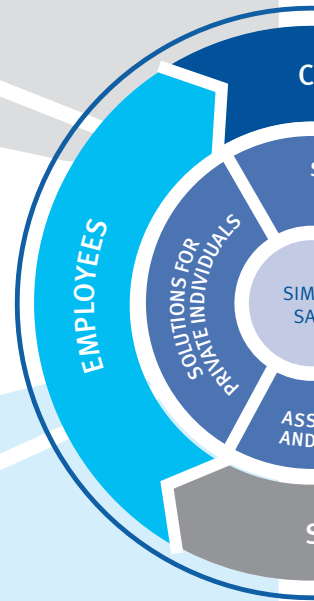
Through our ambition of achieving a cash upstream of CHF 2 billion to Baloise Holding by 2021, we are creating the financial basis for investment in future growth in order to continue our attractive and consistent distribution policy.

Committed employees strengthen customer relationships and foster long-term customer loyalty.

- ▶ Among the top 10% of employers in the insurance sector by 2021
- ▶ Enhancing the employability of our employees through continuing professional development
- ▶ Competitive basic salaries, variable remuneration, and attractive profit-sharing and employee retention schemes
- ▶ Average length of service is 13 years
- ▶ Teamwork, individual responsibility
- ▶ Appreciative working environment
- ▶ Loyal and satisfied employees who make a difference to the customer experience

The strength and innovation of the Baloise partnerships ensure competitiveness and enable future growth.

- ▶ Fast pace of innovation through shortened product development time. Around 30 new products in 2018
- ▶ Ability to respond quickly to customer needs and come up with new products in weeks rather than months
- ▶ Around 50 start-ups in the portfolio / funding initiatives for innovative solutions for tomorrow's market



INVESTORS

EMPLOYEES

PARTNERS

CUSTOMERS

We have a strategy of seeking out customers who are cautious and careful, and to whom safety and security are as important as they are to Baloise. Our customer base includes private and corporate customers. We gained 186,000 new customers in 2018.

We involve customers in our product design process through customer forums, panels and surveys because we want to do more than cover risks: we want to make customers feel more safe and secure in their everyday live.

SOCIETY

Baloise assumes responsibility as an employer, partner to its customers and member of society in a variety of ways, including

- ▶ sponsorship
- ▶ CSR activities in all countries
- ▶ art collection / art prize
- ▶ commitment to voluntary work

Group Compliance is a key part of our corporate governance and deals with socially relevant matters such as privacy, money laundering and corruption. In addition, our code of conduct sets out rules for how we interact with our employees.

ENVIRONMENT

Baloise is committed to the responsible use of natural resources in its day-to-day operations.

- ▶ First insurance company to sign up to the insurance declaration on sustainable development of the United Nations Environment Programme (UNEP) in 1995
- ▶ Own environmental mission statement since 1999
- ▶ Signed up to the Principles for Responsible Investment (PRI) in 2018
- ▶ Supporter of the “environmental platform”, a business initiative of the Basel region



SUSTAINABLE.

Simple processes and good relationships shape the lifelong partnership with customers that share our values to create a sustainable future.

INNOVATIVE.

Employees and external partners operate a functioning innovation network that can respond quickly.

«Simply Safe» strengthens the focus on customer needs, supports tailored omnichannel communication and innovative products and services in the areas of insurance, assistance and pensions.

- ▶ Target is to attract 1,000,000 new customers between 2017 and 2021 (+30%)
- ▶ Strong insurance collective
- ▶ Baloise does everything it can to make the lives of its customers safer and more secure

- ▶ Maintenance and expansion of the community sharing the risk
- ▶ At Baloise, we manage and coordinate this community, and we protect it in the interest of the various stakeholders
- ▶ Baloise's actions have an impact on the relationship between business and the general public
- ▶ Helping to shape society and promote sustainable development, both within and outside our own business

Baloise is working to continuously reduce its direct environmental footprint and use of non-renewable resources by using economical, smart, energy-efficient buildings. It observes the same principles in the procurement and use of office equipment and materials.

- ▶ Energy-efficiency in buildings and IT
- ▶ Reducing CO₂ emissions
- ▶ Use of 100% hydroelectric power in Switzerland
- ▶ Training for employees to raise awareness of environmental impact
- ▶ Integration of ESG criteria into our investment universe

CUSTOMERS

SOCIETY

ENVIRONMENT

Responsibility

TAKING RESPONSIBILITY

Insurance companies grew out of the idea of risk sharing. The strength of the community sharing the risk is determined by the sum of the sense of responsibility of each individual member of the community. As insurers, we have always been aware of the importance of taking responsibility and of endeavouring to promote sustainable development in all of our activities. This basic tenet has remained unchanged since the foundation of Baloise in the 19th century. Insurance companies are still based on a community of policyholders. At Baloise, we manage and coordinate this community, and we protect it in the interest of the various stakeholders. Responsible and socially engaged behaviour is also part of Baloise's current strategy, Simply Safe. Ultimately, our actions affect the relationship between business and the general public. The Swiss Federal Council regards responsible companies as a vital factor in the success of the Swiss economy and is helping to shape a framework for corporate social responsibility. It has published a position paper and an action plan on companies' responsibility towards society and the environment.

www.csr.admin.ch

Baloise inherently supports these efforts and is adopting the position taken by the Federal Council to enable it to continually adapt to the prevailing social conditions and become a better corporate citizen. 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. The Company itself has a long tradition of embracing its corporate social responsibility. Every day, through its insurance and pension solutions, Baloise not only looks after individuals but also protects companies, economies and communities and helps them to function properly, which in turn boosts economic and social stability in the countries where it and its customers operate. It must be able to offer the sort of long-term security that cannot be sustained by the pursuit of short-term profits alone. When it comes to life insurance, for example, Baloise thinks and acts on a long-term basis, examines risks – such as cyber risks – that may arise in the future and mitigates these in a thorough and professional manner.

Baloise is realigning its sustainable business management with the Baloise value creation model (see pages 40 and 41). It is based on the International Integrated Reporting Council (IIRC) model, but focuses specifically on the Baloise business model, the aspects that are important to the Company and its corporate values.

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 – as well as the environment around us. Baloise's policies are based on the United Nations' sustainable development goals (SDGs), in particular SDG 3 (good health and well-being), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 10 (reduced inequalities), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production) and SDG 13 (climate action).

RESPONSIBILITY TO EMPLOYEES

Baloise's responsibility as an employer is manifested in the new strategy with a clear employee-oriented objective. The Company wants to position itself as one of the most attractive employers in its industry. To achieve this aim, it offers its staff the scope required to contribute to its success and to develop both personally and professionally. This results in satisfied employees, helping Baloise to become an employer of choice in the insurance sector. This involves creating a working environment that is focused on the health and well-being of its staff (SDG 3) and where gender equality is paramount (SDG 5). By improving the employability of our employees, we aim to not only increase our attractiveness as an employer but also create opportunities for economic growth by producing well-trained employees (SDG 8). The Company's appeal as an employer is measured regularly across the Group through "pulse checks". 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. At Baloise in Switzerland, the concept of social partnership has a long tradition. The Company's employee commission (MAKO) was founded in 1970, i. e. long before 1993, when the Swiss federal government passed a co-determination act that gave employees the legal right 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. There is also a code of conduct, which contains the essential ethical and legal regulations that govern employees' behaviour. Baloise has always promoted an employee-focused corporate culture across the Group, involving employees at different levels in

shaping the working environment (see also the chapter on human resources). 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

WE TAKE RESPONSIBILITY

SDG 3: good health and well-being

- ▶ Corporate health management at all national units
- ▶ Baloise Code (see chapter “Sustainable business management / Human resources”)

SDG 5: gender equality

- ▶ Salaries that are in line with market rates; difference between the genders within a statistically insignificant range
- ▶ Baloise Code of Conduct on equal treatment and sexual harassment (www.baloise.com/code-of-conduct)

SDG 8: decent work and economic growth

- ▶ Ongoing professional development for our employees
- ▶ Friendly Work Space quality seal (see chapter “Sustainable business management / Human resources”)

SDG 10: reduced inequalities

- ▶ Action plan to promote diversity
- ▶ Yellow Equities gender-friendly life insurance (www.baloise.ch/yellowequities)
- ▶ Europaforum for regular dialogue among employee representatives from every national unit

SDG 11: sustainable cities and communities

- ▶ Raising of employees' awareness of environmental issues
- ▶ Promotion of use of public transport
- ▶ Application of the standards for sustainable construction in Switzerland (SNBS) at the new Baloise Park development

SDG 12: responsible consumption and production

- ▶ Implementation of measures for sustainable business operations (see chapter “Sustainable business management / The environment”)
- ▶ Signing of and compliance with the Principles for Responsible Investment (PRI)

SDG 13: climate action

- ▶ Member of the “environmental platform” initiative in the Basel region
- ▶ Reduction of our investment portfolio's carbon footprint by investing responsibly in accordance with the PRI (www.unpri.org)

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, which represents a proportion of trainees in the workforce of just under 3 per cent. 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”
- ▶ Code of Conduct: www.baloise.com/code-of-conduct

RESPONSIBILITY TO THE CUSTOMER

Customer focus is central to the Company’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. New risks (e.g. cyber risks) are identified and made insurable, enabling Baloise to promote innovation and social development for corporate and retail clients. To foster the required proactive mindset, the Company encourages employees to ask themselves every day what they can do to make the customer feel “simply safe” – in line with the Baloise strategic maxim. One way to achieve this 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 do everything it can to help make customers’ broader environment safer. The customers themselves also get a say, through customer forums, panels and surveys.

Prevention, safety and security have a long tradition at Baloise. In Switzerland, Basler Insurance operates the Baloise cloud seeder, a specially equipped light aircraft, to protect the population against hail damage. The three-year pilot programme was launched in 2018.

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. Similarly, Baloise in Switzerland was involved in work to help prevent addiction among young people for a number of years, with employees visiting schools several times a year to talk about the subject. This task has now been taken over by our partner TCS.

www.baloise.ch/de/ueber-uns/engagement/hagelflieger.html
www.fondsemilieus.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 capacity 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 keep its promise to shareholders. This has enabled Baloise to pursue an attractive and sustainable dividend policy for a number of years now. Its very strong capital base was acknowledged by the ratings agency Standard & Poor’s last year when it raised the Company’s credit rating from “A” with a positive outlook to “A+” with a stable outlook. The new credit rating means Baloise has now attained a top position among the field of medium-sized European insurers. Standard & Poor’s awarded this credit rating in recognition of Baloise’s excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets.

www.baloise.com/rating

- ▶ 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's environmental policies focus on responsible consumption and production (SDG 12) and climate action (SDG 13). The Company uses natural resources prudently and responsibly. This responsibility relates to its own energy requirements but also extends to its investments and the procurement of products and services. As we are an insurance company, we do not produce any goods. At our sites, we predominantly require energy for electricity and heating. We also monitor the impact of travel, both business trips during working hours and journeys to and from work. CO₂ 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 to separate their waste for recycling.

Baloise also endeavours to make a contribution to sustainable cities and communities (SDG 11) by raising employees' awareness and providing them with information on environmental topics. They are encouraged to use public transport whenever possible. In Belgium, Baloise conducted a transport review in collaboration with the city of Antwerp, resulting in the development of a travel action plan and a business plan. Each employee's commuting route was analysed to determine how it could be optimised and which mode of transport would be most appropriate. In Switzerland, Baloise is a member of the "environmental platform" initiative in the Basel region (www.klimaplattform-basel.ch). This platform facilitates the sharing of knowledge among businesses and supports climate protection and sustainable development in the local region. 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.

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 group-wide environmental audit within the annual report.

- ▶ Chapter "Sustainable business management/
The environment"

www.klimaplattform-basel.ch

RESPONSIBILITY IN SOCIETY

Baloise believes it has a responsibility to society in its role as a corporate citizen and conducts its business activities pursuant to the applicable legal provisions and in compliance with the constitution of the Swiss Confederation. Anyone involved in the insurance sector or the financial markets is subject to an approval requirement which demands an assurance of proper business conduct. This stipulates that the Board of Directors and the Corporate Executive Committee must organise Baloise in such a way as to ensure it complies with all applicable laws, including constitutional human rights, at all times. The Swiss Financial Market Supervisory Authority (FINMA) continuously monitors compliance with this approval requirement.

For many years, Baloise has also been a committed advocate of voluntary work. 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 voluntary work. 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. Five Baloise employees in Switzerland are currently members of cantonal parliaments, and many others are involved in politics at local level. Karin Keller-Sutter, a former member of the Baloise Board of Directors, was appointed President of the Council of States (upper chamber of the Swiss parliament) for 2018 before being elected to the Swiss Federal Council in December of last year. Furthermore, the Company 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. Baloise runs a number of projects and initiatives that benefit society in its various national subsidiaries (see also weblinks to the activities of the national companies).

Since 2012, Baloise has given its employees in Switzerland the opportunity to do valuable voluntary work in the community and environmental sectors. Baloise is mainly involved with four institutions, the Entlebuch UNESCO biosphere reserve, the "just for smiles" foundation, the "beider Basel" animal shelter and the PluSport disabled sports day. In Belgium, employees from all sites get involved in events for the "Warmest Week Music for Life" initiative as part of the "Baloise For Life" week at the end

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 ACTIVITIES OF THE NATIONAL COMPANIES

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

of December. All proceeds from these activities go to charity, represented by 24 non-profit organisations selected by employees. More than EUR 60,000 has been collected over the last few years. In Germany, a Christmas concert for all current and former employees, along with their families and friends, has been held in Hamburg for more than 30 years. The proceeds from this event support the operations of charitable initiatives in Hamburg.

Baloise also promotes the cultural diversity of society through its sponsorship activities. The Company sponsors the arts and has funded the Baloise Art Prize for 20 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. Since 2013, Baloise has been the presenting sponsor of Baloise Session, a prestigious music festival in Basel with an intimate club-like setting in which the audience sit at tables. Baloise session is an important cultural event that enhances the reputation of the city of Basel. In Belgium, Baloise is a major sponsor of cycling. Sport Vlaanderen-Baloise is a professional cycling team that focuses on the Pro Tour competition's Benelux races and the international calendar for professional continental cycling teams in Europe. It receives financial backing from Baloise. The team's overriding objective is to provide professional support for talented young riders.

Establishing the culture of growth

Early success and the need for faster change

Dedicated employees build up strong customer relationships that in turn help the Company to achieve its financial targets. This firmly held conviction is the basis for the Simply Safe strategy introduced in 2016. Many new aspects were implemented in 2017, thereby anchoring the “employee focus” element of the strategy. In 2018, mid-way to 2021, Baloise notched up some early success but also identified the need for further simplification and a faster pace of change if it is to achieve the objective of becoming a leading employer in the industry.

KEY FIGURES

- ▶ 7, 203 (2017: 7,286) employees respectively 6,571 (2017: 6,655) full-time equivalents.
 - ▶ 43.6 per cent of all employees are women (2017: 43.5 per cent).
 - ▶ The Baloise Group employs 283 (2017: 245) apprentices, trainees and interns.
 - ▶ 66.0 per cent of staff members working in our main market of Switzerland participated in our Share Participation Plan in 2018 (2017: 64.0 per cent).
 - ▶ Baloise employees work at the Company for an average of 12.9 years.
 - ▶ Staff turnover as at 31 December 2018 amounted to 5.9 per cent (end of 2017: 5.2 per cent).
-

BALOISE'S EVOLUTION: SHARED JOURNEY FROM A PROUD PAST TO A SUCCESSFUL FUTURE

For the past three years, Baloise has been pursuing a growth strategy that is based both on its strong core business and on its unique corporate culture. The transition to a culture of growth is clear to see, and many initiatives – such as those aimed at encouraging innovation, enablement and career development – made a positive impact in 2018. This was also reflected in the employee engagement survey conducted during the year under review.

Alongside people development, another area of focus in 2018 was organisational development. There was a particular emphasis on supporting forms of agile collaboration. One stand-out example was the introduction of a big-Group planning event (PI planning) in the Swiss Group life and non-life businesses, at which around 200 experts, departmental representatives and

managers worked together to prepare the implementation planning for the coming quarter. This type of agile planning resulted in greater transparency, a better understanding of interdependencies and, ultimately, more commitment from everyone involved.

A NEW APPROACH TO LEADERSHIP IS KEY TO SUCCESS IN THE DIGITAL AGE

In 2018, Baloise afforded even greater attention to digitalisation in the context of its growth strategy. To accelerate the process of 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, the Company formulated an approach to leadership for the digital age and integrated it into the tried-and-tested Group-wide Baloise Campus management development programme as well as similar local programmes. After all, Baloise firmly believes that the professional development of its managers is vital to the success of the digital transformation.

Also in 2018, a dedicated digital leadership programme (DLP) for senior management was developed and piloted with support from investment and consultancy partner Anthemis. The DLP teaches senior managers about the paradigm shift that is required as a result of the digital transformation and explores subjects such as customers, digital strategy, organisation and leadership.

Baloise's leadership approach

The essence of our approach to leadership is aimed at facilitating three shifts:

- ▶ From expert to coach
- ▶ From “command and control” to “challenge and support”
- ▶ From “either / or” to “both”

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

The concept of viral change was introduced in 2017. In the reporting year, responsibility for the concept was handed to the “sparks”: highly engaged and well-connected employees who ensure that the Baloise Code remains in the spotlight and initiatives such as the TopicTable are launched. This is speeding up the cultural transition, while the voluntary nature of the resulting networks contributes to eliminating obstacles and makes interdepartmental collaboration easier. International focal topics will be introduced in 2019 that will build on these initial achievements and help to shift the emphasis away from individual initiatives to a multinational “social movement”.

TopicTable

The TopicTable was set up in line with two of the behaviours enshrined in the Baloise Code: “Appreciate colleagues: build personal connections” and “Share insights: collaborate beyond your role”. Every day, anyone who wishes can organise a “TopicTable” at lunchtime in the staff canteen on a particular issue or even their hobby. This gives employees from across the Company the chance to discuss such topics informally, both with like-minded people and with those offering a different perspective.

DIALOGUE AS THE BASIS FOR OUR SUCCESS; CONTINUOUS IMPROVEMENT

Our three established formats for dialogue between managers and employees are the bedrock of the Baloise culture. All three focus on development for the future. However, this is a continuous process, rather than an annual event taking place on set dates. That is why the performance and talent development process was simplified in 2017. To emphasise the ongoing nature of the dialogue, the “feedback day” concept was introduced in 2018.

1. In the individual development dialogue, an employee and their manager talk specifically about the employee's skill set and behaviour. The focus is on continuous learning at both professional and personal level, particularly in relation to the skills that are needed to achieve the envisioned growth. The meetings are structured around a talent assessment questionnaire that covers the skills relevant to growth.
2. The managerial feedback session is aimed at continually improving the capabilities of managers. Every two years, all employees are given the opportunity to fill out a questionnaire for their manager on the twelve growth-relevant management competencies of the Baloise Leadership Compass. Afterwards, the manager discusses the results with his or her team.
3. In the years in between, the biennial employee engagement survey is conducted at departmental level in order to identify and discuss areas that have potential for improvement. Each quarter, “pulse checks” take place in which 30 per cent of employees are polled on whether they would recommend the Company as a good employer. These surveys provide a regular indication of whether Baloise is getting closer to its goal of 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 that Baloise needs if it is to achieve its strategic objectives.

Feedback day

"Do you want to go for a walk with me and give me some feedback? Yes. No. Maybe." In the spring, posters featuring this question were used to make Baloise employees more aware of the important issue of feedback and to prompt them to ask a colleague to go on a "feedback walk". The initiative was designed to shine the spotlight on using feedback as part of a continuous improvement process.

MID-TERM RESULT: TOP 23 PER CENT AFTER TWO YEARS; TARGET: TOP 10 PER CENT

In autumn 2018, the Group-wide employee engagement survey was carried out again. The questionnaire is primarily aimed at gauging levels of engagement and enablement among employees. Responses to the question "Would you recommend Baloise as an employer?" are crucial to measuring achievement of the target of being in the top 10 per cent of European financial institutions.

In the year under review, 76 per cent of the total workforce (around 4,700 employees) took part in the survey. The results from the 2016 survey put Baloise in the top 30 per cent. In 2018, the Company moved up into the top 23 per cent thanks to 82 per cent of respondents stating that they would recommend Baloise as an employer. This positive trend had already been apparent from the slight improvement in the results of the quarterly pulse checks. In terms of both engagement and enablement, Baloise improved on the already high level that it had reached in 2016. Overall, 78 per cent of employees rated their own engagement as positive (increase of 1 percentage point); the figure for enablement was 77 per cent (increase of 3 percentage points). Baloise thus stands head and shoulders above its European competitors. The biggest positive changes were in relation to innovation (increase of 8 percentage points to 77 per cent), development opportunities (increase of 7 percentage points to 72 per cent) and respect and appreciation (increase of 7 percentage points to 76 per cent), i. e. precisely the areas in which Baloise has launched a number of initiatives since embarking on Simply Safe. The areas with potential for improvement that were identified in 2016 – achieving career goals, addressing behaviour that is out of step with our values and having sufficient resources to be able to work effectively – also scored better in 2018. These increases are proof positive of the benefits of feedback and of investing in projects such as the "change of perspective" initiative for career development. The task now is to maintain this positive trend and move up the final 13 percentage points in order to reach the top 10 per cent by 2021.

Kununu ranking

Baloise's positive rating as an employer is also reflected in our Kununu ranking. Our score of 3.98 points (out of a possible five) puts us in a respectable third place among all of the major Swiss insurers (including health insurance companies). The employer comparison site enables former and current employees to anonymously rate aspects such as working atmosphere, manager behaviour and work-life balance.

CONTINUOUS IMPROVEMENT; INTERDEPARTMENTAL COLLABORATION; PERFORMANCE AND TALENT DEVELOPMENT PROCESSES

Development is not an annual event. Performance is not due to the efforts of just one person. These statements are reflected in our performance and talent development process, which incorporates regular meetings between managers and employees to ensure continuous learning and clarity about common objectives. Since the start of 2018, there have also been overarching team objectives that are founded on the belief that good interaction within teams and between departments and divisions of the Group will lead to better performance.

In the established annual process of talent development for well-qualified high-potential employees, Baloise is also continuing to identify talented young employees and key individuals, find potential successors and agree targeted development activities for them.

INDIVIDUAL WORKING MODELS: FLEXIBLE, FAMILY-FRIENDLY, MOBILE

Employees are key to the achievement of our targets. This statement is underlined by the current corporate strategy, which puts the emphasis on our employees as one of three main focal points. To this end, Baloise has set itself the objective of 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 can be seen from our flexible working models, which include options to work part-time and from home, an inhouse crèche and an extensive corporate health management service. Baloise is also investing in employees' individual development through the "change of perspective" initiative, which offers flexible placements of between one day and several months.

Change of perspective

Under the temporary job change initiative, employees perform a new role or work on Group-wide projects for a defined period of time, 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. In 2018, there were 81 such temporary job changes. 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 information and ideas for their own work.

BALOISE IN THE LABOUR MARKET – AUTHENTIC AND APPROACHABLE

Baloise wants to become an employer of choice in the financial services sector. The way in which we present ourselves in the labour market has a direct impact on this objective, not least because competition for the best brains remains fierce due to demographic change. The analysis of target groups carried out in late 2017 / early 2018 confirmed our existing view that a particular focus is required on recruiting IT workers, insurance advisors and apprentices for commercial vocations. Various initiatives have been introduced to tackle this challenge, including a new employee referral scheme that emerged as the third biggest source of applicants and the most important hiring channel in 2018.

Baloise also overhauled its employer brand as part of a Group-wide project in 2018. The resulting unique selling propositions are designed to portray the Company in a targeted and concise manner in the job market. Implementation campaigns are planned for 2019.

Baloise generally engages with potential candidates in various ways, including through our careers blog, through our profiles on social media and at university fairs. Concepts aimed at particular target groups, such as “bring a friend” events, have also been tested with success. All of these activities are aimed at conveying an authentic, attractive and unique image of Baloise that will enable it to attract sufficient and, above all, the right candidates.

Baloise offers an appealing range of training opportunities. Around 283 young people currently work as apprentices, interns and temporary student workers under the established training scheme. The Company’s graduate trainee programme, now in its 26th year, 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 can be found in a wide range of roles, departments and management levels within the Company. Previously only available in Switzerland, the programme was rolled out to all other national units in 2018.

Activities in 2018 – spreading the word about Baloise as an employer

- ▶ 6 graduate fairs
- ▶ 10 workshops and other events
- ▶ 2 WhatsApp taster days
- ▶ 105 blog articles
- ▶ 20 videos and podcasts

SHARED GOALS; LOCAL FOCAL POINTS

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.

The emphasis in **Switzerland** was again on the transition to a culture of growth. In 2018, the focus was on encouraging agile working methods and enhancing the working environment. Further managers rotated jobs in 2018, which helped to drive the “change of perspective” initiative at this level. Drawing on input from the previous year’s “Baloise wants to know” workshops, which were initiated by the employee commission, Baloise made a number of changes to make it more attractive in the labour market. This included a clear commitment to part-time working models, for example a quota of “60 per cent” positions that should make Baloise more appealing to women returning to work. Furthermore, annual leave has been standardised at five weeks across the board and parental leave for expectant mothers has been simplified and expanded. Workshops are not the only forum for employees’ interests, however. The employee commission represents the interests of the workforce at monthly meetings with the Executive Committee and employees participate in various committees, such as the body responsible for assigning functions to pay categories. Another topic of particular focus in Switzerland was diversity. Networks, such as for the internal LGBTQ community, are now actively supported.

In **Germany** too, everything centred on the cultural transition. A particular emphasis was the approach to leadership. The related activities included working on the results of the 2017 managerial feedback, holding regular meetings for divisional, departmental and team managers and providing development opportunities devised by the leadership working group. The Chief Executive Officer released a weekly video blog, thereby giving clear and direct insights into strategic matters and

Diversity at the Swiss offices

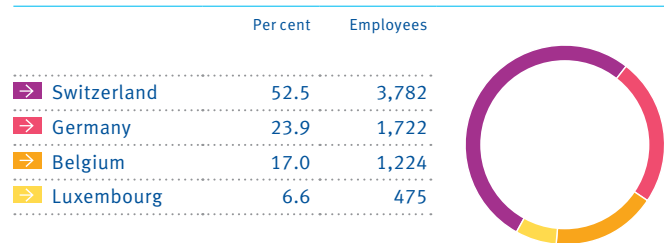
- ▶ 39 nationalities
- ▶ 100 per cent return rate after maternity leave (2015 / 2016)
- ▶ 20 per cent of employees work part-time (75 per cent women, 25 per cent men)
- ▶ 40 per cent of those promoted in 2017 were women

decisions and prompting debate by addressing specific issues. Initiatives and formats relating to the digital transformation and agility became embedded and now cover a broad section of the workforce. The employee engagement survey in the year under review showed improved results following activities such as development dialogues and medium-term changes of perspective. The target agreement process helped to give employees a better understanding of their part in the Company’s success and how they can make a meaningful contribution. Moreover, the works councils are invited to participate in the different formats for cooperation and involvement, enabling them to represent employees’ interests from the outset.

In **Belgium**, the focus for 2018 was on support for innovation and on manager and employee development. An innovation competition was run for the second time, in which 30 teams submitted ideas on an area defined by the management team. Seven teams were selected to present their idea to the management team. As part of a new programme, manager development was concentrated on the topics of personal ambition and collective leadership and on the change in the management approach from expert to coach and from “command and control” to “challenge and support”. A new learning management system was introduced to drive employee development within the organisation and to promote new forms of learning. The action plan signed off in 2017 to promote diversity was rolled out. Related activities – such as reverse mentoring, where senior managers learn from millennials – were organised with the help of ambassadors. Monthly meetings with the works council and internal trade union representatives are another way in which employees’ interests are upheld.

A focal point in **Luxembourg** in 2018 was to encourage employees to be innovative by asking them to participate in activities such as an innovation project competition. The “sneak preview” training courses were continued with the aim of piquing employees’ interest in continuing professional development; the central topic for 2018 was customer focus. The broad-ranging training programme was further expanded, with a particular emphasis on English for everyone. The latter also had a positive impact on the results of the employee engagement survey in the reporting year. To raise its profile in the labour market, Baloise increased its attendance at recruitment and HR forums.

BALOISE’S 7,203 EMPLOYEES IN 2018 BY COUNTRY



Friendly Work Space



Baloise was labelled a Friendly Work Space® for the first time back in 2010. This certification has to be renewed every three years, and Baloise was recertified in both 2013 and 2016. In fact, it achieved the highest score in 2016 and is the leading company in the financial services / insurance sector.

FAIR PAY BASED ON PERFORMANCE AND TARGETS

Baloise attaches great importance to rewarding its employees for their performance, including through monetary compensation. It therefore offers performance- and target-oriented remuneration packages that are based on fair principles and an updated framework of performance management. The total remuneration package consists of competitive base salaries, a range of variable remuneration components, fringe benefits and attractive employee incentives and loyalty bonuses.

Overall, remuneration is regarded as a hygiene factor rather than a strategic selling point. It is determined by the following criteria:

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

With effect from 2018, the system of performance-related remuneration based solely on individual performance was abolished. Now, variable remuneration is systematically aligned to the attainment of overarching Company targets by means of the performance pool. The variable pay components are allocated on the basis of team performance and employees' individual contribution to their team's success, another factor being interdepartmental and international cooperation. This should motivate employees to work towards the success of areas beyond their own sphere of responsibility.

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.

In 2018, Baloise voluntarily conducted an internal wage equality analysis to ensure that it offers equal pay. To do so, it used the same tool (Logib) as when it participated in the official wage equality dialogue in 2013 / 2014. The analysis revealed that unexplainable differences between wages for men and women are still well below the tolerance limit of 5 per cent. So that this good statistic is maintained going forward, the Company

will step up its efforts to ensure equal remuneration for men and women when it comes to hiring and pay rises.

Further information on the remuneration system and the remuneration paid in the reporting year can be found in the remuneration report on pages 88 to 113.

EMPLOYEE STORIES AND THE LATEST FROM THE COMPANY 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 itself as an employer. 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.baloise.com/karriereblog

 Facebook:

www.facebook.com/baloisegroup

 YouTube:

www.youtube.com/baloisegroup

 Instagram:

www.instagram.com/baloisejobs

 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 (ISO 14001 onwards) on the basis of identifiable operational and product-related factors. It also advises industrial clients on risk reduction and risk prevention.

LONG-TERM FINANCIAL ASSETS

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 CO₂ 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 CO₂ 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 CO₂ emissions in accordance with the directives issued by the Association for Environmental Management and Sustainability in Financial Institutions (VfU). The 2015 Paris Agreement, the successor to the Kyoto Protocol, has spurred the Company on in its ambition, and future measures will be based on the Paris objectives. Both absolute and relative CO₂ emissions have been reduced massively at Baloise since the year 2000. Over an 18-year period, Baloise has cut absolute CO₂ emissions from 53,580 tonnes to 14,772 tonnes. This is

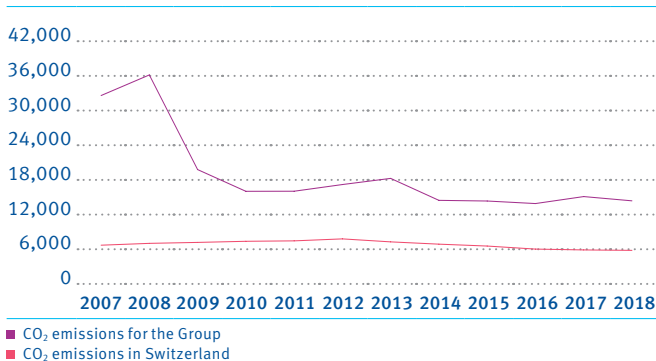
equivalent to a 72.4 per cent reduction in CO₂ emissions, while emissions per employee fell by 30 per cent over the same period, from four tonnes to 2.8 tonnes.

FOCUS ON OPTIMISED OPERATIONS IN 2018

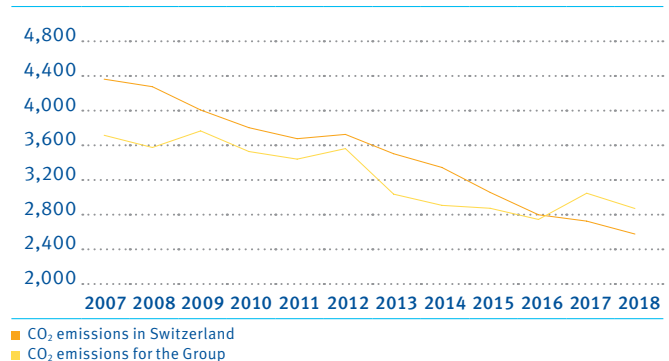
Measures aimed at a lasting reduction in energy consumption in Switzerland and Germany focused on optimising how buildings are run. The periods during which the air conditioning system is on were adjusted, and default temperatures in office areas over winter and summer were modified to ensure a more sustainable use of energy.

The introduction of a range of working models further increased the efficient use of space in all buildings. Following a review of employee catering at headquarters in Basel in 2015

TOTAL CO₂ EMISSIONS IN TONNES



CO₂ EMISSIONS PER EMPLOYEE IN KILOGRAMME



ENVIRONMENTAL AUDIT

	2016 absolute	2017 absolute	2018 absolute	Relative	Unit	+ / - %
Employees	5,290	5,148	5,214		headcount	1.3
Energy reference area	137,151	136,601	142,409		ERA m ²	4.3
Locations	15	15	14		number of buildings	-1
Electricity consumption	18,236,089	19,137,677	18,314,747	3,513	kWh / employee	-4.3
Heating consumption	10,380,219	9,830,542	8,269,769	58	kWh / m ²	-15.9
Water consumption	47,128 m ³	47,768 m ³	45,421 m ³	35	l / employee / day	-4.9
Paper consumption	465 t	413 t	300 t	58	kg / employee	-27.4
Paper types				2.0%	recycled	
				89.0%	chlorine-free-bleached	
				9.0%	chlorine-bleached	
Copy paper consumption	76.0 million A4 sheets	72.4 million A4 sheets	66.1 million A4 sheets	12,679	A4 sheets / employee	-8.7
Amount of refuse	811 t	1,009 t	843 t	162	kg / employee	-16.5
Types of refuse				53.0%	paper / cardboard	
				7.0%	other materials	
				2.0%	special waste	
				38.0%	misc. waste / refuse	
Business travel	18.4 million km	22.5 million km	22.4 million km	4,290	km / employee	-0.4
Mode of transport				23.1%	km by air	
				52.3%	km by road	
				24.6%	km by public transport	
CO ₂ emissions	14,257 t	15,579 t	14,773 t	2,833	kg / employee	-5.2

with a focus on regionality, seasonality and animal welfare, the Company embarked on the refurbishment of its employee cafeteria in 2018 with a view to improving energy efficiency and the use of space.

By replacing several hundred lights with LED lighting and using LEDs in all new installations in its buildings, the Company switched to a technology that will save energy for years to come.

FOCUS ON PERSONAL TRANSPORT IN BELGIUM AND LUXEMBOURG TO REDUCE TRAFFIC PROBLEMS

Electric vehicles were purchased in Belgium and Luxembourg to provide emission-free modes of transport. The employees in Belgium have access to eight electric vehicles, while those in Luxembourg have access to two. This allows for the bulk of day-to-day business to be conducted with zero emissions.

The CO₂ emissions of the Belgian vehicle fleet were reduced to 111g / km in 2018. In Luxembourg, Basler joined the state-run car sharing platform (<https://de.copilote.lu>) as part of European Mobility Week.

RIGHT AROUND THE WORLD WITH SWISS 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. During a very sunny 2018, enough solar-generated electricity was drawn from the "pumps" to power a total of almost 80,000 kilometres – equivalent to nearly two emission-free trips 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. This service has been maintained at a consistent level since its introduction.

FRIDAY OFFERS CAR INSURANCE WITH BUILT-IN CLIMATE PROTECTION

Since October 2018, FRIDAY customers have been able to make their own contribution to climate protection by offsetting the CO₂ emitted by their cars. FRIDAY, the online car insurance provider owned by Baloise in Germany, aims to reach customers who care about the environment but cannot do without a car, for example because they need it for work. The product was developed in cooperation with myclimate, a renowned climate protection organisation that – like FRIDAY – has its roots in Switzerland. The climate protection contribution is calculated based on the estimated annual mileage. Emissions that are offset include carbon dioxide (CO₂), other harmful greenhouse gases such as methane (CH₄) and nitrous oxide (N₂O), and so-called "grey" emissions, which are generated during the production of the vehicle, the construction of the road infrastructure and the production, transport and processing of crude oil.

This contribution is invested in climate protection projects, jointly chosen with myclimate, that meet the highest standards (Gold Standard, CDM, Plan Vivo) and are proven to reduce damaging CO₂ emissions.

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.

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 72.4 per cent of the 7,200 or so people working for the Baloise Group. Per-employee consumption of heating has been reduced by around 35 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 which will be implemented in each country over the coming years.

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 2018. 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 risk 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

Organisational 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. Risk owners and risk controllers tasked 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 pillars of this strategy.

The most senior decision-making body in Baloise's risk organisation is the Board of Directors of Baloise 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.

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 Group-wide 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. For this, risk metrics 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 a timely manner. 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, the overall solvency position is regularly monitored.
- ▶ 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), a risk report that has to be prepared annually, 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.

STRATEGIC RISK MANAGEMENT

The 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.

This process provides a comprehensive 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 2018

Baloise's risk strategy principles are designed for the long term, as shown by the Company's excellent risk positioning in 2018. This is underlined by the improvement in the credit rating from Standard & Poor's, which was upgraded to A+ with a stable outlook, and by the reconfirmed assessment of enterprise risk management as "strong".

Risk management approaches that have been tried and tested for many years were maintained in 2018:

- ▶ The Baloise Group's investment strategy continues to focus on diversification and on the basic principle of only investing in assets that risk management can itself fully and accurately evaluate.
- ▶ Baloise continued to actively manage its credit risk and currency risk.
- ▶ With a net equity exposure of 5.6 per cent at 31 December 2018, 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.
- ▶ There is a particular focus on the management of 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 91.7 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 2018 Financial Report (section 5. Management of insurance risk and financial risk, pages 153 to 195).

The Baloise Group's commitment to art

Art provides a space for reflection and a lens through which to view the world in a different way. It should stimulate discussion. Baloise's art collection is an important part of its corporate culture. Baloise believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. Its commitment also extends to providing recognition and support for contemporary artists.

TAKING RESPONSIBILITY – AN IMPORTANT ASPECT OF CORPORATE CULTURE

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. 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

Baloise has a long-standing tradition of promoting talent. For many years, its training and development programmes have provided an entry into careers with substance. 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. For these people, Baloise offers a launchpad for a long and successful future.

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.

For 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.

Due to its prestige, the Baloise Art Prize has 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.

The 2018 Baloise Art Prize was awarded to Suki Seokyeong Kang and Lawrence Abu Hamdan. Kang's award was for her installation, which plays with different materials, shapes and colours. The work is based on translation of these different media into a visual language of "jeongganbo", a traditional Korean notation system. It organises squares into a grid system according to rules regarding pitch and length of musical notes.

Lawrence Abu Hamdan's video and sound installation "The Shouting Valley" is based on an actual event: the crossing of the border between Syria and Israel in the Golan Heights by a group of Palestinians on 15 May 2011. The acoustic phenomenon of the wandering, intensifying voices produced by the topography of the valley invites us to draw parallels with the wider geopolitical context.

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 the prize 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 the “cornerstones” for Baloise Park seemed an obvious choice. 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.

The 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, although in keeping with the Baloise corporate philosophy, the upper floors will also display works from the collection in specially provided spaces.

THE ART COLLECTION

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 customer centre at the new headquarters in Basel: left, works by Thomas Ruff; right, a work by Alain Huck. Photo: André-Marc Räubig.

Corporate Governance

CORPORATE GOVERNANCE REPORT	66
1. Structure of the Baloise Group and shareholder base ...	66
2. Capital structure	67
3. Board of Directors	68
4. Corporate Executive Committee	79
5. Remuneration, shareholdings and loans	84
6. Shareholder participation rights	84
7. Changes of control and poison-pill measures	85
8. External auditors	85
9. Information policy	86
 Appendix 1: Remuneration Report	 88
Appendix 2: Report of the external auditors	114

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.

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 20 March 2018 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 used to determine the content and scope of the disclosures on remuneration in the Remuneration Report (Appendix 1 to the Corporate Governance Report, page 88 onwards).

The information contained in the Corporate Governance Report refers to the situation on the balance sheet date (31 December 2018). Additional reference is made to material changes occurring between the balance sheet date and the print deadline for the Annual Report. This includes the appointment of Alexander Bockelmann to Corporate Division IT with effect from 1 February 2019. The corporate division is responsible for simplifying the Group's IT landscape and, on the basis of the strategy, driving forward the Group's transformation and digitalisation. The organisational structure of Corporate Division IT will be established during the course of 2019.

Sustainable business management has long played an important role at Baloise and is described in a dedicated section of the Annual Report from page 38 onwards.

1. STRUCTURE OF THE BALOISE GROUP AND SHAREHOLDER BASE

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Baloise 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 6,608 million as at 31 December 2018.

- ▶ Information on Baloise shares can be found from page 8 onwards.
- ▶ Significant subsidiaries, joint ventures and associates as at 31 December 2018 can be found from page 264 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 197 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 82 onwards.

Shareholder base

As a public company with a broad shareholder base, Baloise Holding is a member of the SMI Mid (SMIM) Index.

Shareholder structure

A total of 20,377 shareholders were registered in Baloise Holding's share register as at 31 December 2018. The number of registered shareholders had decreased by 2.00 per cent compared with the previous year. The "Significant shareholders" section on page 285 provides information on the structure of the Company's shareholder base as at 31 December 2018.

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

Baloise Holding held 1,640,025 treasury shares (3.36 per cent of the issued share capital) as at 31 December 2018.

Cross-shareholdings

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

2. CAPITAL STRUCTURE

Dividend policy

Baloise 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 1,638.4 million from cash dividends and share buy-backs over the last five years.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2014	250.0	–	250.0
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8 ¹	135.1	427.9
Total	1,326.1	312.3	1,638.4

All figures stated as at 31 December.

¹ Proposal to the Annual General Meeting on 26 April 2019.

Baloise Holding's equity

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

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

	31.12.2016	31.12.2017	31.12.2018
CHF million			
Share capital	5.0	4.9	4.9
General reserve	11.7	11.7	11.7
Reserve for treasury shares	2.3	6.1	6.4
Free reserves	573.9	472.4	566.1
Distributable profit	289.6	367.9	412.6
Treasury shares	– 156.6	– 71.8	– 206.7
Equity attributable to Baloise Holding	725.9	791.2	795.0

Since the capital reduction decided on 28 April 2017, the share capital of Baloise 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 (see article 3 [3] of the Articles of Association).

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 6,008.2 million on 31 December 2018. Details of changes in consolidated equity in 2017 and 2018 can be found in the consolidated statement of changes in equity on pages 124 and 125 in the Financial Report. All pertinent details relating to 2016 can be found in the consolidated statement of changes in equity on page 118 in the Financial Report within the 2017 Annual Report.

Bonds outstanding

Baloise Holding and Baloise Life Ltd (with Baloise Holding acting as guarantor) have issued bonds publicly. As at the end of 2018, a total of eight public bonds were outstanding. On 28 January 2019, Baloise Holding will issue an additional bond worth CHF 200 million, which will replace the Baloise Holding bond that matures in 2019. Details of outstanding bonds can be found on pages 243 and 283 and on the website.

www.baloise.com/bonds

Credit rating

On 27 June 2018, credit rating agency Standard & Poor's upgraded the rating of the Swiss units Baloise Insurance Ltd and Baloise Life Ltd from "A with a positive outlook" to "A+ with a stable outlook". Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. Information about the ratings of Baloise Holding Ltd, the Belgian subsidiary Baloise Belgium NV and the German subsidiary Basler Sachversicherungs-AG, which were also upgraded, can be found on the website.

www.baloise.com/s&prating

3. BOARD OF DIRECTORS

Election and term of appointment

The Board of Directors consisted of ten members last year. Since 1 January 2019, it has had nine members because Karin Keller-Sutter stepped down from the Board of Directors with effect from 31 December 2018 after being elected to the Swiss Federal Council. Each member of the Board of Directors has been elected for a term of one year at a time.

As at 31 December 2018, the average age on the Board of Directors was 58 years.

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 Boccand, Dr Andreas Burckhardt, Christoph B. Gloor, Karin Keller-Sutter, Hugo Lasat, Dr Thomas von Planta, Thomas Pleines and Professor Dr Marie-Noëlle Venturi - Zen-Ruffinen were re-elected as members of the Board of Directors for a one-year term until the end of the next Annual General Meeting. Werner Kummer stepped down from the Board of Directors at the 2018 Annual General Meeting. Professor Dr Hans-Jörg Schmidt-Trenz was newly elected to the Board of Directors.

Karin Keller-Sutter, who had been a member of the Board of Directors and Remuneration Committee since 2013, stepped down from the Board of Directors with effect from 31 December 2018 because she had been elected to the Swiss Federal Council. Dr Georges-Antoine de Boccard is not standing for re-election at the Annual General Meeting in 2019. De Boccard (67) joined the Baloise Board of Directors in 2011 and is a member of the Remuneration Committee and Investment Committee. All other members of the Board of Directors are standing for re-election in 2019.

The Board of Directors of Baloise Holding has decided to propose Christoph Mäder and Markus Neuhaus for election at the Annual General Meeting on 26 April 2019. Christoph Mäder (born 1959, Switzerland) is a qualified lawyer and, from 2000 to July 2018, was a member of the Syngenta International AG executive team with responsibility for legal and tax. He was a member of the Management Board of the Basel Chamber of Commerce until June 2018. From 2006 to May 2018, he sat on the Management Board of scienceindustries, serving as the association's president between 2008 and 2014. He sits on the Board of Directors of Lonza Group AG and EMS Chemie Holding AG and is a member of the Executive Committee of economiesuisse.

Markus Neuhaus (born 1958, Switzerland) has been the Chairman of the Board of Directors of PricewaterhouseCoopers AG since July 2012 and served as its CEO for a period of nine years prior to that. His term on the Board of Directors of PwC will end in June 2019. Neuhaus, who has a law degree and is a certified tax expert, is also Vice-Chairman of the Board of trustees of Avenir Suisse, a member of economiesuisse's Management Board and Finance and Taxation Commission, Vice-Chairman of the Management Board of Zurich's Chamber of Commerce and a member of the Committee of Expertsuisse (formerly Treuhandkammer).

Both Christoph Mäder and Markus Neuhaus will be independent non-executive directors.

Further information on the members of the Board of Directors can be found on the website.

www.baloise.com/board-of-directors

MEMBERS

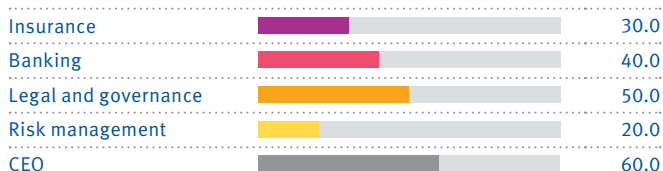
	Chairman's Committee	Audit and Risk Committee	Remuneration Committee	Investment Committee	Nationality	Born in	Appointed in
Dr Andreas Burckhardt, Chairman (since 2011), Basel	C			C	CH	1951	1999
Dr Andreas Beerli, Vice-Chairman (since 2018), Oberwil-Lieli	DC	C			CH	1951	2011
Dr Georges-Antoine de Boccard, Conches			M	M	CH	1951	2011
Christoph B. Gloor, Riehen		DC		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	M			CH	1961	2017
Thomas Pleines, Munich (D)	M		C		D	1955	2012
Prof. Dr Hans-Jörg Schmidt-Trenz, Hamburg (D)			M		D	1959	2018
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen, Crans-Montana		M			CH	1975	2016

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

DIVERSITY ON THE BOARD OF DIRECTORS

Per cent

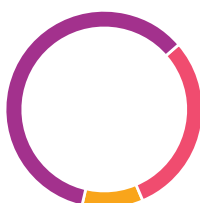
Professional background / experience / expertise *



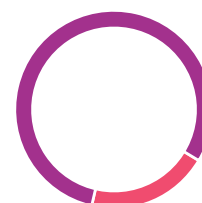
Nationality



Term of appointment



Gender



* More than one category may apply.

Statutory rules concerning the number of permitted activities

The Articles of Association contain a provision (article 33) concerning the maximum number of directorships that can be 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.

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 Baloise Holding met on five occasions in 2018. All members of the relevant committee in each case attended every one of the additional 15 committee meetings. This means that the Board of Directors achieved an overall meeting attendance rate of 99.1 per cent. Meetings of the Board of Directors and its committees usually last half a working day each.

The Chairman's Committee convened six times in 2018, 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 twice.

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.

Training and development

In preparation for their new role, the members of the Board of Directors participate in a two-day introductory programme and then receive ongoing training (at least once a year) in half-day seminars on specific topics. In 2018, the Board of Directors held a seminar for the purpose of training its members on value management at Baloise.

Succession planning

Succession planning for the Board of Directors and the Corporate Executive Committee is the responsibility of the Chairman's Committee. In appointing successors, care is taken to ensure that the composition of the Board of Directors is balanced in terms of the experience and knowledge of its members and their nationality, term of appointment and gender (see diversity charts on page 70). Any restrictions on availability and possible conflicts of interest arising from other mandates are also taken into account. In 2018, the Board of Directors changed the Organisational Regulations so that the term of appointment for members of the Board of Directors usually ends on the date of the Annual General Meeting that follows the member's 70th birthday (age limit). There are changes to the Board of Directors on an ongoing basis. In recent years, two members retired from the Board of Directors after terms of 18 and 17 years respectively. The average term of office is 5.2 years. The Chairman is currently the longest-serving member of the Board of Directors, having been in office for 19 years. The appointment of Christoph Mäder and Markus Neuhaus, who have been nominated for the Board of Directors (see page 69), would further increase the Board of Directors' experience with listed companies and in particular with industrial companies and auditing firms.

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 58 onwards and in the Financial Report starting on page 153.

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). 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.

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, and a member of the Advisory Board of Accenture Schweiz. 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 CUGB (Centre d'Urologie Générale Beaulieu). 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, degree in business economics HWV)

has been a member of the Board of Directors since 2014. He is the Deputy Head of Wealth Management at Bank Vontobel AG in Zurich. Before becoming a member of the Executive Committee and CEO of Notenstein La Roche Privatbank AG, St. Gallen, he was 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 November 2017, serving in that role for one year. On 5 December 2018, she was elected to the Swiss Federal Council, which resulted in her stepping down from the Board of Directors with effect from 31 December 2018. Until 31 December 2018, Karin Keller-Sutter sat on the boards of directors of the ASGA pension fund, Pensimo Fondsleitung AG and the Pensimo investment foundation, was Chairwoman of the Swiss Retail Federation and was a member of the executive committee of the Swiss Employers' Federation. She is an independent non-executive director.



Hugo Lasat (1964, Belgium, Master in Economic Sciences, Master in Finance) has sat on 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 and a member of the Financial Commission 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. Dr Thomas von Planta will step down from the Board of Directors of the Bellevue companies in March 2019 and has been nominated for the Board of Directors of BB Biotech AG. Previously, 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.



Hans-Jörg Schmidt-Trenz (1959, Germany, Prof. Dr rer. pol.) has been a member of the Board of Directors since 2018. He has been a professor of economics at Saarland University since 2000 and at the University of Hamburg since 2008 and has been President of the HSBA Hamburg School of Business Administration since 2004. From 1996 to 2017, he was Chief Executive Officer of the Hamburg Chamber of Commerce. Professor Hans-Jörg Schmidt-Trenz is also Chairman of the European Chief Executive Officers working group (since 2000), a member of the board of trustees of HASPA Hamburger Sparkasse (since 1997), a member of the advisory board of HanseMerkur (since 2015), a member of the General Council and Executive Committee of the International Chamber of Commerce (since 2014), a member of the Board of Directors of HIP Hamburg Innovation Port (since 2017) and a representative and counsellor of the Hamburg Chamber of Commerce (since 2017). Professor Hans-Jörg Schmidt-Trenz 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, a member of the Board of Directors of Banco Santander (Suisse) SA 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 in 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. He has been a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland since March 2011, and as such has headed up the insurance and banking business in Switzerland. Michael Müller is Vice President of the Swiss Insurance Association (SVV) and a member of the Board of Foundation of Stiftung Finanzplatz Basel and the Executive Board of the Association of Basel Insurance Companies. He also sits on the board of the Promotion Society of the Institute of Insurance Economics at the University of St. Gallen.



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 and Tax. He became Head of this division in 2001 and, in addition, was secretary to Baloise 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 Strategy and Digital Transformation, M & A, Group Human Resources, Legal and Tax, Group Compliance, Run-Off Business and Group Procurement. Dr Thomas Sieber serves on the panel of experts for the SWIPRA Foundation and until the end of March 2018 sat on the Board of Directors at EuroAirport Basel-Mulhouse-Freiburg.

Carsten Stolz (1968, Germany / Switzerland, Dr rer. pol.) 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 in 2002. 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 Basler Versicherungen, Switzerland. Dr Carsten Stolz became a member of the Corporate Executive Committee in May 2017. He manages the Corporate Division Finance with its departments Group Accounting & Reporting, Financial Planning & Analysis, Group Risk Management, Corporate Communications & Investor Relations and Corporate IT (as of 1 February 2019, a standalone corporate division headed up by Dr Alexander Bockelmann) as well as the appointed actuary for Swiss business at Baloise and the Head of Regulatory Affairs. Dr Carsten Stolz is a member of the Finance and Regulation Committee of the Swiss Insurance Association (SVV).



With effect from 1 February 2019:

Alexander Bockelmann (1974, Germany, Dr) will take charge of the newly created Corporate Division IT. He studied in Germany and the UK, before completing his doctorate at the University of Tübingen's faculty of geosciences. Dr Alexander Bockelmann is a proven expert in digitalisation and transformation, and has many years of experience in the industry. He previously worked as an IT strategy and transformation consultant at the Boston Consulting Group and in various senior roles at Allianz SE in Germany and the USA. At the end of 2013, he moved to UNIQA Insurance Group AG in Austria in the role of Group CIO and ultimately became Chief Digital Officer on the Management Board.

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.

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

www.baloise.com/corporate-executive-committee

Management structure

(as at: 31 December 2018)

GROUP CEO			
Gert De Winter*			
HEAD OF GROUP CEO OFFICE			
Ruken Baysal			
FINANCE	ASSET MANAGEMENT	CORPORATE CENTRE	IT¹
Carsten Stolz*	Matthias Henny*	Thomas Sieber*	Alexander Bockelmann* (from 1/2/2019)
Group Accounting & Reporting	Asset Strategy & Investment Controlling	Group Strategy & Digital Transformation	
Pierre Girard	Marc Dünki	Adrian Honegger	
Financial Planning & Analysis	Sales & Marketing	Mergers & Acquisitions	
Andreas Frick	Robert Antonietti	Philipp Hammel	
Group Risk Management	Portfolio Management	Group Human Resources	
Stefan Nölker	Stephan Kamps	Stephan Ragg	
Corporate Communications & Investor Relations	Operations	Group Legal & Tax	
Marc Kaiser	Bernd Maier	Andreas Burki	
Corporate IT (from 1/2/2019: part of the new Corporate Division IT)	Real Estate/CEO BIM	Group Compliance	
Olaf Romer	Dieter Kräuchi	Peter Kalberer	
Appointed Actuary Switzerland	Corporate Development & Compliance	Run-off	
Thomas Müller	Fabian Kaderli	Bruno Rappo	
Regulatory Affairs		Group Procurement	
Fabian Berger (from 1/3/2019: Gaby Lurie)		Manfred Schneider	

¹ The organisational structure of the newly created Corporate Division IT will be established during the course of the 2019.

* Member of the Corporate Executive Committee.

SWITZERLAND

Michael Müller*

**Product Management
 Corporate Clients**

Patric Olivier Zbinden

**Product Management
 Private Customers &
 Specialised Financial Services**

Wolfgang Prasser

Sales & Marketing

Bernard Dietrich

Baloise Bank SoBa

Jürg Ritz

Operations & IT

Clemens Markstein

Finance & Risk

Urs Bienz

Claims

Mathias Zingg

GERMANY

Jürg Schiltknecht

Life & Exclusive Distribution

Maximilian Beck

Finance & Asset Management

Julia Wiens

Non-Life

Christoph Willi

IT/Operations

Ralf Stankat

BELGIUM

Henk Janssen

**Risk, Compliance &
 Corporate Legal
 (from 1/1/2019: Risk,
 Compliance & Actuarial
 Function)**

Patrick Van De Sype
 (from 1/1/2019: Kathleen
 Vergote)

Non-Life Retail

Noël Pauwels

Non-Life Corporate & Marine

Joris Smeulders

ICT

Joris Smeulders

Life

Wim Kinnet

Finance & Procurement

Gert Vernailen

**Human Resources &
 General Services**

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 88 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 for 2018 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 SIX Swiss Exchange AG (version as at 20 March 2018) 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 114 onwards).

6. SHAREHOLDER PARTICIPATION RIGHTS

Voting rights

The share capital of Baloise Holding consists solely of uniform 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. Baloise 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 website.

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 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. Baloise 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. Baloise 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 Baloise Holding since 2016. Christian Fleig has held the post of auditor-in-charge since 2018. 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

	2017	2018
CHF (including outlays and VAT)		
Audit fees	5,637,503	5,431,077
Consulting fees	519,930	219,306
Total	6,157,433	5,650,383

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 2018, CHF 200,566 of the additional fees for consultancy services were attributable to tax consultancy and legal advice and CHF 18,740 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 (potential) shareholders, 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 available 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/maillinglist.

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
Markus Holtz
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 (0)58 285 81 81
markus.holtz@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

	Approved	2017 Paid out	Approved	2018 Paid out
CHF million				
Fixed remuneration of Board of Directors	3.3	3.3	3.3	3.3
Fixed remuneration of Corporate Executive Committee	4.5	5.0 ¹	4.0	4.0
Variable remuneration of Corporate Executive Committee	4.7	3.7	4.5	3.5

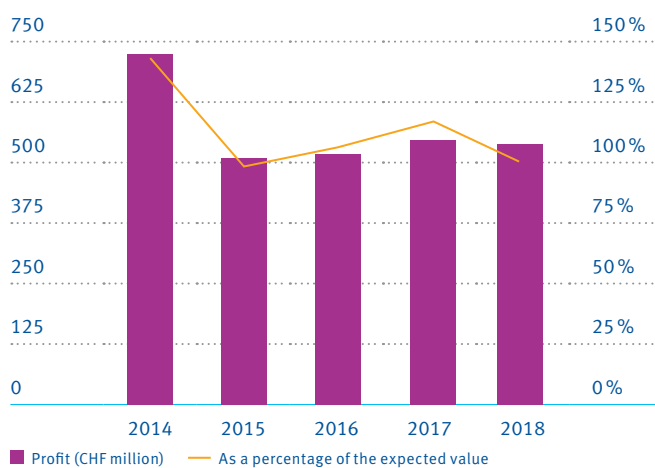
¹ Due to the changes to the Corporate Executive Committee, the sum paid exceeded the total amount originally requested, which is covered by the additional amount pursuant to article 30 of the Articles of Association of Baloise Holding Ltd.

REMUNERATION IN RELATION TO BUSINESS PERFORMANCE

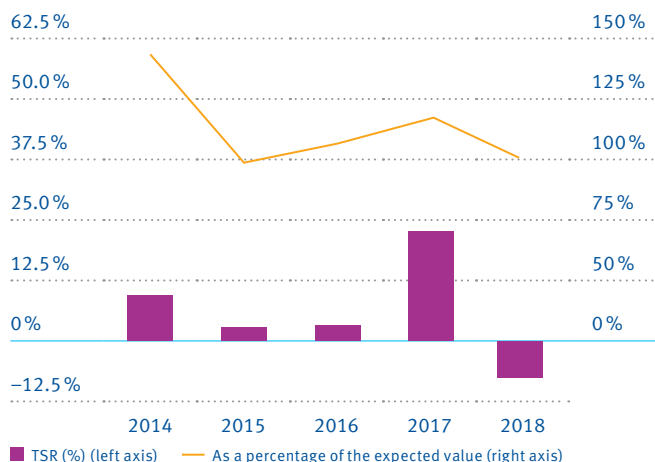
PERFORMANCE POOL

	2017	2018
Total performance pool ² for Corporate Executive Committee (CHF million)	2.3	2.0
Performance pool factor ² (%)	120 %	100 %

Profit vs performance pool factor²



Total shareholder return (TSR) vs performance pool factor²



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	2017	52%	29%	19%	CHF 2.192 million
Michael Müller	2018	55%	27%	18%	CHF 2.095 million
Dr Thomas Sieber	2017	52%	33%	15%	CHF 1.679 million
Dr Carsten Stolz ¹	2018	56%	27%	18%	CHF 1.579 million
Dr Matthias Henny ¹	2017	55%	28%	17%	CHF 1.479 million
German Egloff ²	2018	57%	26%	17%	CHF 1.442 million
Martin Wenk ²	2017	60%	31%	9%	CHF 0.779 million
	2018	58%	25%	17%	CHF 1.195 million
	2017	60%	28%	12%	CHF 0.786 million
	2018	57%	26%	17%	CHF 1.175 million
	2017	84%	16%		CHF 0.923 million
	2018				
	2017	85%	15%		CHF 0.997 million
	2018				

■ 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 Since 1 Mai 2017
² Until 30 October 2017

LONG-TERM VARIABLE REMUNERATION

Performance share units (PSUs)

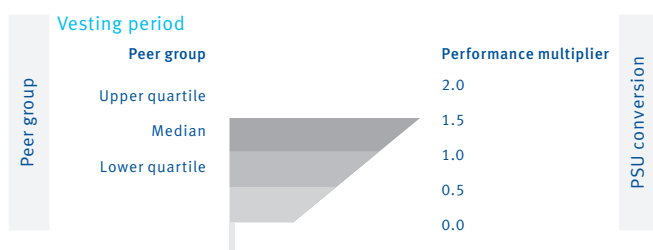
Long-term variable remuneration for members of the Corporate Executive Committee

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 0.0 and 2.0



2018 plan (ended)

Plan term 1 March 2015 – 28 February 2018

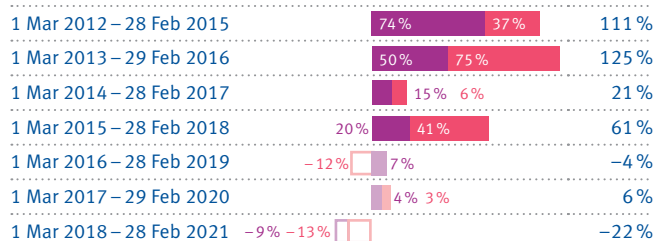


Profit for shareholders 1 March 2015 – 28 February 2018



Overview of ended and current plans (as at 31 December 2018)

2012 to 2018 plans



■ Share value at start of PSU programme
 ■ Change in share value during programme term
 ■ Dividend payments
 ■ Performance multiplier

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 Georges-Antoine de Boccard and Prof. Hans-Jörg Schmidt-Trenz were elected to the Remuneration Committee by the Annual General Meeting on 27 April 2018. 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 2017 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.

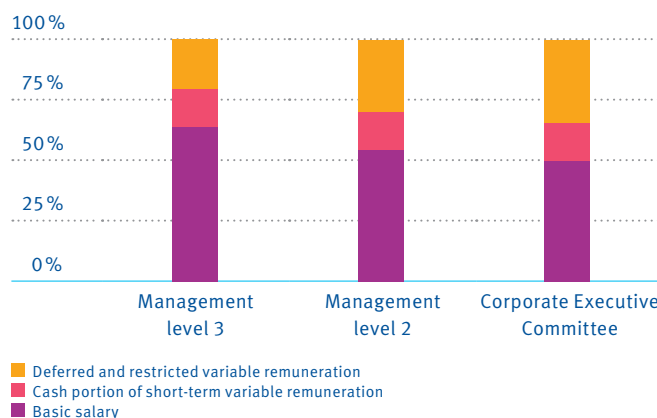
The Board of Directors used this Remuneration Guideline as the basis for the Remuneration Policy, which applies to all employees in Switzerland and, by analogy, to all members of staff throughout the Baloise Group. By adopting this Remuneration Guideline and Remuneration Policy, the Board of Directors 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 team targets and the contributions of individual employees with the Company's targets, which are derived from its strategic

priorities. The amount of the individually specified variable remuneration correlates with the individual contributions to the achievement of targets. The total remuneration package – which comprises basic salary and variable remuneration – offers a sophisticated way of linking the performance of the team and of individuals 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). Variable remuneration as a percentage of total compensation as well as the proportion of remuneration paid in the form of restricted shares (in the sense of a deferred compensation) increase accordingly.



Performance management system

In 2017, Baloise revised the performance management system for short-term variable remuneration that had been in place since 2011. 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.

The performance management system thus 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".

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

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, the performance of the team and an employee's individual contribution to the team's performance. The resulting link between the Company's profits and the performance of the team as well as the individual is designed to incentivise staff to achieve outstanding results and work towards the success of areas beyond their own sphere of responsibility. 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 91). 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").

From 2018, short-term variable remuneration will be based exclusively on 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**
The indicators are the three strategic goals set by Baloise for the period 2017 to 2021, comprising a cash upstream of CHF 2 billion into Baloise Holding, one million new customers and a rating as one of the best employers in the sector.
- ▶ **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 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 35 European insurance companies represented in the STOXX Europe 600 Insurance Index (the composition of this index is shown in the table on page 96).

The evaluations by the Head of Group Human Resources and others of strategy requirements that cannot be precisely measured and the assessments by the Chief Risk Officer and the Head of Group Compliance of the risks taken are also based on qualitative criteria and non-financial indicators such as the efforts made in respect of talent management and staff engage-

ment, senior managers' risk behaviour, compliance with procedures and regulations and the practising of a genuine compliance culture, and the effectiveness of the internal control system.

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 the achievement of targets (gauged by the extent to which the teams have achieved their targets and objectives and by the contributions of individual employees) as well as the conduct and behaviour of employees. 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.

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.

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.

In addition to the individual targets, the awarding of performance pool payments takes into account the contribution of each individual member of the Corporate Executive Committee to the achievement of the Company targets. The assessment of target achievement and the allocation of the performance pool is based on the reporting and the proposals made to the Remuneration Committee by the Chairman of the Board of Directors (for the CEO) and by the CEO (for the members of the Corporate Executive Committee). The Committee discusses each individual member, assessing their performance during the year under review and any changes compared to the prior year.

For the 2018 financial year the Remuneration Committee decided, on the basis of a positive overall assessment, on a factor of 100 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:

The Remuneration Committee conducts a detailed assessment of the Company's performance once a year on the basis



Main indicator	Strategy implementation
Key question	How successfully were the strategic targets implemented?
Sub-criteria	Cash upstream Customer growth Employees
Appraisal	Baloise is on schedule with its Simply Safe strategic phase and making good progress in respect of all three targets. In terms of moving closer to achieving the strategic objectives, it surpassed the interim targets for 2018 both for cash and for new customers. The cash upstream for 2018 was CHF 449 million (target for 2021: CHF 2 billion). The number of new customers increased by 186,000 to 304,000 (target to be achieved by 2021: one million additional customers). Baloise narrowly missed its target for employee ratings in the last financial year, although it made a significant improvement from the top 25 per cent to the top 23 per cent (target to be achieved by 2021: top 10 per cent of employers in the industry).
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	The Group's profit for the period was in line with expectations. Reserve strengthening in respect of a hospital liability insurance portfolio had an adverse effect. The combined ratio was reduced in all national units, with Germany performing particularly well. The figures were bolstered by the interest margin in life insurance, which was well above target.
Rating	Neutral

Main indicator	Risks taken
Key question	How should the operating performance be assessed from a risk perspective?
Sub-criteria	SST Economic Profit S&P rating Internal perspective Compliance
Appraisal	Baloise remains strongly positioned in the market despite the persistently difficult interest rate situation, as evidenced by the very good SST ratio and the S&P rating of A+ with a stable outlook. From a compliance perspective, events in 2018 were dominated by the introduction of the new European General Data Protection Regulation. All of the Company's business units broadly met the legal and regulatory requirements of the new legislation. No material compliance violations were identified in the year under review.
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 (TSR) for 2018 is – 7.46 per cent, slightly outperforming the Swiss equities market (SPI). In its peer group of companies on the STOXX® Europe 600 Insurance Index, Baloise is just below the median.
Rating	Neutral / Negative

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
2018	100%	522.9

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 (total shareholder return or TSR) relative to a peer group. This comparative performance multiplier has been revised for allocations of PSUs from 2018 onward and can now be anywhere between 0.0 and 2.0. The aim of this change was to anchor the performance-related pay principle even more firmly within the long-term variable remuneration structure. The peer group comprises the 35 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 the Baloise TSR performs in line with the median of the peer group. In this case the performance multiplier would be 1.0. Participants receive more shares in exchange for their PSUs if the Baloise TSR for the vesting period is higher than the TSRs of the peer group. The multiplier reaches the maximum of 2.0 if Baloise has the highest TSR of all companies in the peer

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2018)

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

Source: <http://www.stoxx.com/index-details?symbol= SXIP>

group. The multiplier amounts to 0 if the Baloise TSR is in the bottom quartile of companies in the peer group. If this happens, no prospective entitlements will be converted into shares. Consequently, the performance multiplier increases on a linear basis from the bottom quartile from 0.5 to 2.0. The performance multiplier is defined for the entire vesting period ended, based on the closing stock market prices on the final trading day of the respective vesting period and taking the dividend payments for the period into account.

Participants receive the pertinent number of shares once the vesting period has elapsed, which means that for the PSUs allocated in 2018 they receive their shares on 1 March 2021. 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 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 ³	
	Date	Price (CHF) ¹	Date	Multiplier	Price (CHF) ¹		Value (CHF) ²
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	125%
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	1.34	149.20	199.93	61%
2016	01.03.2016	126.00	01.03.2019	0.89 ⁴	135.40 ⁴	120.76 ⁴	-4% ⁴
2017	01.03.2017	130.70	01.03.2020	1.03 ⁴	135.40 ⁴	138.96 ⁴	6% ⁴
2018	01.03.2018	149.20	01.03.2021	0.86 ⁴	135.40 ⁴	116.44 ⁴	-22% 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: $\frac{((1.182 \times 86.05) - 125.80)}{125.80} \times 100 = -19\%$.

⁴ Interim measurement as at 31 December 2018.

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 2019 (applies to variable remuneration awarded for the 2018 reporting period)	10.01.2019	143.80	129.42
Share Subscription Plan for 2018 (applies to the variable remuneration granted for 2017 and to the shares subscribed by the Chairman and members of the Board of Directors in 2018)	10.01.2018	156.20	140.58

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 2019 (applies to variable remuneration awarded for the 2018 reporting period)	10.01.2019	143.80	125.44
Share Participation Plan for 2018 (applies to the variable remuneration granted for 2017 and to the shares subscribed by the Chairman of the Board of Directors in 2018)	10.01.2018	156.20	140.80

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.

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 Baloise 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

EMPLOYEE INCENTIVE PLAN

	2017	2018
Number of shares subscribed	176,252	186,489
Restricted until	31.08.2020	31.08.2021
Subscription price per share (CHF)	77.00	76.00
Value of shares subscribed (CHF million)	13.6	14.2
Fair value of subscribed shares on subscription date (CHF million)	26.9	27.8
Employees entitled to participate	3,146	3,254
Participating employees	2,007	2,130
Subscribed shares per participant (average)	87.8	87.6

in each subscription year. In 2018 the subscription price amounted to CHF 76.00 (2017: CHF 77.00) and a total of 186,489 shares were subscribed (2017: 176,252). 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 Baloise 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. 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.

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 104 and 105.

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 Corpo-

rate 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 106 to 109.

The short-term variable remuneration paid to the members of the Corporate Executive Committee is allocated from 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 Remuneration Committee decides on the performance pool payments awarded to the individual members of the Corporate Executive Committee, based on a proposal from the Chairman of the Board of Directors for the Group CEO and from the Group CEO for the other members of the Corporate Executive Committee. Each proposal is discussed individually at the Remuneration Committee meeting. The allocation is based on (a) the individual's contribution to achieving the strategic targets and (b) the achievement of the individual targets, which are divided into three categories:

- ▶ Team target: Collaboration across business units and national subsidiaries, and across all functions and departments, is assessed.
- ▶ Individual target: The individual's contribution to the team target is assessed; relevant key projects or focus topics for the member of the Corporate Executive Committee concerned are examined.
- ▶ Development and conduct target: The professional and / or personal development of each member of the Corporate Executive Committee is assessed, along with the extent to which they have set an example by putting the Baloise values into practice.

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.

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 Corporate Executive Committee members' remuneration is disclosed on pages 106 to 109 in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2018 even if individual components are not paid until a later date.

The total remuneration paid to the Corporate Executive Committee for 2018 was slightly lower overall than in the previous year (sum total of basic salary plus variable remuneration down by 12.9 per cent). The change can be explained as follows:

- ▶ The additional costs arising from the changes to the Corporate Executive Committee in 2017 were not repeated in 2018.
- ▶ The basic salaries and, consequently, also the expected values for the variable remuneration of the new Corporate Executive Committee members are lower than those of the outgoing members.
- ▶ The performance pool factor, which is relevant for the short-term variable remuneration, is lower than in the prior year (100 per cent compared to 120 per cent), which means the total allocated variable remuneration is lower.

The Annual General Meeting held on 28 April 2017 approved a maximum amount of CHF 4,043 million for the fixed remuneration (including pension contributions) payable to the Corporate Executive Committee for 2018. The amount paid out was CHF 3.994 million.

The Annual General Meeting held on 27 April 2018 also approved a maximum amount of CHF 4,463 million for the variable remuneration (including pension contributions) payable for 2018. A total of CHF 3,473 million was paid out, meaning that only around four-fifths of the approved sum was used.

On 1 March 2018, the performance share units allocated in 2015 were converted into shares. These PSUs had a value of CHF 1,626 million at the time of allocation. Excluding one-off items (forfeiture of rights following the resignation of a Corpo-

rate Executive Committee member), the total value of the shares granted in 2018 would have been CHF 2,682 million. The actual value of the shares granted was CHF 2,219 million.

13. LOANS AND CREDIT FACILITIES

Please refer to the table on page 110.

14. SHARES AND OPTIONS HELD

Please refer to the tables on pages 111 and 112.

15. AMOUNTS OF TOTAL REMUNERATION AND VARIABLE REMUNERATION

Please refer to the table on page 113.

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 113 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 2018 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

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
Audit and Risk 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 BOARD OF DIRECTORS

2018	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	311,895	2,217
Chairman of the Board of Directors		0					
Werner Kummer (until 27 April 2018)	62,500		139,167	0	139,167	69,447	494
Vice-Chairman of the Board of Directors		16,667					
Chairman's Committee		25,000					
Chair of the Audit and Risk Committee		35,000					
Dr Andreas Beerli	125,000		271,667	0	271,667	56,232	400
Vice-Chairman of the Board of Directors (since 27 April 2018)		33,333					
Chairman's Committee		50,000					
Audit and Risk Committee (until 27 April 2018)		16,667					
Chair of the Audit and Risk Committee (since 27 April 2018)		46,667					
Dr Georges-Antoine de Boccard	125,000		225,000	0	225,000	56,232	400
Investment Committee		50,000					
Remuneration Committee		50,000					
Christoph B. Gloor	125,000		225,000	5,966	230,966	56,232	400
Investment Committee		50,000					
Audit and Risk Committee		50,000					
Karin Keller-Sutter	125,000		175,000	5,966	180,966	43,720	311
Remuneration Committee		50,000					
Hugo Lasat	125,000		175,000	0	175,000	43,720	311
Investment Committee		50,000					
Dr Thomas von Planta	125,000		208,333	5,966	214,299	43,720	311
Chairman's Committee (since 27 April 2018)		33,333					
Audit and Risk Committee		50,000					
Thomas Pleines	125,000		245,000	9,798	254,798	61,152	435
Chair of the Remuneration Committee		70,000					
Chairman's Committee		50,000					
Prof. Dr Hans-Jörg Schmidt-Trenz (since 27 April 2018)	83,333		116,667	0	116,667	0	0
Remuneration Committee		33,333					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	125,000		175,000	5,966	180,966	43,720	311
Remuneration Committee (until 27 April 2018)		16,667					
Audit and Risk Committee (since 27 April 2018)		33,333					
Total for the Board of Directors	2,465,833	810,000	3,275,833	33,662	3,309,495	786,071	5,590

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 Kummer was elected before this change and therefore on the payment date in March 2018 received an additional two months' remuneration on top of the four months' remuneration he was due for 2018 (half each in shares and cash). This does not include the fee for Mr Kummer's service as Vice-Chairman of the Board of Directors, which was duly paid for the four-month period up to his resignation from the Board of Directors.

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 140.58, in line with the Share Subscription Plan). The Chairman of the Board of Directors received 1,109 shares in connection with the Share Subscription Plan (CHF 155,903, with a closed period of five years instead of the usual three years) and 1,108 shares under the Share Participation Plan (CHF 155,992).

Pension contributions The information disclosed for 2018 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		
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 are 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 (PSU)		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).

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	Basic salary		Cash payment		Share Subscription Plan		Share Participation Plan	
	Cash payment (fixed)	Cash payment	Number of shares	CHF	Number of shares	CHF		
2018	CHF	CHF	Number of shares	CHF	Number of shares	CHF		
Gert De Winter	950,000	285,017	2,202	284,983	0	0		
Group CEO								
Michael Müller	700,000	84,026	2,596	335,974	0	0		
Head of Corporate Division Switzerland								
Dr Thomas Sieber	621,000	67	1,727	223,508	1,188	149,025		
Head of Corporate Division Corporate Centre								
Dr Carsten Stolz	500,000	150,072	695	89,947	478	59,981		
Head of Corporate Division Finance								
Dr Matthias Henny	500,000	125	1,390	179,894	956	119,981		
Head of Corporate Division Asset Management								
Total for the Corporate Executive Committee	3,271,001	519,307	8,610	1,114,306	2,623	328,987		

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 2018 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 129.42.

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 125.44.

Performance share units (PSUs) These have been disclosed at their value of CHF 149.70 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.

Performance share units (PSUs)		Total variable remuneration		Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Pension contributions	Total remuneration
Granted in 2018								
Number of PSUs	CHF	Number of shares	CHF	CHF		CHF	CHF	CHF
2,539	380,088	2,202	950,088	1,900,088	100 %	0	194,871	2,094,959
1,871	280,089	2,596	700,089	1,400,089	100 %	4,910	174,338	1,579,337
1,660	248,502	2,915	621,102	1,242,102	100 %	4,910	194,871	1,441,883
1,337	200,149	1,173	500,149	1,000,150	100 %	4,910	189,966	1,195,026
1,337	200,149	2,346	500,149	1,000,150	100 %	4,910	169,966	1,175,026
8,744	1,308,977	11,233	3,271,577	6,542,578	100 %	19,640	924,011	7,486,229

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).

**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	
	2017	2018	2017	2018	2017	2018	2017	2018
CHF								
Dr Andreas Burckhardt								
Chairman	0	0	2,623,673	2,623,451	0	0	2,623,673	2,623,451
Werner Kummer (until 27 April 2018)								
Vice-Chairman	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								
Member	0	0	0	0	0	0	0	0
Thomas Pleines								
Member	0	0	0	0	0	0	0	0
Prof. Dr Hans-Jörg Schmidt- Trenz (since 27 April 2018)								
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	2,623,673	2,623,451	0	0	2,623,673	2,623,451
Corporate Executive Committee member with the highest outstanding loan								
Dr Thomas Sieber								
Head of Corporate Division Corporate Centre	660,000	660,000	1,690,895	1,793,515	0	0	2,350,895	2,453,515
Other members of the Corporate Executive Committee	2,200,000	1,500,000	3,145,165	1,826,741	0	0	5,345,165	3,326,741
Total for the Corporate Executive Committee	2,860,000	2,160,000	4,836,060	3,620,256	0	0	7,696,060	5,780,256

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 (2018: 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	
	2017	2018	2017	2018	2017	2018	2017	2018
Quantity								
Dr Andreas Burckhardt								
Chairman	19,543	24,452	36,367	33,542	55,910	57,994	0.115%	0.119%
Werner Kummer (until 27 April 2018)								
Vice-Chairman	5,787	–	2,949	–	8,736	–	0.018%	–
Dr Andreas Beerli (until 28 April 2017)								
Member	4,508	–	1,379	–	5,887	–	0.012%	–
Dr Andreas Beerli								
Member	1,808	2,298	2,487	2,397	4,295	4,695	0.009%	0.010%
Dr Georges-Antoine de Boccard								
Member	1,686	3,176	2,487	2,397	4,173	5,573	0.009%	0.011%
Christoph B. Gloor								
Member	7,312	7,693	2,264	2,283	9,576	9,976	0.020%	0.020%
Karin Keller-Sutter								
Member	425	806	2,156	2,086	2,581	2,892	0.005%	0.006%
Hugo Lasat								
Member	0	0	1,375	1,686	1,375	1,686	0.003%	0.003%
Dr Thomas von Planta								
Member	111	439	1,000	1,311	1,111	1,750	0.002%	0.004%
Thomas Pleines								
Member	1,141	1,631	2,530	2,475	3,671	4,106	0.008%	0.008%
Prof. Dr Hans-Jörg Schmidt- Trenz (since 27 April 2018)								
Member	–	0	–	1,000	–	1,000	–	0.002%
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen								
Member	0	0	1,375	1,686	1,375	1,686	0.003%	0.003%
Total for the Board of Directors	42,321	40,495	56,369	50,863	98,690	91,358	0.202%	0.187%
Percentage of issued share capital	0.087%	0.083%	0.116%	0.104%	0.202%	0.187%		

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 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)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Quantity										
Gert De Winter										
Group CEO	16,246	19,206	4,578	5,735	20,824	24,941	0.043 %	0.051 %	7,340	8,471
Michael Müller										
Head of Corporate Division Switzerland	16,816	18,863	7,585	8,154	24,401	27,017	0.050 %	0.055 %	5,847	5,630
Dr Thomas Sieber										
Head of Corporate Division Corporate Centre	6,100	8,167	21,435	20,601	27,535	28,768	0.056 %	0.059 %	5,741	5,351
Dr Carsten Stolz										
Head of Corporate Division Finance	1,500	3,293	1,870	2,314	3,370	5,607	0.007 %	0.011 %	2,351	2,862
Dr Matthias Henny										
Head of Corporate Division Asset Management	9,264	7,247	22,928	21,236	32,192	28,483	0.066 %	0.058 %	3,236	3,417
German Egloff (until 30 October 2017)										
Head of Corporate Division Finance	966	-	18,349	-	19,315	-	0.040 %	-	4,406	-
Martin Wenk (until 30 October 2017)										
Head of Corporate Division Asset Management	3,685	-	8,915	-	12,600	-	0.026 %	-	4,406	-
Total for the members of the Corporate Executive Committee	54,577	56,776	85,660	58,040	140,237	114,816	0.287 %	0.235 %	33,327	25,731
Percentage of issued share capital	0.112 %	0.116 %	0.176 %	0.119 %	0.287 %	0.235 %				

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 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 2016, 1 March 2017 and 1 March 2018).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

	2017				2018			
	In cash	In shares	Prospective entitlements	Total	In cash	In shares	Prospective entitlements	Total
Total remuneration								
CHF million	735.7	5.6	4.7	746.0	726.9	5.2	5.0	737.1
Total variable remuneration (total pool)								
CHF million	155.3	5.6	4.7	165.6	146.8	5.2	5.0	157.0
Number of beneficiaries	5,237	138	65		4,931	184	67	
Of which commission paid to insurance sales force								
CHF million	105.5	0.0	0.0	105.5	104.8	0.0	0.0	104.8
Of which other forms of variable remuneration								
CHF million	47.3	5.6	4.7	57.6	40.0	5.2	5.0	50.3
Total outstanding deferred remuneration								
CHF million	0.0	103.5	14.6	118.1	0.0	92.7	14.7	107.4
Debits / credits for remuneration for previous reporting periods recognised in profit or loss								
CHF million	-0.2	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.2
Total inducement payments made								
CHF million	0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Number of beneficiaries	5	0	0		6	0	0	
Total severance payments made								
CHF million	2.3	0.0	0.0	2.3	5.4	0.0	0.0	5.4
Number of beneficiaries	52	0	0		44	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 Basle

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

To the General Meeting of
Baloise Holding AG, Basel

Basel, 22 March 2019

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Baloise Holding AG for the year ended 31 December 2018.



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. 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 accompanying 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 the Ordinance.

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 the Ordinance. The procedures selected depend on the auditor's judgment, 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.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Baloise Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

A handwritten signature in black ink, appearing to be 'C Fleig'.

Christian Fleig
Licensed audit expert
(Auditor in charge)

A handwritten signature in black ink, appearing to be 'P Schwaller'.

Patrick Schwaller
Licensed audit expert

Financial Report

Consolidated balance sheet	118	25. Financial liabilities	243
Consolidated income statement	120	26. Non-technical provisions	244
Consolidated statement of comprehensive income	121	27. Insurance liabilities	244
Consolidated cash flow statement	122		
Consolidated statement of changes in equity	124		
NOTES TO THE CONSOLIDATED		NOTES TO THE CONSOLIDATED	
ANNUAL FINANCIAL STATEMENTS	126	INCOME STATEMENT	245
1. Basis of preparation	126	28. Premiums earned and policy fees	245
2. Application of new financial reporting standards	126	29. Income from investments for	
3. Consolidation principles and accounting policies	130	own account and at own risk	245
4. Key accounting judgements,		30. Realised gains and losses on investments	246
estimates and assumptions	150	31. Income from services rendered	249
5. Management of insurance risk and financial risk	153	32. Other operating income	249
6. Basis of consolidation	196	33. Classification of expenses	250
7. Information on operating segments		34. Personnel expenses	250
(segment reporting)	197	35. Gains or losses on financial contracts	251
		36. Income taxes	252
		37. Earnings per share	253
		38. Other comprehensive income	254
NOTES TO THE CONSOLIDATED BALANCE SHEET	202	OTHER DISCLOSURES	256
8. Property, plant and equipment	202	39. Acquisition and disposal of companies	256
9. Intangible assets	204	40. Related party transactions	258
10. Investments in associates	207	41. Remuneration paid to the Board of Directors	
11. Investment property	209	and the Corporate Executive Committee	258
12. Financial assets	209	42. Contingent and future liabilities	259
13. Mortgages and loans	214	43. Operating leases	262
14. Derivative financial instruments	215	44. Claim payments received from	
15. Receivables	217	non-Group insurers	263
16. Reinsurance assets	217	45. Significant subsidiaries, joint ventures	
17. Receivables from reinsurers	218	and associates	264
18. Employee benefits	219	46. Changes to shareholdings	266
19. Deferred income taxes	228	47. Structured entities	266
20. Other assets	230	48. Joint arrangements	266
21. Non-current assets and disposal groups		49. Events after the balance sheet date	266
classified as held for sale	231		
22. Share capital	232		
23. Technical reserves (gross)	233	REPORT OF THE STATUTORY AUDITOR	
24. Liabilities arising from banking business		TO THE ANNUAL GENERAL MEETING OF	
and financial contracts	242	BÂLOISE HOLDING LTD, BASEL	268

Consolidated balance sheet

	Note	31.12.2017	31.12.2018
CHF million			
Assets			
Property, plant and equipment	8	353.3	318.3
Intangible assets	9	1,002.5	1,041.2
Investments in associates	10	138.4	221.1
Investment property	11	7,480.3	7,904.0
Financial instruments with characteristics of equity	12		
Available for sale		4,402.9	3,657.0
Recognised at fair value through profit or loss		11,472.0	10,481.0
Financial instruments with characteristics of liabilities	12		
Held to maturity		8,488.9	8,002.5
Available for sale		24,870.1	23,771.4
Recognised at fair value through profit or loss		2,001.1	2,001.2
Mortgages and loans	13		
Carried at cost		15,791.7	15,470.5
Recognised at fair value through profit or loss		776.8	925.8
Derivative financial instruments	14	800.4	914.8
Receivables from financial contracts	15		
Carried at cost		3.0	–
Reinsurance assets	16	468.3	457.2
Receivables from reinsurers	17	38.2	41.9
Insurance receivables		444.1	433.3
Receivables from employee benefits	18	3.3	7.3
Other receivables	15	403.1	325.7
Receivables from investments	15	440.9	406.9
Deferred tax assets	19	88.8	73.5
Current income tax assets		43.6	61.1
Other assets	20		
Carried at cost		349.1	248.9
Recognised at fair value through profit or loss		70.5	54.1
Cash and cash equivalents		3,551.6	4,036.1
Non-current assets and disposal groups classified as held for sale	21	1,041.1	–
Total assets		84,523.9	80,854.8

	Note	31.12.2017	31.12.2018
CHF million			
Equity and liabilities			
Equity			
Share capital	22	4.9	4.9
Capital reserves		346.2	352.3
Treasury shares		-152.3	-291.8
Unrealised gains and losses (net)		-4.3	-515.4
Retained earnings		6,151.7	6,420.5
Equity before non-controlling interests		6,346.2	5,970.6
Non-controlling interests		63.0	37.6
Total equity		6,409.2	6,008.2
Liabilities			
Technical reserves (gross)	23	48,008.5	46,575.2
Liabilities arising from banking business and financial contracts	24		
With discretionary participation features		2,814.2	2,924.7
Measured at amortised cost		7,628.8	6,997.5
Recognised at fair value through profit or loss		12,253.6	11,616.9
Financial liabilities	25	1,742.9	1,744.5
Non-technical provisions	26	49.0	63.7
Derivative financial instruments	14	145.3	117.3
Insurance liabilities	27	1,706.3	1,829.8
Liabilities arising from employee benefits	18	1,394.4	1,220.7
Other accounts payable		593.1	675.9
Deferred tax liabilities	19	922.4	907.8
Current income tax liabilities		81.5	67.4
Other liabilities		131.1	105.1
Liabilities included in non-current assets and disposal groups classified as held for sale	21	643.6	-
Total liabilities		78,114.7	74,846.6
Total equity and liabilities		84,523.9	80,854.8

Consolidated income statement

	Note	2017	2018
CHF million			
Income			
Premiums earned and policy fees (gross)	28	6,726.4	6,737.0
Reinsurance premiums ceded	28	-183.4	-209.0
Premiums earned and policy fees (net)	28	6,542.9	6,528.0
Investment income	29	1,392.5	1,376.0
Realised gains and losses on investments			
For own account and at own risk	30	427.8	96.1
For the account and at risk of life insurance policyholders and third parties	30	696.5	-1,087.8
Income from services rendered	31	116.9	130.4
Share of profit (loss) of associates		5.5	6.2
Other operating income	32	235.0	227.6
Income		9,417.1	7,276.6
Expense			
Claims and benefits paid (gross)		-5,726.5	-5,904.4
Change in technical reserves (gross)		-535.0	412.4
Reinsurers' share of claims incurred		80.8	83.3
Acquisition costs	33	-482.1	-535.8
Operating and administrative expenses for insurance business	33	-765.8	-810.8
Investment management expenses	33	-77.2	-82.2
Interest expenses on insurance liabilities		-21.9	-19.2
Gains or losses on financial contracts	35	-613.4	801.2
Other operating expenses	33	-591.8	-483.6
Expense		-8,733.0	-6,539.1
Profit before borrowing costs and taxes		684.1	737.5
Borrowing costs	25	-34.3	-39.9
Profit before taxes		649.8	697.6
Income taxes	36	-117.9	-174.7
Profit for the period		531.9	522.9
Attributable to:			
Shareholders		548.0	523.2
Non-controlling interests		-16.1	-0.3
Earnings / loss per share			
Basic (CHF)	37	11.50	11.14
Diluted (CHF)		11.48	11.12

Consolidated statement of comprehensive income

	2017	2018
CHF million		
Profit for the period	531.9	522.9
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	-0.7	4.6
Other Items not to be reclassified to the income statement	1.3	9.6
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	72.4	118.5
Change arising from shadow accounting	9.9	-7.7
Deferred income taxes	-21.4	-26.7
Total items not to be reclassified to the income statement	61.6	98.3
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	-182.5	-909.1
Change in unrealised gains and losses on associates	7.5	-3.8
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	78.1	-7.7
Change in reserves arising from reclassification of held-to-maturity financial assets	-2.5	-0.7
Change arising from shadow accounting	197.0	271.0
Exchange differences	119.3	-52.5
Deferred income taxes	38.1	116.2
Total items to be reclassified to the income statement	255.1	-586.6
Other comprehensive income	316.6	-488.3
Comprehensive income	848.5	34.7
Attributable to:		
Shareholders	863.4	21.8
Non-controlling interests	-14.9	12.9

Consolidated cash flow statement

	Note	2017	2018
CHF million			
Cash flow from operating activities			
Profit before taxes		649.8	697.6
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8 / 9	82.7	67.1
Realised gains and losses on property, plant and equipment and on intangible assets		-6.4	-0.9
Income from investments in associates		-5.5	-6.2
Realised gains and losses on financial assets, investment property and associates		-1,087.2	981.0
Amortised cost valuation of financial instruments		7.9	6.4
Change in assets and liabilities from operating activities			
Deferred Acquisition Costs	9	-81.7	-25.8
Technical reserves		405.2	-501.4
Reinsurers' share of technical reserves		-17.9	-5.0
Receivables and liabilities arising from banking business and financial contracts		1,872.4	-744.7
Receivables from investments		27.8	26.5
Receivables and liabilities arising from insurance business and from reinsurers		72.0	140.4
Change in other assets and other liabilities from operating activities		102.0	581.9
Change in operating assets and liabilities			
Purchase of investment property	11	-567.2	-407.5
Sale of investment property	11	157.7	69.6
Purchase of financial assets of an equity nature		-3,562.6	-3,720.8
Sale of financial assets of an equity nature		3,739.0	3,883.7
Purchase of financial assets of a debt nature		-6,538.7	-6,160.9
Sale of financial assets of a debt nature		5,969.7	6,541.7
Addition of mortgages and loans		-2,972.1	-2,446.7
Disposal of mortgages and loans		2,768.5	2,499.2
Addition of derivative financial instruments		-453.4	-376.5
Disposal of derivative financial instruments		62.4	130.6
Borrowing costs	25	34.3	39.9
Taxes paid		-90.1	-136.5
Cash flow from operating activities		568.6	1,132.6

	Note	2017	2018
CHF million			
Cash flow from investing activities			
Purchase of property, plant and equipment	8	-21.7	-32.3
Sale of property, plant and equipment		8.4	5.8
Purchase of intangible assets	9	-27.6	-51.1
Sale of intangible assets		0.1	1.9
Acquisition of companies, net of cash and cash equivalents	39	-250.4	-0.5
Disposal of companies, net of cash and cash equivalents	39	37.7	15.0
Purchase of investments in associates		-	-87.8
Sale of investments in associates		-	-
Dividends from associates		5.5	6.5
Cash flow from investing activities		-247.9	-142.4
Cash flow from financing activities			
Additions to financial liabilities	25	496.5	-
Disposals of financial liabilities	25	-225.0	-
Borrowing costs paid	25	-30.9	-35.9
Purchase of treasury shares		-101.9	-192.0
Sale of treasury shares		91.9	58.5
Cash flow attributable to non-controlling interests		-0.3	-8.3
Dividends paid		-248.5	-264.0
Cash flow from financing activities		-18.2	-441.7
Total cash flow		302.5	548.4
Cash and cash equivalents			
Balance as at 1 January		3,173.3	3,551.6
Change during the financial year		302.5	548.4
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		124.5	-63.9
Balance as at 31 December		3,551.6	4,036.1
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,133.2	2,543.5
Cash equivalents		0.1	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,418.3	1,492.6
Balance as at 31 December		3,551.6	4,036.1
Of which: restricted cash and cash equivalents		77.1	184.8
Supplemental disclosures on cash flow from operating activities			
Interest received		749.7	705.2
Dividends received		98.4	93.2
Interest paid		-40.5	-27.5

Consolidated statement of changes in equity

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		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		4.9	346.2	-152.3	-4.3	6,151.7	6,346.2	63.0	6,409.2

2018	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		4.9	346.2	-152.3	-4.3	6,151.7	6,346.2	63.0	6,409.2
Profit for the period		-	-	-	-	523.2	523.2	-0.3	522.9
Other comprehensive income	38	-	-	-	-511.0	9.6	-501.4	13.1	-488.3
Comprehensive income		-	-	-	-511.0	532.9	21.8	12.9	34.7
Other changes in equity									
Dividend		-	-	-	-	-264.0	-264.0	-8.3	-272.4
Capital increase / repayment	22	-	-	-	-	-	-	-	-
Purchase of treasury shares		-	-14.1	-177.9	-	-	-192.0	-	-192.0
Sale of treasury shares		-	20.1	38.4	-	-	58.5	-	58.5
Cancellation of (treasury) shares		-	-	-	-	-	-	-	-
Increase / decrease in non-controlling interests due to change in the scope of consolidation	39	-	-	-	-	-	-	-29.4	-29.4
Increase / decrease in non-controlling interests due to change in the percentage of shareholding	6	-	-	-	-	-	-	-0.5	-0.5
Balance as at 31 December		4.9	352.3	-291.8	-515.4	6,420.5	5,970.6	37.6	6,008.2

Notes to the consolidated annual financial statements

Basis of presentation

1. BASIS OF PREPARATION

The Baloise Group is a European direct insurer comprising ten 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 SIX Swiss Exchange. 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. 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 22 March 2019 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.

2. APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND RESTATEMENTS

2.1 Newly applied IFRSs and interpretations

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 (Revenue), IAS 11 (Construction Contracts) and a number of other revenue-related interpretations for annual periods from 2018 on. 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 was used for first-time adoption, which means no prior-period figures have to be restated. Due to the exemptions for insurance contracts and financial instruments, there is no material effect on the consolidated financial statements.

IFRS 9 Financial Instruments (deferral approach selected until 31 December 2021)

The Baloise Group is utilising the temporary exemption from IFRS 9 in connection with the amendments to IFRS 4 Insurance Contracts. It qualifies for a temporary exemption from IFRS 9 because liabilities relating to the insurance business constituted 87 per cent of the total carrying amount of all liabilities as at 31 December 2015 (CHF 63.7 billion of totally CHF 73.3 billion). There have been no changes to business activities since then, so 31 December 2015 continues to be the relevant date for calculating the proportion of liabilities relating to the insurance business. The qualitative factors within the meaning of IFRS 4.20 F b) are, firstly, Baloise's assignment to the STOXX Europe 600 Insurance Index under stock-market law and, secondly, Bâloise Holding AG's regulatory categorisation by FINMA as an insurance group.

By opting to apply the temporary exemption, the Baloise Group is adopting the deferral approach, which enables it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 2022. Until these standards are adopted, there will be no effect on profit for the period or on balance sheet line items.

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Voluntarily measured at amortised cost or fair value through other comprehensive income under IFRS 9			Mandatorily measured at fair value through profit or loss under IFRS 9		
	Carrying amount	Fair value	Change in fair value balance compared with	Carrying amount	Fair value	Change in fair value balance compared with
31.12.	2018	2018	2017	2018	2018	2017
CHF million						
Financial instruments with characteristics of equity						
Equities	-	-	-	1,700.2	1,700.2	-927.3
Equity funds	-	-	-	104.0	104.0	14.9
Mixed funds	-	-	-	323.6	323.6	40.6
Bond funds	-	-	-	95.4	95.4	-28.2
Real estate funds	-	-	-	611.4	611.4	101.1
Private equity	-	-	-	783.0	783.0	63.6
Hedge funds	-	-	-	370.6	370.6	-22.5
Financial instruments with characteristics of liabilities						
Public corporations	18,423.1	19,700.0	-541.1	15.0	15.0	-1.9
Industrial enterprises	6,549.2	6,549.3	-1,275.1	106.3	106.3	85.9
Financial institutions	6,635.7	6,709.0	-24.1	59.5	59.5	-11.4
Other	10.0	10.8	-0.1	-	-	-0.2
Mortgages and loans						
Mortgages	10,724.9	11,127.8	114.0	-	-	-
Promissory notes and registered bonds	4,318.0	4,644.8	-402.2	4.5	4.6	-24.8
Time deposits	952.0	952.0	11.2	-	-	-
Employee loans	28.2	28.7	1.5	-	-	-
Reverse repurchase agreements	-	-	-	-	-	-
Other loans	218.7	226.6	20.7	17.7	16.8	-14.1
Derivative financial instruments						
Interest rate instruments	-	-	-	284.7	284.7	41.0
Equity instruments	-	-	-	61.8	61.8	10.8
Foreign currency instruments	-	-	-	107.4	107.4	39.7
Receivables						
Receivables from financial contracts	-	-	-3.0	-	-	-
Other receivables	325.7	327.9	-75.6	-	-	-
Receivables from investments	406.9	406.9	-33.9	-	-	-
Cash and cash equivalents	2,543.5	2,543.5	410.3	-	-	-

**CREDIT RATINGS OF FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK AT AMORTISED COST
OR FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME UNDER IFRS 9**

as at 31.12.2018	AAA	AA	A	BBB	Lower than BBB or no rating	Carrying amount	Impairment	Fair Value lower than BBB or no rating
CHF million								
Financial assets of a debt nature								
Public corporations	6,362.4	9,257.2	1,579.9	941.9	281.7	18,423.1	–	281.7
Industrial enterprises	181.1	763.9	2,617.5	1,624.2	1,362.5	6,549.2	–1.2	1,362.5
Financial institutions	4,823.6	456.0	867.7	233.9	254.5	6,635.7	–0.7	254.5
Other	–	10.0	–	–	–	10.0	–	–
Mortgages and loans								
Mortgages	115.6	909.3	8,777.5	813.9	108.6	10,724.9	–18.8	118.5
Promissory notes and registered bonds	1,951.8	2,079.8	61.1	62.1	163.2	4,318.0	–	170.1
Time deposits	–	25.9	–	67.5	858.5	952.0	–	858.6
Employee loans	–	–	–	–	28.2	28.2	0.0	28.7
Reverse repurchase agreements	–	–	–	–	–	–	–	–
Other loans	5.0	25.4	122.4	22.7	43.2	218.7	–0.9	44.8
Other receivables								
Receivables from financial contracts	–	–	–	–	–	–	–	–
Other receivables	2.2	19.8	104.7	18.3	180.7	325.7	–1.3	180.7
Receivables from investments	120.5	97.9	36.5	25.0	127.1	406.9	–1.2	127.1
Cash and cash equivalents	970.9	422.4	576.5	41.8	531.8	2,543.5	–	531.8

The carrying amount of the financial asset before impairment pursuant to IFRS 4.39 G a) is obtained by adding together the carrying amounts and impairment losses shown in the table above.

2.2 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 2018 consolidated annual financial statements:

Standard / Interpretation	Content	Applicable to annual periods beginning on or after
IFRS 16	Leases	1.1.2019
IFRS 9	Financial instruments	1.1.2022 ¹
IFRS 17	Insurance contracts	1.1.2022 ¹

¹ Decision by the IASB on 14 November 2018 to postpone introduction by one year. The decision to take the deferral approach means that IFRS 9 will be adopted for the first time simultaneously with IFRS 17 on 1 January 2022.

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. 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. The modified retrospective method is being used for first-time adoption.

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. Equity is not affected by the application of this standard.

There will also be immaterial changes to the presentation of the income statement and cash flow statement because borrowing costs and depreciation, amortisation and impairment will be affected. No material effect on the profit for the period is expected.

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.

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 2022.

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 2022. Rather than changing the business model of insurers, IFRS 17 affects their reporting. The most important changes relate to the methodology for measuring contracts. 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 Baloise 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 CHF millions, 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	
	31.12.17	31.12.18	Ø 2017	Ø 2018
CHF				
1 EUR (euro)	1.17	1.13	1.11	1.16
1 USD (US dollar)	0.97	0.98	0.98	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 property 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 (incl. internally developed assets), external IT consulting (in connection with software that has been developed) 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 other comprehensive income. 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 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 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 "other comprehensive income" 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 – if applicable – are disclosed in chapter 21.

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 Baloise 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), Baloise Holding Ltd share options, gains and losses on the purchase and sale of treasury shares and embedded options in Baloise Holding Ltd convertible bonds.

3.16.3 Treasury shares

Treasury shares held either by Baloise 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 Baloise 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 Baloise 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, Germany and Belgium. 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 (LAT)

A 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

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 Baloise 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 Non-technical provisions

Non-technical 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 over a particular period of time, because the customer receives the benefit of the service provided by the Baloise Group while he or she is using it.

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 Non-technical provisions

The measurement of non-technical 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 9.1. 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). 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 bank. 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.

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 and in Bad Homburg (Germany) and by 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 450 million.

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		Operational Risks		Leadership and Information Risks	
Change in Standards		IT Risks		Organizational Structure	
Competition Risks		<ul style="list-style-type: none"> ▶ IT Governance ▶ IT Architecture ▶ IT Operations ▶ Cyber Security 		Corporate Culture	
External Events		HR Risks <ul style="list-style-type: none"> ▶ Skills/Capacities ▶ Availability of Knowledge ▶ Incentive System 		Business Strategy <ul style="list-style-type: none"> ▶ Business Portfolio ▶ Risk Steering 	
Investors		Legal Risks <ul style="list-style-type: none"> ▶ Contracts ▶ Liability and Litigations ▶ Tax 		Merger and Acquisitions External Communication <ul style="list-style-type: none"> ▶ External Reporting ▶ Reputation Management 	
		Compliance		Financial Statements, Forecast, Planning	
		Business Processes <ul style="list-style-type: none"> ▶ Process Risks ▶ Project Risks ▶ In-/Outsourcing 		Project Portfolio	
		Risk Analysis and Risk Reporting <ul style="list-style-type: none"> ▶ Risk Analysis and Risk Assessment ▶ Risk Reporting 		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 2018, 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 4,164.1 million (2017: CHF 4,600.2 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 317.5 million (2017: CHF 349.3 million) in claims payments (after taxes) before reinsurance.

In 2018, Baloise's run-off portfolio consisted of two subportfolios: an older portfolio with reserves, the majority of which comprise obligations that the Baloise Group entered into up to the start of the 1990s in the London market, and a new portfolio formed in 2018 for the hospital liability business in Germany. The sensitivities of the two portfolios are analysed separately. The "London market" portfolio is mainly affected by 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 5.9 million after taxes and before reinsurance (2017: CHF 6.0 million) for this reserve.

The hospital liability business in Germany was discontinued in 2018 and transferred to the Group's run-off portfolio. In the calculation of claims reserves for this portfolio, Baloise is guided by the relevant study from 2017 published by the German Insurance Association (GDV) because it has insufficient claims data of its own. The current gross claims reserves amount to CHF 301.5 million. The constantly changing level of claims in this sector makes it extremely difficult to estimate the total expense. However, assuming variation of 10 per cent (as used for the other part of the run-off), the effect would be around CHF 20.9 million after taxes and before reinsurance.

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										Total	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
CHF million												
At the end of the year in which the claims occurred	690.7	723.1	777.9	732.2	768.5	733.6	707.8	704.8	729.5	759.4		–
One year later	670.6	685.4	736.5	751.1	768.2	715.7	667.8	689.5	728.9	–		–
Two years later	657.4	675.1	731.0	736.9	764.1	701.2	657.6	675.0	–	–		–
Three years later	641.0	666.9	729.1	726.3	764.7	695.9	650.9	–	–	–		–
Four years later	634.4	659.6	722.7	717.0	756.3	688.5	–	–	–	–		–
Five years later	638.6	653.0	717.3	710.5	752.1	–	–	–	–	–		–
Six years later	632.8	650.4	701.6	705.9	–	–	–	–	–	–		–
Seven years later	617.2	641.8	701.2	–	–	–	–	–	–	–		–
Eight years later	615.0	629.5	–	–	–	–	–	–	–	–		–
Nine years later	608.5	–	–	–	–	–	–	–	–	–		–
Estimated claims incurred	608.5	629.5	701.2	705.9	752.1	688.5	650.9	675.0	728.9	759.4		6,899.9
Claims paid	–567.0	–581.0	–627.3	–640.0	–678.3	–613.5	–577.4	–591.4	–580.6	–397.4		–5,854.0
Gross claims reserves	41.5	48.5	73.9	65.9	73.8	75.0	73.5	83.6	148.3	362.0		1,046.0
Gross claims reserves prior to 2009 (including large claims and assumed business)												400.7
Gross provision for annuities (non-life, including IBNR)												745.1
Reinsurers' share												–46.8
Net claims reserves												2,145.0

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										Total	
	2009	2010	2011	2012	2013*	2014*	2015*	2016*	2017*	2018*		
EUR million												
At the end of the year in which the claims occurred	288.0	302.5	290.8	297.4	367.7	306.0	303.2	318.6	340.5	345.5		–
One year later	286.4	299.7	297.6	298.4	370.3	316.1	304.9	314.3	331.2	–		–
Two years later	289.0	305.6	300.9	302.5	371.0	319.9	304.5	313.6	–	–		–
Three years later	294.6	305.8	306.6	304.3	379.3	320.4	301.4	–	–	–		–
Four years later	294.8	306.0	309.8	302.6	379.8	314.5	–	–	–	–		–
Five years later	295.1	307.9	311.7	303.2	380.8	–	–	–	–	–		–
Six years later	297.1	305.2	311.3	302.9	–	–	–	–	–	–		–
Seven years later	296.2	304.9	310.1	–	–	–	–	–	–	–		–
Eight years later	296.7	304.7	–	–	–	–	–	–	–	–		–
Nine years later	297.6	–	–	–	–	–	–	–	–	–		–
Estimated claims incurred	297.6	304.7	310.1	302.9	380.8	314.5	301.4	313.6	331.2	345.5		3,202.3
Claims paid	–291.0	–298.0	–300.6	–293.8	–366.5	–294.9	–279.6	–272.1	–256.1	–158.8		–2,811.4
Gross claims reserves	6.6	6.7	9.5	9.1	14.3	19.6	21.8	41.5	75.1	186.7		390.9
Gross claims reserves prior to 2009 (including large claims and assumed business)												236.7
Gross provision for annuities (non-life, including IBNR)												148.1
Reinsurers' share												–189.8
Net claims reserves												585.9

* The underwriting of hospital liability business was ended in 2018, and the entire portfolio has been transferred to the Group's run-off business. The expenses for this business were therefore removed from the expense triangle for Germany. The claims incurred for the years before 2013 were low, and they were included only as lump sums or as one-off or large claims. Consequently, they do not result in any changes to the expense triangle.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										Total
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
EUR million											
At the end of the year in which the claims occurred	228.0	235.1	308.7	¹ 412.4	² 403.6	483.7	459.9	470.3	446.8	495.0	–
One year later	248.5	287.1	¹ 395.1	² 426.5	402.5	494.3	476.0	478.9	483.9	–	–
Two years later	252.2	¹ 308.0	² 392.2	421.9	398.0	488.7	480.7	470.5	–	–	–
Three years later	¹ 264.5	² 304.0	387.9	412.9	396.7	483.4	478.9	–	–	–	–
Four years later	² 254.0	308.1	392.5	410.7	394.4	479.1	–	–	–	–	–
Five years later	250.7	306.0	388.6	416.9	388.2	–	–	–	–	–	–
Six years later	252.5	306.0	387.1	417.5	–	–	–	–	–	–	–
Seven years later	248.5	306.6	374.4	–	–	–	–	–	–	–	–
Eight years later	245.8	300.5	–	–	–	–	–	–	–	–	–
Nine years later	243.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	243.4	300.5	374.4	417.5	388.2	479.1	478.9	470.5	483.9	495.0	4,131.4
Claims paid	–217.0	–265.2	–330.8	–364.9	–348.5	–425.8	–378.4	–383.1	–341.9	–241.5	–3,297.1
Gross claims reserves	26.4	35.3	43.6	52.6	39.7	53.3	100.5	87.4	142.0	253.5	834.3
Gross claims reserves prior to 2009 (including large claims and assumed business)											327.0
Gross provision for annuities (non-life, including IBNR)											154.6
Reinsurers' share											–295.3
Net claims reserves											1,020.6

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										Total
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
EUR million											
At the end of the year in which the claims occurred	17.5	¹ 25.0	¹ 23.6	24.0	23.6	² 36.8	³ 43.8	49.8	49.6	50.3	–
One year later	16.9	¹ 22.0	22.7	24.5	² 37.8	³ 40.8	44.0	47.2	46.3	–	–
Two years later	¹ 21.5	21.8	22.6	² 36.5	³ 41.2	40.5	44.3	46.3	–	–	–
Three years later	21.3	21.7	² 35.3	³ 39.9	40.5	40.8	43.9	–	–	–	–
Four years later	21.1	² 37.0	³ 39.7	39.3	40.7	40.5	–	–	–	–	–
Five years later	² 36.2	³ 41.9	39.2	39.9	40.6	–	–	–	–	–	–
Six years later	³ 42.0	41.6	39.8	40.1	–	–	–	–	–	–	–
Seven years later	41.7	42.5	39.7	–	–	–	–	–	–	–	–
Eight years later	42.5	42.4	–	–	–	–	–	–	–	–	–
Nine years later	42.6	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	42.6	42.4	39.7	40.1	40.6	40.5	43.9	46.3	46.3	50.3	432.7
Claims paid	–42.3	–42.0	–39.2	–39.4	–39.6	–39.3	–41.8	–43.1	–41.3	–32.4	–400.4
Gross claims reserves	0.3	0.4	0.6	0.7	1.0	1.2	2.1	3.2	5.0	17.9	32.4
Gross claims reserves prior to 2009 (including large claims and assumed business)											51.6
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											–17.7
Net claims reserves											66.3

1 The increase in the total estimated claims incurred is primarily due to the addition of Baloise 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.

In the course of harmonization and integration of acquired portfolios the data base was improved. Thus causing adjustments in the diagonals of the incurred values for the years 2016 and 2017 as well as the concurrent payments. These adjustments had neither an effect on the gross claims reserves in the closing balance nor on the result.

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 97.6 years (2017: 85.7 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

31.12.2017	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
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%

31.12.2018	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	691.2	2,395.7	3,538.8	21.7	254.8
Technical reserves with 0% guaranteed returns	539.2	605.9	112.8	119.2	19.6
Technical reserves with guaranteed positive returns	6,604.4	15,659.1	6,312.8	3,032.7	509.9
Average technical interest rate of guaranteed positive returns	2.5%	1.3%	3.0%	3.1%	2.3%

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.

as at 31.12.	Switzerland		Germany		Belgium		Luxembourg	
	2017	2018	2017	2018	2017	2018	2017	2018
CHF million								
Actuarial reserves from unit-linked life insurance contracts	687.9	671.0	2,145.3	1,916.4	22.4	21.8	252.5	224.3

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.

Disability insurance relates to policy riders, i. e. premiums being waived if holders of life insurance policies that require periodic payments of premiums become disabled, and to separate disability insurance. Measured against total actuarial reserves, disability risk represents around 5 per cent of our business.

	Actuarial reserves 31.12.2017		Actuarial reserves 31.12.2018	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	11,212.2	30.0	11,036.9	30.5
Mortality risk	9,989.9	26.7	9,403.7	26.0
Disability risk	1,784.5	4.8	1,728.5	4.8
BVG retirement assets	11,341.6	30.3	11,203.8	30.9
Sub-total	34,328.1	91.7	33,372.9	92.2
Unit-linked				
Longevity risk	1,695.2	4.5	1,545.7	4.3
Mortality risk	1,412.9	3.8	1,287.8	3.6
Sub-total	3,108.1	8.3	2,833.5	7.8
Total	37,436.2	100.0	36,206.4	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 34 million (2017: CHF 33 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 80 million (2017: CHF 76 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 only had a marginal effect. On balance there was a marginal effect from the German units' profitability in the reporting year (2017: marginal effect). The negative impact on equity amounted to approximately CHF 4 million (2017: CHF 5 million). In Belgium, this scenario resulted in an increase in DACs. In prior years, this scenario had also led to a smaller provision for impending losses, which has no longer been needed since 2018. The positive impact on the income statement therefore fell to around CHF 1 million (2017: CHF 12 million). The negative effect on unrealised gains amounted to CHF 117 million (2017: CHF 119 million). In Luxembourg, this scenario produced a marginal positive impact on the income statement and an adverse effect of roughly CHF 14 million (2017: CHF 16 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 and a reduction in technical reserves. As a result of the elimination of swaptions, the offsetting effect of interest-rate hedges was not repeated in 2018. This meant that the overall effect rose to CHF 16 million (2017: CHF 10 million). The adverse impact on equity amounted to approximately CHF 162 million (2017: CHF 186 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 1 million (2017: CHF 3 million). The positive impact on their equity amounted to approximately CHF 4 million (2017: CHF 5 million). In Belgium, this scenario resulted in an additional DAC write-down. In prior years, this scenario had also led to a larger provision for impending losses, which has no longer been needed since 2018. The negative effect on the income statement therefore fell to around CHF 1.0 million (2017: CHF 24 million). The positive effect on unrealised gains amounted to CHF 131 million (2017: CHF 135 million). In Luxembourg, this scenario produced a marginal negative impact on the income statement (2017: marginal negative impact) and a positive effect of roughly CHF 16 million (2017: 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 higher DAC write-down and an increase in technical reserves. As a result of the elimination of swaptions, the offsetting effect of interest-rate hedges was not repeated in 2018. This meant that the overall negative effect rose to CHF 25 million (2017: CHF 10 million). The positive impact on equity amounted to approximately CHF 168 million (2017: CHF 185 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 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 development of 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 bank 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 27 million (2017: CHF 36 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have risen by CHF 219 million (2017: CHF 211 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 16 million (2017: CHF 21 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have fallen by CHF 233 million (2017: CHF 238 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 and US dollars) 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. 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 2.6 million (2017: + / - 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 (Luxembourg) SCS, Baloise Private Equity (Luxembourg) SCS and Baloise Alternative Invest S.A. SICA V-RAIF, manage the substantial investments in alternative financial assets such as hedge funds, private equity and senior secured loans.

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 three 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.

as at 31.12.	Fair value assets		Fair value liabilities	
	2017	2018	2017	2018
CHF million				
Forward contracts	14.3	14.5	2.3	0.5
Swaps	-	-	-	-
OTC options	-	-	-	-
Other	-	-	-	-
Traded options	-	-	-	-
Traded futures	-	-	-	-
Total	14.3	14.5	2.3	0.5

	2017	2018
CHF million		
Amount recognised directly in equity	72.7	-7.7
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 2018 the Group's Swiss companies did hold a net position in euros equivalent to CHF 1,096.7 million (2017: 837.1 million) and a net position in US dollars equivalent to CHF 277.0 million (2017: CHF 243.1 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 85 per cent to 95 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

31.12.2017

CHF million	
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

FINANCIAL ASSETS EXCEEDING 10% OF CONSOLIDATED EQUITY

31.12.2018

CHF million	
Swiss Confederation	3,489.3
Kingdom of Belgium	2,672.6
Federal Republic of Germany	1,895.0
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,560.8
Republic of France	1,513.1
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1,055.2
Kingdom of the Netherlands	961.1
European Investment Bank, Luxembourg	696.5
Canton of Zurich	678.6

MAXIMUM DEFAULT RISK OF FINANCIAL ASSETS

	31.12.2017	31.12.2018
CHF million		
Financial assets of a debt nature		
Public corporations	18,822.3	18,438.0
Industrial enterprises	7,844.4	6,655.4
Financial institutions	6,711.3	6,695.2
Other	10.2	10.0
Mortgages and loans		
Mortgages	10,746.9	10,982.3
Policy loans	139.6	132.3
Promissory notes and registered bonds	4,638.1	4,322.5
Time deposits	939.7	952.0
Employee loans	26.8	28.2
Reverse repurchase agreements	–	–
Other loans	228.1	236.3
Derivative financial instruments	362.4	453.9
Receivables from financial contracts	3.0	–
Reinsurance assets	468.3	457.2
Receivables from reinsurers	38.2	41.9
Insurance receivables	444.1	433.3
Other receivables	432.9	347.0
Receivables from investments	440.9	406.9
Cash and cash equivalents	2,133.2	2,543.5

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 524.7 million (2017: CHF 560.5 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 31.12.2017	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

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2018	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,362.4	9,257.2	1,579.9	941.9	296.7	18,438.0
Industrial enterprises	181.1	763.9	2,618.3	1,629.7	1,462.5	6,655.4
Financial institutions	4,828.6	456.6	885.8	236.9	287.3	6,695.2
Other	–	10.0	–	–	–	10.0
Mortgages and loans						
Mortgages	115.6	909.3	8,677.3	798.2	108.5	10,608.9
Policy loans	–	–	–	–	132.3	132.3
Promissory notes and registered bonds	1,951.8	2,079.8	61.1	62.1	167.7	4,322.5
Time deposits	–	25.9	–	67.5	858.5	952.0
Employee loans	–	–	–	–	28.2	28.2
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	5.0	25.4	122.4	22.7	59.1	234.6
Derivative financial instruments	143.9	3.8	174.3	9.8	122.1	453.9
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	0.1	65.4	318.6	8.3	56.6	449.0
Receivables from reinsurers	–	7.6	14.2	0.5	19.5	41.9
Insurance receivables	0.0	5.6	3.7	0.3	282.4	292.0
Other receivables	2.2	19.8	104.7	18.3	179.7	324.7
Receivables from investments	120.5	97.9	36.5	25.0	105.2	385.0
Cash and cash equivalents	970.9	422.4	576.5	41.8	531.8	2,543.5
Total	14,682.0	14,150.6	15,173.4	3,863.0	4,698.2	52,567.1

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 2018, financial assets amounting to CHF 1.8 million (2017: CHF 1.9 million) and cash and cash equivalents of 0.1 million (2017: 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.	2017			2018		
CHF million						
Financial assets of a debt nature						
Public corporations	-	-	-	-	-	-
Industrial enterprises	2.9	-2.9	-	1.2	-1.2	-
Financial institutions	0.8	-0.8	-	0.7	-0.7	-
Other	-	-	-	-	-	-
Mortgages and loans						
Mortgages	135.1	-20.4	114.7	128.3	-18.8	109.5
Policy loans	-	-	-	-	-	-
Promissory notes and registered bonds	-	-	-	-	-	-
Time deposits	-	-	-	-	-	-
Employee loans	0.0	0.0	-	0.0	0.0	0.0
Reverse repurchase agreements	-	-	-	-	-	-
Other loans	24.8	-12.4	12.4	10.4	-8.7	1.8
Receivables from financial contracts	-	-	-	-	-	-
Reinsurance assets						
Receivables from reinsurers	0.1	-0.1	0.0	0.3	-0.1	0.1
Insurance receivables	134.5	-35.7	98.8	134.7	-37.3	97.4
Other receivables	3.3	-0.7	2.6	2.2	-1.3	1.0
Receivables from investments	18.7	-1.5	17.2	23.2	-1.2	21.9
Total	320.3	-74.5	245.8	301.0	-69.4	231.7

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

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2018	< 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	–	–	6.5	–	6.5
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets					
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	15.9	10.5	10.4	7.1	43.9
Other receivables	0.0	0.0	0.0	0.0	0.0
Receivables from investments	–	–	–	–	–
Total	15.9	10.5	16.9	15.3	58.6

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 LIABILITIES¹

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
Non-technical 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	–

MATURITIES OF FINANCIAL LIABILITIES¹

Liquidity risk as at 31.12.2018	< 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	2,819.5	1.6	1.8	101.8	2,924.7	2,924.7
Measured at amortised cost	5,552.0	91.2	683.1	671.2	6,997.5	6,997.5
Recognised at fair value through profit or loss	3,614.9	–	7,518.7	483.3	11,616.9	11,616.9
Financial liabilities	213.3	610.2	708.6	373.7	1,905.8	1,744.5
Non-technical provisions	43.9	10.9	0.9	8.0	63.7	63.7
Derivative financial instruments	70.8	5.5	20.5	20.5	117.3	117.3
Insurance liabilities	1,137.3	691.9	0.1	0.4	1,829.8	1,829.8
Other liabilities	734.9	22.9	3.8	17.7	779.3	781.0
Contingent liabilities and capital commitments	1,031.8	716.4	15.9	17.6	1,781.6	–
Total	15,218.5	2,150.6	8,953.4	1,694.1	28,016.6	–

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, 60 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. 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)	
	2017	2018	2017	2018
CHF million				
Market price plus 10 %	9.4	25.3	234.0	200.0
Market price minus 10 %	–20.2	–51.2	–236.7	–192.9

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 chapters 3 and 4.

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	Interest rate, credit spread, market price	–
	Net asset value	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	–
Investment property			
	DCF method	Discount rate ¹	2.72% – 5.57% ³
		Rental income ²	290 – 310 CHF million ³
		Vacancy costs ¹	13 – 19 CHF million ³
		Running costs ¹	25 – 31 CHF million ³
		Maintenance costs ¹	28 – 34 CHF million ³
		Capital expenditure ²	40 – 60 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

31.12.2017	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	16,668.5	–	10,237.2	6,431.3
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 OWN ACCOUNT AND AT OWN RISK

31.12.2018	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	3,657.0	3,657.0	1,861.1	473.2	1,322.7
Recognised at fair value through profit or loss	331.3	331.3	298.8	32.5	–
Financial instruments with characteristics of liabilities					
Held to maturity	8,002.5	9,353.8	9,353.8	–	–
Available for sale	23,771.4	23,771.4	22,371.4	1,400.0	–
Recognised at fair value through profit or loss	24.8	24.8	24.8	–	–
Mortgages and loans					
Carried at cost	15,470.5	16,216.3	–	10,202.2	6,014.1
Recognised at fair value through profit or loss	925.8	925.8	–	925.8	–
Derivative financial instruments	453.9	453.9	11.8	442.1	–
Receivables from financial contracts					
Carried at cost	–	–	–	–	–
Other receivables					
Carried at cost	325.7	327.9	–	–	327.9
Receivables from investments					
Carried at cost	406.9	406.9	294.5	19.9	92.6
Investment property	7,904.0	7,904.0	–	–	7,904.0
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	6,997.5	7,082.6	–	7,008.2	74.4
Recognised at fair value through profit or loss	524.5	524.5	–	524.5	–
Derivative financial instruments	116.7	116.7	12.4	104.3	–
Financial liabilities	1,744.5	1,822.1	1,822.1	–	–

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	–	–	–	–	–

FAIR VALUE OF ASSETS AND LIABILITIES FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES

31.12.2018	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	10,149.7	10,149.7	9,923.4	–	226.3
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,976.4	1,976.4	1,753.6	110.0	112.8
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	460.9	460.9	196.5	264.3	–
Other assets					
Recognised at fair value through profit or loss	54.1	54.1	54.1	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	11,092.4	11,092.4	10,982.4	110.0	–
Derivative financial instruments	0.7	0.7	–	0.7	–

**ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS
FOR OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3**

	Financial instruments with characteristics of equity	Investment property	Total
	Available for sale	Recognised at fair value through profit or loss	
2017			
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 OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3**

	Financial instruments with characteristics of equity	Investment property	Total
	Available for sale	Recognised at fair value through profit or loss	
2018			
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	1,206.5	7,480.3	8,686.8
Additions	225.0	407.5	632.5
Additions arising from change in the scope of consolidation	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	–144.8	–69.6	–214.4
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to level 3	–	23.3	23.3
Reclassified from level 3	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss ¹	–1.9	106.5	104.6
Changes in fair value not recognised in profit or loss ²	64.4	5.2	69.6
Exchange differences	–26.6	–49.3	–75.8
Balance as at 31 December	1,322.7	7,904.0	9,226.7
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	1.0	94.2	95.1

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
	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	
2017				
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.

**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
	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	
2018				
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	220.1	72.6	–	292.7
Additions	15.8	63.5	–	79.3
Additions arising from change in the scope of consolidation	–	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–	–
Disposals	–29.4	–16.8	–	–46.2
Disposals arising from change in the scope of consolidation	–	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–	–
Reclassified to level 3	0.1	1.8	–	1.8
Reclassified from level 3	–	–7.5	–	–7.5
Changes in fair value recognised in profit or loss¹	28.4	3.2	–	31.6
Exchange differences	–8.7	–3.9	–	–12.5
Balance as at 31 December	226.3	112.8	–	339.1
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	28.3	3.1	–	31.5

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 2017.

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

Calculation of the Solvency I ratio at Group level was discontinued when the results of the Swiss Solvency Test were published for the first time in the financial condition report on 30 April 2018.

5.11.2 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 target capital (capital required) for the SST using a model approved by FINMA.

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. 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.

The results of the Swiss Solvency Test for the Baloise Group are disclosed annually in the financial condition report, which is published at the end of April.

5.11.3 Requirements under local legislation

Individual Group companies are also subject to regulation under local legislation (in particular the Swiss Solvency Text and Solvency II). 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.

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 key figures relating to banking operations 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 2017 financial year

6.1.1 Acquisitions and foundations

On 11 January 2017, a controlling interest in DrivOlution NV was acquired in Belgium.

In Germany, a start-up named FRIDAY was founded as a mobile insurer in Berlin. FRIDAY 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. FRIDAY’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.

6.1.2 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.

6.1.3 Other changes in the group of consolidated companies

No companies were merged or liquidated in 2017.

6.2 2018 financial year

6.2.1 Acquisitions

No companies were acquired or founded in the year under review.

6.2.2 Disposals

The shares in Deutscher Ring Bausparkasse AG were sold to the BAWAG Group on 4 September 2018.

Also in Germany, the shares in ROLAND Rechtsschutz Beteiligung GmbH were sold in October 2018.

6.2.3 Other changes in the group of consolidated companies

The buyout of 0.16 per cent of the shares in Artires AG (formerly Pax Anlage AG) caused non-controlling interests to fall by CHF 0.5 million.

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, Group IT, the holding companies and the run-off portfolios for the London market and the German hospital liability business.

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 and was sold in 2018.

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.

Due to the change of chief operating decision maker for the hospital liability business in Germany in 2018, this business is now reported within the Group business segment. The figures for the prior year have been restated accordingly. In 2018, the Belgium segment and the life insurance segment both benefited from the reversal, recognised in profit or loss, of additional reserves that are no longer needed.

7.1 Segment reporting by strategic business unit

	Switzerland		2017 (restated)	Germany		Belgium	
	2017	2018		2018	2017	2018	
CHF million							
Income							
Premiums earned and policy fees (gross)	4,231.7	4,073.9	1,143.0	1,191.7	1,133.5	1,250.8	
Reinsurance premiums ceded	-83.7	-89.9	-91.4	-105.2	-98.0	-114.7	
Premiums earned and policy fees (net)	4,148.0	3,984.1	1,051.7	1,086.5	1,035.6	1,136.0	
Investment income	867.4	871.0	260.9	246.5	241.9	240.5	
Realised gains and losses on investments							
For own account and at own risk	155.3	-10.4	208.3	138.1	42.5	-17.1	
For the account and at the risk of life insurance policyholders and third parties	43.1	-43.9	102.7	-167.7	18.3	-38.4	
Income from services rendered	40.8	60.4	28.7	22.9	2.9	3.5	
Share of profit (loss) of associates	0.0	0.0	5.5	6.2	-	-	
Other operating income	179.2	144.9	42.1	46.8	16.5	41.0	
Income	5,433.9	5,005.9	1,699.9	1,379.2	1,357.6	1,365.5	
Intersegment income	-29.5	-43.0	39.9	45.7	35.7	37.8	
Income from associates	0.0	0.0	5.5	6.2	-	-	
Expense							
Claims and benefits paid (gross)	-3,829.7	-3,876.6	-1,035.0	-1,062.9	-722.8	-804.0	
Change in technical reserves (gross)	-148.4	227.5	-192.1	179.2	-68.9	41.9	
Reinsurers' share of claims incurred	38.7	33.6	45.0	52.3	51.4	54.1	
Acquisition costs	-55.7	-47.3	-156.8	-201.6	-247.0	-263.6	
Operating and administrative expenses for insurance business	-428.2	-457.1	-179.0	-173.3	-107.2	-119.8	
Investment management expenses	-51.4	-52.9	-30.2	-26.4	-13.5	-15.5	
Interest expenses on insurance liabilities	-0.7	-0.3	-21.3	-19.0	-0.1	-0.1	
Gains or losses on financial contracts	-18.3	-0.4	-26.6	-14.9	-66.2	-11.1	
Other operating expenses	-321.8	-278.3	-144.1	-106.5	-42.6	-48.4	
Expense	-4,815.5	-4,451.7	-1,740.0	-1,373.2	-1,216.8	-1,166.5	
Profit / loss before borrowing costs and taxes	618.4	554.2	-40.2	6.0	140.8	199.0	
Borrowing costs	-2.8	-10.1	-	-	-	-	
Profit / loss before taxes	615.5	544.1	-40.2	6.0	140.8	199.0	
Income taxes	-94.7	-88.4	12.7	-17.9	-12.4	-49.5	
Profit / loss for the period (segment result)	520.8	455.6	-27.5	-11.9	128.5	149.5	
Segment assets as at 31.12.	46,200.1	45,409.1	14,364.9	12,792.3	10,828.4	10,591.9	

	Luxembourg		Sub-total		Group business		Eliminated		Total	
	2017	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)	2018	2017	2018
	202.4	214.6	6,710.7	6,731.0	124.7	125.9	-109.1	-119.9	6,726.4	6,737.0
	-18.9	-18.7	-292.0	-328.6	-0.5	-0.4	109.1	119.9	-183.4	-209.0
	183.6	195.9	6,418.8	6,402.4	124.2	125.5	0.0	0.0	6,542.9	6,528.0
	20.1	22.5	1,390.3	1,380.4	4.3	4.1	-2.0	-8.5	1,392.5	1,376.0
	-1.7	-2.5	404.4	108.0	23.4	-11.9	-	-	427.8	96.1
	498.0	-801.0	662.2	-1,051.2	34.3	-36.7	-	-	696.5	-1,087.8
	19.1	24.7	91.5	111.5	160.4	170.4	-135.0	-151.5	116.9	130.4
	-	-	5.5	6.2	-	-	-	-	5.5	6.2
	27.0	19.5	264.8	252.3	26.8	39.0	-56.6	-63.6	235.0	227.6
	746.0	-541.0	9,237.4	7,209.7	373.3	290.5	-193.6	-223.6	9,417.1	7,276.6
	2.8	3.9	48.8	44.3	-242.4	-267.9	193.6	223.6	-	-
	-	-	5.5	6.2	-	-	-	-	5.5	6.2
	-114.2	-143.6	-5,701.6	-5,887.1	-86.1	-84.9	61.2	67.6	-5,726.5	-5,904.4
	-61.6	10.3	-471.1	458.8	-70.3	-47.0	6.4	0.6	-535.0	412.4
	6.9	9.3	142.0	149.4	6.4	2.1	-67.6	-68.2	80.8	83.3
	-20.1	-21.8	-479.5	-534.4	-3.4	-2.8	0.9	1.4	-482.1	-535.8
	-48.9	-57.1	-763.3	-807.3	-1.7	-2.1	-0.9	-1.4	-765.8	-810.8
	-1.6	-1.7	-96.7	-96.5	-8.4	-7.4	28.0	21.7	-77.2	-82.2
	0.0	0.0	-22.1	-19.4	-	-	0.2	0.2	-21.9	-19.2
	-468.8	790.9	-579.8	764.6	-37.6	28.1	4.0	8.6	-613.4	801.2
	-10.3	-20.7	-518.7	-453.8	-234.4	-222.9	161.4	193.1	-591.8	-483.6
	-718.6	565.6	-8,490.9	-6,425.8	-435.7	-336.9	193.6	223.6	-8,733.0	-6,539.1
	27.5	24.7	746.5	784.0	-62.4	-46.5	-	-	684.1	737.5
	-	-	-2.8	-10.1	-31.4	-29.7	-	-	-34.3	-39.9
	27.5	24.7	743.7	773.8	-93.9	-76.2	-	-	649.8	697.6
	-2.4	-4.3	-96.8	-160.2	-21.1	-14.5	-	-	-117.9	-174.7
	25.1	20.4	646.8	613.7	-114.9	-90.7	-	-	531.9	522.9
	12,652.5	11,956.7	84,046.0	80,750.1	1,854.3	2,036.5	-1,376.4	-1,931.8	84,523.9	80,854.8

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2017	2018	2017	2018
CHF million				
Income				
Premiums earned and policy fees (gross)	3,214.4	3,376.7	3,512.0	3,360.3
Reinsurance premiums ceded	-162.6	-184.5	-20.8	-24.6
Premiums earned and policy fees (net)	3,051.8	3,192.2	3,491.1	3,335.7
Investment income	213.2	198.7	1,087.3	1,083.9
Realised gains and losses on investments				
For own account and at own risk	102.7	35.3	339.3	64.3
For the account and at the risk of life insurance policyholders and third parties	-	-	662.2	-1,051.2
Income from services rendered	23.5	31.1	21.8	27.6
Share of profit (loss) of associates	0.0	-	1.7	1.9
Other operating income	57.3	81.9	218.9	185.2
Income	3,448.5	3,539.3	5,822.2	3,647.5
Intersegment income	-52.9	-48.6	-45.3	-43.0
Income from associates	0.0	-	1.7	1.9
Expense				
Claims and benefits paid (gross)	-1,881.0	-2,018.2	-3,845.5	-3,886.2
Change in technical reserves (gross)	-38.1	29.6	-496.9	382.8
Reinsurers' share of claims incurred	67.7	66.6	13.1	16.7
Acquisition costs	-468.4	-481.6	-13.7	-54.2
Operating and administrative expenses for insurance business	-490.6	-530.6	-275.3	-280.2
Investment management expenses	-27.0	-30.1	-95.4	-102.9
Interest expenses on insurance liabilities	-0.2	-0.2	-21.8	-19.0
Gains or losses on financial contracts	-0.8	0.1	-560.9	795.0
Other operating expenses	-235.5	-203.2	-219.7	-166.4
Expense	-3,073.7	-3,167.7	-5,516.2	-3,314.3
Profit / loss before borrowing costs and taxes	374.7	371.7	306.0	333.2
Borrowing costs	-	-	-2.8	-10.1
Profit / loss before taxes	374.7	371.7	303.2	323.0
Income taxes	-100.2	-70.4	-14.2	-61.1
Profit / loss for the period (segment result)	274.5	301.3	289.0	261.9

	Banking		Other activities		Eliminated		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
	-	-	-	-	-	-	6,726.4	6,737.0
	-	-	-	-	-	-	-183.4	-209.0
	-	-	-	-	-	-	6,542.9	6,528.0
	113.1	101.2	2.4	3.1	-23.5	-10.9	1,392.5	1,376.0
	-15.8	-2.0	1.6	-1.5	-	-	427.8	96.1
	-	-	34.3	-36.7	-	-	696.5	-1,087.8
	137.4	164.7	159.9	168.1	-225.8	-261.0	116.9	130.4
	-	-	3.8	4.3	-	-	5.5	6.2
	4.4	5.3	15.9	17.4	-61.4	-62.3	235.0	227.6
	239.2	269.2	218.0	154.8	-310.7	-334.2	9,417.1	7,276.6
	-65.4	-87.0	-147.1	-155.6	310.7	334.2	-	-
	-	-	3.8	4.3	-	-	5.5	6.2
	-	-	-	-	-	-	-5,726.5	-5,904.4
	-	-	-	-	-	-	-535.0	412.4
	-	-	-	-	-	-	80.8	83.3
	-	-	-	-	-	-	-482.1	-535.8
	-	-	-	-	-	-	-765.8	-810.8
	-26.0	-32.2	-3.1	-1.4	74.4	84.3	-77.2	-82.2
	-	-	-	-	-	-	-21.9	-19.2
	-31.0	-31.5	-45.4	26.6	24.6	11.1	-613.4	801.2
	-100.3	-113.5	-248.0	-239.3	211.8	238.8	-591.8	-483.6
	-157.4	-177.2	-296.5	-214.2	310.7	334.2	-8,733.0	-6,539.1
	81.8	92.1	-78.5	-59.4	-	-	684.1	737.5
	-	-	-31.4	-29.7	-	-	-34.3	-39.9
	81.8	92.1	-109.9	-89.1	-	-	649.8	697.6
	-15.8	-18.3	12.3	-24.9	-	-	-117.9	-174.7
	66.0	73.8	-97.6	-114.0	-	-	531.9	522.9

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

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	121.5	73.6	87.8	841.2
Accumulated depreciation and impairment	–2.4	–281.3	–87.2	–49.0	–68.0	–487.9
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.

2018	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Total
CHF million						
Balance as at 1 January	64.5	210.1	34.3	24.5	19.8	353.3
Additions	1.6	9.1	4.9	4.8	11.8	32.3
Additions arising from change in the scope of consolidation	–	–	–	–	–	–
Disposals	–1.9	–2.2	–	–0.4	0.0	–4.5
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	–7.5	–15.7	–0.1	–	0.0	–23.3
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Depreciation and impairment						
Depreciation	–	–8.1	–7.0	–7.3	–9.8	–32.2
Impairment losses recognised in profit or loss	–0.1	–	–	–	–	–0.1
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Exchange differences	–0.6	–5.6	–0.2	–0.6	–0.2	–7.2
Balance as at 31 December	56.0	187.6	32.1	21.2	21.5	318.3
Acquisition costs	57.4	468.5	112.7	74.3	88.7	801.6
Accumulated depreciation and impairment	–1.5	–281.0	–80.6	–53.2	–67.1	–483.3
Balance as at 31 December	56.0	187.6	32.1	21.2	21.5	318.3
Of which: Assets held under finance leases	–	–	–	–	–	–

Depreciation and impairment form part of other operating expenses.

9. INTANGIBLE ASSETS

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	–	–	–	514.7	10.0	–
Accumulated amortisation and impairment	–165.1	–	–	–	–377.6	–9.9	–
Balance as at 31 December¹	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.

2018	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	81.1	6.7	615.8	161.7	137.0	0.1	1,002.5
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Additions	–	–	–	–	51.0	0.1	51.1
Capitalisation of acquisition costs	–	–	95.9	245.8	–	–	341.7
Disposals	–	–	–	–	–2.3	–	–2.3
Disposals arising from change in the scope of consolidation	0.0	–	–	–	0.0	–	0.0
Reclassification	–	–	–	–	0.0	–	0.0
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Amortisation and impairment							
Amortisation	–	–0.9	–52.6	–253.9	–33.9	–0.1	–341.3
Write-ups	–	–	1.9	–	–	–	1.9
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	–	–1.7	–	–	–1.7
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	21.5	–	–	–	21.5
Exchange differences	–2.3	–0.2	–21.4	–4.1	–4.1	–	–32.1
Balance as at 31 December	78.9	5.6	661.1	147.8	147.8	0.1	1,041.2
Acquisition costs	244.0	–	–	–	542.2	1.1	–
Accumulated amortisation and impairment	–165.1	–	–	–	–394.4	–1.0	–
Balance as at 31 December¹	78.9	5.6	661.1	147.8	147.8	0.1	1,041.2
Segment as at 31 December 2018							
Switzerland	21.8	–	110.0	44.2	33.2	–	209.2
Germany	16.3	5.6	523.7	38.3	0.4	–	584.4
Belgium	16.9	–	19.9	60.5	76.6	–	173.9
Luxembourg	23.9	–	7.5	4.4	17.6	–	53.4
Group business	0.0	–	–	0.3	20.0	0.1	20.4
Total for geographic regions	78.9	5.6	661.1	147.8	147.8	0.1	1,041.2

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. CHF million		Discount rate per cent		Growth rate per cent	
	2017	2018	2017	2018	2017	2018
Movu AG	21.8	21.8	n. a.	7.8	n. a.	1.5
Basler Financial Services GmbH	14.8	14.3	7.2	7.1	1.0	1.0
Baloise Vie Luxembourg S.A.	7.4	7.1	7.0	7.0	2.5	2.5
Baloise Assurances Luxembourg S.A.	16.8	16.2	7.0	7.0	2.5	2.5
Baloise Belgium NV	16.2	15.6	7.0	7.0	2.6	2.6

The impairment test in 2018 did not reveal any need to recognise impairment losses.

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 2018 or in 2017, 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

CHF million	OVB Holding Ltd	
	2017	2018
Assets	30.9	30.9
Non-current assets	26.9	25.1
Current assets	175.5	179.1
Total assets	202.4	204.2
Equity and liabilities	30.9	30.9
Equity	99.5	97.8
Non-current liabilities	1.1	1.6
Current liabilities	101.8	104.8
Total assets	202.4	204.2
Profit for the period	1.-9.	1.-9.
Income	188.6	205.4
Expense	-179.9	-198.9
Profit for the period	8.7	6.5
Comprehensive income (balance sheet)	0.0	0.0
Comprehensive income (income statement)	-0.5	-0.2
Comprehensive income	8.3	6.4
Dividends paid to the Baloise Group	3.8	3.9
Baloise Group's interest (per cent)	32.6%	32.6%
Carrying amount as at 30 September	71.5	68.4
Fair value as at 30 September	101.7	91.4

10.2 Non-significant investments in associates

The Baloise Group holds investments in a number of non-significant associates.

	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
2017					
CHF million					
Total	66.9	1.7	2.0	4.7	8.4

	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
2018					
CHF million					
Total	152.7	1.9	–	0.6	2.5

In Switzerland, a 20 per cent stake in Infracore SA, which operates in the healthcare property market, was purchased in the year under review.

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 2018 or 31 December 2017.

As at 31 December 2018, 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

	2017	2018
CHF million		
Balance as at 1 January	6,817.5	7,480.3
Additions	567.2	407.5
Additions arising from change in scope of consolidation	384.5	–
Disposals	–157.7	–69.6
Disposals arising from change in scope of consolidation	–	–
Reclassification	–	23.3
Reclassification to non-current assets classified as held for sale	–336.8	–
Change in fair value	111.1	111.7
Exchange differences	94.6	–49.3
Balance as at 31 December	7,480.3	7,904.0
Operating expenses arising from investment property that generates rental income	86.7	95.8
Operating expenses arising from investment property that does not generate rental income	0.1	–

The increase in the portfolio during the reporting year was largely attributable to real estate acquired by Baloise's Swiss entities.

12. FINANCIAL ASSETS

	31.12.2017	31.12.2018
CHF million		
Financial assets of an equity nature		
Available for sale	4,402.9	3,657.0
Recognised at fair value through profit or loss	343.3	331.3
Financial assets of a debt nature		
Held to maturity	8,488.9	8,002.5
Available for sale	24,870.1	23,771.4
Recognised at fair value through profit or loss	29.2	24.8
Financial assets for own account and at own risk	38,134.4	35,786.9
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	13,100.6	12,126.1
Financial assets as reported on the balance sheet	51,235.0	47,913.0

¹ Of which financial assets totalling CHF 207.1 million (2017: CHF 184.3 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	
	2017	2018
as at 31.12.		
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	8,488.9	8,002.5
Publicly listed, variable interest rate	-	-
Not publicly listed, fixed-interest rate	-	-
Not publicly listed, variable interest rate	-	-
Total	8,488.9	8,002.5

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	
	2017	2018	Trading portfolio		Designated		2017	2018
			2017	2018	2017	2018		
	2,695.1	1,861.1	–	–	343.3	298.8	3,038.4	2,159.9
	1,707.8	1,795.9	–	–	0.0	32.5	1,707.8	1,828.4
	4,402.9	3,657.0	–	–	343.3	331.3	4,746.2	3,988.2
	24,852.3	23,656.3	–	–	0.1	0.1	33,341.3	31,658.9
	17.8	15.1	–	–	29.1	24.7	46.9	39.8
	–	100.0	–	–	–	–	–	100.0
	–	–	–	–	–	–	–	–
	24,870.1	23,771.4	–	–	29.2	24.8	33,388.2	31,798.7

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
	2017	2018
as at 31.12.		
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	7,514.2	7,079.9
Industrial enterprises	8.0	8.0
Financial institutions	956.6	904.6
Other	10.0	10.0
Financial assets of a debt nature	8,488.9	8,002.5
Total	8,488.9	8,002.5
Secured financial assets of a debt nature		
Public corporations	11.7	11.3
Industrial enterprises	-	-
Financial institutions	901.9	857.0
Other	-	-
Total	913.6	868.2

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	
	2017	2018	Trading portfolio		Designated		2017	2018
			2017	2018	2017	2018		
	2,627.5	1,700.2	-	-	-	-	2,627.5	1,700.2
	69.8	75.0	-	-	19.3	29.0	89.1	104.0
	24.7	27.8	-	-	258.2	295.8	283.0	323.6
	57.9	88.9	-	-	65.8	6.5	123.7	95.4
	510.4	611.4	-	-	0.0	0.0	510.4	611.4
	719.4	783.0	-	-	-	-	719.4	783.0
	393.1	370.6	-	-	-	-	393.1	370.6
	4,402.9	3,657.0	-	-	343.3	331.3	4,746.2	3,988.2
	11,290.8	11,343.1	-	-	17.2	15.0	18,822.3	18,438.0
	7,836.4	6,647.4	-	-	-	-	7,844.4	6,655.4
	5,742.7	5,780.9	-	-	12.0	9.7	6,711.3	6,695.2
	0.2	-	-	-	-	-	10.2	10.0
	24,870.1	23,771.4	-	-	29.2	24.8	33,388.2	31,798.7
	29,273.0	27,428.4	-	-	372.5	356.0	38,134.4	35,786.9
	247.2	354.7	-	-	-	-	258.9	366.0
	1,375.7	1,311.3	-	-	-	-	1,375.7	1,311.3
	3,684.4	4,162.3	-	-	-	-	4,586.4	5,019.3
	0.2	-	-	-	-	-	0.2	-
	5,307.5	5,828.4	-	-	-	-	6,221.2	6,696.6

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

as at 31.12.	Carrying amount		Fair value	
	2017	2018	2017	2018
CHF million				
Public corporations	7,514.2	7,079.9	8,950.0	8,356.9
Industrial enterprises	8.0	8.0	8.4	8.2
Financial institutions	956.6	904.6	1,049.4	978.0
Other	10.0	10.0	10.9	10.8
Total	8,488.9	8,002.5	10,018.7	9,353.8

13. MORTGAGES AND LOANS

as at 31.12.	Gross amount		Impairment		Carrying amount		Fair value	
	2017	2018	2017	2018	2017	2018	2017	2018
CHF million								
Mortgages and loans carried at cost								
Mortgages	9,840.2	9,818.1	-20.4	-18.8	9,819.8	9,799.3	10,237.2	10,202.2
Policy loans	139.4	132.2	-	-	139.4	132.2	150.0	140.5
Promissory notes and registered bonds	4,638.1	4,322.5	-	-	4,638.1	4,322.5	5,076.4	4,649.4
Time deposits	939.7	952.0	-	-	939.7	952.0	940.9	952.0
Employee loans	26.8	28.2	0.0	0.0	26.8	28.2	27.3	28.7
Reverse repurchase agreements	-	-	-	-	-	-	-	-
Other loans	240.5	245.0	-12.4	-8.7	228.1	236.3	236.8	243.4
Sub-total	15,824.6	15,498.0	-32.9	-27.5	15,791.7	15,470.5	16,668.5	16,216.3
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	776.6	925.7	-	-	776.6	925.7	776.6	925.7
Policy loans	0.2	0.1	-	-	0.2	0.1	0.2	0.1
Sub-total	776.8	925.8	-	-	776.8	925.8	776.8	925.8
Mortgages and loans	16,601.4	16,423.8	-32.9	-27.5	16,568.6	16,396.2	17,445.3	17,142.1

IMPAIRMENT OF MORTGAGES AND LOANS

	2017	2018
CHF million		
Balance as at 1 January	-41.7	-32.9
Usage not recognised in profit or loss	7.9	5.4
Unused provisions reversed through profit or loss	1.4	2.9
Increases and additional provisions recognised in profit or loss	-1.5	-3.3
Disposal arising from change in scope of consolidation	-	-
Reclassification	-	-
Reclassification to non-current assets classified as held for sale	2.2	-
Currency translation	-1.2	0.4
Balance as at 31 December	-32.9	-27.5

14. DERIVATIVE FINANCIAL INSTRUMENTS

as at 31.12.	Fair value assets		Fair value liabilities	
	2017	2018	2017	2018
CHF million				
Derivative financial instruments for own account and at own risk	362.4	453.9	145.3	116.7
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	438.0	460.9	-	0.7
Derivative financial instruments as reported on the balance sheet	800.4	914.8	145.3	117.3

as at 31.12.	Contract value		Fair value assets		Fair value liabilities	
	2017	2018	2017	2018	2017	2018
CHF million						
Interest rate instruments						
Forward contracts	-	-	-	-	-	-
Swaps	1,094.9	1,254.8	50.2	58.8	60.9	71.2
OTC options	208.5	56.3	27.8	20.4	-	-
Other	1.6	1.6	165.7	205.5	20.0	29.7
Traded options	-	-	-	-	-	-
Traded futures	-	-	-	-	-	-
Sub-total	1,305.1	1,312.7	243.7	284.7	80.9	100.9
Equity instruments						
Forward contracts	-	-	-	-	-	-
OTC options	2,127.4	1,518.1	38.7	50.7	2.6	-
Traded options	777.6	521.7	12.3	11.1	6.9	7.7
Traded futures	-	-	-	-	-	-
Sub-total	2,905.0	2,039.8	51.0	61.8	9.5	7.7
Foreign currency instruments						
Forward contracts	9,022.4	8,197.4	57.2	105.1	43.5	5.7
Swaps	-	-	-	-	-	-
OTC options	1,242.3	871.4	10.5	2.3	11.4	2.3
Traded options	-	-	-	-	-	-
Traded futures	-	-	-	-	-	-
Sub-total	10,264.6	9,068.8	67.7	107.4	54.9	8.1
Total	14,474.7	12,421.3	362.4	453.9	145.3	116.7
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	1,751.7	1,764.3	14.3	14.5	2.3	0.5

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

as at 31.12.	Gross amount		Impairment		Carrying amount		Fair value	
	2017	2018	2017	2018	2017	2018	2017	2018
CHF million								
Receivables carried at cost								
Receivables from financial contracts	3.0	–	–	–	3.0	–	3.0	–
Other receivables	403.8	327.0	–0.7	–1.3	403.1	325.7	403.5	327.9
Receivables from investments	442.3	408.2	–1.5	–1.2	440.9	406.9	440.9	406.9
Receivables	849.1	735.2	–2.2	–2.5	846.9	732.7	847.3	734.8

IMPAIRMENT OF RECEIVABLES

	2017	2018
CHF million		
Balance as at 1 January	–3.4	–2.2
Usage not recognised in profit or loss	0.2	0.2
Unused provisions reversed through profit or loss	1.1	1.0
Increases and additional provisions recognised in profit or loss	–1.1	–1.5
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	1.2	–
Currency translation	–0.1	0.0
Balance as at 31 December	–2.2	–2.5

16. REINSURANCE ASSETS

	2017	2018
CHF million		
Reinsurers' share of technical reserves as at 1 January	415.2	468.3
Change in unearned premium reserves	1.7	1.4
Benefits paid	–60.8	–74.7
Interest on and change in liability	76.9	78.5
Additions / disposals arising from change in scope of consolidation	–	–
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	35.2	–16.2
Reinsurers' share of technical reserves as at 31 December	468.3	457.2

17. RECEIVABLES FROM REINSURERS

	2017	2018
CHF million		
Reinsurance deposits as at 1 January	8.7	11.3
Additions	1.4	1.0
Disposals	0.3	-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	0.9	-0.5
Reinsurance deposits as at 31 December	11.3	11.6
Other reinsurance receivables as at 1 January	38.9	27.0
Additions	105.5	151.3
Disposals	-118.8	-147.5
Additions / disposals arising from change in scope of consolidation	-	-
Reclassification to non-current assets classified as held for sale	-	-
Exchange differences	1.4	-0.4
Other reinsurance receivables as at 31 December	27.0	30.5
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	0.0	0.1
Increases and additional provisions recognised in profit or loss	0.0	-0.1
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	38.2	41.9

18. EMPLOYEE BENEFITS

18.1 Receivables and liabilities arising from employee benefits

as at 31.12.	Receivables from employee benefits		Liabilities arising from employee benefits	
	2017	2018	2017	2018
CHF million				
Type of benefit				
Short-term employee benefits	3.3	7.3	115.0	87.9
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,242.7	1,099.7
Other long-term employee benefits	–	–	28.5	27.8
Termination benefits	–	–	8.2	5.3
Total	3.3	7.3	1,394.4	1,220.7

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 partially in Belgium. 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

	2017	2018
CHF million		
Balance as at 1 January	2,374.8	2,538.4
Interest rate effect	15.2	12.7
Return on plan assets	110.3	-4.6
Employees' savings and purchases	37.9	33.1
Exchange differences	1.1	-0.5
Employer contribution	79.9	62.9
Employee contribution	30.9	39.5
Benefits paid	-111.7	-167.4
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	2,538.4	2,514.3

18.2.2 Partially funded liabilities under defined benefit plans

	2017	2018
CHF million		
Balance as at 1 January	-2,848.5	-2,929.0
Current service cost	-87.6	-89.9
Interest rate effect	-17.9	-14.5
Employees' savings and purchases	-37.9	-33.1
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	-53.6	113.6
changes in demographic assumptions	19.7	-
experience adjustments	12.6	-36.8
Exchange differences	-1.7	0.7
Unrecognised past service cost	-25.9	-
Benefits paid	111.7	167.4
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	-2,929.0	-2,821.6

18.2.3 Unfunded liabilities under defined benefit plans

	2017	2018
CHF million		
Balance as at 1 January	-843.2	-852.1
Current service cost	-17.0	-16.4
Interest rate effect	-11.5	-11.6
Employees' savings and purchases	-	-
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	14.6	15.5
changes in demographic assumptions	-3.0	-5.2
experience adjustments	-3.6	15.2
Exchange differences	-68.1	30.3
Unrecognised past service cost	-	-0.1
Benefits paid	33.8	32.4
Additions / disposals arising from change in scope of consolidation	0.6	-0.4
Reclassification to non-current assets classified as held for sale	45.4	-
Gains and losses on plan settlements	-	-
Balance as at 31 December	-852.1	-792.4

18.2.4 Net actuarial liabilities under defined benefit plans

	31.12.2017	31.12.2018
CHF million		
Fair value of plan assets	2,538.4	2,514.3
Present value of (partially) funded liabilities	-2,929.0	-2,821.6
Present value of unfunded liabilities	-852.1	-792.4
Effect of the asset ceiling	-	-
Net actuarial liabilities under defined benefit plans	-1,242.7	-1,099.7

18.2.5 Asset Allocation

	31.12.2017	31.12.2018
CHF million		
Cash and cash equivalents	62.3	36.7
Real estate	481.5	529.1
Equities and investment funds		
publicly listed	1,359.0	1,309.3
not publicly listed	179.7	187.7
Fixed-interest assets		
publicly listed	100.2	95.5
not publicly listed	–	–
Mortgages and loans	338.7	358.3
Derivatives		
publicly listed	–	0.0
not publicly listed	–8.1	–2.7
Other	25.2	0.3
Fair value of plan assets	2,538.4	2,514.3
Of which: Baloise Holding Ltd shares (fair value) and convertible bonds (fair value)	35.6	34.5
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

	2017	2018
CHF million		
Current service cost	–104.6	–106.2
Regular employee contribution	31.7	40.2
Net interest cost	–14.2	–13.4
Unrecognised past service cost	–25.9	–0.1
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	–113.0	–79.5

18.2.7 Actuarial assumptions

	2017	2018
Per cent		
Discount rate	0.7	0.9
Expected wage and salary increases	1.4	1.4
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	77.0	77.0
Years		
Average life expectancy of a 65-year-old woman	24.3	24.4
Average life expectancy of a 65-year-old man	21.7	21.9

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

	31.12.2017	31.12.2018
CHF million		
Total defined benefit obligation as shown	3,781.1	3,614.0
Discount rate plus 0.5 % age points	-277.0	-261.0
Discount rate minus 0.5 % age points	300.8	283.3
Expected wage and salary increases plus 0.5 % age points	30.5	28.3
Expected wage and salary increases minus 0.5 % age points	-40.2	-36.7
Expected pension benefits increases plus 0.5 % age points	202.2	188.0
Expected pension benefits increases minus 0.5 % age points	-41.7	-38.6
Mortality probabilities for 65-year-olds plus 10.0 % age points	-99.9	-93.0
Mortality probabilities for 65-year-olds minus 10.0 % age points	97.3	91.5
Weighted share of annuity option plus 10.0 % age points	13.3	10.4

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 69.0 million for the 2019 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 9.9 years; the average present value factor for current benefit entitlements under pension commitments is 15.6 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 2018 totalled CHF 27.8 million (2017: CHF 28.5 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 3.1 million (2017: CHF 3.6 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 2018, a sum of CHF 24.0 million (2017: CHF 24.4 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

	2017	2018
Number of shares subscribed	176,252	186,489
Restricted until	31.08.2020	31.08.2021
Subscription price per share (CHF)	77.00	76.00
Value of shares subscribed (CHF million)	13.6	14.2
Fair value of subscribed shares on subscription date (CHF million)	26.9	27.8
Employees entitled to participate	3,146	3,254
Participating employees	2,007	2,130
Subscribed shares per participant (average)	87.8	87.6

18.4.2 Share Subscription Plan

SHARE SUBSCRIPTION PLAN (SSP)

	2017	2018
Number of shares subscribed	34,738	27,886
Restricted until ¹	29.02.2020	28.02.2021
Subscription price per share (CHF)	116.37	140.58
Value of shares subscribed (CHF million)	4.0	3.9
Fair value of subscribed shares on subscription date (CHF million)	4.5	4.2
Employees entitled to participate	917	960
Participating employees	116	109
SSP portion of variable remuneration	15%	16%

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)

	2017	2018
Number of shares subscribed ¹	95,009	76,442
Restricted until	29.02.2020	28.02.2021
Subscription price per share ² (CHF)	114.49	140.80
Value of shares subscribed ² (CHF million)	10.9	10.8
Fair value of subscribed shares on subscription date (CHF million)	12.4	11.4
Employees entitled to participate	889	931
Participating employees	96	93
SPP portion of variable remuneration	6%	7%

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 ³	
	Date	Price (CHF) ¹	Date	Multiplier	Price (CHF) ¹		Value (CHF) ²
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	125%
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	1.34	149.20	199.93	61%
2016	01.03.2016	126.00	01.03.2019	0.89 ⁴	135.40 ⁴	120.76 ⁴	-4% ⁴
2017	01.03.2017	130.70	01.03.2020	1.03 ⁴	135.40 ⁴	138.96 ⁴	6% ⁴
2018	01.03.2018	149.20	01.03.2021	0.86 ⁴	135.40 ⁴	116.44 ⁴	-22% 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: $((1.182 \times 86.05) - 125.80) / 125.80 \times 100 = -19\%$.

4 Interim measurement as at 31 December 2018.

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 2016	Plan 2017	Plan 2018
Employees entitled to participate at launch of programme	69	65	67
Number of allocated PSU	40,748	33,698	33,237
Of which: expired (departures in 2016)	-604	-	-
Number of active PSUs as at 31 December 2016	40,144	-	-
Of which: expired (departures in 2017)	-413	-263	-
Number of active PSUs as at 31 December 2017	39,731	33,435	-
Of which: expired (departures in 2018)	-272	-303	0
Number of active PSUs as at 31 December 2018	39,459	33,132	33,237
Value of allocated PSUs on issue date (CHF million)	5.3	4.7	5.0
PSU expense incurred by the Baloise Group for 2016 (CHF million)	1.3		
PSU expense incurred by the Baloise Group for 2017 (CHF million)	1.9	1.1	
PSU expense incurred by the Baloise Group for 2018 (CHF million)	1.7	1.6	1.2

19. DEFERRED INCOME TAXES

19.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

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

2018	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	32.4	3.6	-	-	-	-1.3	34.7
Other investments	23.9	1.4	-	-	-	-0.1	25.2
Other comprehensive income	112.3	-	-16.9	-	-	-1.4	94.1
Tax credits and losses carried forward	93.7	-24.0	-	-	-	-1.3	68.4
Insurance receivables	4.3	2.4	-	-	-	-0.1	6.6
Technical reserves	480.2	101.6	-	-	-	-13.9	568.0
Insurance liabilities	698.4	55.1	-	-	-	-27.5	726.0
Liabilities arising from banking business and financial contracts	132.7	3.6	-	-	-	-3.4	132.9
Liabilities arising from employee benefits	59.2	-1.2	-	-	-	-2.0	55.9
Other	39.7	-2.0	-	-	-	-0.4	37.3
Total	1,676.7	140.5	-16.9	-	-	-51.2	1,749.1

DEFERRED TAX LIABILITIES

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

2018	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	3.8	-0.9	-	-	-	-0.1	2.7
Other intangible assets	5.9	0.3	-	-	-	-0.2	6.0
Deferred acquisition costs	227.4	10.5	-	-	-	-7.7	230.3
Long-term equity investments	50.2	9.4	-	-	-	-0.4	59.1
Investment property	348.9	-2.6	-	23.0	-	-2.2	367.0
Financial assets	79.6	2.0	-	-	-	-0.1	81.4
Other investments	75.4	-4.8	-	-	-	-2.0	68.6
Other comprehensive income	271.9	-	-102.6	-	-	-5.2	164.2
Insurance receivables	1.3	0.1	-	-	-	-0.1	1.4
Technical reserves	1,375.3	206.3	-	-	-	-40.3	1,541.4
Other	70.6	-9.1	-	-	-	-0.1	61.4
Total	2,510.3	211.2	-102.6	23.0	-	-58.3	2,583.5

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 228.6 million as at 31 December 2018 (2017: CHF 272.6 million). Of this total, CHF 0.1 million will expire after one year, 0.0 million after two to four years and CHF 228.5 million will expire after five years or more.

The Baloise Group has offsettable tax assets of CHF 69.6 million as at 31 December 2018 (2017: CHF 134.7 million), which it can use until the end of 2025. In 2018, an impairment loss CHF 69.6 million was recognised on the tax credit.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 170.3 million as at 31 December 2018 (2017: CHF 261.7 million) because the relevant offsetting criteria had not been met. Of this total, CHF 0.6 million will expire after one year, a further CHF 17.4 million will expire after two to four years and CHF 152.3 million will expire after five years or more.

19.2 Deferred income taxes

	31.12.2017	31.12.2018
CHF million		
Deferred tax assets	1,676.7	1,749.1
Deferred tax liabilities	-2,510.3	-2,583.5
Total (net)	-833.6	-834.4
Of which: recognised as deferred tax assets	88.8	73.5
Of which: recognised as deferred tax liabilities	-922.4	-907.8

20. OTHER ASSETS

	31.12.2017	31.12.2018
CHF million		
Liabilities to brokers and agents	84.2	34.0
Tax credits indirect taxes (withholding tax etc.)	37.2	27.7
Prepaid insurance benefits	56.3	52.8
Development properties	144.7	97.0
Other assets	32.0	43.9
Impairments	-5.3	-6.5
Sub-total	349.1	248.9
Other assets recognised at fair value through profit or loss		
Precious metals for the account and at risk of life insurance policyholders and third parties	70.5	54.1
Sub-total	70.5	54.1
Other assets	419.6	303.0

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

as at 31.12.	Disposal groups		Non-current assets	
	2017	2018	2017	2018
CHF million				
Property, plant and equipment	0.3	–	–	–
Intangible assets	0.4	–	–	–
Investment property	336.8	–	–	–
Financial assets	653.5	–	–	–
Other investments	41.3	–	–	–
Receivables	8.3	–	–	–
Other assets	0.5	–	–	–
Total assets	1,041.1	–	–	–
Technical reserves	–	–	–	–
Liabilities arising from banking business and financial contracts	540.5	–	–	–
Other financial obligations	79.4	–	–	–
Other liabilities	23.7	–	–	–
Total equity and liabilities	643.6	–	–	–
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	– 19.9	–	–	–

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.

The launch, announced in 2017, of a real-estate fund in Switzerland for institutional investors was completed in the year under review. To this end, investment properties held by Baloise Life Ltd and Basler Versicherung AG were transferred to this new real-estate portfolio. This affects the life and non-life segments in Switzerland. Also the transactions relating to Deutscher Ring Bausparkasse AG and ROLAND Rechtsschutz Beteiligung GmbH announced in 2017 were completed in 2018.

In the year under review, no material events took place that satisfy the criteria for IFRS 5.

22. SHARE CAPITAL

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

2018	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	1,327,993	47,472,007	48,800,000	4.9
Purchase / sale of treasury shares	890,141	- 890,141	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
Balance as at 31 December	2,218,134	46,581,866	48,800,000	4.9

The share capital of Baloise 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 (2017: 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 Annual General Meeting held on 27 April 2018 voted to pay a gross dividend of CHF 5.60 per share for the 2017 financial year. This amounted to a total dividend distribution of CHF 273.3 million. Excluding the treasury shares held by Baloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 264.0 million.

As at the balance sheet date (31 December 2018), a cumulative total of 1,336,575 shares in Baloise Holding Ltd had been repurchased for a total amount of CHF 198.5 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.

23. TECHNICAL RESERVES (GROSS)

	31.12.2017	31.12.2018
CHF million		
Unearned premium reserves (gross)	649.1	657.0
Claims reserve (gross)	5,595.0	5,426.0
Other technical reserves	74.7	74.5
Technical reserves (non-life)	6,318.8	6,157.5
Actuarial reserves (gross)	38,008.1	36,740.2
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,681.5	3,677.5
Technical reserves (life)	41,689.7	40,417.7
Technical reserves (gross)	48,008.5	46,575.2

23.1 Technical reserves (non-life)

	31.12.2017			31.12.2018		
	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
CHF million						
Unearned premium reserves	649.1	0.1	649.3	657.0	-1.2	655.9
Claims reserve	5,082.5	-	-	4,955.0	-	-
Provision for claims handling costs	512.5	-	-	471.0	-	-
Claims reserve	5,595.0	-438.3	5,156.7	5,426.0	-423.6	5,002.4
Other technical reserves	74.7	-	74.7	74.5	-	74.5
Total technical reserves (non-life)	6,318.8	-438.2	5,880.7	6,157.5	-424.8	5,732.7

23.1.1 Maturity structure of technical reserves

	31.12.2017			31.12.2018		
	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
CHF million						
Unearned premium reserves						
Up to 1 year	613.3	0.1	613.3	622.5	-1.5	621.0
More than 1 year	8.8	0.1	9.0	8.5	0.3	8.8
No determinable residual term	27.0	-0.1	27.0	26.0	-	26.0
Total unearned premium reserves	649.1	0.1	649.3	657.0	-1.2	655.9
Claims reserve						
Up to 1 year	879.0	-50.4	828.6	849.7	-51.0	798.7
More than 1 year	3,508.7	-99.1	3,409.6	3,422.4	-106.0	3,316.3
No determinable residual term	1,207.2	-288.8	918.4	1,153.9	-266.6	887.3
Total claims reserve	5,595.0	-438.3	5,156.7	5,426.0	-423.6	5,002.4

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

	2017			2018		
	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
CHF million						
Balance as at 1 January	589.0	1.8	590.8	649.1	0.1	649.3
Netted premiums	3,229.3	-164.3	3,065.0	3,405.9	-185.8	3,220.1
Less: premiums earned during the reporting period	-3,214.4	162.6	-3,051.8	-3,376.7	184.5	-3,192.2
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	45.2	0.1	45.2	-21.3	0.0	-21.2
Balance as at 31 December	649.1	0.1	649.3	657.0	-1.2	655.9

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

	2017			2018		
	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
CHF million						
Balance as at 1 January	89.6	–	89.6	74.7	–	74.7
Less: expenditures during the reporting period	–19.1	0.2	–18.9	–20.5	0.0	–20.5
Additional provisions recognised and unused provisions reversed through profit or loss	2.5	–0.2	2.4	21.0	0.0	21.0
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	1.7	–	1.7	–0.8	–	–0.8
Balance as at 31 December	74.7	–	74.7	74.5	–	74.5

23.1.4 Claims reserve (including claims handling costs)

	2017	2018
CHF million		
Balance as at 1 January (gross)	5,307.8	5,595.0
Reinsurers' share	- 393.2	- 438.3
Balance as at 1 January (net)	4,914.7	5,156.7
Claims incurred (including claims handling costs)		
For the reporting period	1,936.3	2,036.9
For previous years	- 87.3	- 135.8
Total	1,849.0	1,901.1
Payments for claims and claims handling costs		
For the reporting period	- 913.3	- 991.8
For previous years	- 911.9	- 960.3
Total	- 1,825.2	- 1,952.0
Other changes		
Additions / disposals arising from changes in scope of consolidation	-	-
Reclassification to non-current assets classified as held for sale	-	-
Exchange differences	218.1	- 103.3
Total	218.1	- 103.3
Balance as at 31 December (net)	5,156.7	5,002.4
Reinsurers' share	438.3	423.6
Balance as at 31 December (gross)	5,595.0	5,426.0

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 70.7 million at the end of 2018 (2017: CHF 74.2 million). The decrease was attributable to commutations of reserves and currency effects.

The net reserves for the hospital liability business in Germany amount to CHF 238.8 million and are also included in the total.

23.2 Technical reserves (life)

	31.12.2017	31.12.2018
CHF million		
Actuarial reserves from non-unit-linked life insurance contracts ¹	34,328.1	33,372.9
Actuarial reserves from unit-linked life insurance contracts	3,108.1	2,833.5
Reserves for final policyholders' dividends	181.3	164.5
Unearned revenue reserve	390.7	369.3
Structure of actuarial reserves (life)	38,008.1	36,740.2
Policyholders' dividends credited and provisions for future policyholders' dividends	3,681.5	3,677.5
Total technical reserves (life)	41,689.7	40,417.7

¹ The actuarial reserves include unearned premium reserves and claims reserves.

23.2.1 Maturity structure of technical reserves

	31.12.2017	31.12.2018
CHF million		
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,256.3	1,119.7
1 to 5 years	3,123.1	3,072.2
5 to 10 years	3,314.7	3,253.7
More than 10 years	6,062.6	5,813.0
No determinable residual term	9,229.9	8,910.5
Business from Swiss occupational pension plans ¹	11,341.6	11,203.8
Total actuarial reserves from non-unit-linked life insurance contracts	34,328.1	33,372.9
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	84.8	96.3
1 to 5 years	341.1	261.3
5 to 10 years	365.8	350.8
More than 10 years	416.7	394.0
No determinable residual term	1,899.7	1,731.1
Total actuarial reserves from unit-linked life insurance contracts	3,108.1	2,833.5
Policyholders' dividends credited		
Up to 1 year	86.6	76.1
1 to 5 years	252.4	218.4
5 to 10 years	214.4	197.9
More than 10 years	296.7	259.9
No determinable residual term	182.9	161.2
Total policyholders' dividends credited	1,032.9	913.5
Provisions for future policyholders' dividends		
Up to 1 year	88.9	102.2
No determinable residual term	2,559.7	2,661.7
Total provisions for future policyholders' dividends	2,648.6	2,764.0

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

	2017	2018
CHF million		
Balance as at 1 January	33,553.2	34,328.1
Change in actuarial reserves	-55.3	-576.7
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	830.2	-378.5
Balance as at 31 December	34,328.1	33,372.9

The actuarial reserves include unearned premium reserves and claims reserves.

The actuarial reserves for DPF business as at 31 December 2018 amounted to CHF 33,092.1 million (31 December 2017: CHF 34,046.7 million), while for non-DPF business they totalled CHF 280.9 million (31 December 2017: CHF 281.4 million).

The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2018 came to CHF 10.9 million (31 December 2017: CHF 10.5 million).

23.2.3 Actuarial reserves from unit-linked life insurance contracts

	2017	2018
CHF million		
Balance as at 1 January	2,727.3	3,108.1
Additions	255.4	276.3
Disposals	-236.9	-200.3
Fees	-5.8	-6.3
Interest on and change in liabilities	175.6	-257.8
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	192.7	-86.4
Balance as at 31 December	3,108.1	2,833.5

23.2.4 Reserve for final policyholders' dividends

	2017	2018
CHF million		
Balance as at 1 January	185.1	181.3
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	-7.0	-6.8
Interest on and change in liability	6.2	10.7
Final policyholders' dividends paid	-20.8	-19.6
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	-	-
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	6.8	3.4
Exchange differences	11.0	-4.6
Balance as at 31 December	181.3	164.5

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

	2017	2018
CHF million		
Balance as at 1 January	347.6	390.7
Reserved during the reporting period	19.2	18.6
Change in balance	-8.0	-25.9
Change due to unrealised gains and losses on investments (shadow accounting)	0.1	0.4
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	31.7	-14.5
Balance as at 31 December	390.7	369.3

23.2.6 Policyholders' dividends credited and reserves for future policyholders' dividends

	2017	2018
CHF million		
Policyholders' dividends credited as at 1 January	1,033.1	1,032.9
Dividends credited to policyholders during the reporting period	45.4	40.1
Policyholders' dividends paid	-108.6	-132.9
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	63.1	-26.7
Balance as at 31 December	1,032.9	913.5
Provisions for future policyholders' dividends as at 1 January	2,376.3	2,648.6
Adjustment arising from unrealised gains and losses as at 1 January	-771.4	-663.0
Additions	115.3	164.3
Withdrawals	-103.8	-106.3
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	290.0	336.8
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	663.0	426.1
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	79.3	-42.7
Balance as at 31 December	2,648.6	2,764.0
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	3,681.5	3,677.5

24. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

as at 31.12.	Carrying amount		Fair value	
	2017	2018	2017	2018
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs) ¹	2,814.2	2,924.7	–	–
Sub-total	2,814.2	2,924.7	–	–
Measured at amortised cost				
Liabilities to banks	225.1	135.2	225.0	135.2
Repurchase agreements	820.0	–	820.0	–
Liabilities arising from time deposits	–	–	–	–
Loans	8.9	8.3	8.9	8.3
Mortgages	36.8	34.5	36.8	34.5
Savings and customer deposits	5,107.8	5,324.5	5,144.1	5,354.2
Medium-term bonds	104.2	90.4	107.3	93.1
Mortgage-backed bonds	1,300.6	1,372.9	1,371.4	1,425.8
Bonds	–	–	–	–
Liability for future financial lease payments (present value)	0.0	0.0	0.0	0.0
Other financial contracts	25.4	31.6	25.4	31.6
Sub-total	7,628.8	6,997.5	7,738.9	7,082.6
Recognised at fair value through profit or loss (designated)				
Other financial contracts	12,253.6	11,616.9	12,253.6	11,616.9
Sub-total	12,253.6	11,616.9	12,253.6	11,616.9
Total liabilities arising from banking business and financial contracts	22,696.5	21,539.0	–	–

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

	2017	2018
CHF million		
Balance as at 1 January	1,470.4	1,742.9
Issue price of newly issued bonds	496.5	–
Embedded derivative	–	–
Additions (sub-total)	496.5	–
Disposals / repayments / conversions	– 225.0	–
Interest expenses	34.3	39.9
Borrowing costs paid	– 30.9	– 35.9
Accrued borrowing costs	– 2.2	– 2.4
Interest costs (sub-total)	1.1	1.5
Balance as at 31 December	1,742.9	1,744.5

No new bonds were issued in the year under review and no bonds were redeemed.

On 28 January 2019, Baloise Holding Ltd issued a bond totalling CHF 200 million (0.5 per cent, 2019 – 2025, ISIN CH0458097976) as part of its refinancing of the bond maturing on 1 March 2019.

TERMS & CONDITIONS GOVERNING DEBT OUTSTANDING (BONDS BÂLOISE HOLDING LTD AND BALOISE LIFE LTD)

Issuer	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise 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. NON-TECHNICAL PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
	2017			2018		
CHF million						
Balance as at 1 January	11.3	68.7	80.0	5.8	43.2	49.0
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	0.2	15.7	15.9	21.5	12.5	34.0
Unused provisions reversed through profit or loss	–0.8	–15.2	–16.0	–0.7	–11.0	–11.7
Usage not recognised in profit or loss	–5.6	–2.5	–8.1	–2.6	–4.1	–6.7
Unwinding of discount	–	–	–	–	–	–
Exchange differences	0.7	1.6	2.2	–0.7	–0.3	–1.0
Balance as at 31 December	5.8	43.2	49.0	23.4	40.3	63.7

The balance shown for other non-technical provisions includes typical amounts for legal advice and litigation risks. The recognition of restructuring provisions in profit or loss and their usage not recognised in profit or loss primarily relate to the German entities. The recognition of other non-technical provisions in profit or loss and their usage recognised or not recognised in profit or loss primarily relate to the German and Swiss entities.

27. INSURANCE LIABILITIES

	31.12.2017	31.12.2018
CHF million		
Liabilities to policyholders	1,350.3	1,486.1
Liabilities to brokers and agents	147.9	134.5
Liabilities to insurance companies	186.7	189.0
Other insurance liabilities	21.3	20.2
Total insurance liabilities	1,706.3	1,829.8

Notes to the consolidated income statement

28. PREMIUMS EARNED AND POLICY FEES

	2017			2018		
	Non-Life	Life	Total	Non-Life	Life	Total
CHF million						
Gross premiums written and policy fees	3,229.3	3,512.0	6,741.3	3,405.9	3,360.3	6,766.2
Change in unearned premium reserves	-14.9	-	-14.9	-29.2	-	-29.2
Premiums earned and policy fees (gross)	3,214.4	3,512.0	6,726.4	3,376.7	3,360.3	6,737.0
Reinsurance premiums ceded	-164.3	-20.8	-185.1	-185.8	-24.6	-210.4
Reinsurers' share of change in unearned premium reserves	1.7	-	1.7	1.4	-	1.4
Total premiums earned and policy fees (net)	3,051.8	3,491.1	6,542.9	3,192.2	3,335.7	6,528.0

29. INCOME FROM INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

	2017	2018
CHF million		
Investment property	263.2	276.6
Financial assets of an equity nature		
Available for sale	126.5	145.6
Recognised at fair value through profit or loss	13.1	1.4
Financial assets of a debt nature		
Held to maturity	214.5	206.9
Available for sale	480.9	477.7
Recognised at fair value through profit or loss	1.9	1.8
Mortgages and loans		
Carried at cost	280.9	254.9
Recognised at fair value through profit or loss	13.1	12.0
Cash and cash equivalents	-1.6	-0.9
Total investment income for own account and at own risk	1,392.5	1,376.0

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 2.4 million had been recognised on impaired investments at the balance sheet date (2017: CHF 2.8 million).

30. REALISED GAINS AND LOSSES ON INVESTMENTS**30.1 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.

30.2 Realised gains and losses on investments for own account and at own risk

2018	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	264.5	–	–	–	–	264.5
Held to maturity ¹	–	–	0.3	–	–	0.3
Available for sale	–	309.5	198.0	–	–	507.5
Recognised at fair value through profit or loss	–	6.1	–	5.6	502.0	513.6
Carried at cost	–	–	–	65.8	–	65.8
Sub-total	264.5	315.6	198.3	71.4	502.0	1,351.7
Realised losses on sales and book losses						
Investment property	–157.9	–	–	–	–	–157.9
Held to maturity ¹	–	–	–62.0	–	–	–62.0
Available for sale	–	–126.8	–224.6	–	–	–351.4
Recognised at fair value through profit or loss	–	–20.2	–3.4	–4.1	–559.7	–587.4
Carried at cost	–	–	–	–2.8	–	–2.8
Sub-total	–157.9	–147.0	–290.0	–6.8	–559.7	–1,161.5
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–93.8	–	–	–	–93.8
Carried at cost	–	–	–	–3.3	–	–3.3
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	3.1	–	3.1
Sub-total	–	–93.8	–	–0.3	–	–94.1
Total realised gains and losses on investments	106.5	74.7	–91.7	64.3	–57.7	96.1

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.

30.3 Impairment losses on financial assets recognised in profit or loss

	2017	2018
CHF million		
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	-14.4	-80.0
Equity funds	-	-
Mixed funds	-	0.0
Bond funds	-	0.0
Real estate funds	-0.1	-
Private equity	-10.3	-10.3
Hedge funds	-2.5	-3.6
Sub-total	-27.3	-93.8
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	-	-
Industrial enterprises	-	-
Financial institutions	-	-
Other	-	-
Sub-total	-	-
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	-1.5	-2.8
Policy loans	-	-
Promissory notes and registered bonds	-	-
Time deposits	-	-
Employee loans	0.0	-
Reverse repurchase agreements	-	-
Other loans	0.0	-0.6
Sub-total	-1.5	-3.3
Total impairment losses on financial assets recognised in profit or loss	-28.8	-97.2

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 loss of CHF 129.5 million was reported for 2018 (2017: gain of CHF 98.0 million).

A gross currency loss of CHF 65.1 million was recognised directly in equity for the reporting year (2017: gain of CHF 116.6 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 72.8 million was recognised for 2018 (2017: net gain of CHF 194.8 million).

31. INCOME FROM SERVICES RENDERED

	2017	2018
CHF million		
Asset management	45.4	52.1
Services	15.3	25.0
Banking services	48.1	41.2
Investment management	8.1	12.2
Income from services rendered	116.9	130.4

32. OTHER OPERATING INCOME

	2017	2018
CHF million		
Interest income from insurance and reinsurance receivables	19.9	14.6
Other interest income	0.8	0.5
Gains on the sale of property, plant and equipment	6.6	1.4
Badwill ¹	10.3	0.0
Currency gains on assets and liabilities	9.5	50.0
Reversal of impairment losses recognised on receivables	5.5	4.1
External income from owner-occupied property	6.9	6.4
Income from development properties	101.2	65.3
Other income	74.4	85.3
Other operating income	235.0	227.6

1 Opposite negative effect on earnings of CHF – 8.8 million in 2017 as a result of applying the deferred gains / losses for policyholders' dividends.

33. CLASSIFICATION OF EXPENSES

	2017	2018
CHF million		
Personnel expenses (excluding loss adjustment expenses)	-801.4	-776.7
Marketing and advertising	-42.0	-45.7
Depreciation and impairment of property, plant and equipment	-32.3	-32.4
Amortisation and impairment of intangible assets	-50.4	-34.9
IT and other equipment	-73.4	-66.6
Expenses for rent, maintenance and repairs	-42.7	-43.4
Losses arising from exchange differences in respect of assets and liabilities	-41.1	-6.8
Commission and selling expenses	-544.2	-606.9
Fees and commission for financial assets and liabilities not recognised at fair value	-13.1	-12.0
Fees and commission expenses for assets managed for third parties	-6.5	-1.2
Expenses arising from non-current assets classified as held for sale	-	-
Expenses from development properties	-106.5	-66.9
Other ¹	-163.3	-218.9
Total	-1,916.9	-1,912.4

1 This includes changes in deferred acquisition costs recognised in profit or loss, as shown in table 9.

34. PERSONNEL EXPENSES

Total personnel expenses for 2018 came to CHF 890.3 million (2017: CHF 916.3 million).

35. GAINS OR LOSSES ON FINANCIAL CONTRACTS

	2017	2018
CHF million		
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	-49.7	-49.0
Sub-total	-49.7	-49.0
Measured at amortised cost		
Interest on loans	-0.1	0.0
Interest due	-9.4	-9.6
Interest arising from banking business	-12.1	-5.3
Interest expenses on repurchase agreements	6.8	6.6
Acquisition costs in banking business	-19.8	-15.1
Expenses arising from financial contracts	-11.1	-10.6
Sub-total	-45.7	-34.1
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts	-518.1	884.3
Sub-total	-518.1	884.3
Total gains or losses on financial contracts	-613.4	801.2
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

	2017	2018
CHF million		
Current income taxes	-134.1	-104.0
Deferred income taxes	16.2	-70.7
Total current and deferred income taxes	-117.9	-174.7

36.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 18.8 per cent in 2017 and 20.7 per cent in 2018. These rates correspond to the weighted average tax rates in those countries where the Baloise Group operates.

	2017	2018
CHF million		
Profit before taxes	649.8	697.6
Expected average tax rate (per cent)	18.81%	20.65%
Expected income taxes	-122.2	-144.1
Increase / reduction owing to		
tax-exempt profits and losses	16.7	18.3
non-deductible expenses	-9.8	-6.7
withholding taxes on dividends	-0.6	-0.9
change in tax rates	31.0	-1.7
change in unrecognised tax losses	-10.3	-20.1
recognition of tax credits	-	-
tax items related to other reporting periods	-1.1	3.2
non-taxable measurement differences	-7.9	-9.4
intercompany effects	-17.9	-16.4
other impacts	4.2	3.0
Current income taxes	-117.9	-174.7

In 2018, the "other impacts" item was heavily affected by the impairment of a tax credit and by countervailing tax effects resulting from a real-estate portfolio transaction.

37. EARNINGS PER SHARE

	2017	2018
Profit for the period attributable to shareholders (CHF million)	548.0	523.2
Average number of shares outstanding	47,641,577	46,979,421
Basic earnings per share (CHF)	11.50	11.14

	2017	2018
Profit for the period attributable to shareholders (CHF million)	548.0	523.2
Adjustment of interest expenses on convertible bonds, including tax effects (CHF million)	–	–
Adjusted profit for the period attributable to shareholders (CHF million)	548.0	523.2
Average number of shares outstanding	47,641,577	46,979,421
Adjustment due to theoretical exercise of share-based payment plans	97,459	61,603
Adjustment due to theoretical exercise of put options	–	–
Adjusted average number of shares outstanding	47,739,036	47,041,024
Diluted earnings per share (CHF)	11.48	11.12

The dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan.

38. OTHER COMPREHENSIVE INCOME

38.1 Other comprehensive income

	2017	2018
CHF million		
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	-0.7	4.6
Other items not to be reclassified to the income statement	1.3	9.6
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	72.4	118.5
Change arising from shadow accounting	9.9	-7.7
Deferred income taxes	-21.4	-26.7
Total items not to be reclassified to the income statement	61.6	98.3
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	369.4	-726.3
Gains and losses reclassified to the income statement	-551.9	-182.9
Total available-for-sale financial assets	-182.5	-909.1
Investments in associates		
Gains and losses arising during the reporting period	7.5	-0.9
Gains and losses reclassified to the income statement	-	-2.8
Total investments in associates	7.5	-3.8
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	72.7	-7.7
Gains and losses reclassified to the income statement	5.4	0.0
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	78.1	-7.7
Reserves arising from reclassification of held-to-maturity financial assets:		
Gains and losses arising during the reporting period	0.2	-
Gains and losses reclassified to the income statement	-2.6	-0.7
Total reserves arising from reclassification of held-to-maturity financial assets:	-2.5	-0.7
Change arising from shadow accounting	197.0	271.0
Change arising from exchange differences	119.3	-52.5
Deferred income taxes	38.1	116.2
Total items to be reclassified to the income statement	255.1	-586.6
Total other comprehensive income	316.6	-488.3

38.2 Income taxes on other comprehensive income

	2017	2018
CHF million		
Other comprehensive income before deferred income taxes	299.9	-577.8
Deferred income taxes of Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.1	-1.3
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	-26.1	-19.7
Change arising from shadow accounting	1.0	0.5
Change arising from exchange differences	3.6	-1.5
Additions and disposals arising from change in the scope of consolidation	-	-4.6
Total deferred income taxes of items not to be reclassified to the income statement	-21.4	-26.7
Deferred income taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	120.8	171.3
Investments in associates	-1.5	-0.2
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	-15.4	1.5
Reserves arising from reclassification of held-to-maturity financial assets	0.8	0.1
Change arising from shadow accounting	-50.1	-66.5
Change arising from exchange differences	-16.5	5.3
Additions and disposals arising from change in the scope of consolidation	-0.1	4.6
Total deferred income taxes of items to be reclassified to the income statement	38.1	116.2
Other comprehensive income after deferred income taxes	316.6	-488.3

Other disclosures

39. ACQUISITION AND DISPOSAL OF COMPANIES

	Cumulative acquisitions		Cumulative disposals	
	2017	2018	2017	2018
CHF million				
Investments	386.8	–	1,911.5	653.5
Other assets	10.5	–	24.5	42.0
Receivables and assets	1.1	–	37.2	8.8
Cash and cash equivalents	99.3	–	0.1	–
Actuarial liabilities	–	–	–1,888.5	–
Other accounts payable	–192.7	–	–40.5	–688.4
Non-controlling interests	–47.8	–	–	–
Net assets acquired / disposed of	257.2	–	44.5	15.8
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	262.6	–	37.7	15.0
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	15.0
Net assets acquired / disposed of	–257.2	–	–44.5	–15.8
Other comprehensive income ¹	–	–	–7.1	–0.6
Goodwill / negative goodwill or proceeds from disposals	12.7	–	–21.7	–1.4
Cash and cash equivalents used / received for acquisitions and disposals	–262.6	–	37.7	15.0
Cash and cash equivalents acquired / disposed of	99.3	–	–	–
Outflow / inflow of cash and cash equivalents	–163.3	–	37.7	15.0

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. 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 paid in 2017 for Movu AG in Switzerland was CHF 25.6 million and the purchase price for DrivOlution NV in Belgium was CHF 2.0 million.

The disposals in 2017 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.

No companies were acquired in the reporting year.

The disposals in 2018 were the German companies Deutscher Ring Bausparkasse AG and ROLAND Rechtsschutz Beteiligung GmbH.

These disposals had no material impact on the profit for 2018 because the companies' assets and liabilities were already treated as a disposal group and an impairment loss had been recognised on them in 2017 (note 21).

Incremental acquisitions are not included in this table. That is why the outflow of cash and cash equivalents varies from the presentation in the cash flow statement.

40. RELATED PARTY TRANSACTIONS

As part of its ordinary operating activities the Baloise Group conducts transactions with associates and with members of Baloise 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 88 to 113).

The executive management team consists of the members of Baloise 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	
	2017	2018	2017	2018	2017	2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018
CHF million										
Associates	-	-	1.7	1.6	-28.2	-26.8	-	-	-3.9	-2.8
Key management personnel	0.1	0.1	0.1	0.0	-12.1	-10.8	10.3	8.4	-	-

EXECUTIVE MANAGEMENT REMUNERATION

	2017	2018
CHF million		
Short-term employee benefits	-7.7	-6.3
Post-employment benefits	-1.3	-1.0
Payments under share-based payment plans	-3.2	-3.5
Total	-12.1	-10.8

15,583 shares worth CHF 2.3 million were repurchased from members of the Corporate Executive Committee in 2018 (2017: CHF 2.5 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 88 to 113 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 2018.

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.

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.

	31.12.2017	31.12.2018
CHF million		
Guarantees	51.5	51.9
Collateral	509.0	472.8
Total guarantees and collateral for the benefit of third parties	560.5	524.7
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

31.12.2017	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

31.12.2018	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.5	–	21.4	51.9
Collateral	–	–	–	0.1	472.7	472.8

42.1.3 Pledged or ceded assets, securities-lending assets and collateral held

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

	31.12.2017	31.12.2018
CHF million		
Financial assets under repurchase agreements	649.5	–
Financial assets in the context of securities lending	3,983.0	4,476.4
Investments	2,024.0	2,112.1
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	6,656.5	6,588.5

FAIR VALUE OF COLLATERAL HELD

	31.12.2017	31.12.2018
CHF million		
Financial assets under reverse repurchase agreements	59.1	64.0
Financial assets in the context of securities lending	4,883.4	6,002.2
Other	–	–
Total	4,942.5	6,066.2
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

	31.12.2017	31.12.2018
CHF million		
Commitments undertaken for future acquisition of		
investment property	499.0	490.1
financial assets	735.7	766.8
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	1,234.7	1,256.9
Of which: in connection with joint ventures	–	–
Of which: own share of joint ventures' capital commitments	–	–

Due to plans to introduce new software, an in-depth analysis of future liabilities in respect of investment property was conducted. This resulted in a better set of data that was used to assess the liabilities in the year under review and in the prior year. The prior-year figures have been restated accordingly.

CREDIT RATINGS OF CAPITAL COMMITMENTS

31.12.2017	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	199.2	–	61.5	–	974.1	1,234.7

31.12.2018	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	117.4	–	110.9	–	1,028.6	1,256.9

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

	2017	2018
CHF million		
Due within one year	-18.1	-18.3
Due after one to five years	-29.8	-33.2
Due after five years or more	-1.4	-3.5
Total	-49.3	-55.1
Minimum lease payments	-19.1	-19.5
Contingent lease payments	-	0.0
Leasing expenses	-19.1	-19.5
Income from sub-leases during the reporting period	0.5	0.5
Future income from sub-leases	0.7	0.5

Contingent lease payments are made in cases where the lease is indexed.

In connection with the introduction of IFRS 16 (for annual periods beginning on or after 1 January 2019), the leasing arrangements underwent an in-depth analysis and the internal accounting principles were updated. This also resulted in a new set of data in the system that was used to reassess the leases in the year under review and in the prior year. The prior-year figures have been restated accordingly.

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

	2017	2018
CHF million		
Due within one year	49.3	48.0
Due after one to five years	119.5	121.2
Due after five years or more	200.7	187.9
Total	369.6	357.1
Minimum lease payments	50.5	60.3
Contingent lease payments	0.1	0.1
Leasing income	50.5	60.4

44. CLAIM PAYMENTS RECEIVED FROM NON-GROUP INSURERS

The companies in the Baloise Group received claim payments totalling CHF 0.0 million in 2018 (2017: 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.

31.12.2018	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									
Baloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	4.9	2,399.3	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,355.5	1,360.2
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	32,080.8	2,728.0
Artires AG, Basel ⁴	Holding	L	85.04	85.04	F	CHF	18.0	179.8	–
Baloise Wohnbauten AG, Basel	Other	L	85.04	100.00	F	CHF	1.0	282.4	–
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	7,707.2	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	32.4	–
Baloise Asset Management Schweiz AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.5	35.1	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	15.2	–
Germany									
Basler Versicherung Beteiligungen B. V. & Co KG, Hamburg	Holding	O	100.00	100.00	F	EUR	94.7	377.3	–
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	9,316.7	330.7
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,614.8	640.4
Basler Beteiligungsholding GmbH, Hamburg	Holding	O	100.00	100.00	F	EUR	12.8	235.0	–
Basler Financial Services GmbH, Hamburg	Other	O	100.00	100.00	F	EUR	1.5	7.3	–
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	100.00	100.00	F	EUR	–	7.3	7.9
OVB Holding AG, Cologne	Other	–	32.57	32.57	E	EUR	–	–	–
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	18.0	–

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.

4 former Pax Anlage AG, Basel

31.12.2018	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	9,143.6	1,032.2
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	193.8	67.2
Merno-Immo NV, Antwerp	Other	NL	100.00	100.00	F	EUR	17.1	27.3	–
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,240.2	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	325.5	116.4
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	7,683.5	68.9
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 Private Equity (Luxembourg) SCS, Luxembourg	Investment management	L / NL	100.00	100.00	F	USD	0.0	642.7	–
Baloise Alternative Invest S.A. SICAV-RAIF, Luxembourg	Investment management	L / NL / O	100.00	100.00	F	USD	–	1,580.4	–
Other territories									
Bâloise Participations Holding B.V., Amsterdam	Holding	O	100.00	100.00	F	EUR	10.9	0.9	–
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,926.3	0.9
Baloise Alternative Investment Strategies Limited, St. Helier (Jersey / Channel Islands)	Investment management	L / NL	100.00	100.00	F	USD	0.0	397.9	–

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

In 2018, there had been no transactions resulting in a change of control over a subsidiary.

47. STRUCTURED ENTITIES

47.1 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.

47.2 Non-consolidated structured entities

Baloise Immobilien Management AG launched the Baloise Swiss Property Fund (ISIN CH 0414551033) for institutional investors on 1 October 2018. To this end, investment properties held by Baloise Life Ltd and Basler Insurance Ltd were transferred to the fund.

The fund is managed by Baloise Immobilien Management AG. Baloise Group subsidiaries are invested in the fund. The Baloise Group’s total exposure and its decision-making powers indicate that the requirements of IFRS 10 are not met, so the Baloise Swiss Property Fund is not included in the basis of consolidation.

48. JOINT ARRANGEMENTS

There were no joint arrangements in 2018 and in 2017.

49. EVENTS AFTER THE BALANCE SHEET DATE

On 10 February 2019, voters accepted the amendment of legislation on direct taxation in the Canton of Basel-Stadt (Basel compromise on tax proposal 17). The governing council of the Canton of Basel-Stadt decided on 26 February 2019 that the rates of tax on profit and capital would be lowered with effect from 1 January 2019. The other parts of the proposal will come into force later on, potentially subject to the requirement that the federal proposal on tax reform and old-age and survivors’ insurance (STAF) is accepted on 19 May 2019. It is proposed that status companies be abolished and replacement measures be introduced.

The lowering of the rates of tax on profit and capital will reduce the tax expense of the companies in the Baloise Group that are based in the Canton of Basel-Stadt and currently do not benefit from a special tax status. Further amendments to tax legislation at canton level are expected over the course of 2019.

This page has been left empty on purpose.



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
Baloise Holding Ltd, Basel

Basel, 22 March 2019

Report of the statutory auditor on the consolidated financial statements



Opinion

We have audited the consolidated financial statements (pages 118 - 266) of Baloise Holding Ltd and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2018, 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 2018, 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.



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 142 to 144 and 233 to 236 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.

Based on our audit procedures we did not identify exceptions with regard to the valuation and disclosure of claims reserves non-life.

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 144 to 146 and 237 to 241 of the Group's financial statements.

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.

Based on our audit procedures we did not identify exceptions with regard to the valuation and disclosure of life insurance technical reserves.

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 134 to 136 and 209 to 213 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.

Based on our audit procedures we did not identify exceptions with regard to the valuation and disclosure of investments without publically available market values.



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.



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

A handwritten signature in black ink, appearing to be 'C Fleig'.

Christian Fleig
Licensed audit expert
(Auditor in charge)

A handwritten signature in black ink, appearing to be 'P Schwaller'.

Patrick Schwaller
Licensed audit expert

This page has been left empty on purpose.

Baloise Holding Ltd

Income statement of Baloise Holding Ltd	276
Balance sheet of Baloise Holding Ltd	277
Notes to the financial statements of Baloise Holding Ltd ...	278
Appropriation of distributable profit as proposed by the Board of Directors	287
Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel	288

Income statement of Baloise Holding Ltd

	Note	2017	2018
CHF million			
Income from long-term equity investments		406.8	432.2
Income from interest and securities	2	33.8	21.6
Other income	3	6.9	37.3
Total income		447.5	491.1
Administrative expenses	4	-46.6	-37.6
Depreciation, amortisation and impairment		-	-1.8
Interest expenses	5	-30.5	-35.2
Other expenses		-2.8	-2.6
Total expenses		-79.9	-77.2
Tax expense		-0.3	-2.0
Profit for the period		367.3	411.9

Balance sheet of Baloise Holding Ltd

	Note	31.12.2017	31.12.2018
CHF million			
Assets			
Cash and cash equivalents		96.1	36.5
Receivables from Group companies	6	359.9	341.7
Receivables from third parties		2.8	7.5
Current assets		458.8	385.7
Financial assets			
Loans to Group companies	7	102.0	529.7
Long-term equity investments	8	1,860.8	1,786.1
Non-current assets		1,962.8	2,315.8
Total assets		2,421.6	2,701.5
Equity and liabilities			
Current liabilities			
Liabilities to Group companies		3.4	7.4
Liabilities to third parties		1.6	3.5
Current interest-bearing liabilities to third parties	9	–	175.0
Deferred income		27.7	21.2
Non-current liabilities			
Long-term interest-bearing liabilities to Group companies		340.0	620.0
Long-term interest-bearing liabilities to third parties	10	1,250.0	1,075.0
Provisions		7.7	4.4
Liabilities		1,630.4	1,906.5
Share capital			
Share capital		4.9	4.9
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		6.1	6.4
Voluntary retained earnings			
Free reserves		472.4	566.1
Distributable profit:			
– Profit carried forward		0.6	0.7
– Profit for the period		367.3	411.9
Treasury shares	11	–71.8	–206.7
Equity	12	791.2	795.0
Total equity and liabilities		2,421.6	2,701.5

Notes to the financial statements of Baloise Holding Ltd

1. ACCOUNTING POLICIES

General

These annual financial statements of Baloise 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.

All amounts shown in these annual financial statements of Baloise Holding Ltd are stated in millions of Swiss francs (CHFmillion) 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.

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 Baloise 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

	2017	2018
CHF million		
Income from treasury shares	6.7	4.5
Interest on loans to Group companies	3.7	17.1
Realized income treasury shares	23.4	–
Other income from interest and securities	–	0.0
Total income from interest and securities	33.8	21.6

3. OTHER INCOME

	2017	2018
CHF million		
Write-up on long-term equity investment	–	30.0
Sundry other income	6.9	7.3
Total other income	6.9	37.3

In 2018, the investment in Baloise Bank SoBa AG, Solothurn, was written-up by CHF 30 million to its acquisition cost.

4. ADMINISTRATIVE EXPENSES

	2017	2018
CHF million		
Personnel expenses ¹	–33.5	–22.1
Other administrative expenses	–13.1	–15.5
Total administrative expenses	–46.6	–37.6

¹ Baloise Holding Ltd has no direct employees. All staff members are employed by Baloise Insurance Ltd, Basel.

5. INTEREST EXPENSES

	2017	2018
CHF million		
Interest on bonds	–30.5	–28.7
Other interest expenses	–	–6.5
Total interest expenses	–30.5	–35.2

NOTES TO THE BALANCE SHEET

6. RECEIVABLES FROM GROUP COMPANIES

	31.12.2017	31.12.2018
CHF million		
Dividends	359.1	341.3
Other receivables	0.8	0.4
Total receivables from Group companies	359.9	341.7

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2018 financial year as accrued income:

- ▶ 27 February 2019: Haakon AG, Basel
- ▶ 18 March 2019: Baloise Bank SoBa AG, Solothurn
- ▶ 22 March 2019: Basler Versicherung AG, Basel and Basler Leben AG, Basel
- ▶ 27 March 2019: Baloise Asset Management Schweiz AG, Basel and Baloise Asset Management International AG, Basel

7. LOANS TO GROUP COMPANIES

	31.12.2017	31.12.2018
CHF million		
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Baloise (Luxembourg) Holding S.A.	62.0	162.0
Loans to Baloise (Luxembourg) Holding S.A.	–	283.7
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	–	44.0
Total loans to Group companies	102.0	529.7

8. LONG-TERM EQUITY INVESTMENTS

Company	Total shareholding as at 31.12.2017 (with voting rights)	Total shareholding as at 31.12.2018 (with voting rights)	Currency	Share capital as at 31.12.2018	Capital share
	(per cent) ¹	(per cent) ¹		(million)	(million)
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	1.0	1.0
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
Baloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Baloise 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	100.00	EUR	<0.1	<0.1
Baloise Private Equity Partner S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	<0.1	<0.1
Baloise Finance (Jersey) Ltd, St. Helier (Jersey)	100.00	100.00	CHF	0.3	0.3

¹ Investments stated as a percentage are rounded down.

9. CURRENT INTEREST-BEARING LIABILITIES TO THIRD PARTIES

31.12.2018	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
Total current interest-bearing liabilities				175.0

10. LONG-TERM INTEREST-BEARING LIABILITIES TO THIRD PARTIES

31.12.2018	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
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				1,075.0

11. TREASURY SHARES

Number of registered shares	Low in CHF	High in CHF	Average share price (CHF)	Number
Balance as at 1 January 2017				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
Purchases	136.40	159.80	147.89	965,475
Sales				0
Disposals in connection with share participation programmes				-56,586
Balance as at 31 December 2018				1,405,292

12. 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 2017	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
Allocation 2018	-	-	-	94.0	-94.0	-	0.0
Dividend	-	-	-	-	-273.3	-	-273.3
Additions	-	-	-	-	-	-	0.0
Change in treasury shares	-	-	-	-	-	-134.8	-134.8
Recognition / reversal	-	-	0.3	-0.3	-	-	0.0
Profit for the period	-	-	-	-	411.9	-	411.9
Balance as at 31 December 2018	4.9	11.7	6.4	566.1	412.6	-206.7	795.0

13. 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 2018:

	Total shareholding as at 31.12.2017	Share of voting rights as at 31.12.2017	Total shareholding as at 31.12.2018	Share of voting rights as at 31.12.2018
Per cent				
Shareholders				
Chase Nominees Ltd. ¹	8.1	2.0	10.5	2.0
BlackRock Inc.	>5.0	<2.0	>5.0	<2.0
UBS Fund Management AG	3.3	2.0	3.3	0.0
LSV Asset Management	>3.0	0.0	>3.0	0.0
Nortrust Nominees Ltd. ¹	3.5	0.0	3.4	0.0
Bank of New York Mellon N.V. ¹	5.8	0.0	4.3	0.0
Credit Suisse Funds AG	<3.0	<2.0	3.0	0.0

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.

14. CONTINGENT LIABILITIES

	31.12.2017	31.12.2018
CHF million		
Collateral, guarantee commitments	534.8	533.5

Baloise Holding Ltd has issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Baloise 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 and RentaSafe Time (D-CHF). The maximum liability corresponds to the present value of the outstanding guaranteed insurance benefits as at 31 December 2018. 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. By taking suitable corporate actions, Baloise Holding Ltd (BH) provides a guarantee to Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg (BSAG) that BSAG's solvency ratio will not fall below a defined threshold. BSAG is obliged to notify BH without undue delay so that BH can initiate the necessary measures to enable BSAG's solvency ratio to remain above the defined threshold.

Baloise 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.

Baloise 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.

15. 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 88 to 113 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.

16. NET REVERSAL OF HIDDEN RESERVES

In 2018, no hidden reserves were reversed.

17. EXEMPTIONS DUE TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Because Baloise 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.

18. EVENTS AFTER THE BALANCE SHEET DATE

On 28 January 2019, Baloise Holding Ltd issued a bond totalling CHF 200 million as part of its refinancing of the bond maturing on 1 March 2019.

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 411,909,124.75.

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.

	2017	2018
CHF		
Profit for the period	367,343,969.45	411,909,124.75
Profit carried forward from the previous year	597,228.24	661,197.69
Distributable profit	367,941,197.69	412,570,322.44
Proposals by the Board of Directors:		
Dividend	- 273,280,000.00	- 292,800,000.00
Allocated to free reserves	- 94,000,000.00	- 119,000,000.00
Withdrawn from free reserves	-	-
Profit to be carried forward	661,197.69	770,322.44

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 6.00 gross or CHF 3.90 net of withholding tax.



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
Baloise Holding Ltd, Basel

Basel, 22 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements (pages 276 - 286) of Baloise Holding Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2018.



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 2018 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 Baloise 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 Baloise Holding Ltd.

Baloise 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 2018. Based on our audit procedures we did not identify exceptions with regard to the valuation of long-term equity investments.



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

Christian Fleig
Licensed audit expert
(Auditor in charge)

Patrick Schwaller
Licensed audit expert

This page has been left empty on purpose.

	4	Baloise
	16	Review of operating performance
38		Sustainable business management
	64	Corporate Governance
	116	Financial Report
	274	Baloise Holding Ltd
	292	General information

General information

GLOSSARY	294
ADDRESSES	298
INFORMATION ON THE BALOISE GROUP	299
FINANCIAL CALENDAR AND CONTACTS	300

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 “Baloise Holding” means “Baloise Holding Ltd”. Baloise shares are the shares of Baloise 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.
- ▶ **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
Postfach
CH-4002 Basel
Tel. +41 58 285 85 85
Fax +41 58 285 70 70
kundenservice@baloise.ch
www.baloise.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

Baloise Asset Management

Aeschengraben 21
Postfach
CH-4002 Basel
Tel. +41 58 285 72 99
assetmanagement@baloise.com
www.baloise-asset-management.com

MOVU

Okenstrasse 6
CH-8037 Zürich
Tel. +41 44 505 14 14
captain@movu.ch
www.movu.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
Tel. +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

Posthofbrug 6 – 8
Box 5 / 102
B-2600 Antwerp
Tel. +32 491 19 18 49
info@mobly.be
www.mobly.be

Information on the Baloise Group

The 2018 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 2018 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 2018 Annual Report and the Summary of the 2018 Annual Report will be available from 28 March 2019 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) changes 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.

© 2019 Baloise Holding Ltd, 4002 Basel, Switzerland

Publisher Baloise 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)

Financial calendar and contacts

7 MARCH 2019

Annual financial results

Media conference
Conference call for analysts

28 MARCH 2019

Annual Report

Publication of the Annual Report 2018

26 APRIL 2019

Annual General Meeting

Bâloise Holding Ltd

28 AUGUST 2019

Half-year financial results

Conference call for analysts and the media

13 NOVEMBER 2019

Q3 interim statement

12 MARCH 2020

Annual financial results

Media conference
Conference call for analysts

26 MARCH 2020

Annual Report

Publication of the Annual Report 2019

24 APRIL 2020

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

Markus Holtz
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 58 285 81 81
investor.relations@baloise.com

Corporate Communications

Dominik Marbet
Aeschengraben 21
4002 Basel, Switzerland
Tel. +41 58 285 84 67
media.relations@baloise.com

Baloise Holding Ltd
Aeschengraben 21
CH-4002 Basel, Switzerland

www.baloise.com