ANNUAL REPORT 2019

Baloise Group

Baloise Group
Annual Report 2019

Contents

Baloise key figures

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

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments (31 December 2018: CHF 10.2 million; 31 December 2019: CHF –1.8 million).
3 Excluding investments for the account and at the risk of life insurance policyholders.
4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
5 2019 based on the proposal submitted to the Annual General Meeting.

At a glance

Profit (attributable to the shareholders) of
CHF 694.2 million

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

Equity of
CHF 6,715.6 million

Return on equity (RoE) of
11.1 %

Net combined ratio of
90.4 %

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

New business margin in the life business of
37.3 %

Net investment yield on insurance assets of
2.3 %

83 %
of employees recommend Baloise as an employer

– 7.1 %
CO_2 reduction

+209,000
additional customers

BBB
improved sustainability rating from MSCI

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

DEAR SHAREHOLDERS,

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

Last year, Baloise also sharpened its strategic focus. It used its insights from the first three years of the Simply Safe strategic phase to set priorities for its digital initiatives. Baloise had initially experimented in various different areas, gaining invaluable experience, but is now concentrating on the ‘Home’ and ‘Mobility’ ecosystems. This is where it sees the greatest opportunities for building on its robust core business by expanding the portfolio of services for its customers. Baloise also made huge progress with strengthening, optimising and diversifying its core business. In the life business, it is continuing to improve the business mix by focusing on risk and unit-linked products. The Company also capitalised on the opportunities for growth in Switzerland presented by the withdrawal of a competitor. The strategic reallocation of the non-life portfolio in Germany is having a positive impact. The German business’s turnaround is reflected in a considerable increase in new customers. The 2019 results for the Luxembourg business unit were also robust. Baloise unlocked opportunities and possibilities in Belgium’s attractive non-life insurance market when it acquired insurance company Fidea NV in the first half of the year. The announced acquisition of Athora’s non-life insurance portfolio will also markedly strengthen the market position of the Belgian business. These two acquisitions will underpin Belgium’s role as a second key pillar within the Baloise Group alongside the Swiss business. They will also help to diversify the business. The Athora portfolio will significantly strengthen Baloise’s position in the Wallonia region of Belgium. Baloise is now among the four largest insurance companies in Belgium's attractive non-life insurance market. Baloise Asset Management expanded its range of asset management services for external customers in Switzerland and invested in a number of large-scale real-estate projects. In the context of Baloise's sustainability activities, the responsible investment policy applicable to insurance assets was extended to all of the products managed by Baloise Asset Management for external customers at the start of this year.

MOVING TOWARDS PLATFORM-BASED INTEGRATION OF SERVICES

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

By sharpening our strategic focus, we are delineating the range of services for our future business activities more precisely. This focus makes it easier to accelerate the implementation of initiatives over the next two years of the Simply Safe strategic phase. And we are optimistic about achieving our targets for this phase. At our Investor Day in October, we will provide a progress report and look ahead to the next strategic phase.

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

Basel, March 2020

Dr Andreas Burckhardt
Chairman of the Board of Directors

Gert De Winter
Group CEO

An excellent trading year

The 2019 trading year was characterised by geopolitical risks and a global economic environment shaped by weak growth prospects. The equity markets seemed largely unperturbed by concerns about a global recession and performed exceptionally well. Baloise shares * outperformed the Swiss Market Index (SMI) with an impressive gain of 29.2 per cent. On top of this positive result, distributions to shareholders also remained reliable and attractive. The Board of Directors proposes to raise the dividend for 2019 by 7 per cent to CHF 6.40.

Compared with the ups and downs of 2018, the 2019 trading year went exceptionally well. The upward trend in the equity markets was driven primarily by the central banks, who provided economic support with their expansionary monetary policy measures. Geopolitical risks in connection with Brexit and the US-China trade dispute were the only factor causing intermittent spikes in volatility.

In contrast to the upbeat equity markets, macroeconomic data showed signs of an (at times pronounced) slowdown in economic growth, especially in Europe. The global outlook currently suggests that the economy is turning the corner. In recent data, positive and negative indicators for the eurozone were fairly evenly balanced. The US, on the other hand, continued to enjoy solid economic growth in 2019 thanks to healthy levels of consumer spending and higher government spending. The conclusion of a 'phase-one agreement' between the US and China prevented a further escalation of the trade dispute and thus averted greater pressure on the global economy.

Forecasts for 2019 had predicted a gradual normalisation of monetary policy, but concerns about the slowdown in economic growth prompted the central banks to return to expansionary measures. The US Federal Reserve lowered its key interest rate three times in 2019, bringing it down by 75 basis points in total to a new target band of 1.50 – 1.75 per cent. The European Central Bank kept its key interest rate unchanged, but announced a new open-ended asset purchase programme with a monthly purchase volume of EUR 20 billion, which was launched on 1 November 2019. The ECB also raised the penalty interest rate for banks that park their excess liquidity at the ECB to minus 0.5 per cent. The Swiss National Bank announced after its last meeting in December 2019 that it would keep its key interest rate unchanged at minus 0.75 per cent.

Baloise shares made substantial gains in 2019. As at the end of the year, Baloise shares traded at 175.00 CHF – 29.2 per cent above the closing price of the prior year. This means that Baloise shares performed even better than the European insurance industry index (STOXX Europe 600 Insurance Index, SXIP), which went up by 24.7 per cent in 2019. With a gain of 29.2 per cent, Baloise shares also outperformed the Swiss Market Index (SMI), which recorded a gain of 26.0 per cent over the same period.

DIVIDENDS PAID TO SHAREHOLDERS

The Board of Directors of Bâloise Holding Ltd will propose to the Annual General Meeting on 24 April 2020 that a cash dividend of CHF 6.40 per share be paid for the 2019 financial year, an increase of CHF 0.40 compared with the dividend for 2018. This would represent an attractive dividend yield of 3.7 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 2019, the programme had resulted in the purchase of 2,434,075 treasury shares, returning CHF 388.5 million to shareholders. Of this volume, 1,097,500 shares worth CHF 190.0 million in total were bought back in 2019.

* Baloise shares = shares of Bâloise Holding Ltd.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3 [1]	190.0	502.3
Total	1,388.4	502.3	1,890.7

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 24 April 2020.

SHAREHOLDER STRUCTURE

The shares in Bâloise Holding Ltd are widely held and their free float remains unchanged at 100 per cent. There were no material changes in the Company's shareholder base in 2019. Further information on Baloise's significant shareholders as at 31 December 2019 can be found in table 14 on page 288.

STATISTICS ON BALOISE SHARES

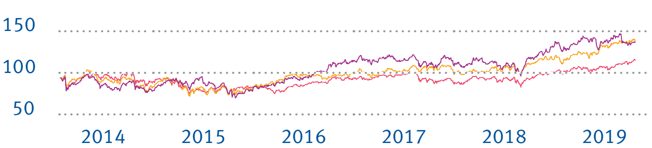
	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Price at year-end (CHF)	127.60	128.30	151.70	135.40	175.00
High (CHF)	136.30	131.00	159.40	159.40	186.60
Low (CHF)	109.60	103.20	121.35	131.60	135.80
Market capitalisation (CHF million)	6,380.0	6,415.0	7,403.0	6,607.5	8,540.0
Basic earnings per share (CHF)	10.96	11.53	11.50	11.14	15.02
Diluted earnings per share (CHF)	10.65	11.22	11.48	11.12	14.99
Price / earnings (p / e) ratio [1]	11.64	11.13	13.19	12.15	11.65
Price / book (p / b) ratio [1]	1.10	1.04	1.14	1.07	1.20
Number of shares issued (units)	50,000,000	50,000,000	48,800,000	48,800,000	48,800,000
Minus the number of treasury shares (units)	3,464,540	2,499,945	1,327,993	2,218,134	3,238,607
Number of shares in circulation (units)	46,535,460	47,500,055	47,472,007	46,581,866	45,561,393
Average number of shares outstanding [2]	46,721,219	46,381,359	47,641,577	46,979,421	46,219,774
Dividend per share [3] (CHF)	5.00	5.20	5.60	6.00	6.40
Dividend payout ratio [3]	45.6	45.1	48.7	53.9	42.6
Dividend yield [3]	3.9	4.1	3.7	4.4	3.7

1 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
2 Relevant for calculation of earnings per share (see page 253 of the Financial Report).
3 2019 based on the proposal submitted to the Annual General Meeting.

BALOISE SHARES

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

INDEXED SHARE PRICE PERFORMANCE [1] BÂLOISE HOLDING REGISTERED SHARES 2014 – 2019



1 31 December 2013 = 100

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

Our core activities

BELGIUM

Baloise Insurance

Business volume (CHF million)

Life: 181.7 Non-life: 1,251.1

Investment-type premiums: 504.1

Employees: 1,594

Net combined ratio: 94.5 %

LUXEMBOURG

Bâloise Assurances

Business volume (CHF million)

Life: 76.8 Non-life: 136.7

Investment-type premiums: 1,054.3

Employees: 542

Net combined ratio: 97.7 %

SWITZERLAND

Basler Versicherungen

Business volume (CHF million)

Life: 3,422.9 Non-life: 1,344.2

Investment-type premiums: 153.4

Employees Swiss offices: 3,869

Net combined ratio: 87.9 %

Baloise Bank SoBa

Customer assets under management generated by sales force: CHF 2,256.8 million

Lending-business assets generated by sales force: CHF 1,087.3 million

Wealth & pensions advisory mandates: 2,646

Return on equity: 7.7 %

Employees: 379

Baloise Asset Management

Business volume

Total assets under management: CHF 59.7 billion

Third-party assets under management: CHF 10,749 million

Net new third-party assets: CHF 841 million

Employees: 159

Cost / income ratio: 53.0 %

GERMANY

Basler Versicherungen

Business volume (CHF million)

Life: 377.9 Non-life: 790.0

Investment-type premiums: 195.6

Employees: 1,641

Net combined ratio: 90.9 %

Life
Investment-type premiums
Non-life

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 Bâloise Holding between now and 2021. This benefits shareholders directly because Baloise will continue to pursue its attractive dividend policy and will repurchase three million treasury shares. Indirectly, shareholders will benefit from targeted capital investment in new strategic projects that will generate additional profits in existing and new areas of business.

SUSTAINABLE BUSINESS MANAGEMENT

The key success factors in the strategy are the strong core business and the unique corporate culture that exists among the around 7,600 Baloise employees in Switzerland, Belgium, Germany and Luxembourg. Baloise aims to establish an agile and entrepreneurial culture that creates value for its stakeholders and 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 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 and environment in which the customers – but also Baloise as a Company – exist. Baloise believes that this strategy bolsters its efforts to make further improvements in the area of sustainable business management. The foundations for this are provided by the Baloise value creation model (see page 38).

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, digital processes, and forward-looking capital management and risk management. Based on these strengths, Baloise is continuing to invest in the future, adding value and aiming to be more than a traditional insurance company. Dozens of initiatives have been launched since the start of Simply Safe and, in combination with a cultural transformation campaign, are injecting momentum into the focus ecosystems of 'Mobility' and 'Home'.

PROGRESS MADE 2019

CUSTOMERS
Ambition: 1 million additional customers

2019: **+ 209,000** Ambition 2021: + 1,000,000

514,000: sum since the start of the Simply Safe strategy

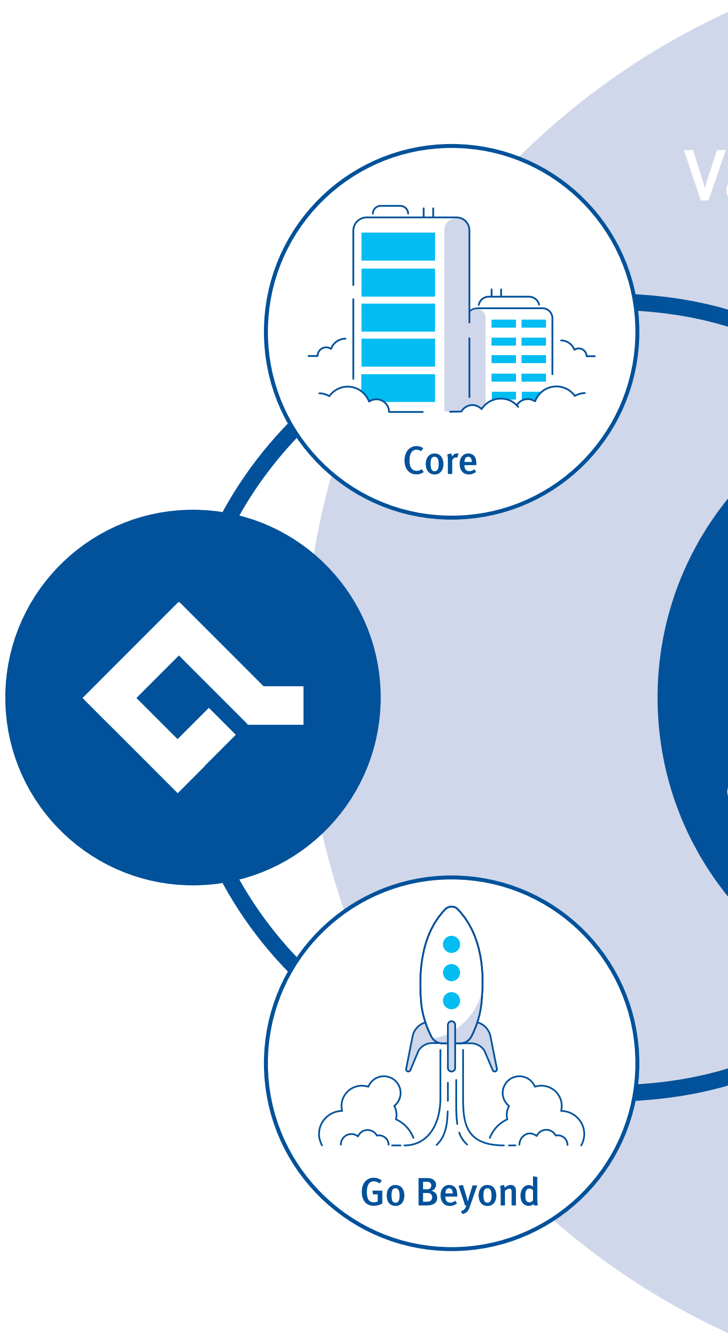
EMPLOYEES
Ambition: leading employer amongst European financials

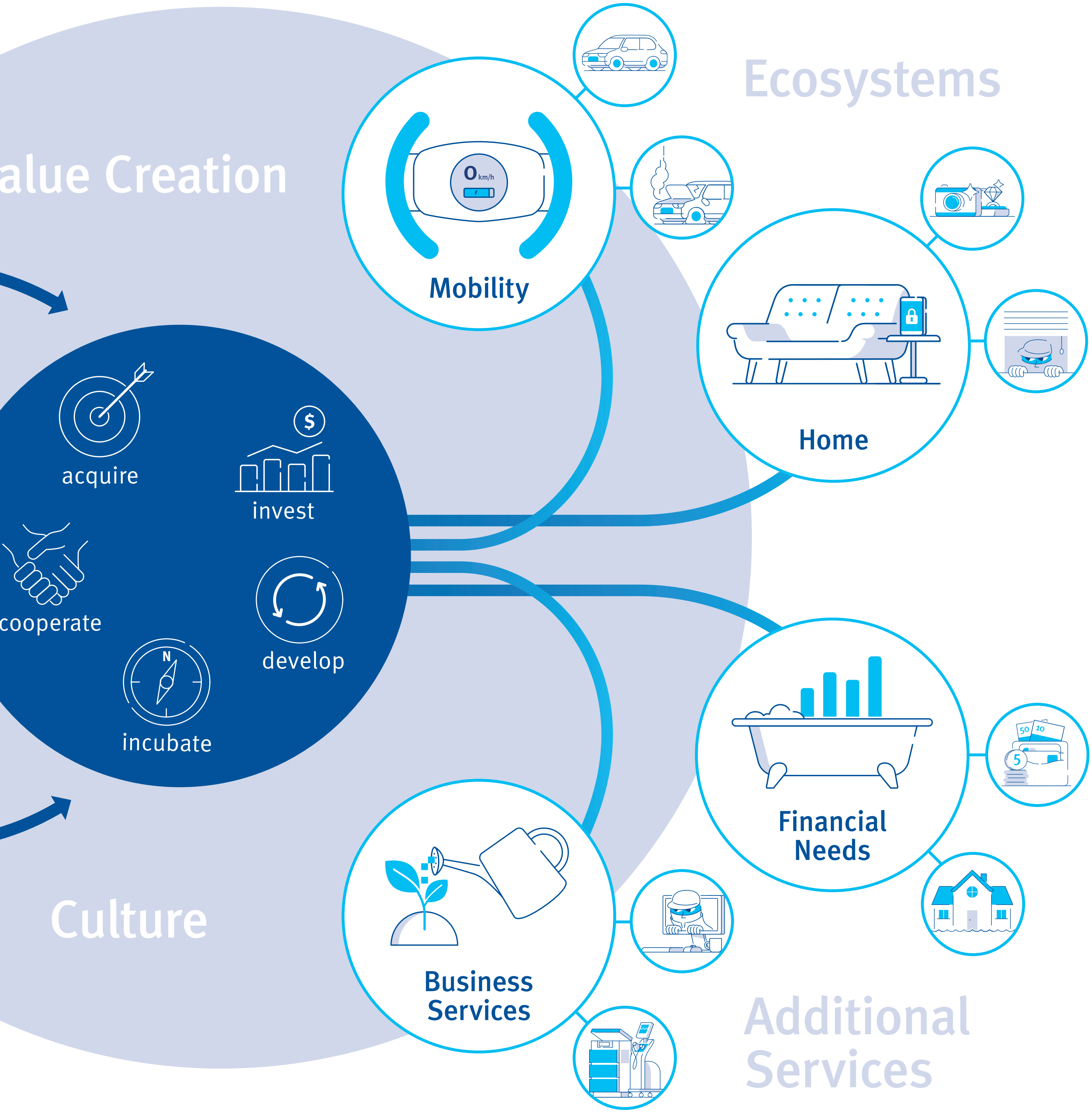
2019: **top 15 %** Ambition 2021: top 10 %

SHAREHOLDERS
Ambition: CHF 2 billion cash remittance to the holding

2019: **CHF 455 mn** Ambition 2021: CHF 2 bn

1,319,000: sum since the start of the Simply Safe strategy




Value Creation
Ecosystems
0 km/h
Mobility
Home
acquire
$
invest
cooperate
develop
N
incubate
Financial Needs
50
10
5
Culture
Business Services
Additional Services

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.

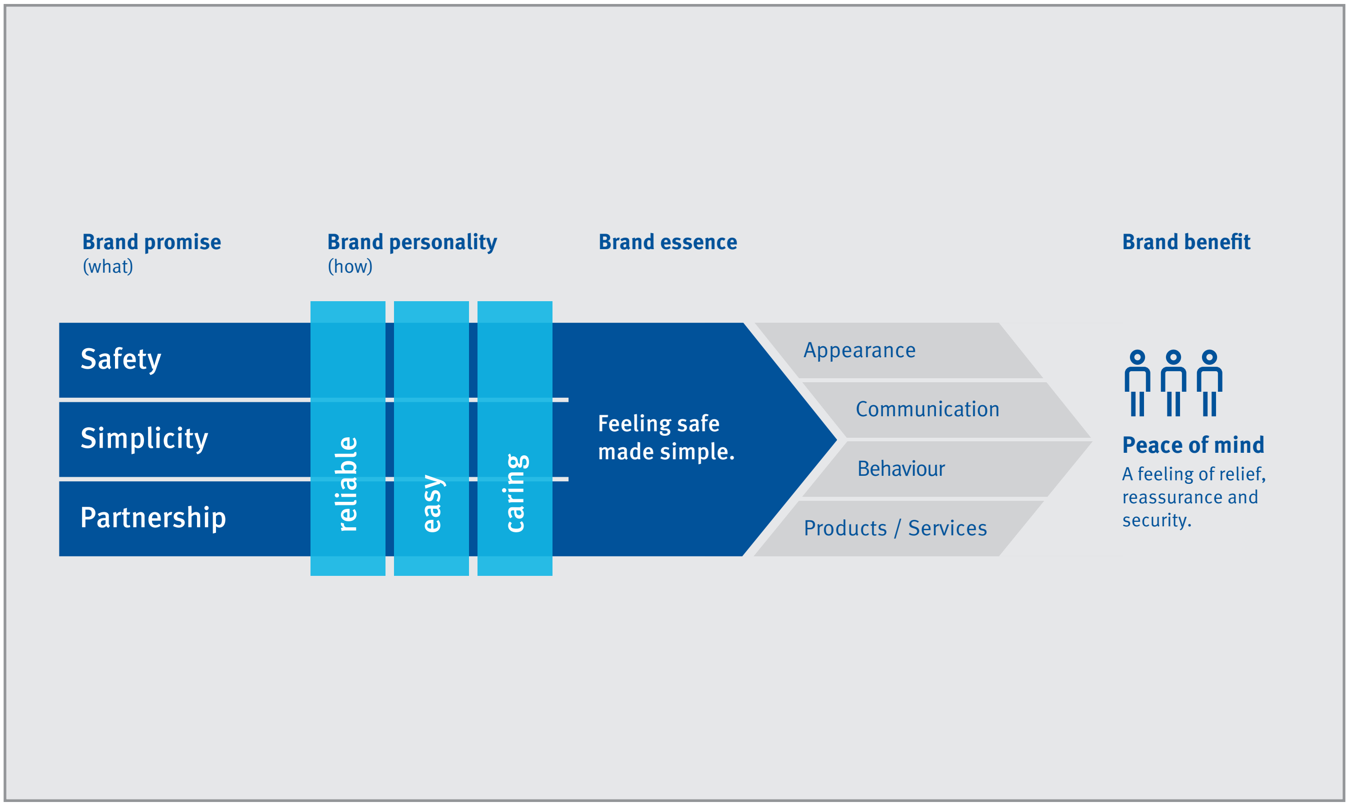
What does the brand promise?

- 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

Baloise can look back on a very successful 2019

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

OVERVIEW

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

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

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

BUSINESS VOLUME

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

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

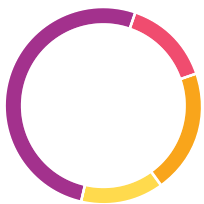
Baloise expanded its range of asset management services for external customers and invested in a number of large-scale real-estate projects. There have been net inflows of more than CHF 2 billion since the start of the strategic phase in 2017 (2019: around CHF 841 million). In the context of Baloise's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

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

BUSINESS VOLUME IN 2019 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	51.7
Germany	14.3
Belgium	20.4
Luxembourg	13.3



NON-LIFE DIVISION: COMBINED RATIO AT RECORD LOW

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

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

NET COMBINED RATIO

As a percentage

LIFE DIVISION: SHARP RISE IN THE VOLUME OF PREMIUMS

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

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

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

ASSET MANAGEMENT AND BANKING

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

INSURANCE ASSETS: SOLID INVESTMENT YIELD

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

The gains on the investment of insurance assets amounted to CHF 1,355.7 million, which was above the 2018 level of CHF 1,250.7 million. Current income fell to CHF 1,176.5 million owing to the persistently low level of interest rates (2018: CHF 1,282.6 million). Baloise largely avoided reinvesting maturing bonds denominated in Swiss francs, switching instead to euro-denominated bonds that offered higher yields after currency hedging costs. It specifically opted for investments in mortgages and senior secured loans with stable income, thereby slightly mitigating the effect of declining income.

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

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

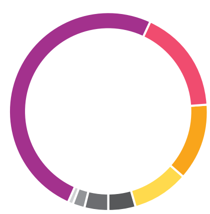
PROPRIETARY INVESTMENTS BY CATEGORY [1]

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

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

INVESTMENT COMPONENTS IN 2019

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



ASSETS HELD BY BALOISE

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

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

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

BALOISE ASSET MANAGEMENT: SIGNIFICANT INCREASE IN EXTERNAL CUSTOMERS' ASSETS

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

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

At the start of September 2019, Baloise Immobilien Management AG carried out the first capital increase for the Baloise Swiss Property Fund, which it had launched in October 2018. The capital increase met with huge interest and was heavily oversubscribed. Inflows into the fund amounted to around CHF 200 million. The Baloise Swiss Property Fund reached the end of its first financial year at the end of September 2019. A distribution yield of 2.83 per cent (relative to the OTC price) exceeded investors' expectations. The fair value of the portfolio, which now has 55 properties, amounted to CHF 565.9 million as at 30 September 2019. The fund managers intend to further expand the property portfolio during the second financial year (2019/2020).

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

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

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

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

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

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

KEY FIGURES FOR SWITZERLAND

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

BASLER VERSICHERUNGEN SWITZERLAND

Basler Versicherungen Switzerland remains the Group's strongest source of earnings and generates the greatest volume of premiums, as could be seen from its excellent results for 2019. Earnings before interest and tax, profitability and premium income remained at a high level, collaboration with Baloise Bank SoBa was further intensified across Switzerland and the innovation pipeline is full of projects in the 'Home' and 'Mobility' ecosystems. The volume of business rose by 17.4 per cent to CHF 4'920.5 million (2018: CHF 4,189.5 million), with the bulk of this increase attributable to the growth of the volume of premiums in the group life business. EBIT was down by 9.7 per cent year on year to CHF 500.2 million (2018: CHF 554.2 million), mainly due to the reduction in realised gains on investments and due to a slightly higher combined ratio.

The volume of premiums in the non-life division remained on a par with the strong prior-year figure at CHF 1,344.2 million (2018: CHF 1.349.2 million). Once again, Basler Switzerland signed up numerous new customers for its services, thanks to the YounGo insurance line, which is aimed at customers up to the age of 30, the alliance with KASKO and a strong year for Movu.

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

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

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

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

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

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

KEY FIGURES FOR GERMANY

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

BASLER VERSICHERUNGEN IN GERMANY

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

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

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

The volume of premiums in the life division was also impacted by currency effects. Gross premiums written in the traditional life insurance business fell by 2.0 per cent to CHF 377.9 million (2018: CHF 385.7 million), although they rose by 1.7 per cent in local currency terms. The new business mix in the life insurance segment remained positive with a very high proportion of risk products and products with investment-type premiums. These accounted for around 90 per cent of new business. Following a strong year in 2018, investment-type premiums decreased to CHF 195.6 million (2018: CHF 227.1 million). As well as delivering a healthy business performance, Basler Germany worked on strengthening its quality of service and improving customer satisfaction. It was awarded first place for the second time in succession in the property broker sales category and fourth place in the life insurance broker sales category. In a cross-sectoral survey, customers ranked Basler among Germany's top 50 companies for service for the third time in a row. These positive factors are one of the main reasons for the sustained significant increase in new customers for Basler in Germany over the past three years, thereby making a considerable contribution to the strategic target at Group level.

KEY FIGURES FOR BELGIUM

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

BALOISE INSURANCE BELGIUM

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

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

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

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

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

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

KEY FIGURES FOR LUXEMBOURG

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

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

BÂLOISE ASSURANCES LUXEMBOURG

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

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

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

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

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

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

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

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

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

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

Last year, Antwerp-based start-up Mobly, which belongs to the Baloise Group, began offering a new type of personal transport insurance policy, under which the whole family is insured for every kilometre travelled, regardless of the mode of transport, and only the actual kilometres driven in the policyholder's own car are paid for.

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

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

An overview of the innovative projects launched at Baloise since the start of Simply Safe can be found here:
www.baloise.com/innovations

OUTLOOK

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

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

Consolidated income statement

FIVE-YEAR OVERVIEW

	2015	2016	2017	2018	2019
CHF million					
Income					
Premiums earned and policy fees (gross) [1]	6,832.4	6,680.6	6,726.4	6,737.0	7,571.3
Reinsurance premiums ceded	– 148.6	– 168.2	– 183.4	– 209.0	– 241.5
Premiums earned and policy fees (net)	6,683.7	6,512.4	6,542.9	6,528.0	7,329.8
Investment income	1,521.8	1,476.6	1,392.5	1,376.0	1,257.0
Realised gains and losses on investments [2]					
For own account and at own risk	379.1	303.1	427.8	96.1	336.1
For the account and at risk of life insurance policyholders and third parties	7.1	364.1	696.5	– 1,087.8	1,709.5
Income from services rendered	112.6	110.1	116.9	130.4	126.0
Share of profit (loss) of associates	36.8	7.1	5.5	6.2	10.8
Other operating income	136.6	136.8	235.0	227.6	227.7
Income	8,877.9	8,910.2	9,417.1	7,276.6	10,996.9
Expense					
Claims and benefits paid (gross)	– 5,352.4	– 5,664.2	– 5,726.5	– 5,904.4	– 6,090.4
Change in technical reserves (gross)	– 1,241.9	– 669.1	– 535.0	412.4	– 956.7
Reinsurance share of claims incurred	97.9	108.2	80.8	83.3	117.0
Acquisition costs	– 472.4	– 502.9	– 482.1	– 535.8	– 554.6
Operating and administrative expenses for insurance business	– 761.3	– 763.9	– 765.8	– 810.8	– 816.0
Investment management expenses	– 60.4	– 60.3	– 77.2	– 82.2	– 91.4
Interest expenses on insurance liabilities	– 34.1	– 30.5	– 21.9	– 19.2	– 17.2
Gains or losses on financial contracts	– 0.9	– 342.9	– 613.4	801.2	– 1,388.0
Other operating expenses	– 333.1	– 300.9	– 591.8	– 483.6	– 475.7
Expense	– 8,158.6	– 8,226.6	– 8,733.0	– 6,539.1	– 10,273.0
Profit before borrowing costs and taxes	719.2	683.6	684.1	737.5	723.9

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

CHF million	2015	2016	2017	2018	2019
Profit before borrowing costs and taxes	**719.2**	**683.6**	**684.1**	**737.5**	**723.9**
Borrowing costs	– 40.0	– 38.0	– 34.3	– 39.9	– 37.7
Profit before taxes	**679.3**	**645.6**	**649.8**	**697.6**	**686.2**
Income taxes	– 168.2	– 111.7	– 117.9	– 174.7	3.3
Profit for the period	**511.1**	**533.9**	**531.9**	**522.9**	**689.5**
Attributable to					
Shareholders	512.1	534.8	548.0	523.2	694.2
Non-controlling interests	– 1.0	– 0.9	– 16.1	– 0.3	– 4.7
Earnings / loss per share					
Basic (CHF)	10.96	11.53	11.50	11.14	15.02
Diluted (CHF)	10.65	11.22	11.48	11.12	14.99

ADDITIONAL INFORMATION INSURANCE

CHF million	2015	2016	2017	2018	2019
Gross premiums written and policy fees	6,833.4	6,711.6	6,741.3	6,766.2	7,602.4
Investment-type premiums	2,085.1	2,199.2	2,519.5	1,912.1	1,907.5
Total business volume	**8,918.6**	**8,910.8**	**9,260.8**	**8,678.2**	**9,509.9**
Investments for the account and at the risk of life insurance policyholders	10,873.2	12,001.0	14,543.8	13,640.8	15,337.8
Net combined ratio	93.3	92.2	92.3	91.7	90.4
Funding ratio (non-life) (per cent)	192.4	188.5	193.3	179.4	179.8

Consolidated balance sheet

FIVE-YEAR OVERVIEW

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

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

Business volume, premiums and combined ratio

BUSINESS VOLUME

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

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

1 Change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein.
2 Premiums written and policy fees (gross).

NET COMBINED RATIO

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

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

1 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

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

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

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

1 Not including capitalised settlement premiums.

Technical income statement

	Non-life		Life[3]	
	2018	2019	2018	2019
CHF million				
Gross				
Gross premiums written and policy fees	3,405.9	3,542.1	3,360.3	4,060.3
Change in unearned premium reserves	– 29.2	– 31.2	–	–
Premiums earned and policy fees (gross)	3,376.7	3,511.0	3,360.3	4,060.3
Claims and benefits paid (gross)	– 2,018.2	– 2,184.4	– 3,886.2	– 3,906.0
Change in technical reserves (gross)				
Change in claims reserve / actuarial reserves[1]	50.6	183.5	888.5	– 1,186.9
Change in other technical reserves	– 21.0	– 20.1	– 505.7	66.7
Technical expenses	– 1,064.0	– 1,116.8	– 348.6	– 328.2
Total technical result (gross)	324.0	373.2	– 491.7	– 1,294.1
Ceded to reinsurers				
Reinsurance premiums ceded	– 184.5	– 214.9	– 24.6	– 26.6
Claims and benefits paid	66.2	77.9	8.5	6.3
Reinsurers' share of claims incurred	0.4	21.4	3.4	8.6
Change in other technical reserves	0.0	0.1	4.9	2.8
Technical expenses	18.6	20.6	1.3	1.3
Total technical result of ceded business	– 99.2	– 94.9	– 6.5	– 7.6
For own account				
Premiums earned and policy fees	3,192.2	3,296.1	3,335.7	4,033.7
Claims and benefits paid	– 1,952.0	– 2,106.5	– 3,877.7	– 3,899.7
Change in claims reserve / actuarial reserves[1]	51.0	204.9	891.9	– 1,178.3
Change in other technical reserves	– 21.0	– 20.0	– 500.8	69.5
Technical expenses	– 1,045.4	– 1,096.2	– 347.2	– 326.9
Total technical result for own account	224.8	278.2	– 498.2	– 1,301.7
Investment income (gross)	198.7	176.6	1,083.9	999.9
Realised gains and losses on investments[2]	35.3	50.8	– 986.8	1,925.6
Investment management expenses	– 30.1	– 30.6	– 102.9	– 105.7
Other financial expenses and income	– 57.1	– 76.2	837.1	– 1,243.3
Gains or losses on investments	146.9	120.7	831.3	1,576.5
Profit before borrowing costs and taxes	371.7	398.9	333.2	274.8
Borrowing costs	–	– 0.4	– 10.1	– 10.3
Income taxes	– 70.4	– 34.2	– 61.1	51.8
Profit for the period (segment result)	301.3	364.3	261.9	316.3

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 2018: CHF 10.2 million; 31 December 2019: CHF – 1.8 million).

Gross premiums by sector

GROSS PREMIUMS BY SECTOR (NON-LIFE)

	2018	2019	+/ – %
CHF million			
Accident	396.9	407.7	2.7
Health	146.6	154.3	5.3
General liability	341.0	339.7	– 0.4
Motor	1,115.2	1,163.6	4.3
Property	1,084.5	1,135.2	4.7
Marine	196.3	194.9	– 0.7
Other	86.4	91.9	6.4
Inward reinsurance	38.8	54.8	41.2
Gross premiums written (non-life)	3,405.9	3,542.1	4.0

GROSS PREMIUMS BY SECTOR (LIFE)

	2018	2019	+/ – %
CHF million			
Business volume generated by single premiums	2,759.1	3,384.1	22.7
Business volume generated by periodic premiums	2,513.3	2,583.7	2.8
Investment-type premiums	– 1,912.1	– 1,907.5	– 0.2
Gross premiums written (life)	3,360.3	4,060.3	20.8

Banking activities

PROFIT OR LOSS FROM BANKING ACTIVITIES

CHF million	2018	2019
Net interest income	82.1	75.6
Net fee and commission income	101.9	94.6
Trading profit	0.7	0.1
Other net income	2.6	10.9
Total operating income	187.3	181.2
Personnel expenses	–67.5	–71.2
General and administrative expenses	–21.1	–11.5
Total operating expenses	–88.6	–82.7
Gross profit	98.7	98.5
Net losses and impairment due to credit risk	0.6	0.3
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	–7.2	–7.7
Profit before borrowing costs and taxes	92.1	91.1
Borrowing costs	–	0.0
Income taxes	–18.3	–13.5
Profit for the period (segment result)	73.8	77.6

ADDITIONAL INFORMATION

CHF million	31.12.2018	31.12.2019
Third-party assets	8,963.6	10,748.6

ASSET ALLOCATION

CHF million	31.12.2018	31.12.2019
Investment property	–	–
Equities	11.5	11.5
Alternative financial assets	–	–
Fixed-income securities	160.1	142.6
Mortgage assets	6,253.6	6,505.6
Policy loans and other loans	181.1	167.1
Derivative financial instruments	7.6	9.8
Cash and cash equivalents	959.0	1,074.6
Total	7,572.9	7,911.1

Investment performance

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.

2019[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	622.0	103.4	282.6	239.1	9.9	1,257.0
Realised gains and losses and impairment losses recognised in profit or loss (net)	−79.5	134.1	216.9	82.6	−17.9	336.1
Change in unrealised gains and losses recognised directly in equity	1,087.6	290.7	–	–	−23.6	1,354.8
Investment management costs	−50.4	−6.1	−12.7	−12.8	−7.5	−89.5
Operating profit	1,579.7	522.1	486.7	308.9	−39.0	2,858.4
Average investment portfolio	33,193.1	3,205.6	8,012.0	16,604.6	4,068.1	65,083.5
Performance (per cent)	4.8	16.3	6.1	1.9	−1.0	4.4

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

CURRENT INCOME FROM INSURANCE [1]

	2018			2019		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	43.0	232.2	275.3	41.7	239.4	281.1
Equities	36.8	90.8	127.6	33.0	69.9	102.9
Alternative financial assets	2.8	16.2	19.0	1.5	9.4	10.8
Fixed-income securities	95.7	586.2	681.9	80.7	539.6	620.4
Mortgage assets	7.2	66.8	74.0	7.4	63.7	71.1
Policy loans and other loans	13.2	92.3	105.5	12.6	78.6	91.2
Cash and cash equivalents	–0.1	–0.5	–0.6	–0.3	–0.6	–1.0
Total current income	198.7	1,083.9	1,282.6	176.6	999.9	1,176.5

REALISED GAINS AND LOSSES IN INSURANCE [1]

	2018			2019		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	14.7	91.0	105.7	29.7	187.1	216.8
Equities	57.0	3.6	60.6	69.5	64.4	133.9
Alternative financial assets	3.3	10.1	13.3	26.5	75.0	101.5
Fixed-income securities	–36.9	–54.8	–91.7	–15.2	–64.5	–79.7
Mortgage assets	0.4	0.3	0.7	0.0	–0.2	–0.2
Policy loans and other loans	5.2	56.1	61.2	4.3	71.2	75.5
Derivative financial instruments	–8.4	–41.9	–50.3	–64.0	–70.0	–134.0
Total capital gains and losses	35.3	64.3	99.6	50.8	263.0	313.8

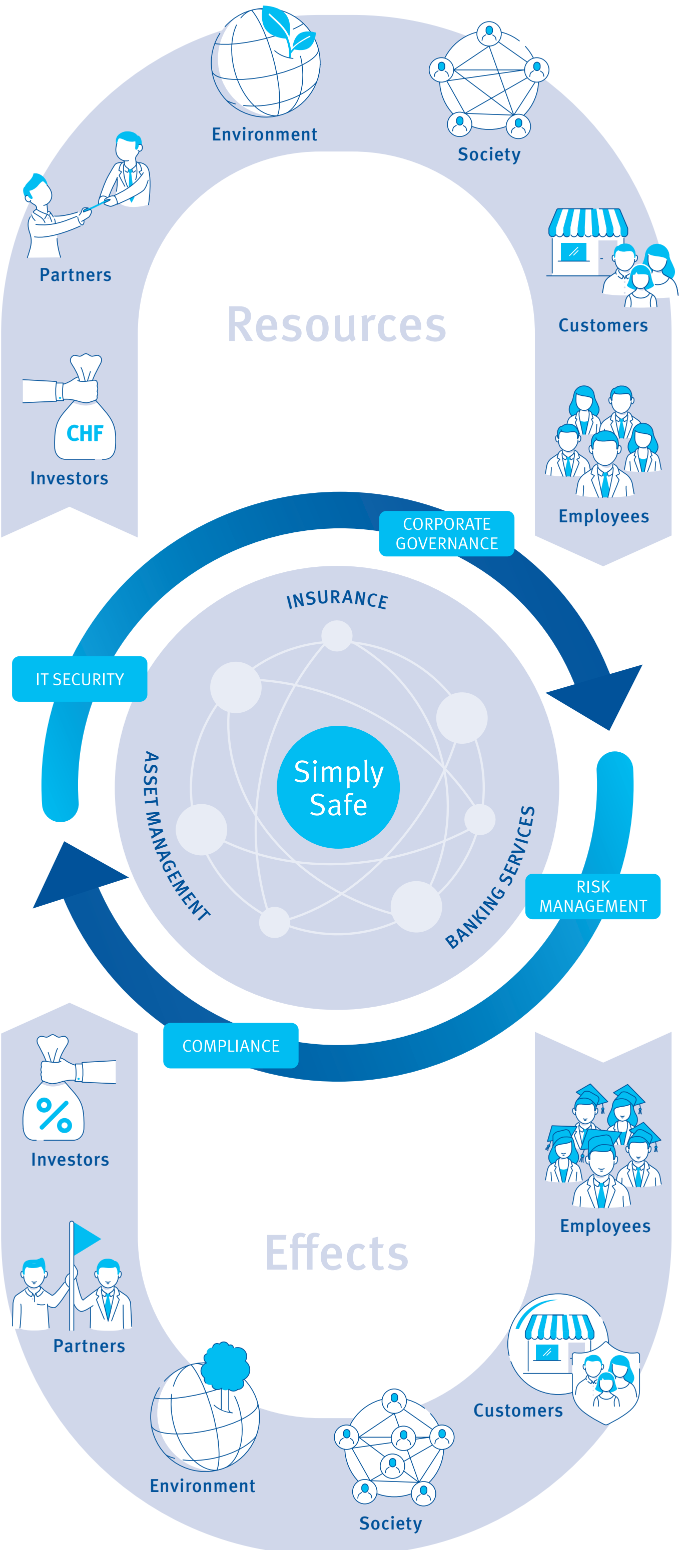
ASSET ALLOCATION IN INSURANCE [1]

	2018			2019		
as at 31.12.	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	1,001.9	6,876.4	7,878.3	994.7	7,098.6	8,093.3
Equities	771.0	2,050.5	2,821.5	1,017.5	2,545.7	3,563.2
Alternative financial assets	325.6	828.1	1,153.6	296.5	806.3	1,102.8
Fixed-income securities	4,926.4	26,702.4	31,628.8	5,577.9	28,866.5	34,444.4
Mortgage assets	483.5	3,987.8	4,471.3	488.5	4,075.2	4,563.7
Policy loans and other loans	1,438.8	4,731.4	6,170.2	1,607.2	5,041.5	6,648.7
Derivative financial instruments	32.3	413.2	445.5	18.8	436.1	454.9
Cash and cash equivalents	408.9	1,022.8	1,431.7	395.6	841.4	1,237.0
Total	9,388.5	46,612.6	56,001.1	10,396.8	49,711.3	60,108.1

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

Sustainable business management

Baloise value creation model
Baloise's approach to sustainable value creation



Investors
Institutional and private investors and shareholders who invest in Baloise

Partners
Innovation partners like start-ups, outsourcing partners, suppliers, brokers and agents

Environment
The direct environment which surrounds Baloise at all locations and the global environment we affect by our business decisions and operations

Society
The communities we operate in at all Baloise locations and the society of each country

Customers
Private and corporate end customers at all Baloise locations

Employees
Baloise Employees with any employment contract at all Baloise locations

Employees
Increased employability

Customers
Enable development to achieve personal and professional goals

Society
Enable modern and better education as well as societal development

Environment
Climate protection

Partners
Success through synergies

Investors
Attractive, sustainable and responsible investment

Responsibility

Baloise aligns its sustainable business management with the Baloise value creation model (see illustration on the left). This 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 responsibility covers a broad range of activities and involves a broad range of stakeholders – from shareholders and investors to employees and customers, partners, society and the environment around us.

TAKING RESPONSIBILITY AND CREATING VALUE

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 Simply Safe strategy.

At the heart of the value creation model of Baloise is its corporate strategy, which emphasises that matters of sustainable business management cannot be viewed in isolation from the commercial management of a company. In its role as an insurance and pension provider with product and service ecosystems that cut across asset management, banking and insurance, Baloise not only looks after individuals but also protects companies, economies and communities and helps them to function properly – every day of the year. In doing so, it boosts economic and social stability in the countries where it and its customers operate. Baloise must be able to offer the sort of long-term security that cannot be sustained by the pursuit of short-term profits alone.

www.baloise.com/strategy

Baloise thinks and acts on a long-term basis, for example in its life insurance business, prioritises high ethical standards in its corporate management approach, monitors compliance with norms, takes thorough and professional action to protect itself against new types of risk, such as cyber risk, and takes account of sustainability-related risks such as the impact of climate change in its strategic risk management. Based on these foundations, Baloise can draw on all the resources at its disposal – including activities, measures and external conditions – to generate an impact and thereby create value for the aforementioned stakeholder groups. This newly created value benefits our stakeholder groups and Baloise itself. It becomes a fresh resource in the ongoing value creation process and thus contributes to the achievement of long-term sustainable development goals.

www.baloise.com/corporate-governance
www.baloise.com/code-of-conduct
www.baloise.com/compliance
www.baloise.com/risk-management

GUIDELINES AND MATERIALITY

Baloise's value creation process is guided by the United Nations' sustainable development goals (SDGs). An internal materiality assessment identified the following SDGs as material for the Company:

- SDG 1 (no poverty)
- SDG 3 (good health and well-being)
- SDG 4 (quality education)
- SDG 7 (affordable and clean energy)
- SDG 8 (decent work and economic growth)
- SDG 9 (industry, innovation and infrastructure)
- SDG 10 (reduced inequalities)
- SDG 12 (responsible consumption and production)
- SDG 13 (climate action)
- SDG 17 (partnerships for the goals)

SUSTAINABILITY GOVERNANCE

Since 2019, Baloise has been maintaining a sustainability network, which includes all departments of Baloise that have influence on this topic within the Group or are impacted by it. This working group has the necessary expertise to develop and regularly update the content of the sustainability approach, including the value creation model. The Group Strategy Board, which consists of the Corporate Executive Committee and the CEOs of the national Baloise companies, decides on all matters regarding the implementation and delivery of the content. The Board of Directors is responsible for designing the sustainability approach in detail and embedding it into the overall corporate strategy and its monitoring. At the end of 2019, this governance model was approved by the Group Strategy Board and the Board of Directors.

CREATING VALUE FOR EMPLOYEES

Baloise's responsibility as an employer is manifested in its 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. To this end, we create a working environment where the health and well-being of staff is a central concern and where equality, inclusion and diversity are top priorities. 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 creating well-trained employees. The Company's appeal as an employer is measured regularly across the Group through 'pulse checks', which involve determining a recommendation rate. Every three months, randomly selected employees are asked to score Baloise in terms of attractiveness.

Baloise has been fostering a participation-based corporate culture for many years and has continually developed this culture over time, 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 Swiss co-determination legislation. There is also a code of conduct, which contains the essential ethical and legal regulations that govern employees' behaviour. Across the Group, Baloise gets employees at different levels involved 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 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 281 people who are at the start of their careers, which represents a proportion of trainees in the workforce of just under 4 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'
www.baloise.com/code-of-conduct

STAKEHOLDERS: EMPLOYEES

Resources for value creation:

- Focus on professional and personal development with scope for personal initiative
- Modern and future-oriented working models
- Competitive basic salaries, variable remuneration, attractive profit-sharing programmes and employee retention schemes
- A work environment that promotes equality and good health
- A learning organisation that gives employees a say in the further development of their professional skill set
- A culture of curiosity, integrity and constructive criticism as a basis for the creation of a comprehensive network within Baloise

Effect: increased employability

- Optimal alignment between employees' modern skill sets and the needs of the Company
- Financially secure and healthy employees
- Strong sense of loyalty in the workforce, resulting in long average periods of employment at the Company
- Opportunity to establish an extensive network among colleagues and, as a result, the chance to work in different positions over time
- Among the top 10 per cent of employers in the insurance sector by 2021

SDG 3, SDG 4, SDG 8, SDG 10

CREATING VALUE FOR CUSTOMERS

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 live. One way to achieve this is to provide services that go beyond those offered by a traditional insurer because they are positioned upstream or downstream of the insurance product itself. New risks (e.g. cyber risks) are identified and made insurable, enabling Baloise to promote innovation and the social and economic development of 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. 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, Baloise 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 was involved for a number of years in work to help prevent addiction among young people in Switzerland, 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.fondsemilieleus.be
www.cktgmbh.ch/themen/sucht

STAKEHOLDERS: PRIVATE AND CORPORATE CUSTOMERS

Resources for value creation:

- Strong insurance collective
- Identical underlying values regarding safety and responsibility shared by customers and Baloise
- Customer involvement through participation in forums, panels and surveys
- Ongoing simplification efforts in areas of relevance to customers

Promoting development to facilitate achievement of personal and professional goals

- Safer lives thanks to a strong insurance collective that continuously reinforces its resilience
- Baloise strengthens its customers’ sense of security to make them feel safer and more secure in their everyday lives
- Transparent and simple insurance products that can reflect customers’ social and environmental values
- One million new customers by 2021

SDG 3, SDG 8, SDG 12

CREATING VALUE FOR SHAREHOLDERS AND INVESTORS

The capital that is made available to Baloise by its shareholders and investors 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 risk-bearing 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 and investors. This has enabled Baloise to pursue an attractive and sustainable dividend policy for a number of years now. Together with the Company's efforts in the area of sustainable development, these factors make Baloise not only an attractive and sustainable investment target but also a responsible one. 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.

► Chapter 'Sustainable business management/ Risk management'
www.baloise.com/rating
www.baloise.com/risk-management

STAKEHOLDERS: BALOISE'S INSTITUTIONAL AND PRIVATE INVESTORS AND SHAREHOLDERS

Resources for value creation:

- A broadly diversified shareholder base, including institutional investors from Europe and the US (most with a long-term investment horizon)
- Open and transparent communication with all capital market participants
- Implementation of the 'Simply Safe' strategy, which focuses not only on customer selection and expert staff, but also on the commitment to be an attractive, sustainable and responsible investment target for shareholders and investors
- Defined innovation strategy

Effect: attractive, sustainable and responsible investment target

- Strong total shareholder return as a result of attractive and reliable dividends and optionality thanks to innovation as a source of future value
- One of the most profitable non-life portfolios in Europe, a life insurance business that is well positioned to weather a challenging interest-rate environment, and steady and reliable contributions from asset management and banking
- Availability of a solid basis of facts for investment decisions at all times
- Generation of a cash upstream of CHF 2 billion to Bâloise Holding by 2021

SDG 8, SDG 9, SDG 12, SDG 13

CREATING VALUE FOR THE ENVIRONMENT

Baloise's environmental policy focuses on promoting renewable energies, developing infrastructure in a way that adds value and taking action to combat climate change. 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. CO_2 emissions have been continually reduced over a number of years. The Company's focus on energy efficiency, particularly in its IT infrastructure and buildings, plays a key part in this. Employees have the option to use public transport wherever possible and to separate their waste for recycling.

Baloise also aims to raise employees' awareness of environmental issues and provides them with information on relevant subjects in order to equip them with knowledge of possible alternative actions or practices that are environmentally sustainable. In Belgium, Baloise conducted a transport review in collaboration with the city of Antwerp, resulting in the development of a travel action plan. Bicycle leasing schemes and a gradual changeover in the Company's vehicle fleet from diesel engines to fuel-efficient internal combustion engines and electric drives are helping Baloise to continually reduce its CO_2 emissions. In Switzerland, Baloise is a member of the 'environmental platform' initiative in the Basel region. 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. The annual Group-wide environmental audit within the annual report provides information on Baloise's progress regarding its environmental footprint.

► Chapter 'Sustainable business management/ The environment'

www.klimaplattform-basel.ch

Baloise is committed to environmental protection and is continually stepping up its efforts by launching new initiatives. This is why the Company has adopted a responsible investment (RI) policy for insurance assets. The RI policy sets out the rules for the integration of environmental, social and corporate governance criteria into investment decisions. In addition, the policy was also extended to all assets managed by Baloise Asset Management in products for external customers. Targeted investment can be used to exert influence indirectly, e. g. with the aim of protecting the climate. To emphasise its commitment, Baloise signed up to the Principles of Responsible Investment (PRI) in 2018.

► Chapter 'Sustainable business management/ Responsible Investment'

STAKEHOLDERS: ENVIRONMENT

Resources for value creation:

- Environmental mission statement since 1999
- Commitment to use natural resources in a responsible way and to reduce the carbon footprint of the business on an ongoing basis
- Climate and real-estate policy in connection with responsible investments
- Signing of the Principles of Responsible Investment (PRI) in 2018

Effect: climate protection

- Reducing the carbon footprint of business activities
- Raising awareness of environmental issues and educating staff about relevant topics
- Conserving resources (reducing water consumption, energy consumption and waste)
- Promoting renewable energies by increasing demand through changes in our energy mix
- Taking targeted action to combat climate change through responsible investments in real estate and other assets

SDG 7, SDG 9, SDG 12, SDG 13

CREATING VALUE FOR 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 (see article 54 of the constitution of the Swiss Confederation), at all times. The Swiss Financial Market Supervisory Authority (FINMA) continuously monitors compliance with this approval requirement.

The business model of Baloise, which protects customers from falling into financial distress, plays an important part in maintaining society's prosperity. At the same time, it prevents potential inequalities as a result of financial circumstances.

Baloise's responsible investment policy rests on three strategic pillars that have environmental and social effects and an impact on good corporate governance: excluding producers of controversial weapons and companies that generate 30 per cent or more of their revenue from coal, integrating ESG (environmental, social and corporate governance) factors into the investment process by excluding companies with an ESG rating lower than B (based on data from MSCI Ltd.) from the investment universe of Baloise, and exercising voting rights held by Baloise in Swiss companies.

▸ Chapter 'Sustainable business management/ Responsible investment'

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 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, served as President of the Council of States (upper chamber of the Swiss parliament) in 2018 before becoming a member of the Swiss Federal Council on 1 January 2019. Furthermore, the Company creates and preserves jobs that add value and it pays taxes from its profits that help to fund the public sector. By generating profits, Baloise is also able to be an active partner in many areas of society. In its various national subsidiaries, Baloise runs a number of projects and initiatives that benefit society, mostly with a focus on improving and modernising education.

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 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. In 2019, a 'volunteer day' was held across all German locations for the first time. As part of this event, all employees were allowed to spend one full working day volunteering for a social or environmental cause.

In Luxembourg, Baloise has been offering a corporate social responsibility (CSR) fund in its life insurance product portfolio since the end of 2019. The Company also holds conferences and runs campaigns to educate its employees and customers about sustainability topics and promote a sustainable lifestyle.

Baloise also promotes the cultural diversity of society through its sponsorship activities. For example, the Company has promoted art through the Baloise Art Prize for more than 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 for promising young athletes 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.

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
- Belgium
  www.baloise.be/nl/over-ons/csr-en-sponsoring
- Germany
  www.basler.de/ueber-uns/unternehmen/basler-versicherungen-stellen-sich-vor/nachhaltigkeit
- Luxembourg
  www.baloise.lu/en/insurance-baloise-luxembourg/Who-are-we/sponsorship-engagement

STAKEHOLDERS: SOCIETY

Resources for value creation:

- Corporate social responsibility activities with a focus on environmental, social and education projects
- Promotion and support of volunteer work (social, environmental, political)
- Baloise Art Prize/promotion of art and access to art (preserving culture, fostering education)
- Strong compliance as a core element of corporate governance (e.g. code of conduct)
- Responsible investment policy
- Sponsorship

Effect: modern and better education and social development

- Ensuring knowledge transfer (e.g. digitalisation)
- Promoting education and volunteering
- Ensuring a solid and trust-based relationship between the business sector and the public
- Maintaining a strong community with a sense of solidarity
- Enabling communities to improve their infrastructure thanks to engagement from Baloise
- Investing in industries that are sustainable and important for society
- Promoting cultural diversity

SDG 1, SDG 4, SDG 8, SDG 9, SDG10

CREATING VALUE FOR PARTNERS

Baloise has a broad network of partners with which it maintains cooperative relationships. Its links with different partners, such as innovation partners, start-ups, outsourcing partners, suppliers, brokers and agents, form a network that unlocks synergies, promotes knowledge transfer and promises success through mutual benefits. In addition to partnerships in Switzerland, which mainly revolve around innovation, the Company maintains partnerships in Germany and Belgium, primarily with agents and brokers. This pooling of expertise enables Baloise to keep development times very short and quickly offer its customers new, innovative products that are tailored to their needs. To ensure that our suppliers and outsourcing partners also comply with our sustainability principles, we integrate the approval of our sourcing guidelines by the relevant partners into our processes.
www.baloise.com/vendor

STAKEHOLDERS: INNOVATION PARTNERS, OUTSOURCING PARTNERS, SUPPLIERS, BROKERS AND AGENTS

Resources for value creation:

- A broad network of sales partners (agents, banks, brokers), service providers, advisers and start-ups
- Start-ups founded by Baloise (e.g. FRI:DAY, Mobly) and innovation processes (e.g. F10 in Switzerland)

Effect: success as a result of synergies

- Protection of competitiveness and facilitation of future growth
- Innovative strength
- Fast pace of innovation thanks to shortened product development time
- Around 50 start-ups in the portfolio/funding initiatives for innovative solutions for tomorrow’s market
- Quick and targeted fulfilment of the needs of customers and partners
- Ability to respond to customer needs rapidly and develop new products within a short period of time
- Strong relationships with sales partners, agents and brokers

SDG 8, SDG 9., SDG 12, SDG 17

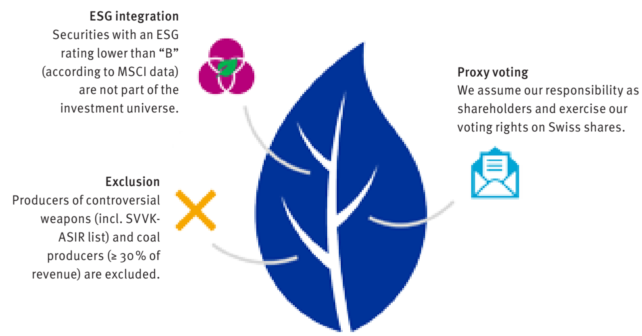
Responsible investment
Investing sustainably: Group-wide implementation of the responsible investment strategy

Baloise Asset Management, the asset management company of the Baloise Group, is getting behind the Group's sustainability strategy and taking responsibility for the area of investment strategies in relation to both the investment of insurance assets of the Baloise Group and the investment of assets from external customers such as pension funds.

In 2019, Baloise Asset Management made a big step forward in the field of responsible investing: since 1 January 2019, the responsible investment (RI) policy has applied to all new inflows in the insurance business. As early as summer 2019, Baloise Asset Management was able to announce that all assets pertaining to the insurance policy portfolio had been brought in line with the requirements of the RI policy. From 1 January 2020, the RI policy will also apply to all assets managed by Baloise in products for external customers.

As an asset manager with a long-term perspective, Baloise is confident that integrating environmental, social and corporate governance (ESG) criteria into the investment process will have a positive impact on the risk/return profile. It will also enable Baloise to reduce ESG risks that have an adverse financial impact. On this basis, we regard the integration of ESG criteria as an additional risk management instrument. We would like to manage long-term climate risks and make a positive contribution to the transformation process. With regard to the United Nations' sustainable development goals, we are therefore focusing primarily on climate protection, i.e. sustainable development goal no. 13 (climate action).

1. Exclusion: we exclude companies from the investment universe. Companies can be excluded if they pursue business activities that are linked to controversial weapons or if they are involved in the coal industry (more than 30 per cent of total revenue).
2. Integration: we integrate sustainability factors into investment analysis by taking ESG ratings into account. Companies with a rating lower than B (according to data from MSCI Inc.) will not be included in the investment universe.
3. Proxy voting: as a responsible shareholder, we exercise our voting rights in respect of Swiss shares on the basis of the principles of good and ethically sound corporate governance.



OUR APPROACH TO RESPONSIBLE INVESTING

Our approach to responsible investing involves taking account of ESG factors in the investment decision-making process.

Baloise Asset Management has developed a responsible investment (RI) policy to provide guidance on implementation of the responsible investment approach. This policy governs the integration of ESG factors into investment decisions and is based on three strategic pillars, as illustrated below.

Baloise has signed up to the Principles for Responsible Investment (PRI), which are supported by the United Nations, and joined the Swiss Sustainable Finance (SSF) network in order to strengthen engagement with Baloise's customers, shareholders and employees. In addition, representatives of our asset management team participate in working groups of the Swiss Insurance Association (SVV), the Swiss Funds & Asset Management Association (SFAMA) and the SSF network that are tasked with further developing and promoting responsible investment in the Swiss market.

ROBUST GOVERNANCE FOR RESPONSIBLE INVESTMENT

Baloise Asset Management has adapted its governance structures to reflect the responsible investment approach and the associated integration of ESG criteria into the investment decision-making process and incorporate the necessary monitoring of the responsible investment rules. The job of our new Responsible Investment Committee (RIC) is to develop the responsible investment strategy and monitor the investment policy. The responsible investment core team is in charge of the implementation and specification of the responsible investment policy.

NEXT STEPS IN 2020

Baloise Asset Management remains committed to promoting the further development of its sustainable investment strategy, e.g. by working towards the implementation of an active ownership strategy. In addition, we are making efforts to improve our reporting on the integration of sustainability criteria into our investment analysis. For example, we would like to better inform our customers about the ways in which we take account of sustainability criteria in the products that they are invested in. We also monitor new regulatory developments in Europe very carefully. After all, we want to be in the best possible position to meet the needs of our customers within the Group.

SUSTAINABILITY RATING UPGRADE

In July 2019, MSCI Inc. upgraded Baloise Insurance from a BB rating to a BBB rating. Improvements in the area of responsible investing were among the aspects specifically acknowledged as part of this decision. The BBB rating puts Baloise above the industry's standard rating of BB, which applies to 33 per cent of all companies in the 'multi-line insurance & brokerage CH' segment. MSCI ESG Research is the biggest global provider of sustainability analyses and ESG ratings.

www.baloise-asset-management.com/de/ch/ueber-uns/verantwortungsbewusstes-investieren

Baloise responsible investment guidelines

- Responsible investing requires concerted action. Since 2018, we have been a signatory of the six Principles for Responsible Investment (PRI).
- In investment analysis, a long-term holistic investment horizon is essential for a positive risk/return profile. This is why we integrate ESG factors into our investment process.
- Existing investments are reviewed at regular intervals to ensure compliance with the responsible investment rules across the different insurance business units.
- We make our voice heard. As a responsible shareholder, we exercise our voting rights in respect of Swiss shares on the basis of the principles of good and ethically sound corporate governance.
- We report on our activities in a transparent and proactive manner.

On the way to becoming a top employer

At the core of the Baloise strategy lies our conviction that dedicated employees build strong customer relationships. Strong customer relationships help Baloise to achieve its financial targets. By adopting this strategic direction, Baloise as an employer is taking responsibility for its employees – part of its commitment to corporate citizenship and sustainable business management.

KEY FIGURES

- 7,646 (2018: 7,203) employees. 42.9 per cent of all employees are women (2018: 43.6 per cent).
- The Baloise Group employs 281 apprentices, trainees and interns (2018: 283).
- 67 per cent of staff members working in our main market of Switzerland took part in our Share Participation Plan in 2019 (2018: 66 per cent).
- Baloise employees work at the Company for an average of 12.8 years.
- Staff turnover as at 31 December 2019 amounted to 6.3 per cent (end of 2018: 5.9 per cent).
- In the most recent employee survey, the proportion who would recommend Baloise as an employer was 83 per cent.

STRATEGIC GOAL: IN THE TOP 10 PER CENT OF EMPLOYERS BY 2021

Baloise is on course to enter the top 10 per cent of employers in the financial sector. The latest ‘pulse check’ in January 2020 showed another improvement in the proportion of employees who would recommend Baloise as an employer. The Company is now positioned in the top 15 per cent of employers (European Financial Services benchmark of our analysis partners Korn Ferry). This is a clear indication of the effectiveness of our numerous initiatives to promote a learning culture, innovative thought and modern working practices.

EMPLOYER BRAND: SURPRISINGLY MODERN

In its search for suitable talent and specialists, the Baloise Group needs to position itself confidently against its competitors in the labour market – particularly in a sector that is generally regarded as conservative and less attractive. What do the Company’s culture and philosophy represent? Why should talented individuals choose Baloise as an employer? We are very popular among our own employees; the challenge is to take this positive view of Baloise as an employer into the outside world and raise awareness of it. Following the review of its employer brand core in 2018, a high-impact employer branding campaign was launched in Switzerland in 2019. This showed how Baloise actively engages with the world of work, has much more to offer than the insurance sector cliché would suggest, and is therefore able to convincingly present itself as a modern employer.

AUTHENTIC AND APPROACHABLE

A company’s identity as a modern employer is also reflected at all of its points of contact with applicants during the job application process. To this end, Baloise has revised many of its job adverts, making their language more authentic and adding factual as well as entertaining content. Teams present themselves using video clips, job profiles are discussed in podcasts, and employees are introduced through blog posts. Every additional piece of content enhances the profile of Baloise as an employer and provides insights into the Company. Baloise endeavours to create an inspirational, collaborative experience for applicants at every stage, from the initial job advert to the interview all the way to the entry process or rejection. We are aware that as an employer, we need to appeal to the employees, not the other way around. Baloise has set itself the challenge of being guided by the requirements of the applicants, and aims to keep on surprising them.

2019 employer campaign

How do we want to work? Baloise is evolving, as tradition clashes with innovation and digital transformation heralds sweeping changes. The world of work is being redefined and Baloise is adapting to this change with an exploratory, analytical stance. The questions raised by the Swiss employer campaign reflect the actual world of work within the Company. So far, Baloise has not found all of the answers, but it is re-evaluating the status quo and breaking with traditional reputation patterns.

The campaign ran across Switzerland and was reinforced with posters on public transport, an advertising video on social networks, and a CEO initiative on posters at train stations.

On two separate occasions, the CEO of Baloise Switzerland, Michael Müller, spent a day taking telephone calls on a range of subjects. He gave advice to callers on career planning and jobs at Baloise Group, and he talked about his own journey from trainee to CEO. The initiative was covered by several Swiss media organisations.

MODERN APPROACHES TO MARKETING

To attract talented individuals, Baloise puts an emphasis on telling stories about employees and the Company. These stories are published on its careers blog and then posted on social media outlets such as Snapchat, Instagram, LinkedIn and Facebook. Specifically tailored job adverts are also used on job search platforms and in search engines.

The introduction of a new application system this year has made an effective contribution to providing a user-friendly selection and recruitment process. Applicants' NPS increased from +44 per cent to +55 per cent within one month of the system being introduced.

BALOISE CULTURE: NEW COLLABORATION – LEARNING FROM EACH OTHER

Digitalisation presents companies with major challenges. Which tasks will remain? Which ones are going to disappear or change? How is it possible to keep all employees on board as the Company heads into an uncertain future? Baloise is pursuing a growth strategy that focuses both on its strong core business and on its unique corporate culture. In 2019, the Company continued to drive forward changes in the way its employees work together – towards increased collaboration and a permanent desire to learn – based on specific Baloise behavioural values.

CULTURE OF DIALOGUE AND FEEDBACK

The changes brought about by digital transformation affect everyone. Consequently, everyone needs to strive for development towards increased collaboration and a new culture of dialogue; across teams and departments, and between employees and managers. As hierarchies become flatter and each individual acquires more personal responsibility, Baloise is relying on three established approaches: continuous development dialogue, regular leadership feedback and employee surveys on the subject of engagement.

NEW FORMS OF COLLABORATION

As part of digitalisation, Baloise also continues to drive forward agilisation, with decisions being taken at the point where the expertise lies. This leads to changes in responsibilities and creates new forms of collaboration. This is not a radical approach on the part of Baloise, but rather a pragmatic one. Agile methods are predominantly being tested where development is close to, and aimed at, customers. Where is agility effective, and where isn't it? Baloise is learning as an organisation. In future, the Company's employees will intuitively be better able to recognise the areas where agile working can provide added value and intrinsically drive the necessary processes. Agility is not a technocratic dogma that is an end in itself, but rather an approach to achieving corporate goals.

GROWING MORE QUICKLY, CLOSER TO THE CUSTOMER

In order to allow its operating segments to grow more quickly, Baloise is making some of them more agile. Expertise that already exists in different areas of the Company is being consolidated. These new methods and networks achieve results more quickly. The restructured collaboration re-evaluates the status quo and deliberately breaks traditional patterns of behaviour.

RESTRUCTURING OF BALOISE GROUP IT

Baloise is restructuring its IT functions into a multinational Group IT. This will reduce internal complexity, enable innovations and solutions to be implemented more quickly and efficiently, and further establish agile working methods in IT. The basic philosophy of the restructuring follows agile organisational forms and approaches which focus on customers and ideally make it possible to provide all services – from initial request to delivery – from a single source.

The IT governance for Baloise Group is also being repositioned. Employees from the major national Baloise companies who have specific IT skills and expertise are going to form 'guilds', teams of experts who will harmonise and define the IT standards and goals of the Baloise Group. That process will lead to cultural developments at all levels, as the guild representatives and the implementing IT service or product owners in the agile teams act as functional managers without a disciplinary hierarchy. This develops and challenges the personal responsibility of the employees, who become more engaged and take on more devolved responsibility. With the guild approach, IT governance at Baloise does not derive from a centralised team in some ivory tower, but rather from the Group and for the Group, with the involvement of the relevant local experts.

LEARNING ORGANISATION: BALOISE TAKES RESPONSIBILITY FOR ITS EMPLOYEES

No one knows quite where the world of work is heading, so it is all the more important to position oneself broadly. This requires an extensive portfolio of experience and a wide range of skills. With that in mind, Baloise actively supports its employees' willingness to adapt and creates an environment in which a joy of learning can thrive. The basis for this approach is a strong belief that each one of us needs to greatly extend our portfolio of knowledge, experience and abilities in order to survive in the labour market of the future. We are therefore extending the invitation to learn to all our employees.

PROMOTING INTERNAL MOBILITY

Apart from short visits to other departments, the main way in which Baloise supports and encourages this approach is the 'change of perspective' initiative – providing temporary insights into different areas of responsibility. Employees transfer to other departments for a defined period of between a month and two years, where they encounter different team dynamics, get involved with new issues and gain experience. It is a very natural way of learning – at all levels. The 'change of perspective' initiative is already paving the way towards a learning organisation in which the curiosity of the individual keeps the Company as a whole competitive. Since the start of the initiative in May 2018, more than 120 employees have opted for a change of perspective.

It is the personal responsibility of each individual employee to continuously work on their own personal and professional development. Online platforms for user-controlled learning, such as Elucydate and LinkedIn Learning (2019, pilot) support this intrinsic process. Employees take the initiative to develop new skills and consequently improve their own position by acquiring the tools they need to adapt within the world of work as requirements change.

TRAINING OPPORTUNITIES

Baloise also promotes individual engagement, development and enablement for its youngest employees. In close collaboration

Modern leadership approach: Challenge and support

As detailed in the section on the employer campaign, Baloise is re-evaluating the world of work and therefore also its own approach to leadership. Following on from this idea, managers become coaches who work with their employees to create an environment where everyone can achieve success together. Commitment and initiative are actively supported in order to accelerate the digital transformation. Team processes are redefined, individual responsibility for actions increases.

In this way, Baloise gives every employee the opportunity to play a leadership role. Managers are no longer simply nominated 'from above'; instead, individuals who are motivated to take on leadership tasks are able to apply. This mindset has been integrated into the tried-and-tested Group-wide Baloise Campus management development programme, where it received a lot of interest.

with their trainers, the apprentices shape their own learning environment, bringing fun and curiosity to the process of expanding their knowledge and discovering and developing their personalities. There are currently 281 young people working as apprentices at Baloise. The Company's graduate trainee programme, now in its 27th year, gives participants a deep insight into various parts of the business and thus provides the ideal preparation for a management or specialist role. They spend a total of 16 months on secondment to four departments of their choice, giving them access to a wide range of roles, departments and management levels within the Company.

'Friendly Work Space'

Baloise in Switzerland 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. The assessment for 2019 takes place in February 2020.

REWARDING PERFORMANCE: A HOLISTIC APPROACH

Baloise takes a holistic approach to remuneration, in which pay is determined by a combination of behaviour, performance and development. This is based on our conviction that performance does not simply manifest itself by measuring the achievement of unilaterally set targets. Rather, performance is the result of intrinsic motivation applied within an environment of individual responsibility and freedom of action. Managers and employees are engaged in a continuous dialogue about focus, targets, performance, behaviour and development. In a world that is undergoing rapid and permanent changes, a regular dialogue ensures that performance targets are adjusted; and it also tackles the question of how to provide ongoing development for employees in order to enable them to improve their performance on a long-term basis. This individual focus also has an impact on the annually defined team objectives, as each individual's efforts contribute to the overall performance. Shared responsibility leads to greater personal responsibility and initiative by the individual employees.

REMUNERATION PRINCIPLES

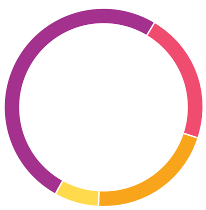
The overall level of remuneration is not regarded as a strategic selling point. Baloise strongly believes that basing remuneration on its competitiveness in the marketplace, individual performance and the Company's success, all guided by fairness, transparency and sustainability, is compatible with its values.

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

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 115.

BALOISE'S 7'646 EMPLOYEES IN 2019 PER COUNTRY

	Percent	Employees
Switzerland	50.6	3'869
Germany	21.5	1'641
Belgium	20.8	1'594
Luxembourg	7.1	542



With the amendment of the Equality Act, it has become mandatory for companies with 100 employees or more to carry out an internal equal pay analysis. Baloise will be performing this analysis by the end of June 2021 at the latest, and will then notify employees and shareholders of the results. The Company has already participated in the Swiss federal government's voluntary wage equality dialogue in 2013/2014, and confirmed the results obtained there with an internal analysis in 2018.

Careers website:
www.baloise.com/jobs

Careers blog:
www.baloise.com/karriereblog

Facebook:
www.facebook.com/baloisegroup

YouTube:
www.youtube.com/baloisegroup

Instagram:
www.instagram.com/baloisejobs

LinkedIn:
www.linkedin.com/company/baloisegroup

Twitter:
www.twitter.com/baloise_jobs

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Environmental mission statement

Baloise has had its own environmental mission statement since 1999. From the outset, it was deemed important to embed sustainability throughout the company and in all day-to-day business activities. This environmental mission statement became an integral element of our value creation approach for sustainable development in 2018. This approach complements the mission statement for environmental and social activities and has been incorporated into the Company's overall sustainability management. The environmental mission statement is part of our efforts to create environmental value to support the achievement of the UN's sustainable development goals, in particular no. 7 (affordable and clean energy), no. 9 (industry, innovation and infrastructure), no. 12 (responsible consumption and production) and, as a priority, no. 13 (climate action).

PRINCIPLE

As a primary insurer, Baloise is prepared to assume responsibility for the preservation of the natural environment. It focuses on the responsible use of natural resources and the continuous reduction of CO_2 emissions. It is based on the concept of value creation, which is not limited to the environmental impact of operations, but also includes responsible investment by Baloise Asset Management.

- Chapter 'Sustainable business management/ Responsibility'
- Chapter 'Sustainable business management/ Responsible Investment'

EMPLOYEES AND THE 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. Regular employee surveys are part of an active stakeholder dialogue. Baloise works hand in hand with other companies, organisations and public authorities across all countries in which it is active to find solutions to environmental problems. It particularly encourages the sharing of information within the insurance sector, maintains an open dialogue with the public and regularly reports on environmental projects and what has been achieved. The environmental audit is presented on page 59.

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 value creation model, its environmental mission statement and its environmental audit.

- Chapter 'Sustainable business management/ Responsibility'

www.baloise.com/vendor

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.

ORGANISATION

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

Protecting the environment over the long term

Environmental protection at Baloise is focused on reducing CO_2 emissions and promoting alternative energy sources. The Company's initiatives are guided by recognised directives and the United Nations' sustainable development goals. 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 adding value, including for the environment, and making continual improvements in all areas.

CONTINUOUS REDUCTION OF CO_2 EMISSIONS SINCE 2000

Climate change is the challenge of the century. Since the 1997 Kyoto conference in Japan, Baloise has been publishing key figures on energy and resource consumption, documenting sustainability measures in its annual report, and calculating its absolute and relative CO_2 emissions in accordance with the directives issued by the Association for Environmental Management and Sustainability in Financial Institutions (VfU). The 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 and the UN's sustainable development goals. Both absolute and relative CO_2 emissions have been reduced massively at Baloise since the year 2000. Baloise cut absolute CO_2 emissions from 53,580 tonnes in 2000 to 13,731 tonnes in 2019. This is equivalent to a 74.4 per cent reduction in CO_2 emissions, while emissions per employee fell by 38 per cent over the same period, from 4 tonnes to 2.5 tonnes.

FOCUS ON OPTIMISED OPERATIONS IN 2019

In 2019, the focus was on the optimisation of building operations and business processes at all locations, and on the construction of Baloise Park at the Basel site in Switzerland. This required a significant amount of capital investment.

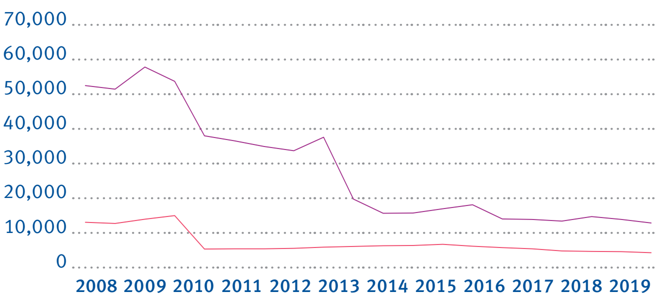
NEW BUILDINGS AND OPTIMISED OPERATIONS AT THE SWISS OFFICES

In a project scheduled for completion in 2020, Baloise is erecting three new buildings in the Baloise Park 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. 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.

In addition to the construction of the Baloise Park, the recirculating coolers at the main office in Aeschengraben in Basel have been completely replaced at a cost of almost CHF 3 million. By using the latest technology, recooling can keep the temperature in office areas at a comfortable level using 80 per cent less water and 35 per cent less electricity. New frequency transformers in the air conditioning units will save 25,000 kWh a year, equivalent to the consumption levels of five family homes.

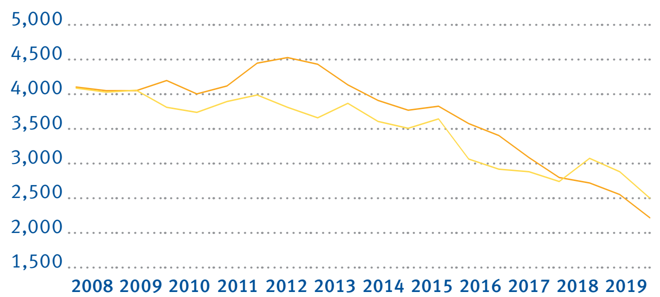
Following a review of employee catering at headquarters in Basel in 2015 with a focus on regionality, seasonality and animal welfare, the Company embarked on the refurbishment

TOTAL CO_2 EMISSIONS IN TONNES



■ CO_2 emissions for the Group
■ CO_2 emissions in Switzerland

CO_2 EMISSIONS PER EMPLOYEE IN KILOGRAMMES



■ CO_2 emissions in Switzerland
■ CO_2 emissions for the Group

of its employee cafeteria in 2019 with a view to improving energy efficiency and the use of space. The renovation will be completed in the first half of 2020.
www.baloisepark.ch

ONCE AROUND THE WORLD WITH SOLAR POWER

Since 2015, Baloise customers and employees have been able to charge their electric vehicles in Basel, and in Zurich since 2016,using solar power. The facility, which does not cost anything to use, has proved very popular. As have the eco-friendly electric bikes, which are used by the Company's loss assessors to get to local incidents. During a very sunny 2019, enough solar-generated electricity was drawn from the 'pumps' to power a total driving distance of almost 60,000 kilometres.

NEW SITE AND SYSTEMATIC WASTE SEPARATION IN LUXEMBOURG

In Luxembourg, two electric vehicles have been made available and new offices are at the planning stage. The new office building in Leudelingen will be the first in the country to be made entirely of wood. The wood used in the building, which has been given the name Wooden, is sourced exclusively from sustainably managed forests in Luxembourg. The wood design will be less dusty and noisy to construct, making the build less disruptive. It is made of pre-fabricated elements and is 40 per cent lighter than concrete, which significantly reduces the number of lorries needed to transport the elements to the construction site. The building will be equipped with a photovoltaic (PV) system and aims to achieve a BREEAM Excellent rating. This certification system assesses the environmental and socio-cultural aspects of a building's sustainability performance. In addition to its structural qualities, Wooden will also be the second building in Luxembourg to take part in the WELL Building Standard® certification process. Unlike similar schemes in the construction sector, the focus here is on the residents. WELL looks at ten areas that enable a holistic approach to well-being in and around the building: air, water, food, light, physical activity, temperature, noise, materials, mind and community. The new office building will be easier to get to on public transport, which will help to further reduce indirect CO_2 emissions . Baloise will also be implementing systematic waste separation at its site in Luxembourg to recycle materials and return them to the production cycle.
www.baloise.lu/en/insurance-baloise-luxembourg/Who-are-we/news/2020/Wooden-Baloise-future-eco-friendly-building.html

LOW-CARBON TRANSPORT, SUSTAINABLE BUILDINGS AND REFURBISHMENT AT THE SITE IN BELGIUM

In Belgium, Baloise is focusing on modernising and reusing an existing building, which will be refurbished using state-of-the-art technology instead of demolishing it and building a new one. The new technology installed will include LED lighting with daylight control and occupancy sensors (smart control), heating and cooling via climate-control ceilings, rainwater harvesting, solar panels for generating energy and innovative insulation of the facade and the roofs, including the use of green roofs. The windows will be replaced with thermal insulation glazing with very high solar control properties to further reduce energy consumption for heating and cooling. Material from the old building will be reused wherever possible; where this is not feasible, new high-quality, long-lasting materials will be used instead.

Baloise is investing in a prototype for the future of office working in Belgium. In March 2019, it bought the sustainable building THE LINK from Ghelamco, making Baloise the largest owner of office space in Antwerp. The office block was awarded the BREEAM Excellent certificate for sustainability, and thanks to a rating of E40 in the BEN scheme, it has been certified as practically energy-neutral. The energy used in the building is entirely from renewable sources.

Baloise has increased its employees' use of bicycles by introducing a bicycle leasing scheme, and the vehicle fleet is being converted in stages from diesel engines to more fuel-efficient or electric models. The Company is also promoting more environmentally friendly driving habits in its vehicle guidelines.

REDUCTION OF RESOURCE CONSUMPTION IN GERMANY

The lighting in the buildings at the Hamburg site has been partially converted to LED, a more energy-efficient technology in the long term. The motors in the main building's ventilation system have also been fitted with state-of-the-art frequency transformers, and the conveyor washing machine has been replaced with a new, more efficient one.

In Bad Homburg, projects were launched in 2019 to install a PV system and retrofit LED lighting. The continual optimisation of many operational parameters for heat generation has improved overall energy consumption in the building. By switching to even more environmentally friendly toilet paper and paper towels, Baloise is stepping up its efforts to protect the environment in Germany too.

The relocation of the Bremen office to a more efficient building, the EUROPA-CENTER Airportstadt in Bremen, will allow the Company to make long-term energy and cost savings. These will be achieved by downsizing the offices and making better use of the available space, for example.

FRIDAY OFFSETS 302 TONNES OF CO_2

Since October 2018, FRIDAY customers have been able to make their own contribution to climate protection by offsetting the CO_2 emitted by their cars. Through its FRIDAY+ECO product, a joint development with the well-known climate protection organisation myclimate, Baloise's German online mobile insurer FRIDAY offset 302 tonnes of CO_2 and other damaging greenhouse gases, including methane and nitrous oxide, between October 2018 and March 2019. The climate protection projects chosen meet the highest standards (Gold Standard, CDM, Plan Vivo).
www.friday.de

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 at all sites and at its computer centres. The figures reported relate to the energy and resources used by 72.4 per cent of the 7,600 or so people working for the Baloise Group. Per-employee consumption of heating has been reduced by around 33 per cent and of electricity by 42 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/sustainability

ENVIRONMENTAL AUDIT

	2017 absolute	2018 absolute	2019 absolute	Relative	Unit	+/ – %
Employees	5,148	5,214	5,590		headcount	7.2
Energy reference area	136,601	142,409	155,853		ERA m²	9.4
Locations	15	14	15		number of buildings	1
Electricity consumption	19,137,677	18,314,747	16,381,853	2,931	kWh / employee	– 10.6
Heating consumption	9,830,542	8,269,769	9,553,480	61	kWh / m²	15.5
Water consumption	47,768 m³	45,421 m³	41,341 m³	30	l/employee / day	– 8.9
Paper consumption	413 t	300 t	318 t	57	kg / employee	6.0
Paper types				6.0 %	recycled	
				84.0 %	chlorine-free-bleached	
				10.0 %	chlorine-bleached	
Copy paper consumption	72.4 million A4 sheets	66.1 million A4 sheets	62.7 million A4 sheets	11,225	A4 sheets / employee	– 5.1
Amount of refuse	1,009 t	843 t	922 t	165	kg / employee	9.4
Types of refuse				51.0 %	paper / cardboard	
				10.0 %	other materials	
				2.0 %	special waste	
				36.0 %	misc. waste / refuse	
Business travel	22.5 million km	22.4 million km	20.7 million km	3,705	km / employee	– 7.4
Mode of transport				20.6 %	km by air	
				50.7 %	km by road	
				28.7 %	km by public transport	
CO_2 emissions	15,579 t	14,773 t	13,731 t	2,456	kg / employee	– 7.1

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 earnings potential derived from the business.

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

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 and quantify the risks inherent in all financial and business processes.
- Risk processes: the risk organisation 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 Group's earnings potential while taking account of the risks.

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). The detailed risk map can be found on pages 158 and 159 of the 2019 Financial Report.

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), the compliance function and business continuity management (BCM) are further major pillars of this strategy.

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

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 (made up of members of the Corporate Executive Committee) and the local risk committees in each business unit (comprising members of the local senior management teams) decide how the risk strategy is implemented in day-to-day business. Bodies specially set up to examine specific issues, such as asset/liability management, compliance, IT risk and claims reserving, 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 and corporate supervisory bodies.

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 aligned to the principles and calculation methods applied by the Swiss Solvency Test and with the European Union's Solvency II directives.

To this end, risk measurement metrics alone are used to calculate a target capital figure (capital requirement), irrespective of any financial accounting treatment. This target capital figure is constantly compared with the capital currently available (the risk-bearing capital) to ensure that the Company remains solvent even in adverse circumstances and can meet its obligations to policyholders at all times.

In addition to this holistic risk model, risk management uses the risk map to identify, describe and evaluate specific risks. Baloise's corporate database of specific risks – which contains a detailed description of the risks concerned, their classification on the risk map, early-warning indicators and the quantitative evaluation – is generated from this standardised process. The risks are documented together with the measures needed to mitigate them. The database is updated on an ongoing basis.

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 processes on a mandatory basis. 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:

- Decisions on actuarial risk are made by the local underwriters on the basis of underwriting guidelines. The Company's key reinsurance strategies are supplemented by risk-based rentention analysis.
- 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 is used to assess credit risk. In addition, the overall solvency position is regularly monitored by the risk control function.
- Baloise captures business-environment risk, operational risk and strategic risk on both a standardised and individual basis, and assesses their probability and potential impact.

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 standardised 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 offers 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.

BALOISE'S RISK MANAGEMENT DEMONSTRATED ITS PROVEN STRENGTHS IN 2019

Baloise's risk strategy principles are designed for the long term, as shown by the Company's excellent risk positioning in 2019. This is underlined by the credit rating from Standard & Poor's of A+ with a stable outlook. Additionally, Standard & Poor's has a favourable view of the Group's strategic risk management, risk-management culture, and risk controls.

Risk management approaches that have been well-established for many years were maintained in 2019:

- The Baloise Group's investment strategy continues to focus on diversification. As has proved successful in the past, changes to the investment strategy are made in close consultation with the risk management function.
- Baloise continues to actively manage credit risk and currency risk.
- With a net equity exposure of 7.3 per cent as at 31 December 2019, 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. Payment obligations to customers in future years are matched to the greatest possible extent with income earned from investments. Baloise's real-estate portfolio has proved very helpful in this respect. The Company also invests in safe long-term bonds denominated in either Swiss francs or euros.
- Baloise's underwriting business has proved to be highly consistent, with the Baloise Group's net combined ratio of 90.4 per cent demonstrating its excellent capabilities in underwriting and managing non-life risk.
- Sustainability is becoming an increasingly important issue from a risk management perspective too. This can be seen from its inclusion in the Group-wide risk management standards and in the risk map.

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

Further information on risk management can be found in the 2019 Financial Report (section 5. Management of insurance risk and financial risk, pages 155 to 197).

www.baloise.com/risk-management

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 enriches our lives and stimulates discussion. The Baloise art collection is an important part of the Company's corporate culture, as Baloise believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. In an extension of this principle, it has now set up a website wholly dedicated to art and the Company's connection to it. As well as presenting the themed exhibitions at the Baloise Art Forum, the website www.baloiseart.com now also provides some glimpses into the collection itself, showcasing a growing selection of artists and their work. The latest addition is a section featuring the recipients of the Baloise Art Prize, now in its 22nd year.

CORPORATE COLLECTING – AN IMPORTANT ASPECT OF THE CULTURE AT BALOISE

The primary objective of the collection is not to achieve monetary gain, but to integrate spiritual and creative values into the Company's corporate culture. Since the late 1940s, the Baloise 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

Encouraging an understanding and enjoyment of art is as much a part of the corporate culture as fostering new talent – both within Baloise and externally, in the arts sector. For many years, Baloise training and development programmes have provided access to careers with substance. Those benefiting include apprentices, interns and temporary student workers, while the Company's established graduate trainee programme gives its participants a deep insight into various parts of the business and thus provides the ideal preparation for a management or specialist role. For all of 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.

Since 1999, Baloise has been awarding the annual Baloise Art Prize at Art Basel, an international art fair. Two talented young artists each receive CHF 30,000 in prize money, which is awarded during a ceremony at the fair. After the announcement at the Art Basel media conference, both the winners and the galleries enjoy considerable attention at this globally significant event. The 2019 Baloise Art Prize was awarded to Giulia Cenci and Xinyi Cheng, whose work was donated to the MUDAM in Luxembourg and the Hamburger Bahnhof – Museum für Gegenwart – Berlin respectively.

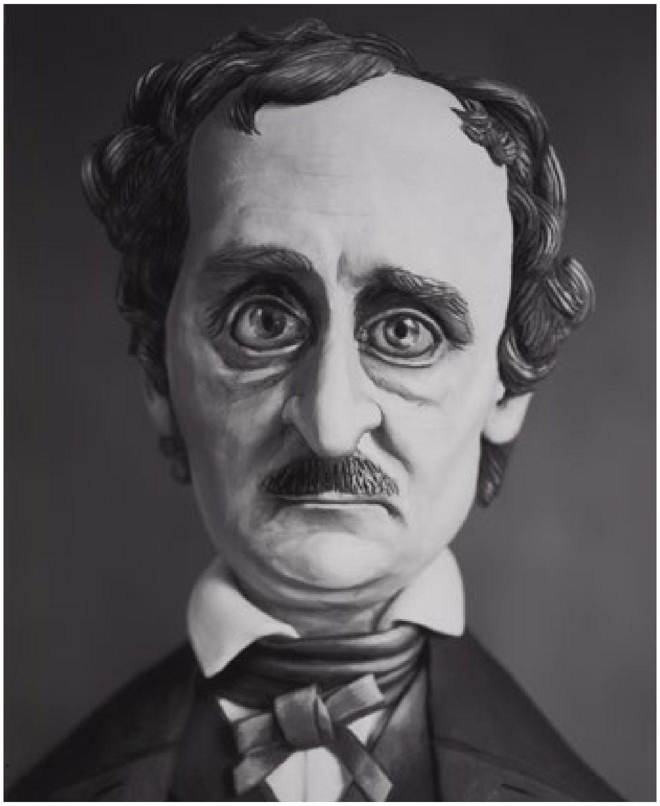
ART AT THE BALOISE PARK COMPLEX

The Group headquarters at Baloise Park also provide space to display the Baloise collection. The publicly accessible Art Forum on the ground floor presents two exhibitions a year on different themes, and in keeping with the Baloise corporate philosophy, the upper floors 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 focus 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. For example, works by the 2016 winners, Mary Reid Kelley (born 1979) and Sara Cwynar (born 1985), have been added to the collection.

Mary Reid Kelley
«Nicki Minaj», 2015
48,4 x 42,7 cm
Collection of Baloise Group
Courtesy of the artist and Vielmetter Los Angeles



Mary Reid Kelley
«Edgar Allan Poe (Stella)», 2015
54,9 x 38,1 cm
Collection of Baloise Group
Courtesy of the artist and Vielmetter Los Angeles

Although Mary Reid Kelley studied painting, her work is not restricted to one medium. Her projects could be described as a brilliant fusion incorporating cinema, theatre, drawing, painting, photography and poetry. Language is a central element of Mary Reid Kelley's work, so it is hardly surprising that the artist has portrayed figures who have influenced her relationship with language. In this project, she took the unique approach of sculpting and painting a range of portrait busts before taking black-and-white photographs of them. Baloise acquired five works from this series of photos, created in 2015, for its own collection. The series includes literary greats as well as rap stars, all of whom have inspired Mary Reid Kelley, who provides us with entertaining and intelligent insights into her exceedingly rich world.
The judges of the 2016 Baloise Art Prize wrote in their report: "Cwynar buys cast-off objects on eBay and purchases photographs in a second-hand store. These she organises and archives

Sara Cwynar
Tracy (Calvin), 2017
108,4 x 136,3 cm
Collection of Baloise Group
Courtesy of the artist and Foxy Production, New York

by colour, material and subject matter. Social concerns, such as the circulation and value of objects, as well as feminist issues and the significance of personal incidents and historical events all come into play. The artist poses crucial questions about what photographed imagery means to us today, both individually and socially. In so doing, she deploys an aesthetic that varies from the deliberate parading of a do-it-yourself character to the seductive power of professional advertising."

The two large-scale images acquired for the Baloise collection show Tracy, a long-time friend of Cwynar. While Tracy chose her clothes and make-up, and decided which poses to strike, Cwynar selected the props, the arrangement and the lighting. This collaboratively choreographed photographic work addresses the symbols of our consumer society.
www.baloiseart.com

Corporate Governance

Transparent Corporate Governance

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

Operating in line with the requirements of the Swiss Code of Best Practice and the SIX Corporate Governance Guidelines, Baloise strives to foster a corporate culture of high ethical standards that emphasises the integrity of the Company and its employees. Baloise firmly believes that high-quality corporate governance has a positive impact on its performance.

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 20 June 2019 in order to improve comparability with previous years and with other companies. It includes the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance, Appendix 1 of 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 2019). Additional reference is made to material changes occurring between the balance sheet date and the print deadline for the Annual Report.

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

1. STRUCTURE OF THE BALOISE GROUP AND SHAREHOLDER BASE

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Bâloise Holding is a public limited company that is incorporated under Swiss law and listed on the Swiss Exchange (SIX). The Baloise Group had a market capitalisation of CHF 8,540 million as at 31 December 2019.

- Information on Baloise shares can be found from page 8 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2019 can be found from page 260. 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 199 onwards in the notes to the consolidated annual financial statements within the Financial Report.
- The Baloise Group's operational management structure is presented on page 82 onwards.

Shareholder base

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

Shareholder structure

A total of 21,432 shareholders were registered in Bâloise Holding's share register as at 31 December 2019. The number of registered shareholders had increased by 5.17 per cent compared with the previous year. The "Significant shareholders" section on page 288 provides information on the structure of the Company's shareholder base as at 31 December 2019.

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

Treasury shares

Bâloise Holding held (directly and indirectly) 2,741,099 treasury shares (5.62 per cent of the issued share capital) as at 31 December 2019.

Cross-shareholdings

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

2. CAPITAL STRUCTURE

Dividend policy

Bâloise Holding pursues a policy of paying consistent, earnings-related dividends. It uses other dividend instruments such as share buy-backs and options to supplement conventional cash dividends. Shareholders have received a total of CHF 1,890.7 million from cash dividends and share buy-backs over the last five years.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2015	250.0	59.1	309.1
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3 [1]	190.0	502.3
Total	1,388.4	502.3	1,890.7

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 24 April 2020.

Bâloise Holding's equity

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

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

	31.12.2017	31.12.2018	31.12.2019
CHF million			
Share capital	4.9	4.9	4.9
General reserve	11.7	11.7	11.7
Reserve for treasury shares	6.1	6.4	8.3
Free reserves	472.4	566.1	683.2
Distributable profit	367.9	412.6	552.5
Treasury shares	–71.8	–206.7	–397.7
Equity at-tribut-able to Bâloise Holding	791.2	795.0	862.9

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

Authorised and conditional capital; other financing instruments

Authorised capital

A resolution adopted by the Annual General Meeting on 26 April 2019 has authorised the Board of Directors until 26 April 2021 to increase the Company's share capital by up to CHF 400,000 by issuing up to 4,000,000 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 6,715.6 million on 31 December 2019. Details of changes in consolidated equity in 2018 and 2019 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 2017 can be found in the consolidated statement of changes in equity on page 124 in the Financial Report within the 2018 Annual Report.

Bonds outstanding

Bâloise Holding and Baloise Life Ltd (with Bâloise Holding acting as guarantor) have issued bonds publicly. As at the end of 2019, a total of twelve public bonds were outstanding. Details of outstanding bonds can be found on pages 242 and 286 and on the website.
www.baloise.com/bonds

Credit rating

On 11 November 2019, credit rating agency Standard & Poor's confirmed the rating of the Swiss units Baloise Insurance Ltd and Baloise Life Ltd as "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 Bâloise Holding Ltd, the Belgian subsidiary Baloise Belgium NV and the German subsidiary Basler Sachversicherungs-AG, which were also reaffirmed, can be found on the website.
www.baloise.com/rating

3. BOARD OF DIRECTORS

Election and term of appointment

The Board of Directors consisted of ten members last year. Between 1 January 2019 and the Annual General Meeting on 26 April 2019, it had nine members because Karin Keller-Sutter stepped down from the Board of Directors 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 2019, the average age on the Board of Directors was 59 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 Andreas Burckhardt, Christoph B. Gloor, Hugo Lasat, Dr Thomas von Planta, Thomas Pleines, Professor Dr Hans-Jörg Schmidt-Trenz 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. Karin Keller-Sutter stepped down from the Board of Directors with effect from 31 December 2018, and Dr Georges-Antoine de Boccard did so with effect form the 2019 Annual General Meeting.

Christoph Mäder and Dr Markus R. Neuhaus were elected as new members of the Board of Directors. All members of the Board of Directors are standing for re-election in 2020.

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

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.

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
Christoph B. Gloor, Riehen		DC		DC	CH	1966	2014
Hugo Lasat, Kessel-Lo (B)				M	B	1964	2016
Christoph Mäder, Hergiswil			M		CH	1959	2019
Dr Markus R. Neuhaus, Zollikon		M			CH	1958	2019
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	DC		CH	1975	2016

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

DIVERSITY ON THE BOARD OF DIRECTORS

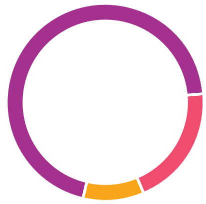
Per cent

Professional background / experience / expertise *

Insurance	40.0
Banking	40.0
Legal and governance	40.0
Risk management	30.0
CEO	60.0

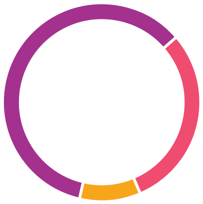
Nationality

Switzerland	70.0
Germany	20.0
Belgium	10.0



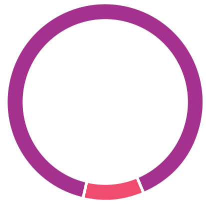
Term of appointment

‹ 5 years	60.0
5 – 10 years	30.0
› 10 years	10.0



Gender

Men	90.0
Women	10.0



* More than one category may apply.

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, on the basis of the Organisational Regulations, authority on the matter is delegated to the Chairman of the Board of Directors, its committees, the Group CEO 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

Information on the Board of Director's role in corporate social responsibility can be found on page 40 of the Sustainability Report.

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

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

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

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

Meetings of the Board of Directors and its committees

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

The full Board of Directors of Bâloise Holding met on eight occasions in 2019. Each one of these meetings was attended by the full complement of members. All members of the relevant committee in each case attended every one of the additional 17 committee meetings. This means that the Board of Directors achieved an overall meeting attendance rate of 100 per cent. Meetings of the Board of Directors and its committees usually last half a working day each.

The Chairman's Committee convened seven times in 2019, which included one two-day strategy meeting. The Investment Committee met on three occasions. The Audit and Risk Committee held five 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 Head of Corporate Division Finance. Those present at Audit and Risk Committee meetings are the Head of Corporate Division Finance, the Head of Group Internal Audit and, occasionally, representatives of the external auditors, the Head of Risk Management and the Head of Compliance. 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 Head of Corporate Division Asset Management, the Head of Investment Strategy and Investment Control, the Head of Portfolio Management and the Head of 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. In 2019, the Board of Directors also anonymously took part in an assessment on the topic 'Speak up in boardrooms' and received a report indicating how it compared with other boards of directors. The report's findings were discussed by the Board of Directors.

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 2019, the Board of Directors held a seminar for the purpose of training its members on innovation and ecosystems.

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 72). Any restrictions on availability and potential conflicts of interest rising 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 4.9 years. The Chairman is currently the longest-serving member of the Board of Directors, having been in office for 20 years. The new appointments in 2019 further increased the Board of Directors' experience with listed companies and in particular with industrial companies and auditing firms. No changes to the composition of the Board of Directors are planned in 2020. One objective of the Board of

Directors' succession planning is to increase the proportion of female members again.

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 separate chapters to the subject of financial risk management: from page 60 onwards and in the Financial Report starting on page 155.

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. He acts as an independent adviser on the boards of directors and advisory boards of companies and professional associations. He is a member of the Advisory Board of Accenture Switzerland and, until the end of 2019, was a member of the Board of Directors of Hamilton Insurance DAC, Dublin (formerly Ironshore Europe Inc., Dublin). Dr Andreas Beerli 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. Since November 2019, he has been a director and limited partner in Basel-based private bank E. Gutzwiller & Cie, Banquiers. He had previously been Chief Executive Officer of private bank La Roche & Co AG before going on to become a member of the Executive Committee and CEO of Notenstein La Roche Privatbank AG and Deputy Head of Wealth Management at Bank Vontobel 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 was a member of the Board of Managing Directors of the Basel Banking Association until early April 2019. Christoph B. Gloor is an independent non-executive director.

Hugo Lasat (1964, Belgium, Master in Economic Sciences, Master in Finance)
has sat on the Board of Directors since 2016. He is the CEO of Brussels-based Degroof Petercam Asset Management (DPAM), a member of the Board of Directors of Banque Degroof Petercam France, President of DPAM France and a member of the Supervisory Board of Degroof Petercam Asset Services, Luxembourg. He is also a member of the Board of Directors of Arvestar Asset Management, Brussels. His managerial roles prior to that include CEO of Amonis Pension Fund and CEO of Candriam Investors Group. He is a guest professor at KU Leuven (Brussels Campus) and a member of the Financial Commission of the Belgian Red Cross. Hugo Lasat is an independent non-executive director.

Christoph Mäder (1959, Switzerland, lawyer)
has sat on the Board of Directors since May 2019. From 2000 to July 2018, he was a member of the Syngenta International AG executive team with responsibility for legal and tax. Until June 2018, he was a member of the Management Board of the Basel Chamber of Commerce. From 2006 to May 2018, Christoph Mäder was a member of the Management Board of scienceindustries, and between 2008 and 2014 he also served as its president. He was a member of the Executive Committee of economiesuisse until August 2019. He is a member of the Board of Directors of Lonza Group AG, EMS Chemie Holding AG and, since June 2019, Assivalor AG. Christoph Mäder is an independent non-executive director.

Markus R. Neuhaus (1958, Switzerland, Dr iur., qualified tax expert)
has been a member of the Board of Directors since May 2019. He was the Chairman of the Board of Directors of PricewaterhouseCoopers AG (PwC) from July 2012 to June 2019 and served as its CEO for a period of nine years prior to that. He did not hold any operational role at PwC from July 2012 and was not personally involved in the Company's audit engagement for Baloise (until 2015). He is a member of the Board of Directors of Barry Callebaut AG, Orior AG, Galencia AG and Jacobs Holding AG. He is a member of the Tax Law Advisory Board of LGT Vaduz. He is the Chairman of the Board of Directors of Zürcher Volkswirtschaftliche Gesellschaft, Vice-Chair of the Board of Trustees of Avenir Suisse, Vice Chairman of the Foundation Board of stars – the leaders for the next generation, Vice-Chair of the Management Board of Zurich's Chamber of Commerce, Chairman of economiesuisse's Finance and Taxation Commission and a member of the Board of Trustees of the ETH Foundation. Dr Markus R. Neuhaus 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 BB Biotech AG since March 2019 and on the Advisory Board of Harald Quandt Industriebeteiligungen since September 2019. Until March 2019, he was Chairman of the Board of Directors of Bellevue Group AG, Bank am Bellevue AG and Bellevue Asset Management 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. 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. He chairs 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 is a professor of economics at Saarland University and the University of Hamburg and Founding President of the HSBA Hamburg School of Business Administration. From 1996 to 2017, he was Chief Executive Officer of the Hamburg Chamber of Commerce and from 2000 to 2018 Chairman of the European Chief Executive Officers working group. Hans-Jörg Schmidt-Trenz is Committee Chair of the General Council and Executive Committee of the International Chamber of Commerce's World Chambers Federation. He is a member of the Board of Trustees of Hamburger Sparkasse and the Hamburg Academic Foundation, sits on the advisory boards of HIP Hamburg Innovation Port and HanseMerkur (until the end of 2019) and is a member of the Board of Trustees of the Tafel foundation of Hamburg-Schleswig-Holstein (since 2019). 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 InternationalSA and a member 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:	Head of Group Internal Audit:
Dr Philipp Jermann,	Rolf-Christian Andersen,
Buus (BL)	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 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. Gert De Winter has been Group CEO since January 2016. He is 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, as Head of Asset Management (until 2010) and 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, SCCM mediator, EMC INSEAD) 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 Bâloise Holding's Board of Directors until April 2012. Since 6 December 2007, Dr 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 and Group Procurement. He will leave Baloise in the middle of 2020. Dr Thomas Sieber sits on the Panel of Experts of SWIPRA Services AG.

Carsten Stolz (1968, Germany / Switzerland, Dr rer. pol.) studied business economics at Fribourg University and gained a doctorate specialising in financial management. He holds an Executive Master in Change from INSEAD. He joined the Baloise Group in 2002 as Head of Financial Relations. From 2009 to 2011, he 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 and Corporate Communications & Investor Relations 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).

Alexander Bockelmann (1974, Germany, Dr rer. nat.) has been Head of the newly created Corporate Division IT since February 2019. 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 2019)

GROUP CEO
Gert De Winter*

HEAD OF GROUP CEO OFFICE
Ruken Baysal

FINANCE
Carsten Stolz*

Group Accounting & Reporting
Pierre Girard

Financial Planning & Analysis
Andreas Frick

Group Risk Management
Stefan Nölker

Corporate Communications & Investor Relations
Marc Kaiser

Appointed Actuary Switzerland
Thomas Müller

Regulatory Affairs
Gaby Lurie

ASSET MANAGEMENT
Matthias Henny*

Asset Strategy & Investment Controlling
Marc Dünki

Business Development
Alfonso Papa

Portfolio Management
Stephan Kamps

Operations
Bernd Maier

Real Estate
Dieter Kräuchi

Corporate Development & Compliance
Fabian Kaderli

Collective Investments
Robert Antonietti

CORPORATE CENTRE [1]
Thomas Sieber*

Group Strategy & Digital Transformation
Adrian Honegger

Group Human Resources
Stephan Ragg

Group Legal & Tax
Andreas Burki

Group Compliance
Peter Kalberer

Mergers & Acquisitions
Philipp Hammel

Run-off
Bruno Rappo

Group Procurement
Manfred Schneider

IT
Alexander Bockelmann*

Enterprise Architecture
Martin Fischer

IT Security & Compliance
Marc Etienne Cortesi

IT Portfolio & Financials
Carsten Matschinsky

BizDevOps
Matthias Cullmann, Silvan Saxer

IT Sourcing
Alexander Bockelmann (a. i.)

Group Applications
Martin Fischer (a.i)

Group Infrastructure
Martines Sägesser

[1] The Corporate Centre is being dissolved with effect from 30 June 2020. The Group Strategy & Digital Transformation, Group Human Resources, Group Legal & Tax and Compliance divisions will fall under the remit of the Group CEO, while the Mergers & Acquisitions, Run-off and Group Procurement divisions will fall under the remit of the CFO.
* 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 (from 1 January 2020: Yannick Hasler)

Sales & Marketing
Bernard Dietrich (from 1 January 2020: Mathias Zingg)

Baloise Bank SoBa
Jürg Ritz

Operations & IT
Clemens Markstein

Finance & Risk
Urs Bienz

Claims
Mathias Zingg (from 1 January 2020: Thomas Schöb)

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 & Actuarial Function
Kathleen Vergote

Non-Life Retail
Noël Pauwels

Non-Life Corporates Clients & Marine
Joris Smeulders

ICT
Joris Smeulders

Life
Wim Kinnet

Finance & Procurement
Gert Vernaillen

Human Resources & General Services
Marc L'Ortye

LUXEMBOURG

Romain Braas

Operations
Daniel Frank

Finance
Alain Nicolai

Distribution
Laurent Heiles

IT
Filip Volders

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 in 2019 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 June 2019) 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 Bâloise 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. Bâloise Holding’s financial year ends on 31 December. The Annual General Meeting is convened at least 20 days before the date of the meeting. Each registered shareholder receives a personal invitation, which includes the agenda. The invitation and the agenda are published in the Swiss Official Gazette of Commerce, in various newspapers and on the 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. Bâloise Holding has not made any use of the option to deviate from or waive this regulation. There is no statutory opting-out clause or opting-up clause as defined by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG).

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

8. EXTERNAL AUDITORS

The external auditors are elected annually by the Annual General Meeting. Ernst & Young AG (EY), Basel, has been the external auditing firm for Bâloise Holding since 2016. Christian Fleig holds the post of auditor-in-charge. 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

CHF (including outlays and VAT)	2018	2019
Audit fees	5,431,077	5,656,508
Consulting fees	219,306	39,626
Total	5,650,383	5,696,134

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 statutory and regulatory special audits).

In 2019, CHF 39,626 of the additional fees for consultancy services were attributable to tax consultancy and legal 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 26 June 2019) published by the Swiss Financial Market Supervisory Authority (FINMA).

At its meetings, primarily at meetings about the annual and half-year financial statements, the Audit and Risk Committee received 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.

Before the start of the annual audit, the Audit and Risk Committee reviews the scope of the audit and suggests areas that require special attention. The Audit and Risk Committee reviews the external auditors' fees and independence 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/mailinglist.
www.baloise.com/media

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Appendix 1: Remuneration Report

1. OVERVIEW OF REMUNERATION

A. 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, the performance of the team, and an employee's individual contribution to the team'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

	2018 Approved	2018 Paid out	2019 Approved	2019 Paid out
CHF million				
Fixed remuneration of Board of Directors	3.3	3.3	3.3	3.3
Fixed remuneration of Corporate Executive Committee	4.0	4.0	4.0	4.7 [1]
Variable remuneration of Corporate Executive Committee	4.5	3.5	5.2	4.5

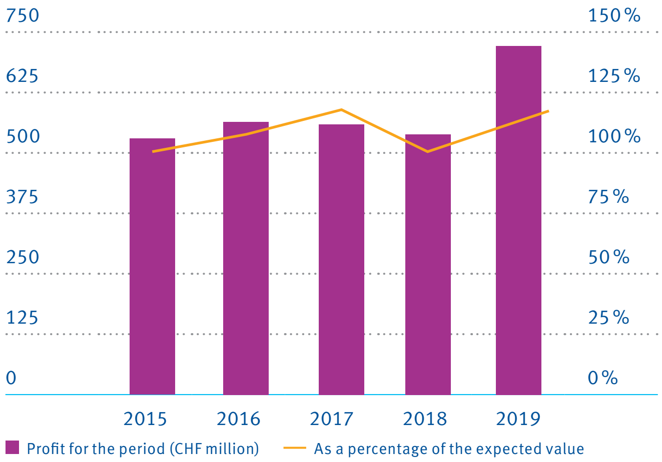
1 Increase due to enlargement of the Corporate Executive Committee, covered by the additional amount pursuant to article 30 of the Articles of Association of Bâloise Holding Ltd.

B. SHORT-TERM VARIABLE REMUNERATION

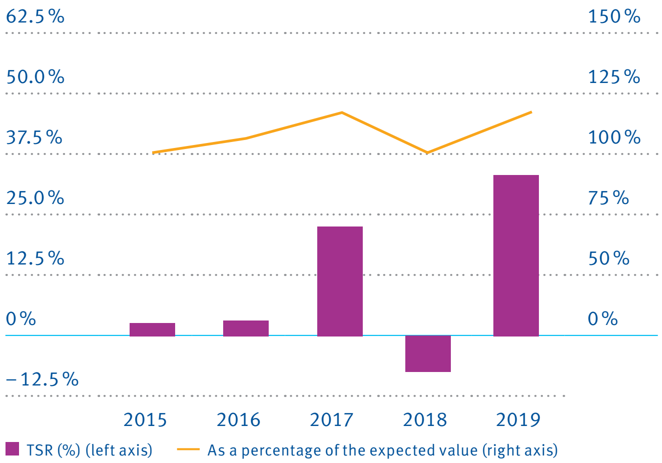
PERFORMANCE POOL

	2018	2019
Total performance pool [2] for Corporate Executive Committee (CHF million)	2.0	2.7
Performance pool factor [2] (%)	100 %	120 %

Profit for the period vs. performance pool factor [2]



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



2 The performance pool (PP) is the 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.

C. LONG-TERM VARIABLE REMUNERATION

Performance share units (PSUs)

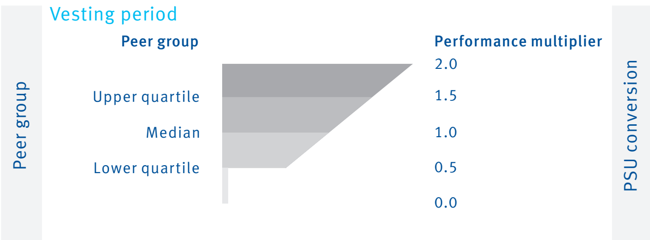
Long-term variable remuneration for members of the Corporate Executive Committee

Allocation

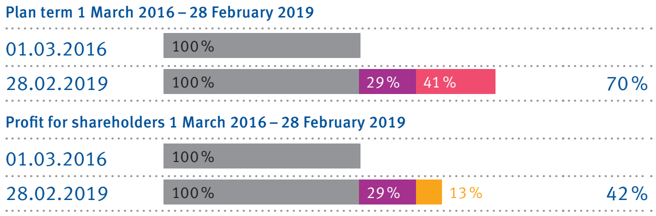
- The total amount for the allocation of PSUs is determined by the Remuneration Committee
- The Remuneration Committee decides on the allocation of PSUs to each individual Corporate Executive Committee member

Conversion

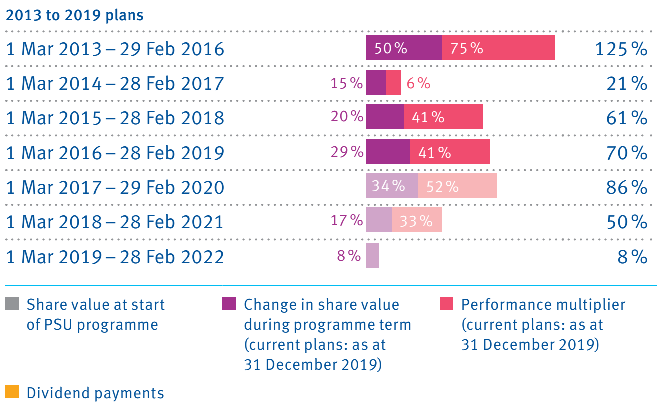
- Performance criterion: profit for shareholders relative to the peer group (STOXX Europe 600 Insurance) after three years
- PSUs are a performance instrument with a performance multiplier of between 0.0 and 2.0



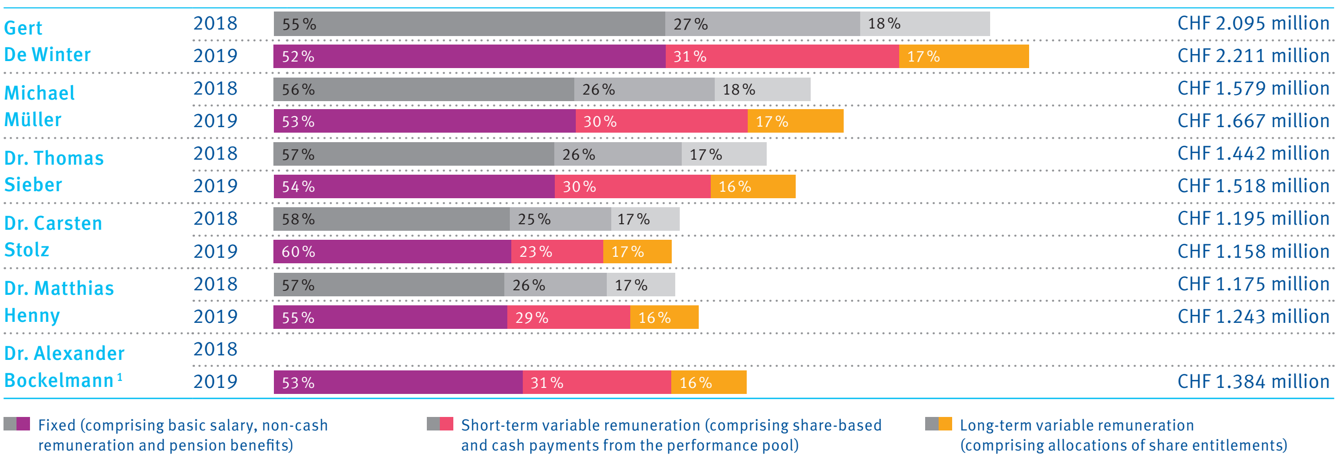
2019 plan (ended)



Overview of ended and current plans (as at 31 December 2019)



D. INDIVIDUAL REMUNERATION OF THE CORPORATE EXECUTIVE COMMITTEE



1 Since 1 February 2019

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 members of the Board of Directors, who are elected every year by the Annual General Meeting. Thomas Pleines (Chairman), Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen (Deputy Chairwoman), Christoph Mäder and Prof. Dr Hans-Jörg Schmidt-Trenz were elected to the Remuneration Committee by the Annual General Meeting on 26 April 2019. 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 POLICY AND REMUNERATION SYSTEM

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. Responding to a request from the Remuneration Committee, in 2017 the Board of Directors formally adopted a new 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 is based on the following principles: competitiveness in the marketplace; individual performance and the Company's success; fairness and transparency; and sustainability.

Competitiveness in the marketplace

Baloise aims to pay basic salaries that are broadly 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. It therefore regularly compares the salaries paid to its employees with those paid in the wider market. This involves taking part in benchmarking surveys conducted by Willis Towers Watson, SwissICT and Kienbaum, and carrying out detailed analysis of the remuneration packages of the most senior executives. These surveys and analyses consider 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 findings are fed into the Company's regular review of its salary structures and presented to the Remuneration Committee.

Individual performance and the Company's success

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 is influenced by 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 individuals and of the team 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.

Since 1 January 2018, the variable remuneration of the Corporate Executive Committee, the most senior level of management and most other members of the management team throughout the Baloise Group has been closely linked to achievement of the Company's goals and is calculated solely on the basis of the performance pool. Together with a performance management system based on continuous dialogue regarding the contributions of teams and individuals, this will support the implementation of Baloise's 'Simply Safe' strategy as the focus will be on achieving the three strategic pillars: 'cash upstream', 'customer growth' and 'employees' in addition to the other earnings-related KPIs.

Fairness and transparency

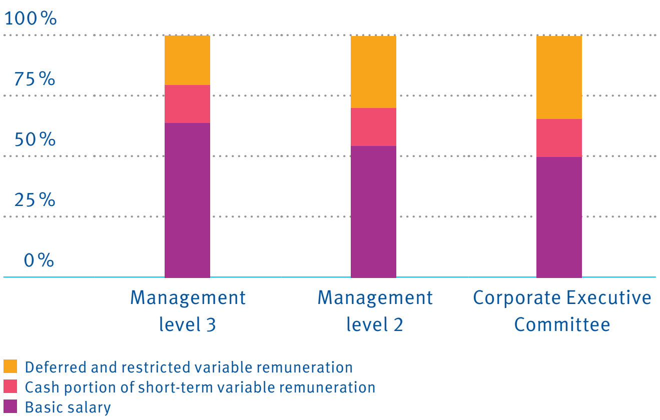
In addition to the regular benchmarking of overall remuneration against the market, Baloise also aims to ensure that pay within the Company is fair when setting salary levels. Baloise applies the fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Sustainability

Baloise attaches considerable importance to managing its business sustainably and retaining high performers. 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 the interests of its stakeholders, particularly its shareholders. 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 or as deferred compensation increase accordingly.

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 STRUCTURE OF THE THREE MOST SENIOR LEVELS OF MANAGEMENT



4. 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 Committee reviews the remuneration paid to the heads of the control functions on an annual basis.

The remuneration paid to the insurance sales force is, by its very nature, strongly performance-related in line with the compensation system commonly used in the insurance industry as a whole. However, these payments (for bringing in new business and for providing service and support for existing customers) 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. A substantial proportion of variable remuneration is paid 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, including prospective entitlements, account for at least 70 per cent (at the time of allocation) 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 '5. Share Subscription Plan and Share Participation Plan').

The short-term variable remuneration is allocated as part of the performance pool described below.

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 Bâloise Holding, one million new cus-

tomers, 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 Remuneration Committee deliberately avoids giving a predefined weighting to the four main indicators. Weighting the main indicators and potentially also the qualitative and quantitative sub-criteria in advance would allow the performance pool factor to be determined more accurately, but then the actual performance of the senior managers in the year concerned would potentially not be adequately reflected. The Remuneration Committee therefore determines the factor retrospectively at its own discretion. In the interests of transparency, this decision is explained on page 95. The assessments by the Chief Risk Officer and the Head of Group Compliance of the risks taken and the evaluations by the Head of Group Human Resources and others of strategy requirements that cannot be precisely measured are also based on qualitative criteria and non-financial indicators such as senior managers' risk behaviour, compliance with procedures and regulations and the practising of a genuine compliance culture, the effectiveness of the internal control system, and the efforts made in respect of talent management and staff engagement.

Performance pool payments are awarded to individuals at the discretion of the line manager concerned. The amount of these payments is mainly determined by a holistic assessment of the performance, conduct and individual development of the 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, along with achievement-based measures.

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 arithmetical 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 Group CEO) and by the Group 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 2019 financial year the Remuneration Committee decided, on the basis of a positive overall assessment, on a factor of 120 per cent of the normally expected value of performance pool payments. The same factor was agreed for the members of the Corporate Executive Committee and the Group. The decision and the indicators are explained in more detail on the following pages.

Main indicator	**Strategy implementation**
Key question	How successfully were the strategic targets implemented?
Sub-criteria	Cash upstream Customer growth Employees
Appraisal	Baloise is on track to achieve its strategic Simply Safe targets. The Simply Safe targets are ambitious, but achievable through the measures already implemented. The holding company again received substantially more than CHF 400 million in cash in 2019 (target by 2021: CHF 2 billion). In December 2019, the proportion of employees who said in the employee survey that they would recommend Baloise as an employer was within the top 15 per cent of the peer group (target by 2021: top 10 per cent of employers in the industry). Net growth of around 200,000 new customers was achieved for 2019 (target by 2021: one million additional customers).
Rating	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 profit for 2019 exceeded expectations and can therefore be assessed as positive. The combined ratio of 90.4 per cent confirms the high quality of the underwriting and the profitability of the non-life business. The combined ratio in Germany is also continuing to improve. The life business continues to be held back by the low-interest-rate environment.
Rating	Neutral / Positive

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	With a high SST ratio for the Group and an S&P rating of ‘A+’ with a stable outlook, Baloise remains strongly capitalised. The persistently low interest rates required certain internal measures to strengthen economic capitalisation. Compliance received a positive assessment.
Rating	Neutral

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	At the end of the year, Bâloise Holding AG shares had outperformed the STOXX Europe 600 Insurance Index. Bâloise Holding AG's shares were ranked tenth out of 35 stocks, with a total shareholder return of 33.85 per cent.
Rating	Positive

Determination of the performance pool factor

Appraisal	Overall, the four main indicators received a very positive total rating for 2019. Following an in-depth examination and assessment of all main indicators and sub-criteria, the Remuneration Committee therefore decided to set the performance pool factor at 120 per cent. While the 2018 assessments for 'Strategy implementation' and 'Business performance' were maintained or improved in 2019, the assessment for 'Risks taken' was slightly worse than in 2018. In a very positive market, the relative assessment of 'Capital markets' perspective' improved significantly from 2018.
Factor	120 per cent

As the table 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)
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
2019	120%	689.5

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 Holding Ltd. 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 TSR of the peer group. The multiplier reaches the maximum of 2.0 if Baloise has the highest TSR of all companies in the peer 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 March 2019 they receive their shares on 1 March 2022. 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 last 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.

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2019)

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

Source: https://www.stoxx.com/index-details?symbol=SXIP

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.

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 discretionary 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.

5. 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

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Subscription Plan for 2020 (applies to variable remuneration awarded for the 2019 reporting period)	10.01.2020	176.00	158.40
Share Subscription Plan for 2019 (applies to the variable remuneration granted for 2018 and to the shares subscribed by the Chairman and members of the Board of Directors in 2019)	10.01.2019	143.80	129.42

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

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF) [1]	Date	Multiplier	Price (CHF) [1]	Value (CHF) [2]	[3]
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	1.32	162.50	214.50	70 %
2017	01.03.2017	130.70	01.03.2020	1.39 [4]	175.00 [4]	244.08 [4]	86 % [4]
2018	01.03.2018	149.20	01.03.2021	1.28 [4]	175.00 [4]	224.00 [4]	50 % [4]
2019	01.03.2019	162.50	01.03.2022	1.00 [4]	175.00 [4]	175.00 [4]	8 % [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 2008: ([{1.24*91.00} –109.50] / 109.50) * 100 = 3 %.
4 Interim measurement as at 31 December 2019.

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 above 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.

Share Participation Plan

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Participation Plan for 2020 (applies to variable remuneration awarded for the 2019 reporting period)	10.01.2020	176.00	156.46
Share Participation Plan for 2019 (applies to the variable remuneration granted for 2018 and to the shares subscribed by the Chairman of the Board of Directors in 2019)	10.01.2019	143.80	125.44

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 above 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.

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 for the programme participant 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.

6. EMPLOYEE INCENTIVE PLAN

The Baloise Foundation for Employee Participation set up in 1989 offers members of staff working for various Baloise Group companies in Switzerland the opportunity to purchase shares in Bâloise Holding – usually once a year – at a preferential price in compliance with the regulations adopted by the Board of Foundation. This encourages employees to maintain their commitment to the Company over the long term by becoming shareholders. The subscription price is fixed by the Board of

EMPLOYEE INCENTIVE PLAN

	2018	2019
Number of shares subscribed	186,489	192,501
Restricted until	31.08.2021	31.08.2022
Subscription price per share (CHF)	76.00	88.50
Value of shares subscribed (CHF million)	14.2	17.0
Fair value of subscribed shares on subscription date (CHF million)	27.8	32.5
Employees entitled to participate	3,254	3,301
Participating employees	2,130	2,218
Subscribed shares per participant (average)	87.6	86.8

Foundation at the beginning of the subscription period and is then published on the intranet. It equals half of the volume-weighted average share price calculated for the month of August in each subscription year. In 2019, the subscription price amounted to CHF 88.50 (2018: CHF 76.00) and a total of 192,501 shares were subscribed (2018: 186,489). Title to the subscribed shares passes to the relevant employees with effect from 1 September each year, and the shares are subject to a three-year closed period.

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

7. 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. They enable an employee or the employee's dependants to maintain a reasonable standard of living following the occurrence of an insured event (old age, disability or death).

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.

8. 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.

9. 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

10. 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. Specifically, he represents Baloise in economiesuisse, the umbrella organisation representing Swiss business, and in the employers' association. The Chairman of the Board of Directors liaises with the Group CEO in formulating proposals on Baloise's long-term objectives and its strategic direction and development, and these proposals are then discussed and approved by the Board of Directors as a whole. He works closely with the Corporate Executive Committee to ensure that the Board of Directors is provided with timely information on all matters of material importance to the decision-making and monitoring process at Baloise. The Chairman of the Board of Directors is entitled to attend meetings of the Corporate Executive Committee at any time. He takes part in these meetings when necessary in order to maintain a regular dialogue between himself and the Corporate Executive Committee and whenever matters of strategic or long-term importance are being discussed, and maintains close contact with the Group CEO.

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 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.

All members of the Board of Directors are required to lodge 1,000 shares with the Company for the duration of their term of appointment (article 20 of the Articles of Association). Since 2006 the members of the Board of Directors have received a proportion 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. From 2020, this discount will also be reported as part of the overall remuneration, as it reflects Baloise's effective costs. In 2019 it amounted to CHF 62,495.

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.

11. 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. In addition, each member of the Corporate Executive Committee is required to hold at least 200 per cent of their basic salary in free float or restricted shares or PSUs within a period of three years from the start of their term of office. This mandatory purchase of shares ensures that, compared with the market as a whole, a significant proportion of their compensation is paid in the form of deferred remuneration.

The Corporate Executive Committee members' remuneration is disclosed on pages 106 to 109 in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2019 even if individual components are not paid until a later date.

The total remuneration paid to the Corporate Executive Committee for 2019 was higher overall than in the previous year (sum total of basic salary plus variable remuneration up by 23.0 per cent). The change can be explained as follows:

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)	Last year

- Since Dr Alexander Bockelmann joined, the Corporate Executive Committee has comprised six members instead of the previous five.
- The performance pool factor, which is relevant for the short-term variable remuneration, is higher than in the prior year (120 per cent compared to 100 per cent), which means the total allocated variable remuneration is higher.

The shares in the Share Subscription Plan (see pages 97 to 98) are issued to managers at a 10 per cent discount in order to encourage share ownership. From 2020, the discount on shares purchased by the Corporate Executive Committee under this plan will also be shown as part of the overall remuneration, as it reflects Baloise's effective costs. In 2019, the discount amounted to CHF 0.166 million.

The Annual General Meeting held on 27 April 2018 approved a maximum amount of CHF 4.043 million for the fixed remuneration (including pension contributions) payable to the Corporate Executive Committee for 2019. The amount paid out was CHF 4.668 million. The difference of CHF 0.625 million (including pension contributions) can be explained by the increase in the size of the Corporate Executive Committee. The new member of the Corporate Executive Committee has been paid his fixed remuneration since the start of February. The amount exceeding the total amount originally requested is covered by article 30 of the Articles of Association of Bâloise Holding Ltd. Under this provision, the amount approved by the Annual General Meeting is increased if a new member of the Corporate Executive Committee is appointed.

The Annual General Meeting held on 26 April 2019 approved a maximum amount of CHF 5.233 million for the variable remuneration (including pension contributions) payable for 2019. The total amount paid out was CHF 4.492 million.

On 1 March 2019, the performance share units allocated in 2016 were converted into shares. These PSUs had a value of CHF 1.434 million at the time of allocation. The actual value of the shares granted was CHF 2.378 million.

12. LOANS AND CREDIT FACILITIES

Please refer to the table on page 110.

13. SHARES AND OPTIONS HELD

Please refer to the tables on pages 111 and 112.

14. 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 2019 even if individual components are not paid until a later date.

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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	–	1,320,000	311,895	2,217
Chairman of the Board of Directors		–					
Werner Kummer (until 27 April 2018)	62,500		139,167	–	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	–	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	–	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	–	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	–	116,667	–	–
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 companies or individuals who are related to members of the Board of Directors. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Shares A proportion of the 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). Shares received by the Chairman of the Board of Directors amounted to 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 in connection with 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 BOARD OF DIRECTORS

2019	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	–	1,320,000	311,940	2,449
Chairman of the Board of Directors		–					
Dr Andreas Beerli	125,000		295,000	–	295,000	73,640	569
Vice-Chairman of the Board of Directors		50,000					
Chairman's Committee		50,000					
Chair of the Audit and Risk Committee		70,000					
Dr Georges-Antoine de Boccard (until 26 April 2019)	62,500		112,500	–	112,500	28,084	217
Investment Committee		25,000					
Remuneration Committee		25,000					
Christoph B. Gloor	125,000		225,000	6,003	231,003	56,168	434
Investment Committee		50,000					
Audit and Risk Committee		50,000					
Hugo Lasat	125,000		175,000	–	175,000	43,744	338
Investment Committee		50,000					
Christoph Mäder (since 26 April 2019)	83,333		116,667	5,656	122,323	–	–
Remuneration Committee		33,333					
Dr Markus R. Neuhaus (since 26 April 2019)	83,333		116,667	5,656	122,323	–	–
Audit and Risk Committee		33,333					
Dr Thomas von Planta	125,000		225,000	6,003	231,003	56,168	434
Chairman's Committee		50,000					
Audit and Risk Committee (until 26 April 2019)		16,667					
Investment Committee (since 26 April 2019)		33,333					
Thomas Pleines	125,000		245,000	9,480	254,480	61,216	473
Chair of the Remuneration Committee		70,000					
Chairman's Committee		50,000					
Prof. Dr Hans-Jörg Schmidt-Trenz	125,000		175,000	–	175,000	43,744	338
Remuneration Committee		50,000					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	125,000		208,333	6,003	214,336	43,744	338
Audit and Risk Committee		50,000					
Remuneration Committee (since 26 April 2019)		33,333					
Total for the Board of Directors	2,424,167	790,000	3,214,167	38,800	3,252,967	718,448	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 de Boccard was elected before this change and therefore on the payment date in March 2019 received the additional two months' remuneration from the year of his election on top of the four months' remuneration he was due for 2019.
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 Board of Directors. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Shares A proportion of the 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 129.42, in line with the Share Subscription Plan). From 2020, this discount will also be recognised in the overall remuneration. In 2019 it amounted to CHF 62,495. The Chairman of the Board of Directors received 1,205 shares in connection with the Share Subscription Plan (CHF 155,951, with a closed period of five years instead of the usual three years) and 1,244 shares under the Share Participation Plan (CHF 155,989).
Pension contributions The information disclosed for 2019 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	Variable remuneration				
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan		Share Participation Plan	
2018	CHF	CHF	Number of shares	CHF	Number of shares	CHF
Gert De Winter	950,000	285,017	2,202	284,983	–	–
Group CEO						
Michael Müller	700,000	84,026	2,596	335,974	–	–
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 or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. 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 loan-financed 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 (PSU)		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 %	–	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 (up to the pensionable or insurable threshold in each case).

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	Basic salary	Variable remuneration				
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan		Share Participation Plan	
2019	CHF	CHF	Number of shares	CHF	Number of shares	CHF
Gert De Winter	950,000	342,014	2,159	341,986	–	–
Group CEO						
Michael Müller	700,000	50,501	2,863	453,499	–	–
Head of Corporate Division Switzerland						
Dr Thomas Sieber	621,000	178,998	846	134,006	857	134,116
Head of Corporate Division Corporate Centre						
Dr Carsten Stolz	500,000	135,043	852	134,957	–	–
Head of Corporate Division Finance						
Dr Matthias Henny	500,000	105	1,363	215,899	920	143,996
Head of Corporate Division Asset Management						
Dr Alexander Bockelmann (since 1 February 2019)	550,000	87,121	1,375	217,800	835	130,679
Head of Corporate Division IT						
Total for the Corporate Executive Committee	3,821,001	793,782	9,458	1,498,147	2,612	408,791

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 2019 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 or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. 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 158.40. From 2020, the discount will also be reported as part of the overall remuneration. In 2019, the discount amounted to CHF 166,461.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loan-financed shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 156.46.
Performance share units (PSUs) These have been disclosed at their value of CHF 167.65 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 (PSU)		Total variable remuneration		Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Pension contributions	Total remunera-tion
	Granted in 2019							
Number of PSUs	CHF	Number of shares	CHF	CHF		CHF	CHF	CHF
2,267	380,063	2,159	1,064,063	2,014,062	112 %	–	196,515	2,210,578
1,671	280,143	2,863	784,143	1,484,143	112 %	5,314	177,878	1,667,336
1,482	248,457	1,703	695,577	1,316,577	112 %	5,314	196,515	1,518,407
1,193	200,006	852	470,006	970,007	94 %	5,314	183,103	1,158,424
1,193	200,006	2,283	560,006	1,060,007	112 %	5,314	177,878	1,243,199
1,313	220,124	2,210	655,724	1,205,724	119 %	–	177,878	1,383,603
9,119	1,528,800	12,070	4,229,520	8,050,521	111 %	21,256	1,109,768	9,181,545

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 (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	
	2018	2019	2018	2019	2018	2019	2018	2019
CHF								
Dr Andreas Burckhardt								
Chairman	–	–	2,623,451	2,623,431	–	–	2,623,451	2,623,431
Dr Andreas Beerli								
Vice-Chairman	–	–	–	–	–	–	–	–
Dr Georges-Antoine de Boccard (until 26 April 2019)								
Member	–	–	–	–	–	–	–	–
Christoph B. Gloor								
Member	–	–	–	–	–	–	–	–
Karin Keller-Sutter (until 31 December 2018)								
Member	–	–	–	–	–	–	–	–
Hugo Lasat								
Member	–	–	–	–	–	–	–	–
Christoph Mäder (since 26 April 2019)								
Member	–	–	–	–	–	–	–	–
Dr Markus R. Neuhaus (since 26 April 2019)								
Member	–	–	–	–	–	–	–	–
Dr Thomas von Planta								
Member	–	–	–	–	–	–	–	–
Thomas Pleines								
Member	–	–	–	–	–	–	–	–
Prof. Dr Hans-Jörg Schmidt-Trenz (since 27 April 2018)								
Member	–	–	–	–	–	–	–	–
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen								
Member	–	–	–	–	–	–	–	–
Total for the Board of Directors	–	–	2,623,451	2,623,431	–	–	2,623,451	2,623,431
Corporate Executive Committee member with the highest outstanding loan:								
Dr Thomas Sieber								
Head of Corporate Division Corporate Centre	660,000	660,000	1,793,515	2,212,534	–	–	2,453,515	2,872,534
Other members of the Corporate Executive Committee	1,500,000	1,500,000	1,826,741	2,274,910	–	–	3,326,741	3,774,910
Total for the Corporate Executive Committee	2,160,000	2,160,000	3,620,256	4,487,444	–	–	5,780,256	6,647,444

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 companies or individuals who are related to members of the Board of Directors and the Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner.
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 5. 'Share Subscription Plan and Share Participation Plan'). Interest is charged on loans at a market rate (2019: 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	
	2018	2019	2018	2019	2018	2019	2018	2019
Quantity								
Dr Andreas Burckhardt								
Chairman	24,452	28,566	33,542	31,788	57,994	60,354	0.119 %	0.124 %
Dr Andreas Beerli								
Member	2,298	2,812	2,397	2,452	4,695	5,264	0.010 %	0.011 %
Dr Georges-Antoine de Boccard (until 26 April 2019)								
Member	3,176	–	2,397	–	5,573	–	0.011 %	–
Christoph B. Gloor								
Member	7,693	8,093	2,283	2,317	9,976	10,410	0.020 %	0.021 %
Karin Keller-Sutter (until 31 December 2018)								
Member	806	–	2,086	–	2,892	–	0.006 %	–
Hugo Lasat								
Member	–	–	1,686	2,024	1,686	2,024	0.003 %	0.004 %
Christoph Mäder (since 26 April 2019)								
Member	–	733	–	1,000	–	1,733	–	0.004 %
Dr Markus R. Neuhaus (since 26 April 2019)								
Member	–	–	–	1,000	–	1,000	–	0.002 %
Dr Thomas von Planta								
Member	439	555	1,311	1,745	1,750	2,300	0.004 %	0.005 %
Thomas Pleines								
Member	1,631	2,145	2,475	2,434	4,106	4,579	0.008 %	0.009 %
Prof. Dr Hans-Jörg Schmidt-Trenz (since 27 April 2018)								
Member	–	–	1,000	1,338	1,000	1,338	0.002 %	0.003 %
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen								
Member	–	–	1,686	2,024	1,686	2,024	0.003 %	0.004 %
Total for the Board of Directors	40,495	42,904	50,863	48,122	91,358	91,026	0.187 %	0.187 %
Percentage of issued share capital	0.083 %	0.088 %	0.104 %	0.099 %	0.187 %	0.187 %		

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner).
Restricted shares Shares received in connection with share-based remuneration programmes are subject to a restriction period of three years. The closed period for shares received by the Chairman of the Board of Directors in connection with the Share Subscription Plan is five years. Article 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)	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Quantity										
Gert De Winter										
Group CEO	19,206	22,875	5,735	7,125	24,941	30,000	0.051 %	0.061 %	8,471	7,809
Michael Müller										
Head of Corporate Division Switzerland	18,863	21,662	8,154	8,125	27,017	29,787	0.055 %	0.061 %	5,630	5,351
Dr Thomas Sieber										
Head of Corporate Division Corporate Centre	8,167	9,058	20,601	24,511	28,768	33,569	0.059 %	0.069 %	5,351	4,918
Dr Carsten Stolz										
Head of Corporate Division Finance	3,293	1,453	2,314	5,654	5,607	7,107	0.011 %	0.015 %	2,862	3,245
Dr Matthias Henny										
Head of Corporate Division Asset Management	7,247	6,338	21,236	21,867	28,483	28,205	0.058 %	0.058 %	3,417	3,531
Dr Alexander Bockelmann (since 1 February 2019)										
Head of Corporate Division IT	–	–	–	–	–	–	–	–	–	1,313
Total for the members of the Corporate Executive Committee	56,776	61,386	58,040	67,282	114,816	128,668	0.235 %	0.264 %	25,731	26,167
Percentage of issued share capital	0.116 %	0.126 %	0.119 %	0.138 %	0.235 %	0.264 %				

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner).
Restricted shares Includes loan-financed shares connected with the Share Participation Plan. Shares received in connection with share-based remuneration programmes are subject to a closed period of three years.
Options Options held in connection with the Share Participation Plan are not reported here because they were written to hedge loans and do not originate from a separate option plan. Each put option is also offset by a countervailing call option.
Prospective entitlements (PSUs) Number of allocated performance share units (granted as at 1 March 2017, 1 March 2018 and 1 March 2019).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

	2018				2019			
	In cash	In shares	Prospective entitlements	Total	In cash	In shares	Prospective entitlements	Total
Total remuneration								
CHF million	726.9	5.2	5.0	737.1	734.2	5.7	5.5	745.4
Total variable remuneration (total pool)								
CHF million	146.8	5.2	5.0	157.0	145.5	5.7	5.5	156.7
Number of beneficiaries	4,931	184	67		4,966	196	67	
Of which commission paid to insurance sales force								
CHF million	104.8	–	–	104.8	96.5	–	–	96.5
Of which other forms of variable remuneration								
CHF million	40.0	5.2	5.0	50.3	49.0	5.7	5.5	60.2
Total outstanding deferred remuneration								
CHF million	–	92.7	14.7	107.4	–	119.7	15.2	134.9
Debits / credits for remuneration for previous reporting periods recognised in profit or loss								
CHF million	–0.2	–	–	–0.2	–0.3	–	–	–0.3
Total inducement payments made								
CHF million	0.0	–	–	0.0	0.0	–	–	0.0
Number of beneficiaries	6	–	–		4	–	–	
Total severance payments made								
CHF million	5.4	–	–	5.4	6.3	–	–	6.3
Number of beneficiaries	44	–	–		67	–	–	

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.

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To the General Meeting of
Bâloise Holding AG, Basel

Basel, 20 March 2020

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Bâloise Holding AG for the year ended 31 December 2019.

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 2019 of Bâloise Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Christian Fleig	Patrick Schwaller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Financial Report

Consolidated balance sheet

CHF million	Note	31.12.2018	31.12.2019
Assets			
Property, plant and equipment	8	318.3	362.8
Intangible assets	9	1,041.2	1,034.7
Investments in associates	38	221.1	387.4
Investment property	10	7,904.0	8,120.1
Financial instruments with characteristics of equity	11		
Available for sale		3,657.0	4,351.1
Recognised at fair value through profit or loss		10,481.0	11,881.8
Financial instruments with characteristics of liabilities	11		
Held to maturity		8,002.5	7,475.5
Available for sale		23,771.4	27,101.5
Recognised at fair value through profit or loss		2,001.2	2,172.0
Mortgages and loans	12		
Carried at cost		15,470.5	15,773.9
Recognised at fair value through profit or loss		925.8	1,039.1
Derivative financial instruments	13	914.8	1,048.1
Reinsurance assets	15	457.2	577.1
Receivables from reinsurers	16	41.9	51.3
Insurance receivables		433.3	498.9
Receivables from employee benefits	17	7.3	6.3
Other receivables	14	325.7	279.9
Receivables from investments	14	406.9	375.7
Deferred tax assets	18	73.5	97.4
Current income tax assets		61.1	74.5
Other assets	19		
Carried at cost		248.9	250.4
Recognised at fair value through profit or loss		54.1	70.3
Cash and cash equivalents		4,036.1	3,988.0
Non-current assets and disposal groups classified as held for sale	20	–	–
Total assets		**80,854.8**	**87,017.8**

CHF million	Note	31.12.2018	31.12.2019
Equity and liabilities			
Equity			
Share capital	21	4.9	4.9
Capital reserves		352.3	354.7
Treasury shares		– 291.8	– 481.8
Unrealised gains and losses (net)		– 515.4	– 3.2
Retained earnings		6,420.5	6,839.4
Equity before non-controlling interests		5,970.6	6,714.0
Non-controlling interests		37.6	1.6
Total equity		6,008.2	6,715.6
Liabilities			
Technical reserves (gross)	22	46,575.2	48,333.3
Liabilities arising from banking business and financial contracts	23		
With discretionary participation features		2,924.7	3,940.1
Measured at amortised cost		6,997.5	7,593.8
Recognised at fair value through profit or loss		11,616.9	13,006.5
Financial liabilities	24	1,744.5	2,368.0
Non-technical provisions	25	63.7	52.9
Derivative financial instruments	13	117.3	117.5
Insurance liabilities	26	1,829.8	1,807.5
Liabilities arising from employee benefits	17	1,220.7	1,294.1
Other accounts payable		675.9	668.0
Deferred tax liabilities	18	907.8	938.5
Current income tax liabilities		67.4	75.7
Other liabilities		105.1	106.5
Liabilities included in non-current assets and disposal groups classified as held for sale	20	–	–
Total liabilities		74,846.6	80,302.2
Total equity and liabilities		80,854.8	87,017.8

Consolidated income statement

	Note	2018	2019
CHF million			
Income			
Premiums earned and policy fees (gross)	27	6,737.0	7,571.3
Reinsurance premiums ceded	27	– 209.0	– 241.5
Premiums earned and policy fees (net)	27	6,528.0	7,329.8
Investment income	28	1,376.0	1,257.0
Realised gains and losses on investments			
For own account and at own risk	29	96.1	336.1
For the account and at risk of life insurance policyholders and third parties		– 1,087.8	1,709.5
Income from services rendered	30	130.4	126.0
Share of profit (loss) of associates		6.2	10.8
Other operating income	31	227.6	227.7
Income		7,276.6	10,996.9
Expense			
Claims and benefits paid (gross)		– 5,904.4	– 6,090.4
Change in technical reserves (gross)		412.4	– 956.7
Reinsurers' share of claims incurred		83.3	117.0
Acquisition costs	32	– 535.8	– 554.6
Operating and administrative expenses for insurance business	32	– 810.8	– 816.0
Investment management expenses	32	– 82.2	– 91.4
Interest expenses on insurance liabilities		– 19.2	– 17.2
Gains or losses on financial contracts	34	801.2	– 1,388.0
Other operating expenses	32	– 483.6	– 475.7
Expense		– 6,539.1	– 10,273.0
Profit before borrowing costs and taxes		737.5	723.9
Borrowing costs	24	– 39.9	– 37.7
Profit before taxes		697.6	686.2
Income taxes	35	– 174.7	3.3
Profit for the period		522.9	689.5
Attributable to:			
Shareholders		523.2	694.2
Non-controlling interests		– 0.3	– 4.7
Earnings / loss per share	36		
Basic (CHF)		11.14	15.02
Diluted (CHF)		11.12	14.99

Consolidated statement of comprehensive income

CHF million	2018	2019
Profit for the period	**522.9**	**689.5**
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	4.6	–
Other Items not to be reclassified to the income statement	9.6	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	118.5	– 106.5
Change arising from shadow accounting	– 7.7	33.9
Deferred income taxes	– 26.7	5.5
Total items not to be reclassified to the income statement	**98.3**	**– 67.1**
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	– 909.1	1,311.4
Change in unrealised gains and losses on associates	– 3.8	3.1
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 7.7	16.4
Change in reserves arising from reclassification of held-to-maturity financial assets	– 0.7	– 0.8
Change arising from shadow accounting	271.0	– 503.3
Exchange differences	– 52.5	– 78.4
Deferred income taxes	116.2	– 165.1
Total items to be reclassified to the income statement	**– 586.6**	**583.2**
Other comprehensive income	**– 488.3**	**516.1**
Comprehensive income	**34.7**	**1,205.6**
Attributable to:		
Shareholders	21.8	1,210.3
Non-controlling interests	12.9	– 4.7

Consolidated cash flow statement

	Note	2018	2019
CHF million			
Cash flow from operating activities			
Profit before taxes		697.6	686.2
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8 / 9	67.1	90.8
Realised gains and losses on property, plant and equipment and on intangible assets		– 0.9	– 5.3
Income from investments in associates		– 6.2	– 8.7
Realised gains and losses on financial assets, investment property and associates		981.0	– 1,989.5
Amortised cost valuation of financial instruments		6.4	17.8
Change in assets and liabilities from operating acitivities			
Deferred Acquisition Costs	9	– 35.4	– 69.1
Technical reserves		– 501.4	839.5
Reinsurers’ share of technical reserves		– 5.0	– 27.5
Receivables and liabilities arising from banking business and financial contracts		– 744.7	2,391.1
Receivables from investments		26.5	33.4
Receivables and liabilities arising from insurance business and from reinsurers		140.4	– 131.4
Change in other assets and other liabilities from operating acitivities		591.5	100.1
Change in operating assets and liabilities			
Purchase of investment property	10	– 407.5	– 452.3
Sale of investment property	10	69.6	423.3
Purchase of financial assets of an equity nature		– 3,720.8	– 4,561.0
Sale of financial assets of an equity nature		3,883.7	4,995.4
Purchase of financial assets of a debt nature		– 6,160.9	– 6,821.6
Sale of financial assets of a debt nature		6,541.7	5,658.1
Addition of mortgages and loans		– 2,446.7	– 23,807.5
Disposal of mortgages and loans		2,499.2	23,359.2
Addition of derivative financial instruments		– 376.5	– 486.8
Disposal of derivative financial instruments		130.6	288.7
Borrowing costs	24	39.9	37.7
Taxes paid		– 136.5	– 121.0
Cash flow from operating activities		1,132.6	439.7

	Note	2018	2019
CHF million			
Cash flow from investing activities			
Purchase of property, plant and equipment	8	– 32.3	– 31.1
Sale of property, plant and equipment		5.8	19.5
Purchase of intangible assets	9	– 51.1	– 50.9
Sale of intangible assets		1.9	0.2
Acquisition of companies, net of cash and cash equivalents	38	– 0.5	– 246.3
Disposal of companies, net of cash and cash equivalents	38	15.0	– 6.6
Purchase of investments in associates		– 87.8	– 175.9
Sale of investments in associates		–	10.2
Dividends from associates		6.5	8.3
Cash flow from investing activities		– 142.4	– 472.6
Cash flow from financing activities			
Additions to financial liabilities	24	–	754.5
Disposals of financial liabilities	24	–	– 175.0
Borrowing costs paid	24	– 35.9	– 38.1
Repayments of principal in connection with leases	24	–	– 16.7
Purchase of treasury shares		– 196.7	– 266.7
Sale of treasury shares		63.3	79.1
Cash flow attributable to non-controlling interests		– 8.3	– 0.5
Dividends paid		– 264.0	– 278.6
Cash flow from financing activities		– 441.7	58.0
Total cash flow		548.4	25.1
Cash and cash equivalents			
Balance as at 1 January		3,551.6	4,036.1
Change during the financial year		548.4	25.1
Reclassification to non-current assets and disposal groups classified as held for sale		–	–
Effect of changes in exchange rates on cash and cash equivalents		– 63.9	– 73.2
Balance as at 31 December		4,036.1	3,988.0
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,543.5	2,412.6
Cash equivalents		0.0	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,492.6	1,575.4
Balance as at 31 December		4,036.1	3,988.0
Of which: restricted cash and cash equivalents		184.8	123.7
Supplemental disclosures on cash flow from operating activities			
Interest received		705.2	638.3
Dividends received		93.2	59.0
Interest paid		– 27.5	– 23.8

Consolidated statement of changes in equity

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	37	–	–	–	–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	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	–14.1	–182.7	–	–	–196.7	–	–196.7
Sale of treasury shares		–	20.1	43.2	–	–	63.3	–	63.3
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	–29.4	–29.4
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	–	–	–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

2019	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	352.3	– 291.8	– 515.4	6,420.5	5,970.6	37.6	6,008.2
Profit for the period		–	–	–	–	694.2	694.2	– 4.7	689.5
Other comprehensive income	37	–	–	–	516.1	–	516.1	0.1	516.1
Comprehensive income		–	–	–	516.1	694.2	1,210.3	– 4.7	1,205.6
Other changes in equity									
Dividend		–	–	–	–	– 278.6	– 278.6	– 0.5	– 279.1
Capital increase / repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	– 31.7	– 235.0	–	–	– 266.7	–	– 266.7
Sale of treasury shares		–	34.1	45.0	–	–	79.1	–	79.1
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	– 0.3	– 0.3
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	–	–	– 30.4	– 30.4
Reclassification from revaluation reserve		–	–	–	– 3.9	3.9	–	–	–
Other		–	–	–	–	– 0.7	– 0.7	–	– 0.7
Balance as at 31 December		4.9	354.7	– 481.8	– 3.2	6,839.4	6,714.0	1.6	6,715.6

Notes to the consolidated annual financial statements
Basis of presentation

1. BASIS OF PREPARATION

The Baloise Group is a European direct insurer operating 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 and, until 30 December 2019, 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 20 March 2020 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 16 Leases

IFRS 16 Leases has had to be applied since 1 January 2019. It governs the recognition, measurement, reporting and disclosure requirements in respect of leases. As a result of the first-time adoption of IFRS 16, the Baloise Group will have to recognise on its balance sheet leases previously classified as operating leases under IAS 17 in which it is the lessee. The new financial reporting standard resulted in the recognition of right-of-use assets in respect of property, plant and equipment in an amount of CHF 52.9 million and lease liabilities of CHF 52.9 million. The modified retrospective method pursuant to IFRS 16.C5 b was used for transition purposes, so the comparative figures for the prior year were not restated. In accordance with IFRS 16.C8 b ii, Baloise recognised the right-of-use assets as at 1 January 2019 in the same amount as the lease liabilities. Consequently, the first-time adoption of IFRS 16 did not require the recognition of any adjustments in other comprehensive income. Furthermore, the Baloise Group used the practical expedients pursuant to IFRS 16.C3 and IFRS 16.C10 a, b, d and e for first-time adoption. The Baloise Group also decided to exercise the option pursuant to IFRS 16.6 to not recognise short-term leases with a remaining term of less than twelve months and to not recognise leases where the underlying asset is of low value.

The first-time adoption of IFRS 16 did not necessitate any changes to the accounting treatment of investment properties covered by operating leases in which the Baloise Group is the lessor.

Application of IFRS 16 had no material impact on profit for the period.

IFRS 16 TRANSITION USING THE MODIFIED RETROSPECTIVE APPROACH (IFRS 16.C5 B)

			Consolidated balance sheet as at 1 January 2019	Consolidated balance sheet as at 31 December 2019
	prior to application	IFRS 16	after application	
CHF million				
Balance sheet items				
Property, plant and equipment	318.3	52.9	371.2	362.8
Total assets	80,854.8	52.9	80,907.7	87,017.8
Financial liabilities	1,744.5	52.9	1,797.4	2,368.0
Total liabilities	80,854.8	52.9	80,907.7	87,017.8

RECONCILIATION LEASE AGREEMENTS FROM IAS 17 TO IFRS 16

CHF million	
Operating lease liabilities as at 31.12.2018	55.1
Minimum lease payments (nominal) from financial leasing as at 31.12.2018	–
Recognition exemption leases with an underlying asset of low value and short-term leases	– 8.2
Adjustments due to different maturity estimates	7.3
Gross lease liability as at 1 January 2019	54.3
Discounting	– 1.4
Additional lease liabilities from first-time application of IFRS 16 as at 1 January 2019	52.9
Present value of liabilities from financial leasing as at 31.12.2018	–
Lease liabilities as at 1 January 2019	52.9

The weighted average incremental borrowing rate for lease liabilities as of January 1, 2019 is 1.3 %.

IFRS 9 Financial Instruments (deferral approach selected latest until 31 December 2022)

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 2023. 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.	2019	2019	2018	2019	2019	2018
CHF million						
Financial instruments with characteristics of equity						
Equities	–	–	–	2,095.1	2,095.1	395.0
Equity funds	–	–	–	84.3	84.3	– 19.7
Mixed funds	–	–	–	536.3	536.3	212.7
Bond funds	–	–	–	188.9	188.9	93.5
Real estate funds	–	–	–	672.0	672.0	60.6
Private equity	–	–	–	910.0	910.0	127.0
Hedge funds	–	–	–	192.8	192.8	– 177.8
Financial instruments with characteristics of liabilities						
Public corporations	19,590.5	21,150.2	1,450.2	10.9	10.9	– 4.1
Industrial enterprises	6,947.9	6,948.0	398.6	133.3	133.3	27.0
Financial institutions	7,757.7	7,842.3	1,133.3	137.4	137.4	77.8
Other	10.0	10.8	0.0	–	–	–
Mortgages and loans						
Mortgages	11,069.3	11,522.8	395.0	–	–	–
Promissory notes and registered bonds	4,297.8	4,704.1	59.2	10.1	10.1	5.5
Time deposits	1,053.5	1,053.7	101.6	–	–	–
Employee loans	27.8	28.3	– 0.4	–	–	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	200.8	207.2	– 19.4	16.5	15.8	– 0.9
Derivative financial instruments						
Interest rate instruments	54.6	54.6	54.6	266.5	266.5	– 18.3
Equity instruments	–	–	–	32.8	32.8	– 28.9
Foreign currency instruments	–	–	–	115.8	115.8	8.4
Receivables						
Receivables from financial contracts	–	–	–	–	–	–
Other receivables	279.9	281.9	– 46.0	–	–	–
Receivables from investments	375.7	375.7	– 31.3	–	–	–
Cash and cash equivalents	2,412.6	2,412.6	– 130.9	–	–	–

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 31.12.2019	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	6,714.2	9,328.1	1,910.6	1,359.8	277.8	19,590.5	–	277.8
Industrial enterprises	170.6	719.0	2,603.1	1,749.6	1,705.5	6,947.9	–9.8	1,705.5
Financial institutions	5,135.8	573.7	1,219.6	518.9	309.7	7,757.7	–5.6	309.7
Other	–	10.0	–	–	–	10.0	–	–
Mortgages and loans								
Mortgages	102.6	918.0	9,093.3	867.7	87.6	11,069.3	–18.6	94.8
Promissory notes and registered bonds	1,928.4	2,076.9	43.4	90.8	158.2	4,297.8	10.0	166.2
Time deposits	–	58.8	–	–	994.7	1,053.5	–	994.9
Employee loans	–	–	–	–	27.8	27.8	0.0	28.3
Reverse repurchase agreements	–	–	–	–	–	–	–	–
Other loans	4.2	21.9	109.3	20.7	44.8	200.8	–0.9	46.5
Other receivables								
Receivables from financial contracts	–	–	–	–	–	–	–	–
Other receivables	1.7	16.3	83.0	14.2	164.7	279.9	–1.5	164.7
Receivables from investments	115.8	91.6	36.8	26.3	105.1	375.7	–1.3	105.1
Cash and cash equivalents	1,055.5	281.8	835.0	38.4	201.9	2,412.6	–	201.9

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.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the treatment of deferred and current income taxes where there is uncertainty about whether a tax authority will accept the chosen income tax treatment. First-time adoption of IFRIC 23 had no impact on profit for the period.

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 . On 17 March 2020, the IASB decided to defer the effective date of the two new standards IFRS 17 and IFRS 9 by a further year until 1 January 2023. Early application of the standards with effect from 1 January 2022 is permitted. The Baloise Group has not yet decided whether to make use of this option.

Standard / Interpretation	Content	Applicable to annual periods beginning on or after
IFRS 9	Financial instruments	1.1.2023
IFRS 17	Insurance contracts	1.1.2023

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).

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.

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 2023. IFRS 17 affects the way in which insurance contracts are reported. 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 started a Group-wide project for the implementation of IFRS 17. It is too early to comment on the potential impact on the consolidated financial statements.

3. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

3.1 Method of consolidation

3.1.1 Subsidiaries

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

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

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

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

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

3.1.2 Structured entities

Structured entities are consolidated provided the criteria for control pursuant to IFRS 10 are met. If control over a structured entity is lost, it is removed from the basis of consolidation. The consolidation of investment funds depends on the fund's control arrangements and on the characteristics of the fund units. Investment fund units held by third parties, where these units are puttable instruments that include a contractual obligation for the issuer to take back the units, are included in the basis of consolidation in accordance with the criteria in IAS 32. If there is no such obligation for the issuer to take back the units, the units held by third parties are recognised as non-controlling interests in consolidated equity in accordance with the criteria in IFRS 10.

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 profit or loss for the period and other comprehensive income). 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 in foreign currency are measured using the rates applicable on the transaction date. Non-monetary items measured at historical cost are measured using historical rates. Monetary and non-monetary balance sheet line items measured at fair value that arise in Group companies' foreign-currency transactions are measured using closing rates.

Exchange differences are generally recognised in profit or loss. The exceptions are exchange differences relating to available-for-sale non-monetary financial instruments, cash flow hedges and hedges of net investments in foreign operations, which are recognised in other comprehensive income.

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 subsidiaries are sold, any 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	
	31.12.2018	31.12.2019	Ø 2018	Ø 2019
CHF				
1 EUR (euro)	1.13	1.09	1.16	1.11
1 USD (US dollar)	0.98	0.97	0.98	0.99

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

The Baloise Group leases real estate for office space and warehousing that it recognises on its balance sheet. Initial measurement of the corresponding lease liability is at the present value of the lease payments made during the term of the lease, discounted at the weighted average incremental borrowing rate of interest. The lease liability is subsequently measured at amortised cost using the effective interest method; it consists of an interest component and a principal component. The right-of-use asset is initially measured in the same amount as the initial lease liability, adjusted for any initial direct costs or incentives granted by the lessor. The right-of-use asset is depreciated over the shorter of the term of the lease and the useful life of the underlying asset. Right-of-use assets are recognised under the line item 'Property, plant and equipment' and the lease liabilities under 'Financial liabilities' on the balance sheet.

Short-term leases with a remaining term of less than twelve months and leases where the underlying asset is of low value are not recognised because the option pursuant to IFRS 16.6 is exercised. The payments for these leases are expensed in the income statement on a straight-line basis over the term of the lease. Short-term assets and low-value assets relate to operating equipment, parking spaces and other property, plant and equipment.

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.

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.

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 financial instruments whose repayment value depends on the performance of one or more underlying instruments (such as equities, interest rates or currencies). Structured products contain embedded derivatives in addition to the underlying instruments. 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 20.

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 with multiple ownership) are recognised at the lower of investment cost and recoverable value pursuant to IAS 2 Inventories. The revenue is recognised under Other income at the time of the transfer of title (transfer of benefits and risk).

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

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

3.16 Equity

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

3.16.1 Share capital

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

3.16.2 Capital reserves

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

3.16.3 Treasury shares

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

3.16.4 Unrealised gains and losses (net)

This item includes changes in the fair value of available-for-sale financial instruments, the net effect of cash flow hedges, the net effect of hedges of a net investment in a foreign operation, exchange differences and gains on the reclassification of the Baloise Group's owner-occupied property as investment property. Furthermore, cumulative actuarial gains and losses under defined benefit pension plans are included in this line item.

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

3.16.5 Retained earnings

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

3.16.6 Non-controlling interests

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

3.17 Insurance contracts

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

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

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

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

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

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

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

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

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

3.18 Non-life insurance contracts

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

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

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 22). 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 (chapter 22). 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 financial statements prepared in accordance with local accounting standards 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. Certain losses incurred are borne by the Company. Policyholders are entitled to 90 per cent of investment income (minus the technical interest rate), 90 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 (chapter 15). 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 payment obligations 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

Financial liabilities include not only bonds issued in the capital markets but also lease liabilities.

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.

Lease liabilities are initially measured at the present value of the lease payments, discounted at the weighted average incremental borrowing rate of interest. Lease liabilities are subsequently measured at amortised cost using the effective interest method, including both an interest component and a principal component.

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 the chance to participate in various plans under which shares are granted as part of their overall remuneration packages: Employee Incentive Plan, Share Subscription Plan, Share Participation Plan and Performance Share Units (PSUs). These plans are equity-settled remuneration programmes. In addition, FRIDAY Insurance S.A. offers its employees a Phantom Stock Option Programme (PSOP), which is a cash-settled remuneration programme. Equity-settled and cash-settled plans are measured and disclosed in compliance with IFRS 2 Share-based Payment.

Plans that are settled with shares in Bâloise Holding Ltd are measured at fair value on the grant date and are charged as personnel expenses during the vesting period and recognised under equity. Until the vesting period, outstanding PSOPs are measured at fair value through profit or loss on every balance sheet date.

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 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 5.7.

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. Present-value models 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 11 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 17.2.7.

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.

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 Baloise 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 Baloise 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, or eliminate them completely.

Within the Baloise 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 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.

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. 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 350 million and cover for earthquakes amounting to CHF 550 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

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

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

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

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

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

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

Leadership and Information Risks

Organizational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering
- Sustainability

Merger and Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

5.3 Life and non-life reinsurance strategies

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

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

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

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

5.4 Non-Life

5.4.1 Actuarial risk

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

5.4.2 Assumptions

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

5.4.3 Changes to assumptions

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

5.4.4 Sensitivity analysis

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

At the end of 2019, 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 4,392.4 million (2018: CHF 4,164.1 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 341.8 million (2018: CHF 317.5 million) in claims payments (after taxes) before reinsurance.

In 2019, 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 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 3.0 million after taxes and before reinsurance (2018: CHF 5.9 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 280.3 million (2018: 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 19.4 million after taxes and before reinsurance (2018: CHF 20.9 million).

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										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
CHF million											
At the end of the year in which the claims occurred	723.1	777.9	732.2	768.5	733.6	707.8	704.8	729.5	759.4	761.7	–
One year later	685.4	736.5	751.1	768.2	715.7	667.8	689.5	728.9	762.6	–	–
Two years later	675.1	731.0	736.9	764.1	701.2	657.6	675.0	707.4	–	–	–
Three years later	666.9	729.1	726.3	764.7	695.9	650.9	673.0	–	–	–	–
Four years later	659.6	722.7	717.0	756.3	688.5	646.0	–	–	–	–	–
Five years later	653.0	717.3	710.5	752.1	681.2	–	–	–	–	–	–
Six years later	650.4	701.6	705.9	752.3	–	–	–	–	–	–	–
Seven years later	641.8	701.2	698.2	–	–	–	–	–	–	–	–
Eight years later	629.5	692.0	–	–	–	–	–	–	–	–	–
Nine years later	619.6	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	619.6	692.0	698.2	752.3	681.2	646.0	673.0	707.4	762.6	761.7	6,994.0
Claims paid	–583.0	–629.0	–643.5	–684.8	–620.2	–583.9	–609.0	–627.0	–623.8	–411.0	–6,015.3
Gross claims reserves	36.6	63.0	54.7	67.5	61.0	62.1	64.0	80.4	138.8	350.7	978.7
Gross claims reserves prior to 2010 (including large claims and assumed business)											387.8
Gross provision for annuities (non-life, including IBNR)											727.2
Reinsurers' share											–50.4
Net claims reserves											2,043.3

To provide greater clarity (no currency effects), the following analysis of claims trends is shown in euros.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN GERMANY

										Year in which the claims occurred	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
EUR million											
At the end of the year in which the claims occurred	302.5	290.8	297.4	367.7	306.0	303.2	318.6	340.5	345.5	325.1	–
One year later	299.7	297.6	298.4	370.3	316.1	304.9	314.3	331.2	335.7	–	–
Two years later	305.6	300.9	302.5	371.0	319.9	304.5	313.6	327.8	–	–	–
Three years later	305.8	306.6	304.3	379.3	320.4	301.4	307.4	–	–	–	–
Four years later	306.0	309.8	302.6	379.8	314.5	301.8	–	–	–	–	–
Five years later	307.9	311.7	303.2	380.8	313.3	–	–	–	–	–	–
Six years later	305.2	311.3	302.9	377.9	–	–	–	–	–	–	–
Seven years later	304.9	310.1	302.6	–	–	–	–	–	–	–	–
Eight years later	304.7	309.8	–	–	–	–	–	–	–	–	–
Nine years later	303.7	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	303.7	309.8	302.6	377.9	313.3	301.8	307.4	327.8	335.7	325.1	3,205.3
Claims paid	–297.6	–301.8	–294.5	–367.0	–297.9	–284.2	–284.3	–285.8	–263.7	–147.4	–2,824.2
Gross claims reserves	6.1	8.0	8.1	10.9	15.4	17.6	23.1	42.0	72.0	177.7	381.1
Gross claims reserves prior to 2010 (including large claims and assumed business)											221.6
Gross provision for annuities (non-life, including IBNR)											143.9
Reinsurers' share											–158.5
Net claims reserves											588.1

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
EUR million											
At the end of the year in which the claims occurred	235.1	308.7	[1] 412.4	[2] 403.6	483.7	459.9	470.3	446.8	495.0	[3] 643.8	–
One year later	287.1	[1] 395.1	[2] 426.5	402.5	494.3	476.0	478.9	483.9	[3] 580.8	–	–
Two years later	[1] 308.0	[2] 392.2	421.9	398.0	488.7	480.7	470.5	[3] 527.2	–	–	–
Three years later	[2] 304.0	387.9	412.9	396.7	483.4	478.9	[3] 493.3	–	–	–	–
Four years later	308.1	392.5	410.7	394.4	479.1	[3] 491.9	–	–	–	–	–
Five years later	306.0	388.6	416.9	388.2	[3] 486.4	–	–	–	–	–	–
Six years later	306.0	387.1	417.5	[3] 395.2	–	–	–	–	–	–	–
Seven years later	306.6	374.4	[3] 431.5	–	–	–	–	–	–	–	–
Eight years later	300.5	[3] 384.7	–	–	–	–	–	–	–	–	–
Nine years later	[3] 309.9	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	309.9	384.7	431.5	395.2	486.4	491.9	493.3	527.2	580.8	643.8	4,744.6
Claims paid	–268.1	–336.6	–370.2	–354.3	–432.6	–389.6	–403.2	–386.7	–392.0	–302.0	–3,635.3
Gross claims reserves	41.8	48.1	61.3	40.9	53.8	102.3	90.1	140.5	188.8	341.8	1,109.3
Gross claims reserves prior to 2010 (including large claims and assumed business)											436.6
Gross provision for annuities (non-life, including IBNR)											224.8
Reinsurers' share											–407.4
Net claims reserves											1,363.3

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.
3 The increase in the total estimated claims incurred is primarily due to the addition of Fidea NV.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN LUXEMBOURG

	Year in which the claims occurred										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
EUR million											
At the end of the year in which the claims occurred	[1] 25.0	[1] 23.6	24.0	23.6	[2] 36.8	[3] 43.8	49.8	49.6	50.3	50.3	–
One year later	[1] 22.0	22.7	24.5	[2] 37.8	[3] 40.8	44.0	47.2	46.3	50.6	–	–
Two years later	21.8	22.6	[2] 36.5	[3] 41.2	40.5	44.3	46.3	46.0	–	–	–
Three years later	21.7	[2] 35.3	[3] 39.9	40.5	40.8	43.9	45.8	–	–	–	–
Four years later	[2] 37.0	[3] 39.7	39.3	40.7	40.5	43.4	–	–	–	–	–
Five years later	[3] 41.9	39.2	39.9	40.6	40.2	–	–	–	–	–	–
Six years later	41.6	39.8	40.1	40.4	–	–	–	–	–	–	–
Seven years later	42.5	39.7	40.1	–	–	–	–	–	–	–	–
Eight years later	42.4	39.7	–	–	–	–	–	–	–	–	–
Nine years later	42.0	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	42.0	39.7	40.1	40.4	40.2	43.4	45.8	46.0	50.6	50.3	438.5
Claims paid	– 41.8	– 39.4	– 39.6	– 39.7	– 39.3	– 42.2	– 44.0	– 43.3	– 45.8	– 33.1	– 408.1
Gross claims reserves	0.2	0.3	0.5	0.7	0.9	1.2	1.8	2.7	4.8	17.2	30.4
Gross claims reserves prior to 2010 (including large claims and assumed business)											58.7
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											– 46.8
Net claims reserves											42.3

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

Analysis of claims settlement for the "Group business" 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. In 2019, the part of the run-off that predominantly consisted of business in the London market was temporarily transferred under a 100 per cent reinsurance arrangement until economic finality takes effect. However, the transaction is structured in such a way that it will lead to full finality of the portfolio for Baloise.

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 58.4 years (2018: 97.6 years). The decrease is attributable to the new 100 per cent reinsurance rearrangement.

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

31.12.2018	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg[1]
CHF million					
Technical reserves without guaranteed returns	691.2	2,395.7	3,538.8	21.7	196.7
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%

31.12.2019	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	827.4	2,726.6	3,812.8	195.5	323.0
Technical reserves with 0% guaranteed returns	492.5	598.2	122.1	138.6	17.4
Technical reserves with guaranteed positive returns	6,392.8	16,157.4	6,143.5	3,319.3	523.3
Average technical interest rate of guaranteed positive returns	2.4%	1.3%	3.0%	3.1%	2.2%

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

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

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

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

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

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

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

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

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

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

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

	Switzerland		Germany		Belgium		Luxembourg	
as at 31.12.	2018	2019	2018	2019	2018	2019	2018[1]	2019
CHF million								
Actuarial reserves from unit-linked life insurance contracts	671.0	791.3	1,916.4	2,160.4	21.8	29.8	186.0	315.9

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

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. Occasionally, 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 31.12.2018		Actuarial reserves 31.12.2019	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	11,036.9	30.5	11,911.5	31.7
Mortality risk	9,403.7	26.0	9,137.6	24.3
Disability risk	1,728.5	4.8	1,706.7	4.5
BVG retirement assets	11,203.8	30.9	11,497.8	30.6
Sub-total	33,372.9	92.2	34,253.7	91.1
Unit-linked				
Longevity risk	1,545.7	4.3	1,839.1	4.9
Mortality risk	1,287.8	3.6	1,495.1	4.0
Sub-total	2,833.5	7.8	3,334.1	8.9
Total	36,206.4	100.0	37,587.9	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. 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 40 million (2018: CHF 34 million). the effect on equity in Switzerland was minor. At Baloise Life (Liechtenstein) AG, the increase in mortality also led to a reduction, recognised in the income statement, in annuity reserves of around CHF 2 million (2018: CHF 1 million). The effect on equity was also small.
- 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. 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 88 million (2018: CHF 80 million) on the income statement. The effect on equity is minor. At Baloise Life (Liechtenstein) AG, the fall in mortality led to the further strengthening of annuity reserves by around CHF 2 million (2018: CHF 1 million). The effect on equity was negligible.
- 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. In Germany, this scenario resulted in changes in DAC write-downs, changes in the financing of final policyholders' dividends and the reduction of the provision for impending losses. Overall, there was a positive effect of CHF 5 million on the income statement in Germany (2018: CHF 0 million). The negative effect recognised directly in equity amounted to approximately CHF 5 million (2018: CHF 5 million). In Belgium, this scenario resulted in an increase in DACs, which had a positive effect of roughly CHF 1 million on the income statement (2018: CHF 1 million). The negative effect on unrealised gains amounted to CHF 134 million (2018: CHF 117 million). In Luxembourg, this scenario produced a marginally positive effect on the income statement and a negative effect of roughly CHF 18 million on the unrealised gains and losses recognised in equity (2018: CHF 14 million). The resultant effect 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 provisions, which had an overall positive effect of CHF 24 million on the income statement (2018: CHF 16 million). The negative effect recognised directly in equity amounted to approximately CHF 214 million (2018: CHF 165 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. In Germany, 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. As a result of the elimination of swaptions, the offsetting effect of interest-rate hedges was not repeated in 2019. The overall impact was mitigated by the prevailing legal requirements governing the distribution of surpluses. Overall, there was a negative effect of around CHF 6 million on the income statement in Germany (2018: CHF 1 million). The positive effect recognised directly in equity amounted to CHF 5 million (2018: CHF 4 million). In Belgium, this scenario resulted in additional DAC write-downs and a larger provision for impending losses for the portfolio acquired in 2019. The negative effect on the income statement therefore rose to CHF 27 million (2018: CHF 1 million). The positive effect on unrealised gains amounted to CHF 155 million (2018: CHF 131 million). In Luxembourg, this scenario produced a marginally negative effect on the income statement (2018: marginally negative effect) and a positive effect of roughly CHF 20 million on the unrealised gains and losses recognised in equity (2018: CHF 16 million). At Baloise Life (Liechtenstein) AG, the increase in provisions had a negative effect of around CHF 3 million on the income statement (2018: CHF 0 million). The resulting effect on equity was negligible. In Switzerland, this scenario resulted in higher DAC write-downs and an increase in technical provisions. The overall negative effect was CHF 34 million (2018: CHF 25 million). The positive effect recognised directly in equity amounted to approximately CHF 220 million (2018: CHF 171 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 the structure of the obligations.

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 strategic asset allocation with each business unit twice a year and when the need arises.

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.

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 70 million (2018: CHF 27 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have risen by CHF 238 million (2018: CHF 224 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 32 million (2018: CHF 16 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have fallen by CHF 271 million (2018: 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 3.0 million (2018: + / – CHF 2.9 million) in the profit for the period; a positive (+) change of CHF 0.01 would have generated a currency gain and a negative (–) change of CHF 0.01 would have generated a currency loss.

Derivative financial instruments used as currency hedges of a net investment in a foreign operation

The Group's own companies, Baloise Alternative Investment Strategies Ltd., 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.

	Fair value assets		Fair value liabilities	
as at 31.12.	2018	2019	2018	2019
CHF million				
Forward contracts	14.5	31.7	0.5	5.3
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	14.5	31.7	0.5	5.3

	2018	2019
CHF million		
Amount recognised directly in equity	–7.7	35.3
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 2019 the Group's Swiss companies did hold a net position in euros equivalent to CHF 1,160.5 million (2018: 1,096.7 million) and a net position in US dollars equivalent to CHF 120.0 million (2018: CHF 277.0 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.

5.6.3 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.

Baloise Group tracks counterparty exposure at all times and monitors credit risk on a Group-wide basis.

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.

Please refer to the table of secured financial instruments with characteristics of liabilities in chapter 11.

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2018
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

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2019
Swiss Confederation	4,078.2
Kingdom of Belgium	2,902.9
Republic of France	1,981.7
Federal Republic of Germany	1,980.6
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,642.9
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1,065.8
Kingdom of the Netherlands	965.7
Canton of Zurich	714.9
Kingdom of Spain	695.5

MAXIMUM DEFAULT RISK OF FINANCIAL ASSETS

CHF million	31.12.2018	31.12.2019
Financial assets of a debt nature		
Public corporations	18,438.0	19,601.4
Industrial enterprises	6,655.4	7,081.1
Financial institutions	6,695.2	7,895.1
Other	10.0	10.0
Mortgages and loans		
Mortgages	10,982.3	11,069.3
Policy loans	132.3	137.1
Promissory notes and registered bonds	4,322.5	4,307.8
Time deposits	952.0	1,053.5
Employee loans	28.2	27.8
Reverse repurchase agreements	–	–
Other loans	236.3	217.4
Derivative financial instruments	453.9	469.7
Receivables from financial contracts	–	–
Reinsurance assets	457.2	577.1
Receivables from reinsurers	41.9	51.3
Insurance receivables	433.3	498.9
Other receivables	347.0	279.9
Receivables from investments	406.9	375.7
Cash and cash equivalents	2,543.5	2,412.6

Guarantees and collateral for the benefit of third parties totalled CHF 535.4 million (2018: CHF 524.7 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 31.12.2018	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

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2019	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,725.1	9,328.1	1,910.6	1,359.8	277.8	19,601.4
Industrial enterprises	170.6	719.0	2,614.3	1,766.5	1,810.8	7,081.1
Financial institutions	5,140.7	574.3	1,254.1	589.8	336.2	7,895.1
Other	–	10.0	–	–	–	10.0
Mortgages and loans						
Mortgages	102.6	918.0	8,961.6	867.7	87.5	10,937.5
Policy loans	–	–	–	–	137.1	137.1
Promissory notes and registered bonds	1,928.4	2,076.9	43.4	100.8	158.2	4,307.8
Time deposits	–	58.8	–	–	994.7	1,053.5
Employee loans	–	–	–	–	27.8	27.8
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	4.2	21.9	109.3	20.7	59.5	215.6
Derivative financial instruments	117.2	53.0	115.5	41.1	142.8	469.7
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	270.1	202.6	13.6	75.2	561.5
Receivables from reinsurers	–	7.9	15.1	0.0	27.0	50.1
Insurance receivables	–	3.5	3.3	0.3	321.2	328.3
Other receivables	1.7	16.3	83.0	14.2	163.0	278.2
Receivables from investments	115.8	91.6	36.8	26.3	89.0	359.6
Cash and cash equivalents	1,055.5	281.8	835.0	38.4	201.9	2,412.6
Total	15,361.8	14,431.4	16,184.6	4,839.3	4,909.9	55,726.9

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.

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 2019, financial assets amounting to CHF 1.7 million (2018: CHF 1.8 million) and cash and cash equivalents of 0.1 million (2018: 0.1 million) from collateral received were used.

FINANCIAL ASSETS IMPAIRED

as at 31.12.	Gross amount	Impairment	Carrying amount 2018	Gross amount	Impairment	Carrying amount 2019
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	–	–	–
Industrial enterprises	1.2	– 1.2	–	9.8	– 9.8	–
Financial institutions	0.7	– 0.7	–	10.0	– 10.0	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	128.3	– 18.8	109.5	136.0	– 18.6	117.4
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	10.4	– 8.7	1.8	10.1	– 8.4	1.7
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	0.3	– 0.1	0.1	1.1	0.0	1.1
Insurance receivables	134.7	– 37.3	97.4	139.9	– 41.6	98.3
Other receivables	2.2	– 1.3	1.0	3.2	– 1.5	1.7
Receivables from investments	23.2	– 1.2	21.9	17.3	– 1.3	16.1
Total	301.0	– 69.4	231.7	327.5	– 91.1	236.4

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	–	–	–	8.2	8.2
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

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2019	‹ 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	–	–	14.4	–	14.4
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	8.5	7.1	15.6
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	25.6	18.0	17.0	11.7	72.3
Other receivables	0.0	0.0	0.0	0.0	0.0
Receivables from investments	–	–	–	–	–
Total	25.6	18.0	39.9	18.8	102.3

5.6.4 Liquidity risk

Banks as well as insurance companies incur latent liquidity risk. This refers to the risk of rapid outflows of large volumes of liquidity that cannot be offset by asset sales or for which alternative funding cannot be implemented quickly enough. In extreme cases, a lack of liquidity can result in insolvency. Legal provisions apply and the Group-wide Risk Management Standards require each business unit to plan its liquidity centrally. This is carried out with the close collaboration of the investment, actuarial, underwriting and finance departments of each business unit.

Liquidity management must take account of the maturity structure of liabilities as follows:

MATURITIES OF FINANCIAL LIABILITIES [1]

Liquidity risk as at 31.12.2018	< 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
Derivative financial instruments (net cash flows)	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	640.7	22.9	3.8	17.7	685.1	686.7
Total	14,048.5	1,423.3	8,936.6	1,668.6	26,077.1	25,917.5
Guarantees and future liabilities						
Guarantees	37.3	2.2	0.9	11.5	51.9	–
Future Liabilities	522.6	713.2	15.0	6.1	1,256.9	–
Total	559.9	715.4	15.9	17.6	1,308.8	–

MATURITIES OF FINANCIAL LIABILITIES [1]

Liquidity risk as at 31.12.2019	< 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	3,836.9	1.9	1.8	99.5	3,940.1	3,940.1
Measured at amortised cost	5,943.1	325.4	549.4	775.9	7,593.8	7,593.8
Recognised at fair value through profit or loss	1,205.2	2,782.0	8,449.3	570.1	13,006.5	13,006.5
Financial liabilities	352.9	791.1	704.3	644.2	2,492.4	2,368.0
Derivative financial instruments (net cash flows)	34.0	59.1	5.9	18.4	117.5	117.5
Insurance liabilities	1,215.1	582.3	0.1	10.0	1,807.5	1,807.5
Other liabilities	638.1	24.2	3.5	19.6	685.5	684.8
Total	13,225.3	4,566.0	9,714.2	2,137.8	29,643.3	29,518.2
Guarantees and future liabilities						
Guarantees	36.7	13.0	0.8	12.8	63.3	–
future liabilities	417.4	591.6	3.0	4.9	1,016.8	–
Total	454.0	604.6	3.9	17.7	1,080.2	–

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 22 for the 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. 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.

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. Private-equity investments have to be considered illiquid in this context, and it is not possible to sell investment property to generate immediate liquidity.

5.6.5 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 3.10.3:

	Impact on profit for the period		Impact on equity (including profit for the period)	
	2018	2019	2018	2019
CHF million				
Market price plus 10 %	25.3	28.5	200.0	252.5
Market price minus 10 %	– 51.2	– 42.0	– 192.9	– 257.5

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.

5.7 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 Net asset value	Interest rate, credit spread, market price n.a.	–
Mortgages and loans			
Carried at cost	Present-value model	Interest rate, credit spread	
At fair value through profit or loss	Present-value model	LIBOR, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from banking business and financial contracts			
At fair value through profit or loss	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	LIBOR, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n.a.	n.a.
Financial instruments with characteristics of liabilities	Present-value model	Interest rate, credit spread	–
Derivative financial instruments	Multiples-based method	n.a.	n.a.
Investment property	DCF method	Discount rate [1]	2.61 % – 5.59 % [3]
		Rental income [2]	280 – 300 CHF million [3]
		Vacancy costs [1]	13 – 19 CHF million [3]
		Running costs [1]	22 – 28 CHF million [3]
		Maintenance costs [1]	26 – 32 CHF million [3]
		Capital expenditure [2]	30 – 50 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

31.12.2018	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 OWN ACCOUNT AND AT OWN RISK

31.12.2019	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	4,351.1	4,351.1	2,493.9	388.9	1,468.4
Recognised at fair value through profit or loss	328.3	328.3	283.3	45.0	–
Financial instruments with characteristics of liabilities					
Held to maturity	7,475.5	9,120.7	9,120.7	–	–
Available for sale	27,101.5	27,101.5	25,483.1	1,618.4	–
Recognised at fair value through profit or loss	10.6	10.6	10.6	–	–
Mortgages and loans					
Carried at cost	15,773.9	16,649.9	–	10,483.8	6,166.1
Recognised at fair value through profit or loss	1,039.1	1,039.1	–	1,039.1	–
Derivative financial instruments	469.7	469.7	6.9	462.7	–
Receivables from financial contracts					
Carried at cost	–	–	–	–	–
Other receivables					
Carried at cost	279.9	281.9	–	–	281.9
Receivables from investments					
Carried at cost	375.7	375.7	280.0	16.4	79.2
Investment property	8,120.1	8,120.1	–	–	8,120.1
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	7,593.8	7,723.4	–	7,646.6	76.8
Recognised at fair value through profit or loss	570.1	570.1	–	570.1	–
Derivative financial instruments	117.5	117.5	9.2	99.9	8.4
Financial liabilities [1]	2,325.0	2,400.4	2,400.4	–	–

1 Excluding leasing liabilities.

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	–

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

31.12.2019	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	11,553.5	11,553.5	11,279.5	–	274.0
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	2,161.4	2,161.4	1,885.5	153.2	122.7
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	578.4	578.4	224.5	353.9	–
Other assets					
Recognised at fair value through profit or loss	70.3	70.3	70.3	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	12,436.4	12,436.4	12,283.2	153.2	–
Derivative financial instruments	–	–	–	–	–

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

2018	Financial instruments with characteristics of equity – Available for sale	Investment property – Recognised at fair value through profit or loss	Derivative financial instruments (liabilities)	Total
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	–	–	–	–
Disposals	– 144.8	– 69.6	–	– 214.4
Disposals arising from change in the scope of consolidation	–	–	–	–
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	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.

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

2019	Financial instruments with characteristics of equity	Investment property	Derivative financial instruments (liabilities)	Total
	Available for sale	Recognised at fair value through profit or loss		
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	1,322.7	7,904.0	–	9,226.7
Additions	251.0	452.3	–	703.3
Additions arising from change in the scope of consolidation	–	19.8	–	19.8
Disposals	– 124.1	– 423.3	–	– 547.4
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 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]	38.9	216.9	–	255.8
Changes in fair value not recognised in profit or loss	4.9	–	– 8.4	– 3.5
Exchange differences	– 25.0	– 49.5	–	– 74.5
Balance as at 31 December	1,468.4	8,120.1	– 8.4	9,580.2
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 8.5	199.9	–	191.5

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

2018	Financial instruments with characteristics of equity	Financial instruments with characteristics of liabilities	Total
	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	**220.1**	**72.6**	**292.7**
Additions	15.8	63.5	79.3
Additions arising from change in the scope of consolidation	–	–	–
Disposals	–29.4	–16.8	–46.2
Disposals arising from change in the scope of consolidation	–	–	–
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 loss [1]	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.

**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**

2019	Financial instruments with characteristics of equity Recognised at fair value through profit or loss	Financial instruments with characteristics of liabilities Recognised at fair value through profit or loss	Total
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	**226.3**	**112.8**	**339.1**
Additions	29.9	40.1	70.0
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 31.7	– 25.7	– 57.4
Disposals arising from change in the scope of consolidation	–	–	–
Reclassified to level 3	–	–	–
Reclassified from level 3	–	–	–
Changes in fair value recognised in profit or loss [1]	58.9	– 0.2	58.7
Exchange differences	– 9.4	– 4.3	– 13.7
Balance as at 31 December	**274.0**	**122.7**	**396.7**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	58.9	– 0.2	58.7

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 2018.

Reclassification of assets and liabilities to and from level 3

No assets or liabilities measured at fair value were reclassified either to or from level 3 during the reporting period.

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.

5.8 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.

5.8.1 Swiss Solvency Test

For the purposes of the Swiss Solvency Test (SST), the Baloise Group defines its risk-bearing capital and target capital (capital requirement) 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. Diversification effects are taken into account when defining the Group's target capital.

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.

5.8.2 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.

5.8.3 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 2018 financial year

6.1.1 Acquisitions and foundations

No companies were acquired or founded in 2018.

6.1.2 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.

6.1.3 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) in 2018 caused non-controlling interests to fall by CHF 0.5 million.

No companies were merged or liquidated in 2018.

6.2 2019 financial year

6.2.1 Acquisitions

In Switzerland, 66.7 per cent of the shares in start-up Bubble Box AG, which operates an online platform for laundry and dry cleaning services, were acquired on 29 April 2019. Baloise has an option to buy the remaining shares, which is why the company has been fully consolidated.

On 16 July 2019, the Baloise Group acquired all of the voting rights in Belgian multi-sector insurer Fidea NV, thereby strengthening its position in the non-life and life insurance market.

In Switzerland, 60 per cent of the shares in devis.ch SA, a digital marketplace for the services of tradespeople and cleaners, were acquired on 23 July 2019. The company is fully consolidated, because Baloise has an option to buy the remaining shares.

6.2.2 Disposals

On 30 December 2019, the branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia were sold.

6.2.3 Other changes in the group of consolidated companies

External investors SevenVentures and German Media Pool have acquired a stake in the subsidiary FRI:DAY Insurance S.A. and now hold 18.2 per cent of the share capital. Beneficial ownership of the shares has passed to the external investors. There are call and put options in place that can be exercised by Baloise and the external investors after a certain point in time.

In the first half of 2019, the Baloise Group acquired a further 13.9 per cent of the shares in Artires AG, taking Baloise's stake to 98.9 per cent.

In the second half of 2019, Baloise Belgium NV acquired 10.5 per cent of the shares in Drivolution NV, taking the percentage of shareholding to 89.5 per cent.

7. 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 includes, until 30 December 2019, 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, the German hospital liability business and the Liechtenstein variable annuities products.

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 “Bank” segment has been renamed “Asset Management & Banking”. This was done simply to give the segment a more accurate name, as it encompasses banking-related areas of asset management as well as the actual banking area.

The “Other activities” operating segment includes equity investment companies, real estate firms and financing companies.

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.

In the reporting period, there was a change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein. As a result, this business is no longer reported within the Luxembourg segment (which also covers Liechtenstein) and is instead included in the Group business segment. The figures for the prior year have been restated accordingly.

In the Group business segment, 100 per cent of the London market run-off portfolio was reinsured. This portfolio mainly consists of liability claims relating to asbestos and environmental damage. The transaction is structured in such a way that it will lead to the full finality of the affected portfolio for Baloise.

The accounting policies applied to the presentation of the segment reporting are those used throughout the rest of the Financial Report. No intersegment relationships recognised either on the balance sheet or in the income statement – with the exception of income from long-term equity investments – are offset against each other.

7.1 Segment reporting by strategic business unit

	Switzerland		Germany		Belgium	
	2018	2019	2018	2019	2018	2019
CHF million						
Income						
Premiums earned and policy fees (gross)	4,073.9	4,758.5	1,191.7	1,167.2	1,250.8	1,421.8
Reinsurance premiums ceded	–89.9	–80.9	–105.2	–88.4	–114.7	–137.6
Premiums earned and policy fees (net)	3,984.1	4,677.6	1,086.5	1,078.8	1,136.0	1,284.3
Investment income	871.0	816.8	246.5	197.7	240.5	226.8
Realised gains and losses on investments						
For own account and at own risk	–10.4	128.4	138.1	136.1	–17.1	95.7
For the account and at the risk of life insurance policyholders and third parties	–43.9	73.3	–167.7	359.1	–38.4	85.8
Income from services rendered	60.4	75.4	22.9	13.0	3.5	3.8
Share of profit (loss) of associates	0.0	3.5	6.2	7.3	–	–
Other operating income	144.9	115.3	46.8	38.2	41.0	47.4
Income	5,005.9	5,890.2	1,379.2	1,830.1	1,365.5	1,743.8
Intersegment income	–43.0	–44.0	45.7	32.3	37.8	39.1
Income from associates	0.0	1.3	6.2	7.3	–	–
Expense						
Claims and benefits paid (gross)	–3,876.6	–4,142.3	–1,062.9	–904.4	–804.0	–905.2
Change in technical reserves (gross)	227.5	–353.5	179.2	–484.6	41.9	–93.3
Reinsurers' share of claims incurred	33.6	21.8	52.3	25.2	54.1	99.3
Acquisition costs	–47.3	–55.7	–201.6	–169.4	–263.6	–305.5
Operating and administrative expenses for insurance business	–457.1	–456.3	–173.3	–170.4	–119.8	–122.2
Investment management expenses	–52.9	–59.4	–26.4	–26.3	–15.5	–15.6
Interest expenses on insurance liabilities	–0.3	–0.3	–19.0	–16.6	–0.1	–0.4
Gains or losses on financial contracts	–0.4	–66.7	–14.9	–2.3	–11.1	–142.9
Other operating expenses	–278.3	–277.7	–106.5	–61.0	–48.4	–62.8
Expense	–4,451.7	–5,390.0	–1,373.2	–1,809.9	–1,166.5	–1,548.5
Profit / loss before borrowing costs and taxes	554.2	500.2	6.0	20.2	199.0	195.2
Borrowing costs	–10.1	–10.6	–	–0.1	–	0.0
Profit / loss before taxes	544.1	489.6	6.0	20.1	199.0	195.2
Income taxes	–88.4	65.3	–17.9	–21.3	–49.5	–43.2
Profit / loss for the period (segment result)	455.6	554.9	–11.9	–1.1	149.5	152.0
Segment assets as at 31.12.	45,409.1	46,789.2	12,792.3	12,884.6	10,591.9	14,302.8

Luxembourg		Sub-total		Group business		Eliminated		Total	
2018 (restated)	2019	2018 (restated)	2019	2018 (restated)	2019	2018	2019	2018	2019
213.6	213.1	6,730.0	7,560.6	126.9	118.3	− 119.9	− 107.7	6,737.0	7,571.3
− 18.7	− 18.4	− 328.6	− 325.3	− 0.4	− 23.9	119.9	107.7	− 209.0	− 241.5
194.9	194.8	6,401.5	7,235.3	126.5	94.5	0.0	0.0	6,528.0	7,329.8
22.8	21.2	1,380.7	1,262.5	3.8	3.4	− 8.5	− 8.8	1,376.0	1,257.0
2.8	8.3	113.3	368.4	− 17.2	− 32.3	–	–	96.1	336.1
− 786.0	1,125.9	− 1,036.1	1,644.2	− 51.7	65.3	–	–	− 1,087.8	1,709.5
24.7	21.2	111.5	113.3	170.4	170.2	− 151.5	− 157.5	130.4	126.0
–	–	6.2	10.8	–	–	–	–	6.2	10.8
13.4	42.7	246.2	243.6	45.1	40.7	− 63.6	− 56.6	227.6	227.7
− 527.4	1,414.1	7,223.3	10,878.1	276.9	341.8	− 223.6	− 223.0	7,276.6	10,996.9
3.9	6.8	44.3	34.2	− 267.9	− 257.2	223.6	223.0	–	–
–	–	6.2	8.7	–	–	–	–	6.2	8.7
− 143.6	− 119.0	− 5,887.1	− 6,070.8	− 84.9	− 93.2	67.6	73.7	− 5,904.4	− 6,090.4
10.7	− 52.8	459.2	− 984.2	− 47.4	30.6	0.6	− 3.1	412.4	− 956.7
9.3	17.5	149.4	163.9	2.1	23.6	− 68.2	− 70.6	83.3	117.0
− 21.8	− 22.8	− 534.4	− 553.5	− 2.8	− 2.5	1.4	1.3	− 535.8	− 554.6
− 55.2	− 59.6	− 805.3	− 808.5	− 4.1	− 6.2	− 1.4	− 1.3	− 810.8	− 816.0
− 1.7	− 2.0	− 96.5	− 103.3	− 7.4	− 6.7	21.7	18.6	− 82.2	− 91.4
− 0.2	− 0.2	− 19.6	− 17.5	0.2	0.0	0.2	0.3	− 19.2	− 17.2
778.8	− 1,112.6	752.4	− 1,324.6	40.2	− 72.4	8.6	9.0	801.2	− 1,388.0
− 18.2	− 39.9	− 451.3	− 441.4	− 225.3	− 229.5	193.1	195.2	− 483.6	− 475.7
558.1	− 1,391.4	− 6,433.3	− 10,139.8	− 329.4	− 356.2	223.6	223.0	− 6,539.1	− 10,273.0
30.7	22.7	790.0	738.3	− 52.5	− 14.4	–	–	737.5	723.9
–	− 0.1	− 10.1	− 10.8	− 29.7	− 26.9	–	–	− 39.9	− 37.7
30.7	22.6	779.8	727.5	− 82.2	− 41.4	–	–	697.6	686.2
− 4.3	− 4.4	− 160.2	− 3.5	− 14.5	6.9	–	–	− 174.7	3.3
26.4	18.2	619.7	724.0	− 96.7	− 34.5	–	–	522.9	689.5
11,650.5	12,765.1	80,443.9	86,741.7	2,342.7	2,863.0	− 1,931.8	− 2,586.9	80,854.8	87,017.8

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2018	2019	2018	2019
CHF million				
Income				
Premiums earned and policy fees (gross)	3,376.7	3,511.0	3,360.3	4,060.3
Reinsurance premiums ceded	–184.5	–214.9	–24.6	–26.6
Premiums earned and policy fees (net)	3,192.2	3,296.1	3,335.7	4,033.7
Investment income	198.7	176.6	1,083.9	999.9
Realised gains and losses on investments				
For own account and at own risk	35.3	50.8	64.3	263.0
For the account and at the risk of life insurance policyholders and third parties	–	–	–1,051.2	1,662.6
Income from services rendered	31.1	35.3	27.6	23.7
Share of profit (loss) of associates	–	5.5	1.9	1.3
Other operating income	81.9	59.4	185.2	182.4
Income	3,539.3	3,623.8	3,647.5	7,166.5
Intersegment income	–48.6	–34.6	–43.0	–37.5
Income from associates	–	3.3	1.9	1.3
Expense				
Claims and benefits paid (gross)	–2,018.2	–2,184.4	–3,886.2	–3,906.0
Change in technical reserves (gross)	29.6	163.5	382.8	–1,120.2
Reinsurers' share of claims incurred	66.6	99.3	16.7	17.7
Acquisition costs	–481.6	–523.0	–54.2	–31.6
Operating and administrative expenses for insurance business	–530.6	–535.6	–280.2	–280.4
Investment management expenses	–30.1	–30.6	–102.9	–105.7
Interest expenses on insurance liabilities	–0.2	–0.7	–19.0	–16.5
Gains or losses on financial contracts	0.1	–1.2	795.0	–1,304.1
Other operating expenses	–203.2	–212.2	–166.4	–144.8
Expense	–3,167.7	–3,224.8	–3,314.3	–6,891.7
Profit / loss before borrowing costs and taxes	371.7	398.9	333.2	274.8
Borrowing costs	–	–0.4	–10.1	–10.3
Profit / loss before taxes	371.7	398.5	323.0	264.5
Income taxes	–70.4	–34.2	–61.1	51.8
Profit / loss for the period (segment result)	301.3	364.3	261.9	316.3

Asset Management & Banking		Other activities		Eliminated		Total	
2018	2019	2018	2019	2018	2019	2018	2019
–	–	–	–	–	–	6,737.0	7,571.3
–	–	–	–	–	–	– 209.0	– 241.5
–	–	–	–	–	–	6,528.0	7,329.8
101.2	86.6	3.1	3.3	– 10.9	– 9.5	1,376.0	1,257.0
– 2.0	17.4	– 1.5	5.0	–	–	96.1	336.1
–	–	– 36.7	46.9	–	–	– 1,087.8	1,709.5
164.7	163.8	168.1	163.8	– 261.0	– 260.6	130.4	126.0
–	–	4.3	4.0	–	–	6.2	10.8
5.3	13.7	17.4	16.4	– 62.3	– 44.2	227.6	227.7
269.2	281.5	154.8	239.4	– 334.2	– 314.3	7,276.6	10,996.9
– 87.0	– 88.3	– 155.6	– 153.9	334.2	314.3	–	–
–	–	4.3	4.0	–	–	6.2	8.7
–	–	–	–	–	–	– 5,904.4	– 6,090.4
–	–	–	–	–	–	412.4	– 956.7
–	–	–	–	–	–	83.3	117.0
–	–	–	–	–	–	– 535.8	– 554.6
–	–	–	0.0	–	–	– 810.8	– 816.0
– 32.2	– 38.0	– 1.4	– 0.7	84.3	83.5	– 82.2	– 91.4
–	–	–	–	–	–	– 19.2	– 17.2
– 31.5	– 35.9	26.6	– 56.4	11.1	9.7	801.2	– 1,388.0
– 113.5	– 116.4	– 239.3	– 223.3	238.8	221.1	– 483.6	– 475.7
– 177.2	– 190.4	– 214.2	– 280.4	334.2	314.3	– 6,539.1	– 10,273.0
92.1	91.1	– 59.4	– 41.0	–	–	737.5	723.9
–	0.0	– 29.7	– 26.9	–	–	– 39.9	– 37.7
92.1	91.1	– 89.1	– 67.9	–	–	697.6	686.2
– 18.3	– 13.5	– 24.9	– 0.9	–	–	– 174.7	3.3
73.8	77.6	– 114.0	– 68.8	–	–	522.9	689.5

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

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**

Depreciation and impairment form part of other operating expenses.

2019	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Right-of-use assets	Total
CHF million							
Balance as at 1 January (restated) [1]	56.0	187.6	32.1	21.2	21.5	52.9	371.2
Additions	–	4.1	8.1	2.3	16.4	7.5	38.6
Additions arising from change in the scope of consolidation	2.3	5.4	12.8	1.0	0.4	0.4	22.4
Disposals	– 2.5	– 10.1	– 0.4	– 0.8	– 0.4	– 0.8	– 15.0
Disposals arising from change in the scope of consolidation	–	–	–	–	–	– 0.4	– 0.4
Reclassification	–	–	–	– 0.4	0.4	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Depreciation and impairment							
Depreciation	–	– 7.6	– 7.2	– 5.8	– 10.1	– 16.3	– 47.1
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Exchange differences	– 0.5	– 4.6	– 0.5	– 0.4	– 0.3	– 0.5	– 6.8
Balance as at 31 December	55.3	174.7	45.0	17.0	28.1	42.8	362.8
Acquisition costs	56.7	456.6	111.9	68.9	86.6	58.9	839.6
Accumulated depreciation and impairment	– 1.4	– 281.9	– 66.9	– 51.9	– 58.6	– 16.1	– 476.8
Balance as at 31 December	55.3	174.7	45.0	17.0	28.1	42.8	362.8

Depreciation and impairment form part of other operating expenses.
1 The reconciliation to the balance as at 1 January is shown in note 2.1.

9. INTANGIBLE ASSETS

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 December [1]	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.

2019	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	78.9	5.6	661.1	147.8	147.8	0.1	1,041.2
Additions arising from change in the scope of consolidation	–	–	–	–	42.4	–	42.4
Additions	3.8	–	–	–	47.1	0.0	50.9
Capitalisation of acquisition costs	–	–	96.5	258.3	–	–	354.8
Disposals	–	–	–	–	– 0.2	–	– 0.2
Disposals arising from change in the scope of consolidation	–	–	– 24.3	– 0.7	–	–	– 25.0
Reclassification	–	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Amortisation and impairment							
Amortisation	–	– 0.8	– 17.5	– 261.0	– 42.8	– 0.1	– 322.2
Write-ups	–	–	2.1	–	–	–	2.1
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	– 10.0	0.8	–	–	– 9.1
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	– 69.2	–	–	–	– 69.2
Exchange differences	– 2.0	– 0.2	– 20.1	– 3.8	– 4.9	–	– 30.9
Balance as at 31 December	80.6	4.6	618.5	141.4	189.5	0.1	1,034.7
Acquisition costs	245.8	–	–	–	598.4	1.1	–
Accumulated amortisation and impairment	– 165.1	–	–	–	– 409.0	– 1.0	–
Balance as at 31 December [1]	80.6	4.6	618.5	141.4	189.5	0.1	1,034.7
Segment as at 31 December 2019							
Switzerland	25.6	–	68.2	37.9	34.1	–	165.8
Germany	15.8	4.6	538.6	41.2	0.5	–	600.6
Belgium	16.3	–	9.2	57.9	105.0	–	188.4
Luxembourg	23.0	–	2.4	4.4	15.0	–	44.8
Group business	–	–	–	0.0	34.9	0.1	35.0
Total for geographic regions	80.6	4.6	618.5	141.4	189.5	0.1	1,034.7

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	
	2018	2019	2018	2019	2018	2019
Basler Versicherung AG	21.8	25.6	7.8	7.8	1.5	1.5
Basler Financial Services GmbH	14.3	13.8	7.1	6.8	1.0	1.0
Bâloise Vie Luxembourg S.A.	7.1	6.9	7.0	7.0	2.5	2.5
Bâloise Assurances Luxembourg S.A.	16.2	15.6	7.0	7.0	2.5	2.5
Baloise Belgium NV	15.6	15.1	7.0	7.0	2.6	2.6

The impairment test in 2019 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 2019 or in 2018, to the carrying amount of an entity being significantly higher than its recoverable value.

10. INVESTMENT PROPERTY

CHF million	2018	2019
Balance as at 1 January	7,480.3	7,904.0
Additions	407.5	452.3
Additions arising from change in scope of consolidation	–	19.8
Disposals	–69.6	–423.3
Disposals arising from change in scope of consolidation	–	–
Reclassification	23.3	–
Reclassification to non-current assets classified as held for sale	–	–
Change in fair value	111.7	216.9
Exchange differences	–49.3	–49.5
Balance as at 31 December	7,904.0	8,120.1
Operating expenses arising from investment property that generates rental income	95.8	84.6
Operating expenses arising from investment property that does not generate rental income	–	–

11. FINANCIAL ASSETS

CHF million	31.12.2018	31.12.2019
Financial assets of an equity nature		
Available for sale	3,657.0	4,351.1
Recognised at fair value through profit or loss	331.3	328.3
Financial assets of a debt nature		
Held to maturity	8,002.5	7,475.5
Available for sale	23,771.4	27,101.5
Recognised at fair value through profit or loss	24.8	10.6
Financial assets for own account and at own risk	35,786.9	39,267.0
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]	12,126.1	13,714.9
Financial assets as reported on the balance sheet	47,913.0	52,982.0

1 Of which financial assets totalling CHF 168.6 million (2018: CHF 207.1 million) involved insurance policies that had not been fully reviewed by the balance sheet date.

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2018	2019
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	8,002.5	7,475.5
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	8,002.5	7,475.5

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	
		Trading portfolio		Designated			
2018	2019	2018	2019	2018	2019	2018	2019
1,861.1	2,493.9	–	–	298.8	283.3	2,159.9	2,777.2
1,795.9	1,857.3	–	–	32.5	45.0	1,828.4	1,902.3
3,657.0	4,351.1	–	–	331.3	328.3	3,988.2	4,679.4
22,356.3	25,344.5	–	–	0.1	0.1	30,358.9	32,820.1
15.1	138.6	–	–	24.7	10.5	39.8	149.1
1,400.0	1,618.4	–	–	–	–	1,400.0	1,618.4
–	–	–	–	–	–	–	–
23,771.4	27,101.5	–	–	24.8	10.6	31,798.7	34,587.6

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2018	2019
CHF million		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	–	–
Public corporations	7,079.9	6,637.3
Industrial enterprises	8.0	1.6
Financial institutions	904.6	826.6
Other	10.0	10.0
Financial assets of a debt nature	8,002.5	7,475.5
Total	8,002.5	7,475.5
Secured financial assets of a debt nature		
Public corporations	11.3	10.9
Industrial enterprises	–	–
Financial institutions	857.0	779.0
Other	–	–
Total	868.2	789.8

Secured financial instruments with characteristics of liabilities are fixed-income securities for which a mortgage or a government bond has been securitised as collateral.

	Available for sale		Recognised at fair value through profit or loss				Total	
			Trading portfolio		Designated			
	2018	2019	2018	2019	2018	2019	2018	2019
	1,700.2	2,095.1	–	–	–	–	1,700.2	2,095.1
	75.0	61.7	–	–	29.0	22.7	104.0	84.3
	27.8	246.3	–	–	295.8	290.0	323.6	536.3
	88.9	173.2	–	–	6.5	15.7	95.4	188.9
	611.4	672.0	–	–	0.0	0.0	611.4	672.0
	783.0	910.0	–	–	–	–	783.0	910.0
	370.6	192.8	–	–	–	–	370.6	192.8
	3,657.0	4,351.1	–	–	331.3	328.3	3,988.2	4,679.4
	11,343.1	12,964.0	–	–	15.0	0.1	18,438.0	19,601.4
	6,647.4	7,079.5	–	–	–	–	6,655.4	7,081.1
	5,780.9	7,058.0	–	–	9.7	10.5	6,695.2	7,895.1
	–	–	–	–	–	–	10.0	10.0
	23,771.4	27,101.5	–	–	24.8	10.6	31,798.7	34,587.6
	27,428.4	31,452.6	–	–	356.0	338.9	35,786.9	39,267.0
	354.7	212.7	–	–	–	–	366.0	223.5
	1,311.3	2,058.3	–	–	–	–	1,311.3	2,058.3
	4,162.3	4,608.5	–	–	–	–	5,019.3	5,387.5
	–	–	–	–	–	–	–	–
	5,828.4	6,879.6	–	–	–	–	6,696.6	7,669.4

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

	Carrying amount		Fair value	
as at 31.12.	2018	2019	2018	2019
CHF million				
Public corporations	7,079.9	6,637.3	8,356.9	8,197.0
Industrial enterprises	8.0	1.6	8.2	1.8
Financial institutions	904.6	826.6	978.0	911.2
Other	10.0	10.0	10.8	10.8
Total	8,002.5	7,475.5	9,353.8	9,120.7

12. MORTGAGES AND LOANS

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2018	2019	2018	2019	2018	2019	2018	2019
CHF million								
Mortgages and loans carried at cost								
Mortgages	9,818.1	10,048.9	–18.8	–18.6	9,799.3	10,030.3	10,202.2	10,483.8
Policy loans	132.2	137.0	–	–	132.2	137.0	140.5	147.0
Promissory notes and registered bonds	4,322.5	4,307.8	–	–	4,322.5	4,307.8	4,649.4	4,714.2
Time deposits	952.0	1,053.5	–	–	952.0	1,053.5	952.0	1,053.7
Employee loans	28.2	27.8	0.0	0.0	28.2	27.8	28.7	28.3
Reverse repurchase agreements	–	–	–	–	–	–	–	–
Other loans	245.0	225.7	–8.7	–8.4	236.3	217.4	243.4	223.0
Sub-total	15,498.0	15,800.9	–27.5	–27.0	15,470.5	15,773.9	16,216.3	16,649.9
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	925.7	1,039.0	–	–	925.7	1,039.0	925.7	1,039.0
Policy loans	0.1	0.1	–	–	0.1	0.1	0.1	0.1
Sub-total	925.8	1,039.1	–	–	925.8	1,039.1	925.8	1,039.1
Mortgages and loans	16,423.8	16,840.0	–27.5	–27.0	16,396.2	16,812.9	17,142.1	17,689.0

IMPAIRMENT OF MORTGAGES AND LOANS

	2018	2019
CHF million		
Balance as at 1 January	– 32.9	– 27.5
Usage not recognised in profit or loss	5.4	0.6
Unused provisions reversed through profit or loss	2.9	1.2
Increases and additional provisions recognised in profit or loss	– 3.3	– 1.6
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.4	0.3
Balance as at 31 December	– 27.5	– 27.0

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value assets		Fair value liabilities	
as at 31.12.	2018	2019	2018	2019
CHF million				
Derivative financial instruments for own account and at own risk	453.9	469.7	116.7	117.5
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	460.9	578.4	0.7	–
Derivative financial instruments as reported on the balance sheet	914.8	1,048.1	117.3	117.5

	Contract value		Fair value assets		Fair value liabilities	
as at 31.12.	2018	2019	2018	2019	2018	2019
CHF million						
Interest rate instruments						
Forward contracts	–	–	–	–	–	–
Swaps	1,254.8	1,273.8	58.8	57.4	71.2	72.1
OTC options	56.3	–	20.4	–	–	–
Other	1.6	2.6	205.5	263.6	29.7	25.3
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	1,312.7	1,276.5	284.7	321.1	100.9	97.4
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	1,518.1	1,692.3	50.7	28.1	–	8.4
Traded options	521.7	619.4	11.1	4.7	7.7	4.1
Traded futures	–	–	–	–	–	–
Sub-total	2,039.8	2,311.7	61.8	32.8	7.7	12.5
Foreign currency instruments						
Forward contracts	8,197.4	7,837.9	105.1	115.4	5.7	7.3
Swaps	–	–	–	–	–	–
OTC options	871.4	1,040.3	2.3	0.4	2.3	0.3
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	9,068.8	8,878.1	107.4	115.8	8.1	7.6
Total	12,421.3	12,466.3	453.9	469.7	116.7	117.5
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	1,764.3	1,609.7	14.5	31.7	0.5	5.3

The contract value or notional amount is used for derivative financial instruments whose principal may be swapped at maturity (options, futures and currency swaps) and for instruments whose principal is only nominally lent or borrowed (interest rate swaps). The contract value or notional amount is disclosed in order to express the aggregate amount of derivative transactions in which the Baloise Group is involved.

14. RECEIVABLES

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2018	2019	2018	2019	2018	2019	2018	2019
CHF million								
Receivables carried at cost								
Receivables from financial contracts	–	–	–	–	–	–	–	–
Receivables from investments	408.2	376.9	– 1.2	– 1.3	406.9	375.7	406.9	375.7
Other receivables	327.0	281.4	– 1.3	– 1.5	325.7	279.9	327.9	281.9
Receivables	735.2	658.3	– 2.5	– 2.7	732.7	655.6	734.8	657.6

IMPAIRMENT OF RECEIVABLES

	2018	2019
CHF million		
Balance as at 1 January	– 2.2	– 2.5
Usage not recognised in profit or loss	0.2	0.2
Unused provisions reversed through profit or loss	1.0	1.0
Increases and additional provisions recognised in profit or loss	– 1.5	– 1.5
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	0.0
Balance as at 31 December	– 2.5	– 2.7

15. REINSURANCE ASSETS

	2018	2019
CHF million		
Reinsurers' share of technical reserves as at 1 January	468.3	457.2
Change in unearned premium reserves	1.4	– 2.1
Benefits paid	– 74.7	– 84.2
Interest on and change in liability	78.5	114.2
Additions / disposals arising from change in scope of consolidation	–	109.4
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 16.2	– 17.4
Reinsurers' share of technical reserves as at 31 December	457.2	577.1

16. RECEIVABLES FROM REINSURERS

CHF million	2018	2019
Reinsurance deposits as at 1 January	11.3	11.6
Additions	1.0	1.0
Disposals	– 0.3	– 0.2
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	– 0.5	– 0.4
Reinsurance deposits as at 31 December	11.6	11.9
Other reinsurance receivables as at 1 January	27.0	30.5
Additions	151.3	82.2
Disposals	– 147.5	– 83.1
Additions / disposals arising from change in scope of consolidation	–	10.2
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 0.4	– 0.5
Other reinsurance receivables as at 31 December	30.5	39.3
Impairment of receivables from reinsurers as at 1 January	– 0.1	– 0.1
Usage not recognised in profit or loss	–	–
Unused provisions reversed through profit or loss	0.1	0.1
Increases and additional provisions recognised in profit or loss	– 0.1	0.0
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	0.0
Impairment of receivables from reinsurers as at 31 December	– 0.1	0.0
Receivables from reinsurers as at 31 December	41.9	51.3

17. EMPLOYEE BENEFITS

17.1 Receivables and liabilities arising from employee benefits

	Receivables from employee benefits		Liabilities arising from employee benefits	
as at 31.12.	2018	2019	2018	2019
CHF million				
Type of benefit				
Short-term employee benefits	7.3	6.3	87.9	79.8
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,099.7	1,183.6
Other long-term employee benefits	–	–	27.8	27.1
Termination benefits	–	–	5.3	3.5
Total	7.3	6.3	1,220.7	1,294.1

17.2 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.

17.2.1 Fair value of plan assets

CHF million	2018	2019
Balance as at 1 January	2,538.4	2,514.3
Interest rate effect	12.7	19.5
Return on plan assets	– 4.6	148.2
Employees' savings and purchases	33.1	47.7
Exchange differences	– 0.5	– 1.2
Employer contribution	62.9	64.6
Employee contribution	39.5	39.2
Benefits paid	– 167.4	– 147.7
Cash flow between Baloise Group and plan assets (excl. benefits paid to employees and employer contribution)	–	–
Additions / disposals arising from change in scope of consolidation	–	27.1
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	2,514.3	2,711.7

17.2.2 Partially funded liabilities under defined benefit plans

CHF million	2018	2019
Balance as at 1 January	– 2,929.0	– 2,821.6
Current service cost	– 89.9	– 91.2
Interest rate effect	– 14.5	– 22.0
Employees' savings and purchases	– 33.1	– 47.7
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	113.6	– 166.0
changes in demographic assumptions	–	15.8
experience adjustments	– 36.8	– 22.5
Exchange differences	0.7	1.6
Unrecognised past service cost	–	1.7
Benefits paid	167.4	147.7
Additions / disposals arising from change in scope of consolidation	–	– 42.4
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 2,821.6	– 3,046.7

17.2.3 Unfunded liabilities under defined benefit plans

CHF million	2018	2019
Balance as at 1 January	−852.1	−792.4
Current service cost	−16.4	−14.2
Interest rate effect	−11.6	−12.0
Employees' savings and purchases	–	–
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	15.5	−90.7
changes in demographic assumptions	−5.2	−2.1
experience adjustments	15.2	−1.2
Exchange differences	30.3	29.1
Unrecognised past service cost	−0.1	−1.1
Benefits paid	32.4	35.9
Additions / disposals arising from change in scope of consolidation	−0.4	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	−792.4	−848.6

17.2.4 Net actuarial liabilities under defined benefit plans

CHF million	31.12.2018	31.12.2019
Fair value of plan assets	2,514.3	2,711.7
Present value of (partially) funded liabilities	−2,821.6	−3,046.7
Present value of unfunded liabilities	−792.4	−848.6
Effect of the asset ceiling	–	–
Net actuarial liabilities under defined benefit plans	−1,099.7	−1,183.6

17.2.5 Asset Allocation

CHF million	31.12.2018	31.12.2019
Cash and cash equivalents	36.7	39.7
Real estate	529.1	554.5
Equities and investment funds		
publicly listed	1,309.3	1,393.6
not publicly listed	187.7	228.7
Fixed-interest assets		
publicly listed	95.5	96.5
not publicly listed	–	–
Mortgages and loans	358.3	371.3
Derivatives		
publicly listed	0.0	–
not publicly listed	– 2.7	– 4.2
Other	0.3	31.5
Fair value of plan assets	2,514.3	2,711.7
Of which: Bâloise Holding Ltd shares (fair value)	34.5	35.0
Of which: real estate leased to the Baloise Group	–	–

The line item ‘Equities and investment funds’ predominantly consists of fixed-income funds.

17.2.6 Expenses for defined benefit plans recognised in the income statement

CHF million	2018	2019
Current service cost	– 106.2	– 105.4
Regular employee contribution	40.2	39.2
Net interest cost	– 13.4	– 14.6
Unrecognised past service cost	– 0.1	0.6
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	– 79.5	– 80.1

17.2.7 Actuarial assumptions

	2018	2019
Per cent		
Discount rate	0.9	0.5
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	70.7
Years		
Average life expectancy of a 65-year-old woman	24.4	24.6
Average life expectancy of a 65-year-old man	21.9	22.1

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.

17.2.8 Sensitivity analysis for liabilities under defined benefit plans

	31.12.2018	31.12.2019
CHF million		
Total defined benefit obligation	3,614.0	3,895.3
Discount rate plus 0.5 % age points	– 261.0	– 284.0
Discount rate minus 0.5 % age points	283.3	308.6
Expected wage and salary increases plus 0.5 % age points	28.3	31.0
Expected wage and salary increases minus 0.5 % age points	– 36.7	– 38.9
Expected pension benefits increases plus 0.5 % age points	188.0	206.5
Expected pension benefits increases minus 0.5 % age points	– 38.6	– 49.1
Mortality probabilities for 65-year-olds plus 10.0 % age points	– 93.0	– 101.8
Mortality probabilities for 65-year-olds minus 10.0 % age points	91.5	101.7
Weighted share of annuity option plus 10.0 % age points	10.4	16.3

The Baloise Group determines the sensitivities of liabilities under defined benefit plans by recalculating them using the same models as used for the calculation of the effective value. In this calculation, only one parameter of the base scenario is changed. Possible interaction between individual parameters is not taken into consideration. The effect resulting from various parameters occurring simultaneously may vary from the sum total of individually determined differences.

The sensitivity is only calculated for the liability. A possible simultaneous impact on plan assets is not investigated.

17.2.9 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.

17.2.10 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 71.1 million for the 2020 financial year.

17.2.11 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 16.2 years.

17.3 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 2019 totalled CHF 27.1 million (2018: CHF 27.8 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 2.1 million (2018: CHF 3.1 million).

17.4 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). These plans are equity-settled remuneration programmes. The textual explanations of these individual compensation programs are contained in Chapters 4,5 and 6 of the Compensation Report.

There is also a Phantom Stock Option Programme (PSOP) at FRIDAY Insurance S.A., which is a cash-settled remuneration programme. It is explained in note 17.4.5.

In 2019, a sum of CHF 27.0 million (2018: CHF 24.0 million) was recognised as an expense in profit or loss in connection with the following share-based payment plans. The most important quantitative information is listed in tabular form below.

17.4.1 Employee Incentive Plan

EMPLOYEE INCENTIVE PLAN

	2018	2019
Number of shares subscribed	186,489	192,501
Restricted until	31.08.2021	31.08.2022
Subscription price per share (CHF)	76.00	88.50
Value of shares subscribed (CHF million)	14.2	17.0
Fair value of subscribed shares on subscription date (CHF million)	27.8	32.5
Employees entitled to participate	3,254	3,301
Participating employees	2,130	2,218
Subscribed shares per participant (average)	87.6	86.8

17.4.2 Share Subscription Plan

SHARE SUBSCRIPTION PLAN (SSP)

	2018	2019
Number of shares subscribed	27,886	28,082
Restricted until[1]	28.02.2021	28.02.2022
Subscription price per share (CHF)	140.58	129.42
Value of shares subscribed (CHF million)	3.9	3.6
Fair value of subscribed shares on subscription date (CHF million)	4.2	4.6
Employees entitled to participate	960	961
Participating employees	109	121
SSP portion of variable remuneration	16 %	17 %

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 2023 and 29 February 2024 respectively.

17.4.3 Share Participation Plan

SHARE PARTICIPATION PLAN (SPP)

	2018	2019
Number of shares subscribed [1]	76,442	84,328
Restricted until	28.02.2021	28.02.2022
Subscription price per share [2] (CHF)	140.80	125.44
Value of shares subscribed [2] (CHF million)	10.8	10.6
Fair value of subscribed shares on subscription date (CHF million)	11.4	13.7
Employees entitled to participate	931	933
Participating employees	93	111
SPP portion of variable remuneration	7 %	7 %

1 Including shares financed by loans.
2 Net of the discounted dividend right over three years.

17.4.4 Performance share units

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

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF) [1]	Date	Multiplier	Price (CHF) [1]	Value (CHF) [2]	[3]
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	1.32	162.50	214.50	70 %
2017	01.03.2017	130.70	01.03.2020	1.39 [4]	175.00 [4]	244.08 [4]	86 % [4]
2018	01.03.2018	149.20	01.03.2021	1.28 [4]	175.00 [4]	224.00 [4]	50 % [4]
2019	01.03.2019	162.50	01.03.2022	1.00 [4]	175.00 [4]	175.00 [4]	8 % [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 2008: ([{1.24*91.00} – 109.50] / 109.50) * 100 = 3 %.
4 Interim measurement as at 31 December 2019.

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 2017	Plan 2018	Plan 2019
Employees entitled to participate at launch of programme	65	67	67
Number of allocated PSU	33,698	33,237	32,711
Of which: expired (departures in 2017)	– 263	–	–
Number of active PSUs as at 31 December 2017	33,435	–	–
Of which: expired (departures in 2018)	– 303	–	–
Number of active PSUs as at 31 December 2018	33,132	33,237	–
Of which: expired (departures in 2019)	– 272	– 375	– 252
Number of active PSUs as at 31 December 2019	32,860	32,862	32,459
Value of allocated PSUs on issue date (CHF million)	4.7	5.0	5.5
PSU expense incurred by the Baloise Group for 2017 (CHF million)	1.1	–	–
PSU expense incurred by the Baloise Group for 2018 (CHF million)	1.6	1.2	–
PSU expense incurred by the Baloise Group for 2019 (CHF million)	1.6	1.7	1.4

17.4.5 Phantom Stock Option Program

FRIDAY Insurance S.A., a subsidiary of Bâloise Luxembourg Holding S.A., offers its employees a Phantom Stock Option Programme (PSOP). It was introduced in 2017. The phantom equity instruments allocated up to the end of March 2019 become vested over a period of five years from the allocation date. The vesting period was shortened with effect from April 2019 and now runs from the allocation date until 1 January 2023. The first cash payment will not be made until after 31 December 2021 and after the net value of FRIDAY has been determined on a binding basis. The net cash payment of vested phantom equity instruments will be settled in cash.

The fair value of the outstanding PSOPs is determined on every balance sheet date using a Black-Scholes model and recognised in profit or loss during the vesting period. At the time of vesting, the PSOPs are measured at the net value of FRIDAY. The programme does not have an upper cap. There was no cash settlement in 2019.

PHANTOM STOCK OPTION PROGRAM

	2018	2019
Participating employees	20	40
Total liabilities arising from the allocated PSOPs (CHF million)	0.1	0.5
Total liabilities arising from the vested PSOPs (CHF million)	–	0.1
PSOP expense (CHF million)	0.1	0.4

18. DEFERRED INCOME TAXES

18.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

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

2019	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	34.7	3.0	–	0.0	–	– 1.3	36.4
Other investments	25.2	– 2.4	–	–	–	0.0	22.8
Other comprehensive income	94.1	–	6.2	–	–	– 1.6	98.7
Tax credits and losses carried forward	68.4	– 7.2	–	0.0	–	– 1.0	60.2
Insurance receivables	6.6	– 1.8	–	–	–	– 0.1	4.7
Technical reserves	568.0	– 94.4	–	– 1.1	–	– 12.4	460.1
Insurance liabilities	726.0	281.5	–	–	–	– 32.2	975.3
Liabilities arising from banking business and financial contracts	132.9	71.6	–	–	–	– 4.8	199.7
Liabilities arising from employee benefits	55.9	– 5.3	–	–	–	– 1.7	49.0
Other	37.3	– 0.7	–	24.0	–	– 1.0	59.6
Total	1,749.1	244.3	6.2	22.9	–	– 56.1	1,966.4

DEFERRED TAX LIABILITIES

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

2019	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	2.7	5.2	–	0.0	–	–0.1	7.8
Other intangible assets	6.0	–0.7	–	0.4	–	–0.2	5.5
Deferred acquisition costs	230.3	13.4	–	–1.1	–	–7.5	235.1
Long-term equity investments	59.1	–8.9	–	–	–	–0.4	49.9
Investment property	367.0	–35.2	–	–	–	–2.7	329.1
Financial assets	81.4	–57.4	–	–	–	–0.1	23.9
Other investments	68.6	–15.4	–	–	–	–1.4	51.9
Other comprehensive income	164.2	–	169.5	0.0	–	–6.4	327.3
Insurance receivables	1.4	–0.4	–	–	–	0.0	0.9
Technical reserves	1,541.4	233.4	–	–	–	–45.9	1,728.9
Other	61.4	–15.1	1.1	0.0	–	–0.2	47.2
Total	2,583.5	119.0	170.6	–0.7	–	–64.8	2,807.5

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 215.4 million as at 31 December 2019 (31 December 2018: CHF 228.6 million) that will expire after five years or more.

The Baloise Group had a tax credit of CHF 126.1 million as at 31 December 2019 (31 December 2018: CHF 69.6 million) on which no deferred tax assets had been recognised because the offsetting criteria were not met. In 2019, an amount of CHF 56.5 million was reversed from the tax credit (2018: CHF 69.6 million) and CHF 13.1 million was offset.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 269.5 million as at 31 December 2019 (2018: CHF 170.3 million) because the relevant offsetting criteria had not been met. Of this total, CHF 9.5 million will expire after two to four years and CHF 260.0 million will expire after five years or more.

18.2 Deferred income taxes

	31.12.2018	31.12.2019
CHF million		
Deferred tax assets	1,749.1	1,966.4
Deferred tax liabilities	– 2,583.5	– 2,807.5
Total (net)	– 834.4	– 841.1
Of which: recognised as deferred tax assets	73.5	97.4
Of which: recognised as deferred tax liabilities	– 907.8	– 938.5

19. OTHER ASSETS

	31.12.2018	31.12.2019
CHF million		
Other assets carried at cost		
Liabilities to brokers and agents	34.0	46.8
Tax credits indirect taxes (withholding tax etc.)	27.7	51.2
Prepaid insurance benefits	52.8	52.0
Development properties	97.0	68.0
Other assets	43.9	39.4
Impairments	– 6.5	– 7.0
Sub-total	248.9	250.4
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	54.1	70.3
Sub-total	54.1	70.3
Other assets	303.0	320.7

20. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In the first half of 2019, it was announced that investment properties held by Baloise Life Ltd and Basler Insurance Ltd would be transferred to the Swiss Property Fund. The transfer was executed in September 2019.

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

21. SHARE CAPITAL

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

2019	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	2,218,134	46,581,866	48,800,000	4.9
Purchase / sale of treasury shares	1,020,473	– 1,020,473	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	3,238,607	45,561,393	48,800,000	4.9

The share capital of Bâloise Holding Ltd totals CHF 4.88 million and is divided into 48,800,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (2018: 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 for employee share ownership programmes.

The Annual General Meeting held on 26 April 2019 voted to pay a gross dividend of CHF 6.00 per share for the 2018 financial year. This amounted to a total dividend distribution of CHF 292.8 million. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 278.6 million.

As at the balance sheet date (31 December 2019), a cumulative total of 2,434,075 shares in Bâloise Holding Ltd had been repurchased for a total amount of CHF 388.5 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.

22. TECHNICAL RESERVES (GROSS)

CHF million	31.12.2018	31.12.2019
Unearned premium reserves (gross)	657.0	743.2
Claims reserve (gross)	5,426.0	5,658.6
Other technical reserves	74.5	75.9
Technical reserves (non-life)	6,157.5	6,477.7
Actuarial reserves (gross)	36,740.2	38,107.8
Policyholders’ dividends credited and provisions for future policyholders’ dividends (gross)	3,677.5	3,747.8
Technical reserves (life)	40,417.7	41,855.6
Technical reserves (gross)	46,575.2	48,333.3

22.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2018			31.12.2019
CHF million						
Unearned premium reserves	657.0	– 1.2	655.9	743.2	0.9	744.1
Claims reserve	4,955.0	–	–	5,190.1	–	–
Provision for claims handling costs	471.0	–	–	468.4	–	–
Claims reserve	5,426.0	– 423.6	5,002.4	5,658.6	– 538.0	5,120.5
Other technical reserves	74.5	–	74.5	75.9	–	75.9
Total technical reserves (non-life)	6,157.5	– 424.8	5,732.7	6,477.7	– 537.1	5,940.6

22.1.1 Maturity structure of technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2018			31.12.2019
CHF million						
Unearned premium reserves						
Up to 1 year	622.5	– 1.5	621.0	692.3	0.7	692.9
More than 1 year	8.5	0.3	8.8	7.4	0.2	7.6
No determinable residual term	26.0	–	26.0	43.6	–	43.6
Total unearned premium reserves	657.0	– 1.2	655.9	743.2	0.9	744.1
Claims reserve						
Up to 1 year	849.7	– 51.0	798.7	883.1	– 56.1	827.0
More than 1 year	3,422.4	– 106.0	3,316.3	3,692.6	– 90.9	3,601.7
No determinable residual term	1,153.9	– 266.6	887.3	1,082.9	– 391.0	691.9
Total claims reserve	5,426.0	– 423.6	5,002.4	5,658.6	– 538.0	5,120.5

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.

22.1.2 Unearned premium reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2018			2019
CHF million						
Balance as at 1 January	649.1	0.1	649.3	657.0	– 1.2	655.9
Netted premiums	3,405.9	– 185.8	3,220.1	3,542.1	– 212.8	3,329.4
Less: premiums earned during the reporting period	– 3,376.7	184.5	– 3,192.2	– 3,511.0	214.9	– 3,296.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	77.0	0.0	77.0
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	– 0.7	–	– 0.7
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	– 21.3	0.0	– 21.2	– 21.2	0.0	– 21.2
Balance as at 31 December	657.0	– 1.2	655.9	743.2	0.9	744.1

Apart from the actual unearned premium reserves, this item includes health insurance reserves for old age and deferred unearned premiums.

22.1.3 Other technical reserves

CHF million	Gross 2018	Reinsurance assets 2018	Net 2018	Gross 2019	Reinsurance assets 2019	Net 2019
Balance as at 1 January	74.7	–	74.7	74.5	–	74.5
Less: expenditures during the reporting period	–20.5	0.0	–20.5	–25.6	0.1	–25.5
Additional provisions recognised and unused provisions reversed through profit or loss	21.0	0.0	21.0	20.1	–0.1	20.0
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	8.3	–	8.3
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–0.4	–	–0.4
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	–0.8	–	–0.8	–1.0	–	–1.0
Balance as at 31 December	74.5	–	74.5	75.9	–	75.9

22.1.4 Claims reserve (including claims handling costs)

CHF million	2018	2019
Balance as at 1 January (gross)	5,595.0	5,426.0
Reinsurers' share	– 438.3	– 423.6
Balance as at 1 January (net)	5,156.7	5,002.4
Claims incurred (including claims handling costs)		
For the reporting period	2,036.9	2,081.7
For previous years	– 135.8	– 180.1
Total	1,901.1	1,901.6
Payments for claims and claims handling costs		
For the reporting period	– 991.8	– 1,060.4
For previous years	– 960.3	– 1,046.1
Total	– 1,952.0	– 2,106.5
Other changes		
Additions / disposals arising from changes in scope of consolidation	–	425.4
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 103.3	– 102.4
Total	– 103.3	323.0
Balance as at 31 December (net)	5,002.4	5,120.5
Reinsurers' share	423.6	538.0
Balance as at 31 December (gross)	5,426.0	5,658.6

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 9.4 million at the end of 2019 (2018: CHF 70.7 million). The net reserves for the hospital liability business in Germany amount to CHF 258.7 million and are also included in the total.

22.2 Technical reserves (life)

CHF million	31.12.2018	31.12.2019
Actuarial reserves from non-unit-linked life insurance contracts[1]	33,372.9	34,253.7
Actuarial reserves from unit-linked life insurance contracts	2,833.5	3,334.1
Reserves for final policyholders' dividends	164.5	159.2
Unearned revenue reserve	369.3	360.7
Structure of actuarial reserves (life)	**36,740.2**	**38,107.8**
Policyholders' dividends credited and provisions for future policyholders' dividends	3,677.5	3,747.8
Total technical reserves (life)	**40,417.7**	**41,855.6**

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

22.2.1 Maturity structure of technical reserves

	31.12.2018	31.12.2019
CHF million		
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,119.7	1,073.0
1 to 5 years	3,072.2	3,114.8
5 to 10 years	3,253.7	3,284.4
More than 10 years	5,813.0	5,707.4
No determinable residual term	8,910.5	9,576.4
Business from Swiss occupational pension plans [1]	11,203.8	11,497.8
Total actuarial reserves from non-unit-linked life insurance contracts	33,372.9	34,253.7
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	96.3	159.4
1 to 5 years	261.3	362.7
5 to 10 years	350.8	330.8
More than 10 years	394.0	420.0
No determinable residual term	1,731.1	2,061.3
Total actuarial reserves from unit-linked life insurance contracts	2,833.5	3,334.1
Policyholders' dividends credited		
Up to 1 year	76.1	65.7
1 to 5 years	218.4	196.9
5 to 10 years	197.9	183.4
More than 10 years	259.9	226.7
No determinable residual term	161.2	142.7
Total policyholders' dividends credited	913.5	815.5
Provisions for future policyholders' dividends		
Up to 1 year	102.2	111.7
No determinable residual term	2,661.7	2,820.6
Total provisions for future policyholders' dividends	2,764.0	2,932.3

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.

22.2.2 Actuarial reserves from non-unit-linked life insurance contracts

CHF million	2018	2019
Balance as at 1 January	34,328.1	33,372.9
Change in actuarial reserves	– 576.7	726.5
Additions arising from acquisition of policy portfolios and insurance companies	–	511.9
Disposals arising from sale of policy portfolios and insurance companies	–	– 2.3
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 378.5	– 355.2
Balance as at 31 December	33,372.9	34,253.7
Of which: for DPF business	33,092.1	33,759.7
Of which: for non-DPF business	280.9	494.0

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2019 came to CHF 11.4 million (31 December 2018: CHF 10.9 million).

22.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF million	2018	2019
Balance as at 1 January	3,108.1	2,833.5
Additions	276.3	274.5
Disposals	– 200.3	– 228.9
Fees	– 6.3	– 6.1
Interest on and change in liabilities	– 257.8	477.9
Additions arising from acquisition of policy portfolios and insurance companies	–	1.1
Disposals arising from sale of policy portfolios and insurance companies	–	– 47.1
Reclassification[1]	–	113.1
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 86.4	– 84.0
Balance as at 31 December	2,833.5	3,334.1

1 Insurance contracts previously recognised as unit-linked IAS 39 policies are now recognised as unit-linked IFRS 4 policies due to changes to the contractual provisions.

22.2.4 Reserve for final policyholders' dividends

CHF million	2018	2019
Balance as at 1 January	181.3	164.5
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 6.8	– 3.4
Interest on and change in liability	10.7	13.8
Final policyholders' dividends paid	– 19.6	– 15.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	– 2.9
Reclassification to non-current assets classified as held for sale	–	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	3.4	6.0
Exchange differences	– 4.6	– 3.8
Balance as at 31 December	164.5	159.2

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.

22.2.5 Unearned revenue reserve

CHF million	2018	2019
Balance as at 1 January	390.7	369.3
Reserved during the reporting period	18.6	16.8
Change in balance	– 25.9	8.8
Change due to unrealised gains and losses on investments (shadow accounting)	0.4	– 1.6
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	– 19.6
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 14.5	– 12.9
Balance as at 31 December	369.3	360.7

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

CHF million	2018	2019
Policyholders' dividends credited as at 1 January	**1,032.9**	**913.5**
Dividends credited to policyholders during the reporting period	40.1	37.8
Policyholders' dividends paid	– 132.9	– 114.1
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 and disposal groups classified as held for sale	–	–
Exchange differences	– 26.7	– 21.7
Balance as at 31 December	**913.5**	**815.5**
Provisions for future policyholders' dividends as at 1 January	**2,648.6**	**2,764.0**
Adjustment arising from unrealised gains and losses as at 1 January	– 663.0	– 426.1
Additions	164.3	149.9
Withdrawals	– 106.3	– 122.2
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	336.8	– 219.6
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	426.1	827.8
Additions arising from acquisition of policy portfolios and insurance companies	–	0.4
Disposals arising from sale of policy portfolios and insurance companies	–	– 2.7
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 42.7	– 39.1
Balance as at 31 December	**2,764.0**	**2,932.3**
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	**3,677.5**	**3,747.8**

23. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

	Carrying amount		Fair value	
as at 31.12.	2018	2019	2018	2019
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs) [1]	2,924.7	3,940.1	–	–
Sub-total	2,924.7	3,940.1	–	–
Measured at amortised cost				
Liabilities to banks	135.2	395.7	135.2	395.8
Repurchase agreements	–	300.0	–	300.0
Liabilities arising from time deposits	–	–	–	–
Loans	8.3	7.8	8.3	7.8
Mortgages	34.5	33.7	34.5	33.7
Savings and customer deposits	5,324.5	5,215.0	5,354.2	5,264.1
Medium-term bonds	90.4	87.4	93.1	90.0
Mortgage-backed bonds	1,372.9	1,518.9	1,425.8	1,596.6
Other financial contracts	31.6	35.3	31.6	35.3
Sub-total	6,997.5	7,593.8	7,082.6	7,723.4
Recognised at fair value through profit or loss (designated)				
Other financial contracts	11,616.9	13,006.5	11,616.9	13,006.5
Sub-total	11,616.9	13,006.5	11,616.9	13,006.5
Total liabilities arising from banking business and financial contracts	21,539.0	24,540.4	–	–

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.

24. FINANCIAL LIABILITIES

CHF million	2018	2019
Senior debt	1,744.5	2,325.0
Leasing liabilities	–	43.0
Total	1,744.5	2,368.0

24.1 Senior dept

CHF million	2018	2019
Balance as at 1 January	1,742.9	1,744.5
Issue price of newly issued bonds	–	754.5
Embedded derivative	–	–
Additions (sub-total)	–	754.5
Disposals / repayments / conversions	–	– 175.0
Interest expenses	39.9	37.0
Borrowing costs paid	– 35.9	– 38.1
Accrued borrowing costs	– 2.4	2.1
Interest costs (sub-total)	1.5	1.0
Balance as at 31 December	1,744.5	2,325.0

On 28 January 2019, Bâloise Holding Ltd issued a bond totalling CHF 200 million as part of its refinancing of the bond maturing on 1 March 2019. On 25 September 2019, Bâloise Holding Ltd issued four bonds (tranches A, B, C and D) totalling CHF 550 million for the purpose of the general funding of liabilities, including the acquisition of Fidea NV.

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

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Baloise Life Ltd
Face value (CHF million)	300	250	150	225	150	300
Interest rate	2.875 %	3.000 %	2.000 %	1.750 %	1.125 %	1.750 %
Redemption value	100 %	100 %	100 %	100 %	100 %	100 %
Year of issue	2010	2011	2012	2013	2014	2017
Repayment date	14.10.2020	07.07.2021	12.10.2022	26.04.2023	19.12.2024	perpetual
ISIN	CH0117683794	CH0131804616	CH0194695083	CH0200044821	CH0261399064	CH0379610998

Issuer	Baloise Life Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd
Face value (CHF million)	200	200	200	100	125	125
Interest rate	2.200 %	0.500 %	0.000 %	0.000 %	0.000 %	variable
Redemption value	100 %	100 %	100 %	100 %	100 %	100 %
Year of issue	2017	2019	2019	2019	2019	2019
Repayment date	19.06.2048	28.11.2025	23.09.2022	25.09.2026	25.09.2029	25.03.2021
ISIN	CH0379611004	CH0458097976	CH0496692960	CH0496692978	CH0496692986	CH0496692994

24.2 Leasing liabilities

CHF million	2019
Balance as at 1 January [1]	**52.9**
Additions	7.5
Additions arising from change in scope of consolidation	0.4
Disposals	– 0.9
Disposals arising from change in scope of consolidation	– 0.4
Interests expenses	0.7
Cash outflow due to redemption	– 16.7
Exchange differences	– 0.5
Balance as at 31 December	**43.0**

The modified retrospective method was chosen for the first-time adoption of IFRS 16 Leases, which is why the prior-year figures were not restated.
1 The reconciliation to the balance as at 1 January is shown in note 2.1.

25. NON-TECHNICAL PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
			2018			2019
CHF million						
Balance as at 1 January	5.8	43.2	49.0	23.4	40.3	63.7
Addition arising from change in scope of consolidation	–	–	–	–	0.7	0.7
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Increases and additional provisions recognised in profit or loss	21.5	12.5	34.0	7.3	15.1	22.4
Unused provisions reversed through profit or loss	– 0.7	– 11.0	– 11.7	– 0.2	– 18.8	– 19.0
Usage not recognised in profit or loss	– 2.6	– 4.1	– 6.7	– 11.3	– 2.6	– 13.9
Unwinding of discount	–	–	–	–	–	–
Exchange differences	– 0.7	– 0.3	– 1.0	– 0.7	– 0.2	– 0.9
Balance as at 31 December	23.4	40.3	63.7	18.5	34.4	52.9

The balance shown for other non-technical provisions includes typical amounts for legal advice and litigation risks. The restructuring provisions largely relate to the German entities. The other non-technical provisions largely relate to the Swiss entities.

26. INSURANCE LIABILITIES

	31.12.2018	31.12.2019
CHF million		
Liabilities to policyholders	1,486.1	1,371.8
Liabilities to brokers and agents	134.5	159.5
Liabilities to insurance companies	189.0	251.8
Other insurance liabilities	20.2	24.4
Total insurance liabilities	1,829.8	1,807.5

Notes to the consolidated income statement

27. PREMIUMS EARNED AND POLICY FEES

	Non-Life	Life	Total	Non-Life	Life	Total
			2018			2019
CHF million						
Gross premiums written and policy fees	3,405.9	3,360.3	6,766.2	3,542.1	4,060.3	7,602.4
Change in unearned premium reserves	−29.2	–	−29.2	−31.2	–	−31.2
Premiums earned and policy fees (gross)	3,376.7	3,360.3	6,737.0	3,511.0	4,060.3	7,571.3
Reinsurance premiums ceded	−185.8	−24.6	−210.4	−212.8	−26.6	−239.4
Reinsurers' share of change in unearned premium reserves	1.4	–	1.4	−2.1	–	−2.1
Total premiums earned and policy fees (net)	3,192.2	3,335.7	6,528.0	3,296.1	4,033.7	7,329.8

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

	2018	2019
CHF million		
Investment property	276.6	282.6
Financial assets of an equity nature		
Available for sale	145.6	112.3
Recognised at fair value through profit or loss	1.4	1.9
Financial assets of a debt nature		
Held to maturity	206.9	192.5
Available for sale	477.7	428.4
Recognised at fair value through profit or loss	1.8	1.1
Mortgages and loans		
Carried at cost	254.9	225.5
Recognised at fair value through profit or loss	12.0	13.7
Cash and cash equivalents	−0.9	−0.9
Total investment income for own account and at own risk	1,376.0	1,257.0

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 (2018: CHF 2.4 million).

29. REALISED GAINS AND LOSSES ON INVESTMENTS

29.1 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.

2019	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	395.5	–	–	–	–	395.5
Held to maturity [1]	–	–	0.0	–	–	0.0
Available for sale	–	357.4	202.0	–	–	559.4
Recognised at fair value through profit or loss	–	27.7	1.2	19.6	441.3	489.8
Carried at cost	–	–	–	77.5	–	77.5
Sub-total	395.5	385.1	203.2	97.2	441.3	1,522.2
Realised losses on sales and book losses						
Investment property	–178.6	–	–	–	–	–178.6
Held to maturity [1]	–	–	–53.8	–	–	–53.8
Available for sale	–	–84.5	–209.6	–	–	–294.1
Recognised at fair value through profit or loss	–	–1.8	–0.9	–11.9	–560.7	–575.3
Carried at cost	–	–	–	–2.3	–	–2.3
Sub-total	–178.6	–86.3	–264.3	–14.2	–560.7	–1,104.2
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–63.2	–18.4	–	–	–81.6
Carried at cost	–	–	–	–1.6	–	–1.6
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	1.2	–	1.2
Sub-total	–	–63.2	–18.4	–0.4	–	–82.0
Total realised gains and losses on investments	216.9	235.6	–79.5	82.6	–119.4	336.1

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.

29.2 Impairment losses on financial assets recognised in profit or loss

	2018	2019
CHF million		
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	– 80.0	– 52.7
Equity funds	–	–
Mixed funds	0.0	– 0.1
Bond funds	0.0	–
Real estate funds	–	0.0
Private equity	– 10.3	– 9.7
Hedge funds	– 3.6	– 0.6
Sub-total	– 93.8	– 63.2
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–
Industrial enterprises	–	– 8.9
Financial institutions	–	– 9.6
Other	–	–
Sub-total	–	– 18.4
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	– 2.8	– 1.5
Policy loans	–	–
Promissory notes and registered bonds	–	–
Time deposits	–	–
Employee loans	–	–
Reverse repurchase agreements	–	–
Other loans	– 0.6	0.0
Sub-total	– 3.3	– 1.6
Total impairment losses on financial assets recognised in profit or loss	– 97.2	– 83.2

29.3 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 221.8 million was reported for 2019 (2018: loss of CHF 129.5 million).

A gross currency loss of CHF 78.4 million was recognised directly in equity for the reporting year (2018: loss of CHF 65.1 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 62.1 million was recognised for 2019 (2018: net loss of CHF 72.8 million).

30. INCOME FROM SERVICES RENDERED

CHF million	2018	2019
Asset management	52.1	47.6
Services	25.0	25.0
Banking services	41.2	37.7
Investment management	12.2	15.7
Income from services rendered	**130.4**	**126.0**

31. OTHER OPERATING INCOME

CHF million	2018	2019
Interest income from insurance and reinsurance receivables	14.6	11.2
Other interest income	0.5	0.3
Gains on the sale of property, plant and equipment	1.4	6.0
Negative Goodwill	0.0	25.5
Currency gains on assets and liabilities	50.0	13.4
Reversal of impairment losses recognised on receivables	4.1	5.9
External income from owner-occupied property	6.4	5.9
Income from development properties	65.3	42.8
Other income	85.3	116.6
Other operating income	**227.6**	**227.7**

32. CLASSIFICATION OF EXPENSES

CHF million	2018	2019
Personnel expenses (excluding loss adjustment expenses)	– 776.7	– 813.9
Marketing and advertising	– 45.7	– 59.9
Depreciation and impairment of property, plant and equipment	– 32.4	– 47.1
Amortisation and impairment of intangible assets	– 34.9	– 43.7
IT and other equipment	– 66.6	– 72.7
Expenses for maintenance, repairs and rent for short-term and low value leases [1]	– 43.4	– 19.5
Losses arising from exchange differences in respect of assets and liabilities	– 6.8	– 6.3
Commission and selling expenses	– 606.9	– 642.4
Fees and commission for financial assets and liabilities not recognised at fair value	– 12.0	– 11.7
Fees and commission expenses for assets managed for third parties	– 1.2	– 7.8
Expenses arising from non-current assets classified as held for sale	–	–
Expenses from development properties	– 66.9	– 43.4
Other [2]	– 218.9	– 169.4
Total	– 1,912.4	– 1,937.7

1 Incl. rent for operating leases pursuant to IAS 17 for 2018.
2 This includes changes in deferred acquisition costs recognised in profit or loss, as shown in table 9.

33. PERSONNEL EXPENSES

Total personnel expenses for 2019 came to CHF 936.1 million (2018: CHF 890.3 million).

34. GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	2018	2019
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	– 49.0	– 60.2
Sub-total	**– 49.0**	**– 60.2**
Measured at amortised cost		
Interest on loans	0.0	0.0
Interest due	– 9.6	– 11.6
Interest arising from banking business	– 5.3	0.2
Interest expenses on repurchase agreements	6.6	3.1
Acquisition costs in banking business	– 15.1	– 7.6
Expenses arising from financial contracts	– 10.6	– 8.9
Sub-total	**– 34.1**	**– 24.8**
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts	884.3	– 1,303.0
Sub-total	**884.3**	**– 1,303.0**
Total gains or losses on financial contracts	**801.2**	**– 1,388.0**
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	**–**	**–**

35. INCOME TAXES

35.1 Current and deferred income taxes

In 2019, the positive non-recurring effect of changes to tax rates had a significant impact on deferred income taxes. The changes to the tax rates for companies in Switzerland and Luxembourg led to non-recurring deferred tax income totalling CHF 148.6 million. In Switzerland, the cantonal lowering of income tax rates resulted in non-recurring deferred tax income totalling CHF 148.5 million, of which CHF 142.6 million was attributable to the Switzerland segment and CHF 5.9 million to the Group business segment. In Luxembourg, the reduction in corporation tax in 2019 led to non-recurring deferred tax income of CHF 0.1 million.

	2018	2019
CHF million		
Current income taxes	– 104.0	– 122.0
Deferred income taxes	– 70.7	125.3
Total current and deferred income taxes	– 174.7	3.3

35.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 20.7 per cent in 2018 and 15.8 per cent in 2019. These rates correspond to the weighted average tax rates in those countries where the Baloise Group operates. The reasons for the change in the expected average tax rate are, firstly, the segment-specific allocation of profit and, secondly, the changed tax rates.

	2018	2019
CHF million		
Profit before taxes	697.6	686.2
Expected average tax rate (per cent)	20.65 %	15.78 %
Expected income taxes	– 144.1	– 108.3
Increase / reduction owing to		
tax-exempt profits and losses	18.3	20.5
non-tax-effective negative goodwill	–	6.4
non-deductible expenses	– 6.7	– 11.8
withholding taxes on dividends	– 0.9	– 0.7
change in tax rate on recognized deferred tax items	–	148.6
application of different tax rates	– 1.7	– 13.6
change in unrecognised tax losses	– 20.1	– 11.2
tax items related to other reporting periods	3.2	11.6
non-taxable measurement differences	– 9.4	– 12.3
intercompany effects	– 16.4	– 16.7
other impacts	3.0	– 9.1
Current income taxes	– 174.7	3.3

In 2018 and 2019, the ‘other impacts’ item was heavily affected by the impairment of a tax credit and furthermore in 2018 by countervailing tax effects resulting from a real-estate portfolio transaction.

36. EARNINGS PER SHARE

	2018	2019
Profit for the period attributable to shareholders (CHF million)	523.2	694.2
Average number of shares outstanding	46,979,421	46,219,774
Basic earnings per share (CHF)	**11.14**	**15.02**

	2018	2019
Profit for the period attributable to shareholders (CHF million)	**523.2**	**694.2**
Average number of shares outstanding	46,979,421	46,219,774
Adjustment due to theoretical exercise of share-based payment plans	61,603	76,832
Adjusted average number of shares outstanding	**47,041,024**	**46,296,606**
Diluted earnings per share (CHF)	**11.12**	**14.99**

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

37. OTHER COMPREHENSIVE INCOME

37.1 Other comprehensive income

CHF million	2018	2019
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	4.6	–
Other items not to be reclassified to the income statement	9.6	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	118.5	– 106.5
Change arising from shadow accounting	– 7.7	33.9
Deferred income taxes	– 26.7	5.5
Total items not to be reclassified to the income statement	98.3	– 67.1
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	– 726.3	1,668.9
Gains and losses reclassified to the income statement	– 182.9	– 357.5
Total available-for-sale financial assets	– 909.1	1,311.4
Investments in associates		
Gains and losses arising during the reporting period	– 0.9	3.1
Gains and losses reclassified to the income statement	– 2.8	–
Total investments in associates	– 3.8	3.1
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	– 7.7	35.3
Gains and losses reclassified to the income statement	0.0	– 18.9
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 7.7	16.4
Reserves arising from reclassification of held-to-maturity financial assets:		
Gains and losses arising during the reporting period	–	–
Gains and losses reclassified to the income statement	– 0.7	– 0.8
Total reserves arising from reclassification of held-to-maturity financial assets:	– 0.7	– 0.8
Change arising from shadow accounting	271.0	– 503.3
Change arising from exchange differences	– 52.5	– 78.4
Deferred income taxes	116.2	– 165.1
Total items to be reclassified to the income statement	– 586.6	583.2
Total other comprehensive income	– 488.3	516.1

37.2 Income taxes on other comprehensive income

CHF million	2018	2019
Other comprehensive income before deferred income taxes	– 577.8	675.7
Deferred income taxes of Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	– 1.3	0.2
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 19.7	19.7
Change arising from shadow accounting	0.5	– 12.9
Change arising from exchange differences	– 1.5	– 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	– 26.7	5.5
Deferred income taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	171.3	– 266.1
Investments in associates	– 0.2	– 1.4
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	1.5	– 0.7
Reserves arising from reclassification of held-to-maturity financial assets	0.1	0.3
Change arising from shadow accounting	– 66.5	96.4
Change arising from exchange differences	5.3	6.3
Additions and disposals arising from change in the scope of consolidation	4.6	0.0
Total deferred income taxes of items to be reclassified to the income statement	116.2	– 165.1
Other comprehensive income after deferred income taxes	– 488.3	516.1

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Other disclosures

38. LONG-TERM EQUITY INVESTMENTS AND STRUCTURE OF THE BALOISE GROUP

38.1 ACQUISITION AND DISPOSAL OF COMPANIES

		Cumulative acquisitions		Cumulative disposals
	2018	2019	2018	2019
CHF million				
Investments	–	2,300.7	653.5	44.2
Other assets	–	65.7	42.0	25.0
Receivables and assets	–	196.4	8.8	0.7
Cash and cash equivalents	–	333.4	–	8.1
Actuarial liabilities	–	– 1,130.8	–	– 70.5
Other accounts payable	–	– 1,200.7	– 688.4	– 6.1
Non-controlling interests	–	–	–	–
Net assets acquired / disposed of	–	564.8	15.8	1.4
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	–	541.9	15.0	1.5
Offsetting	–	1.2	–	0.2
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–
Equity instruments issued	–	–	–	–
Reclassification of investments in associates	–	–	–	–
Acquisition / disposal price	–	543.1	15.0	1.7
Net assets acquired / disposed of	–	– 564.8	– 15.8	– 1.4
Other comprehensive income [1]	–	–	– 0.6	–
Goodwill / negative goodwill or proceeds from disposals	–	– 21.7	– 1.4	0.3
Cash and cash equivalents used / received for acquisitions and disposals	–	– 543.1	15.0	1.5
Cash and cash equivalents acquired / disposed of	–	333.4	–	– 8.1
Outflow / inflow of cash and cash equivalents	–	– 209.7	15.0	– 6.6

1 This includes primarily historical cumulative exchange differences.

In 2018, no companies were acquired.

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.

In the year under review, the Baloise Group acquired the voting rights in Belgian multi-sector insurer Fidea NV, thereby considerably strengthening its position in the Belgian market. The purchase price amounted to CHF 535.8 million. This acquisition resulted in negative goodwill of CHF 25.5 million, which was recognised under other operating income.

The Baloise Group also expanded its ‘Home’ ecosystem in Switzerland by acquiring a number of companies.

The purchase price for the start-up Bubble Box AG, which offers an online platform for laundry and dry cleaning services, amounted to CHF 2.3 million. Of this amount, CHF 2.0 million was paid in cash and CHF 0.4 million was paid in other forms of consideration. Goodwill of CHF 0.6 million was recognised in connection with the acquisition.

The purchase price for devis.ch SA amounted to CHF 5.0 million, of which CHF 4.2 million was paid in cash and CHF 0.8 million was paid in other forms of consideration. This transaction resulted in goodwill of CHF 3.2 million. devis.ch SA operates a digital marketplace for the services of tradespeople and cleaners.

In the year under review, the branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia were sold. This disposal had no material impact on earnings in the consolidated financial statements.

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.

38.2 Changes to shareholdings

In 2019, there had been no transactions resulting in a change of control over a subsidiary.

38.3 Investments in associates

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

2018 (restated)	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income	comprehensive income
CHF million					
Total	221.1	5.6	–	– 0.9	4.7

2019	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income	comprehensive income
CHF million					
Total	387.4	10.8	–	3.1	13.9

OVB is no longer reported separately as a significant associate, because the relevant criteria are no longer met. The figures for the prior year have been restated accordingly.

In Switzerland, a 20 per cent stake in Infracore SA, which operates in the healthcare property market, was purchased in 2018.

In the first half of 2019, Baloise Belgium acquired a further 12 per cent of the shares in Infracore SA, which temporarily took the shareholding in this associate to 32 per cent. As a result of acquisitions that have partly been purchased using Infracore SA shares, the shareholding had fallen to around 26 per cent as at the end of 2019.

In mid-May 2019, 28.2 per cent of the shares were acquired in Central Real Estate Holding AG, which invests in development projects located in the central business districts of Swiss cities. This holding company's first project is the acquisition by its subsidiary Central Real Estate Basel AG of the roughly 160,000 square metre Klybeck site in Basel's district of the same name.

In October 2019, the Baloise Group acquired 30 per cent of the shares in Swiss start-up Gowago AG, representing a further investment in Baloise's 'Mobility' ecosystem. The start-up's online platform provides an easy way of comparing car leasing quotes.

As at 31 December 2019, 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.

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 2019 or 31 December 2018.

38.4 Significant subsidiaries

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.

31.12.2019	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Switzerland									
Bâloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	4.9	3,064.0	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,779.8	1,455.1
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	33,641.9	3,422.9
Artires AG, Basel[4]	Holding	L	98.93	98.93	F	CHF	18.0	177.8	–
Baloise Wohnbauten AG, Basel	Other	L	98.93	100.00	F	CHF	1.0	255.9	–
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	8,013.4	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	68.9	–
Baloise Asset Management Schweiz AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.5	46.8	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	23.5	–
Germany									
Basler Versicherung Beteiligungen B. V. & Co KG, Hamburg	Holding	O	100.00	100.00	F	EUR	94.7	408.8	–
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	9,867.8	338.1
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,809.1	708.3
Basler Beteiligungsholding GmbH, Hamburg	Holding	O	100.00	100.00	F	EUR	12.8	232.1	–
Basler Financial Services GmbH, Hamburg	Other	O	100.00	100.00	F	EUR	1.5	7.1	–
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	81.77[5]	100.00	F	EUR	–	21.5	14.9
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	13.80	–

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.
5 No non-controlling interests are shown in equity in this context.

31.12.2019	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	10,282.1	1,108.9
Fidea NV, Antwerp	Life and Non-Life	L / NL	100.00	100.00	F	EUR	220.9	2,570.9	113.2
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	206.5	69.6
Merno-Immo NV, Antwerp	Other	NL	100.00	100.00	F	EUR	17.1	32.0	–
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,872.8	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	353.1	122.9
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	8,824.0	69.0
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	12.2	–
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	EUR	224.3	275.5	–
Baloise Private Equity (Luxembourg) SCS, Luxembourg	Investment management	L / NL	100.00	100.00	F	USD	0.0	704.7	–
Baloise Alternative Invest S.A. SICAV-RAIF, Luxembourg	Investment management	L / NL / O	100.00	100.00	F	USD	–	1,872.7	–
Other territories									
Bâloise Participations Holding B.V., Amsterdam	Holding	O	100.00	100.00	F	EUR	10.9	0.8	–
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,807.0	0.0
Baloise Alternative Investment Strategies Limited, St. Helier (Jersey / Channel Islands)	Investment management	L / NL	100.00	100.00	F	USD	0.0	35.3	–

1 L: Life, NL: Non-Life, B: Banking, O: Other activities / Group business.
2 Shares stated as a percentage are rounded down.
3 F: Full consolidation, E: Equity-accounted investment.

39. RELATED PARTY TRANSACTIONS

In the course of its ordinary operating activities, the Baloise Group conducts transactions with associates, key management personnel and related parties. 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 Bâloise Holding Ltd's Board of Directors and Corporate Executive Committee.

RELATED PARTY TRANSACTIONS

	Premiums earned and policy fees		Investment income		Expenses		Mortgages and loans		Liabilities	
	2018	2019	2018	2019	2018	2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
CHF million										
Associates	–	–	1.6	0.1	– 26.8	– 3.1	–	–	– 2.8	–
Key management personnel	0.1	0.1	0.0	0.0	– 10.8	– 12.5	8.4	9.3	–	–

EXECUTIVE MANAGEMENT TEAM REMUNERATION

	2018	2019
CHF million		
Short-term employee benefits	– 6.3	– 7.1
Post-employment benefits	– 1.0	– 1.1
Payments under share-based payment plans	– 3.5	– 4.2
Total	– 10.8	– 12.4

14,805 shares worth CHF 2.4 million were repurchased from members of the Corporate Executive Committee in 2019 (2018: CHF 2.3 million) under the Share Participation Plan (section 17.4.3).

40. CONTINGENT AND FUTURE LIABILITIES

40.1 Contingent liabilities

40.1.1 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 facts that materialised after the balance sheet date of 31 December 2019 and that could have a significant impact on the 2019 consolidated annual financial statements.

40.1.2 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.

	31.12.2018	31.12.2019
CHF million		
Guarantees	51.9	63.3
Collateral	472.8	472.1
Total guarantees and collateral for the benefit of third parties	524.7	535.4

CREDIT RATINGS OF GUARANTEES AND COLLATERAL

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

31.12.2019	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.7	–	32.6	63.3
Collateral	–	–	–	0.4	471.7	472.1

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

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

CHF million	31.12.2018	31.12.2019
Financial assets under repurchase agreements	–	260.1
Financial assets in the context of securities lending	4,476.4	4,166.8
Investments	2,176.1	2,288.2
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	6,652.5	6,715.0

FAIR VALUE OF COLLATERAL HELD

CHF million	31.12.2018	31.12.2019
Financial assets under reverse repurchase agreements	–	–
Financial assets in the context of securities lending	6,002.2	5,865.6
Other	–	–
Total	6,002.2	5,865.6
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.

40.2 Future liabilities

40.2.1 Capital commitments

	31.12.2018	31.12.2019
CHF million		
Commitments undertaken for future acquisition of		
investment property	490.1	350.2
financial assets	766.8	666.6
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	1,256.9	1,016.8

CREDIT RATINGS OF CAPITAL COMMITMENTS

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

31.12.2019	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	61.5	–	86.4	–	868.9	1,016.8

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.

41. LEASES

41.1 The Baloise Group as a lessee

Generally, leases are entered into only if a purchase would be economically disadvantageous or is not possible. The Baloise Group leases real estate for office space and warehousing that it recognises on its balance sheet. Right-of-use assets are recognised under the line item ‘Property, plant and equipment’ and the lease liabilities under ‘Financial liabilities’ on the balance sheet. The leases are negotiated individually and contain a variety of different conditions to give the Baloise Group the maximum operational flexibility with regard to the overall lease portfolio. As a rule, the leases are entered into for a term of two to five years. Possible extension options are factored into the measurement of lease liabilities, provided that it is sufficiently certain that the options will be exercised. Any non-leasing components within a lease are not treated separately. Instead, they are also taken into account in the measurement of the relevant lease liability.

Low-value and short-term leases for operating equipment, parking spaces and other property, plant and equipment are expensed in the income statement on a straight-line basis over the term of the lease. They are not recognised on the balance sheet.

DUE DATES OF UNDISCOUNTED LEASE LIABILITIES (IFRS 16)

CHF million	2019
Due within one year	17.6
Due after one to three years	20.3
Due after three to five years	5.9
Due after five years or more	0.6
Total contractual cash flows	**44.4**
Book value lease liabilities	**43.0**

LEASING IN THE INCOME STATEMENT (IFRS 16)

CHF million	2019
Income relating to sublease contracts	0.7
Expenses relating to leases of low-value and short-term leases	– 6.0
Interests expenses on leasing liabilities	– 0.7
Depreciation and impairment of right-of-use assets	– 16.3

Leases that have not yet started

Bâloise Assurances Luxembourg S. A. has signed a binding lease with a third party for the rental of an office building in Luxembourg. According to the leasing arrangement, the office building is likely to be made available from June 2022 until 2037. The right-of-use asset and lease liability for this lease are estimated to be CHF 44.3 million.

DUE DATES OF LEASE PAYMENTS (IAS 17)

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

The modified retrospective method was chosen for the first-time adoption of IFRS 16 Leases, which is why the prior-year figures were not restated.

41.2 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 LEASING INCOME (IFRS 16)

CHF million	2019
Due within one year	347.7
Due after one to three years	662.5
Due after three to five years	721.0
Due after five years or more	258.8
Total	1,990.0

LEASING IN THE INCOME STATEMENT (IFRS 16)

CHF million	2019
Fixed lease income	364.5
Variable lease income	–
Leasing income	364.5

DUE DATES OF CONTRACTUALLY STIPULATED LEASING INCOME (IAS 17)

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

The modified retrospective method was chosen for the first-time adoption of IFRS 16 Leases, which is why the prior-year figures were not restated. The prior-year figures consist of the contractually stipulated leasing income from non-cancellable leases pursuant to IAS 17.56.

42. CLAIM PAYMENTS RECEIVED FROM NON-GROUP INSURERS

The companies in the Baloise Group received claim payments totalling CHF 0.0 million in 2019 (2018: CHF 0.0 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.

43. EVENTS AFTER THE BALANCE SHEET DATE

We consider the developments in connection with the coronavirus pandemic to be a non-adjusting event as defined by IAS 10. It is not possible to fully assess the pandemic's financial impact on the Baloise Group at the present time. A general estimate of the sensitivities can be found in note 5.6 "Management of market risk".

By the time that these consolidated annual financial statements had been completed on 20 March 2020, we had not become aware of any further events that would have a material impact on the consolidated annual financial statements as a whole.

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To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 20 March 2020

Report of the statutory auditor on the consolidated financial statements

Opinion
We have audited the consolidated financial statements (pages 118 - 269) of Bâloise Holding Ltd and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2019, 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 2019, 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.

Valuation of claims reserves - non-life

Area of focus	Claims reserves non-life include Management’s estimate of notified but not yet paid claims at the balance sheet date, reserves for incurred but not reported losses (IBNR) 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 notes 3.18 “Non-life insurance contracts” and 5.4.2 “Assumptions”. The impact of various scenarios is described in note 5.4.4 “Sensitivity analysis”, in particular what the impact of estimation errors would be on the claims reserves. We also refer to 22.1 in the notes 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.

Valuation of actuarial reserves from non-unit-linked life insurance contracts

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 3.19 "Life insurance contracts and financial contracts with discretionary participation features" and 5.5.2 "Assumptions" in the financial report. The impact of various scenarios on actuarial reserves is described in note 5.4.3 "Sensitivity analysis". We also refer to note 22.2 of the Group's financial statements, providing the financials of the technical provisions.
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 actuarial 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.

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Valuation of investments without publically available market values

Area of focus

The group financial statements contain investments valued at market values without publically available market values (“level 3”). These investments include investment properties as well as parts of the financial assets of an equity nature. Market values for these investments are determined 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 (e.g. discount rates), any deficiencies or inaccurate input data could lead to a material misstatement within the Group’s financial statements.

Due to the inherent judgment applied by management and the related risks for erroneous presentation of the consolidation financial statements, the valuation of investment without publically available market values is considered to represent a key audit matter.

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 5.7 “Fair value measurement”. We also refer to notes 3.7 and 11 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.

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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.

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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

Christian Fleig	Patrick Schwaller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

	Note	2018	2019
CHF million			
Income from long-term equity investments		432.2	646.6
Income from interest and securities	2	21.6	38.5
Other income	3	37.3	17.4
Total income		491.1	702.5
Administrative expenses	4	– 37.6	– 51.7
Depreciation, amortisation and impairment	5	– 1.8	– 62.5
Interest expenses	6	– 35.2	– 32.7
Other expenses		– 2.6	– 3.7
Total expenses		– 77.2	– 150.6
Tax expense		– 2.0	– 0.2
Profit for the period		411.9	551.7

Balance sheet of Bâloise Holding Ltd

	Note	31.12.2018	31.12.2019
CHF million			
Assets			
Cash and cash equivalents		36.5	46.2
Receivables from Group companies	7	341.7	361.0
Receivables from third parties		7.5	4.0
Current assets		385.7	411.2
Financial assets			
Loans to Group companies	8	529.7	1,063.2
Long-term equity investments	9	1,786.1	1,836.4
Non-current assets		2,315.8	2,899.6
Total assets		2,701.5	3,310.8
Equity and liabilities			
Current liabilities			
Liabilities to Group companies		7.4	6.8
Liabilities to third parties		3.5	12.6
Current interest-bearing liabilities to third parties	10	175.0	300.0
Deferred income		21.2	23.2
Non-current liabilities			
Long-term interest-bearing liabilities to Group companies		620.0	580.0
Long-term interest-bearing liabilities to third parties	11	1,075.0	1,525.0
Provisions		4.4	0.3
Liabilities		1,906.5	2,447.9
Share capital		4.9	4.9
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		6.4	8.3
Voluntary retained earnings			
Free reserves		566.1	683.2
Distributable profit:			
– Profit carried forward		0.7	0.8
– Profit for the period		411.9	551.7
Treasury shares	12	– 206.7	– 397.7
Equity	13	795.0	862.9
Total equity and liabilities		2,701.5	3,310.8

Notes to the financial statements of Bâloise Holding Ltd

1. ACCOUNTING POLICIES

General
These annual financial statements of Bâloise Holding Ltd domiciled in Basel have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). The main policies applied which are not prescribed by law are described below.

All amounts shown in these annual financial statements of Bâloise Holding Ltd 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.

Cash and cash equivalents
Cash and cash equivalents include bank deposits and cash equivalents such as call money, fixed-term deposits and money market instruments. They are recognised at their nominal amount.

Receivables from Group companies
This line item includes expenses relating to the new financial year that have been paid in advance and income from the reporting year that will not be received until a later date. It also comprises dividends approved by subsidiaries’ annual general meetings at the balance sheet date, which Bâloise Holding reports as dividends receivable. They are recognised at their nominal amount.

Receivables from third parties
Receivables are recognised at their nominal amount less any impairment losses.

Loans to Group companies
These loans are measured at their nominal amount less any impairment losses. Specific write-downs are recognised for all identifiable risks in accordance with the prudence principle.

Long-term equity investments
Long-term equity investments are recognised individually at cost less any impairment losses.

Liabilities
Liabilities are recognised at their nominal amount.

Deferred income and accrued expenses
This line item comprises income relating to the new financial year that has already been received, as well as expenses relating to the reporting year that will not be paid until a later date.

Interest-bearing liabilities
Interest-bearing liabilities include bonds to third parties and interest-bearing liabilities to Group companies are recognised at their nominal amount. Issuance costs – less any premiums – are charged in full to the income statement at the time the bonds are issued. The liabilities are categorised as current (less than twelve months) or non-current interest-bearing liabilities depending on their residual term.

Provisions
Provisions to cover any risks that may arise are recognised in accordance with the principles of risk-based management and are charged to the income statement.

Treasury shares
Treasury shares are recognised at cost on the date of acquisition as deductions from equity. If the shares are subsequently sold, any gains or losses are recognised in profit or loss as financial income or expense.

NOTES TO THE INCOME STATEMENT

2. INCOME FROM INTEREST AND SECURITIES

CHF million	2018	2019
Income from treasury shares	4.5	9.4
Interest on loans to Group companies	17.1	28.3
Realized income treasury shares	–	0.8
Other income from interest and securities	0.0	0.0
Total income from interest and securities	21.6	38.5

3. OTHER INCOME

CHF million	2018	2019
Write-up on long-term equity investment	30.0	–
Capital Market transaction income	–	4.3
Sundry other income	7.3	13.1
Total other income	37.3	17.4

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

4. ADMINISTRATIVE EXPENSES

CHF million	2018	2019
Personnel expenses [1]	– 22.1	– 35.9
Other administrative expenses	– 15.5	– 15.8
Total administrative expenses	– 37.6	– 51.7

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

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

CHF million	2018	2019
Impairment losses on long-term equity investments	–	– 43.0
Impairment losses on loans	–	– 16.0
Others	– 1.8	– 3.5
Total depreciation, amortisation and impairment	– 1.8	– 62.5

In view of restructuring planned for 2020, the long-term equity investment in Baloise Life (Liechtenstein) AG and the subordinated loan from Bâloise Holding AG to Baloise Life (Liechtenstein) AG were written down by their remaining carrying amounts at the year-end in accordance with Swiss recognised accounting principles (GoR).

6. INTEREST EXPENSES

CHF million	2018	2019
Interest on bonds	– 28.7	– 26.3
Other interest expenses	– 6.5	– 6.3
Total interest expenses	– 35.2	– 32.7

NOTES TO THE BALANCE SHEET

7. RECEIVABLES FROM GROUP COMPANIES

CHF million	31.12.2018	31.12.2019
Dividends	341.3	344.7
Other receivables	0.4	16.3
Total receivables from Group companies	341.7	361.0

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2019 financial year as accrued income:

- 21 February 2020: Baloise Bank SoBa AG, Solothurn
- 16 March 2020: Baloise Asset Management Schweiz AG, Basel and Baloise Asset Management International AG, Basel
- 17 March 2020: Haakon AG, Basel
- 20 March 2020: Basler Versicherung AG, Basel and Basler Leben AG, Basel

8. LOANS TO GROUP COMPANIES

CHF million	31.12.2018	31.12.2019
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Bâloise (Luxembourg) Holding S.A.	162.0	284.6
Subordinated loans to Baloise Belgium NV	–	412.5
Loans to Bâloise (Luxembourg) Holding S.A.	283.7	283.7
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	44.0	42.4
Total loans to Group companies	529.7	1,063.2

9. LONG-TERM EQUITY INVESTMENTS

	Total shareholding as at 31.12.2018 (with voting rights)	Total shareholding as at 31.12.2019 (with voting rights)		Share capital as at 31.12.2019	Capital share
	(per cent)[1]	(per cent)[1]	Currency	(million)	(million)
Company					
Basler Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Basler Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank SoBa AG, Solothurn	100.00	100.00	CHF	50.0	50.0
Baloise Asset Management Schweiz AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Immobilien Management AG, Basel	100.00	100.00	CHF	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
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Alternative Investments Partner S.à r.l., Bertrange (Luxembourg)	100.00	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.

10. CURRENT INTEREST-BEARING LIABILITIES TO THIRD PARTIES

31.12.2019	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
Total current interest-bearing liabilities				300.0

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

31.12.2019	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
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
Bond 45 809 797	0.500 %	28.01.2019	28.11.2025	200.0
Bond 49 669 296	0.000 %	25.09.2019	23.09.2022	200.0
Bond 49 669 297	0.000 %	25.09.2019	25.09.2026	100.0
Bond 49 669 298	0.000 %	25.09.2019	25.09.2029	125.0
Bond 49 669 299	var.	25.09.2019	25.03.2021	125.0
Total long-term interest-bearing liabilities				**1,525.0**

12. TREASURY SHARES

2018	Low in CHF	High in CHF	Average share price (CHF)	Number of registered shares
Balance as at 1 January				**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				**1,405,292**

2019	Low in CHF	High in CHF	Average share price (CHF)	Number of registered shares
Balance as at 1 January				**1,405,292**
Purchases	133.80	187.00	172.86	1,154,590
Sales				0
Disposals in connection with share participation programmes				– 56,789
Balance as at 31 December				**2,503,093**

13. CHANGES IN EQUITY

2018	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	4.9	11.7	6.1	472.4	367.9	– 71.8	791.2
Allocation 2018	–	–	–	94.0	– 94.0	–	–
Dividend	–	–	–	–	– 273.3	–	– 273.3
Additions	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	– 134.8	– 134.8
Recognition / reversal	–	–	0.3	– 0.3	–	–	–
Profit for the period	–	–	–	–	411.9	–	411.9
Balance as at 31 December	4.9	11.7	6.4	566.1	412.6	– 206.7	795.0

2019	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	4.9	11.7	6.4	566.1	412.6	– 206.7	795.0
Allocation 2019	–	–	–	119.0	– 119.0	–	–
Dividend	–	–	–	–	– 292.8	–	– 292.8
Additions	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	– 191.0	– 191.0
Recognition / reversal	–	–	1.9	– 1.9	–	–	–
Profit for the period	–	–	–	–	551.7	–	551.7
Balance as at 31 December	4.9	11.7	8.3	683.2	552.5	– 397.7	862.9

14. 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 2019:

	Total shareholding as at 31.12.2018[1]	Share of voting rights as at 31.12.2018[2]	Total shareholding as at 31.12.2019[1]	Share of voting rights as at 31.12.2019[2]
Per cent				
Shareholders				
Chase Nominees Ltd.[3]	10.5	2.0	8.4	2.0
BlackRock Inc.	>5.0	<2.0	>5.0	<2.0
UBS Fund Management AG	3.3	0.0	3.3	0.0
LSV Asset Management	>3.0	0.0	>3.0	0.0
Nortrust Nominees Ltd.[3]	3.4	0.0	3.2	0.0
Bank of New York Mellon N.V.[3]	4.3	0.0	4.2	0.0
Credit Suisse Funds AG	3.0	0.0	3.1	0.0

1 According to SIX Swiss Exchange (https:// www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).
2 According to the share register.
3 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.

15. CONTINGENT LIABILITIES

	31.12.2018	31.12.2019
CHF million		
Collateral, guarantee commitments	533.5	502.5

Bâloise Holding Ltd has issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Bâloise Holding Ltd, Basel, undertakes to ensure that its subsidiary Baloise Life (Liechtenstein) AG is at all times in a financial position to meet in full its liabilities to its customers arising from the contracts relating to its RentaSafe, BelRenta Safe, RentaProtect and RentaSafe Time products, especially its guarantee commitments. Since October 2012 this letter of comfort has also applied to customers with contracts relating to its RentaProtect Time and RentaSafe Time (D-CHF). The maximum liability corresponds to the present value of the outstanding guaranteed insurance benefits as at 31 December 2019. 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, Bâloise 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.

Until at least 31 December 2022, Bâloise Holding Ltd will endeavour to ensure that FRIDAY has the resources needed to operate its business and that FRIDAY operates its business in such a way that it remains solvent. Until 31 December 2022, Bâloise Holding Ltd will also endeavour to ensure that FRIDAY is able to fulfil the obligations vis-à-vis 7Ventures that are set out in the investment agreement.

Bâloise Holding Ltd guarantees all obligations of Baloise Life Ltd relating to the various tranches of the subordinated bonds, which had a total nominal value of CHF 500 million as at the balance sheet date.

Bâloise Holding Ltd is jointly and severally liable for the value-added tax (VAT) owed by all companies that form part of the tax group headed by Baloise Insurance Ltd.

16. 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.

17. NET REVERSAL OF HIDDEN RESERVES

In 2019, no hidden reserves were reversed.

18. EXEMPTIONS DUE TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Because Bâloise Holding Ltd has prepared consolidated financial statements in accordance with recognised financial reporting standards (IFRS), in accordance with statutory provisions (article 961d [1] of the Swiss Code of Obligations [OR]), it has dispensed with the notes on long-term interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement or a management report in these annual financial statements.

19. EVENTS AFTER THE BALANCE SHEET DATE

It is not possible to fully assess the coronavirus pandemic’s financial impact on Bâloise Holding Ltd at the present time.

By the time that these annual financial statements had been completed on 20 March 2020, we had not become aware of any further events that would have a material impact on the annual financial statements as a whole.

Appropriation of distributable profit as proposed by the Board of Directors

DISTRIBUTABLE PROFIT AND APPROPRIATION OF PROFIT

The profit for the period amounted to CHF 551,688,704.77.

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.

	2018	2019
CHF		
Profit for the period	411,909,124.75	551,688,704.77
Profit carried forward from the previous year	661,197.69	770,322.44
Distributable profit	412,570,322.44	552,459,027.21
Proposals by the Board of Directors:		
Dividend	– 292,800,000.00	– 312,320,000.00
Allocated to free reserves	– 119,000,000.00	– 240,000,000.00
Withdrawn from free reserves	–	–
Profit to be carried forward	770,322.44	139,027.21

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 6.40 gross or CHF 4.16 net of withholding tax.

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To the Annual General Meeting of
Bâloise 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 278 - 289) of Bâloise Holding Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of long-term equity investments

Area of focus

Bâloise Holding Ltd accounts for long-term equity investments at cost less necessary impairments and valued on an individual basis. Management assesses whether there are any impairment losses in the carrying value of the long-term equity investments by comparing the carrying amount to the net asset value of the subsidiary or to a valuation of the subsidiary using a discounted cash flow analysis. The determination whether a long-term equity investment needs to be impaired involves management's judgement. This includes assumptions about the profitability of the underlying business and growth. Long-term equity investments amount to CHF 1.8 bn as of 31 December 2019 and represent the most important balance of a total balance sheet of CHF 3.3 bn.

We consider this a key audit matter not only due to the judgement involved, but also based on the magnitude of the carrying value of the long-term equity investments within the financial statements of Bâloise Holding Ltd.

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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 audited management's impairment test on the carrying value of each investment, including the assessment of management's assumptions. We have audited the required disclosures in the notes to the financial statements as at 31 December 2019.

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

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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	Patrick Schwaller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

General information

Alternative Performance Measures

In its financial publications, Baloise uses not only the figures produced in accordance with International Financial Reporting Standards (IFRS) but also alternative performance measures (APMs). We believe that these APMs provide useful information for investors and give a better understanding of our results. Moreover, APMs help to measure performance, growth, profitability and capital efficiency.

However, they should be viewed as supplementary information and not as a substitute for the figures calculated in accordance with IFRS.

Baloise uses the following alternative performance measures (APMs):

- Return on equity (RoE)
- Combined ratio (CR)
- Annual premium equivalent (APE)
- Value of new business (VNB)
- New business margin (NBM)
- Total assets under management (AuM)

Investors should note that similarly named APMs published by other companies may have been calculated in a different way. The comparability of APMs between companies may therefore be limited.

Definitions and information about the use and limitations of the aforementioned alternative performance measures can be found below.

The Baloise Group's latest financial publications can be accessed online at any time at https://www.baloise.com/en/home/investors/publications.html

DEFINITIONS, USAGE AND LIMITATIONS

Return on equity (RoE)

Definition and benefits

At Baloise, return on equity represents the profit attributable to shareholders divided by average equity adjusted for the dividend payment (the average of equity at the start of the period [less the dividend paid] and at the end of the period). Equity is not adjusted for unrealised gains and losses relating to changes in the price of fixed-income securities.

One of the reasons why the Baloise Group uses RoE as a performance measure is that it looks at both the Company's profitability and its capital efficiency.

Limitations

RoE includes line items that provide no or very little indication of the management's performance. Moreover, RoE is not available at division or product level.

This performance measure's usefulness is limited because it is a relative measure and thus does not provide information about the absolute level of profit for the period or the absolute level of equity.

Combined ratio (CR)

Definition and benefits

The Baloise Group uses the combined ratio to gauge the profitability of underwriting in the non-life insurance business. It is the sum of acquisition costs and administrative expenses (net*) and claim payments and insurance benefits (net), divided by premiums earned (net). To provide an even better picture of operating performance, Baloise makes adjustments for interest-rate effects and provisions for impending losses. The combined ratio is also adjusted for non-operating costs. These interest-rate effects result from annuities in the non-life business, while the provisions for impending losses relate to future reporting periods. The level of adjustments is regularly disclosed in Baloise's presentation for investors and analysts.

The combined ratio is typically expressed as a percentage. A ratio of less than 100 per cent means that the business is profitable from an underwriting perspective, while a ratio of more than 100 per cent indicates an underwriting loss. The combined ratio can be broken down into the claims ratio including profit sharing (loss ratio) and the expense ratio.

The claims ratio represents claims and insurance benefits (net), divided by premiums earned (net). Again, the aforementioned adjustments are made for interest-rate effects (resulting from annuities in the non-life business) and provisions for impending losses. The claims ratio therefore gives the percentage of net premiums earned that are used for the settlement of claims.

*I.e. after deduction of the reinsurers' share.

The expense ratio represents acquisition costs and administrative expenses (net), adjusted for costs not attributable to the combined ratio, relative to premiums earned (net). It gives the percentage of net premiums earned that are needed to cover the underwriting expenses for the acquisition of new and renewal business and to cover the administrative expenses.

Limitations

The combined ratio is used to measure underwriting profitability, but does not indicate profitability in terms of investment performance or non-operating performance. Even if the combined ratio is above 100 per cent, the non-life segment may have still generated a profit overall because it achieved a gain on investments or a non-operating contribution to profit.

By its very nature, the usefulness of the combined ratio is limited because it is a ratio and therefore does not provide any information about the absolute level of the underwriting profit.

Annual premium equivalent (APE)

Definition and benefits

The annual premium equivalent is a performance measure used in the life segment that shows all premium income from new business, both from single premiums and from regular premiums. The Baloise Group calculates APE as the sum of the annual premiums earned from new business plus 10 per cent of the single premiums received during the reporting period.

Limitations

Comparability with the APE of other companies is limited because they define new business differently.

Value of new business (VNB)

Definition and benefits

VNB is a performance measure used in the life segment and indicates the increase in value generated by underwriting new business in the current period. It is defined as the present value of future profits after acquisition costs, less the fair value of options and guarantees. This involves forecasting lapses, mortality, disability and expenses up to the due date of insurance contracts, using the latest capital market data and best estimates. VNB relates to the time at which the individual contract is formed.

Limitations

Future profits are estimates based on assumptions and may therefore differ from the profits actually generated in the future. They are calculated using risk-free interest rates that are based on the latest market data. The actual future interest rates and market data may differ. There may also be variation in, for example, the assumptions about customers' future behaviour. Moreover, the long forecast period may result in uncertainties as future changes to regulatory requirements or in the market environment, for example, may not have been factored into the forecast.

New business margin (NBM)

Definition and benefits

The new business margin is used to measure the profitability of new business in the life segment. It is the value of new business (VNB) divided by the annual premium equivalent (APE).

Limitations

As the new business margin is calculated from the value of new business and annual premium equivalent, its usefulness is subject to the same limitations as those measures.

Total assets under management (AuM)

Definition and benefits

The assets under management are the assets or security portfolios measured at fair value, in respect of which Baloise Asset Management makes investment decisions or bears responsibility for portfolio management. They are managed on behalf of third parties and on behalf of the Baloise Group. As a rule, the level of AuM is reflected in the level of fee income, making it an important measure of the performance of our asset management activities over time and in comparison with other companies.

Changes in assets under management are essentially driven by net new assets, market factors, the effects of consolidation and deconsolidation, and exchange-rate effects.

Net new assets equates to the sum of assets of new customers and additional contributions from existing customers, less withdrawals from customer accounts, closures of such accounts and distributions to investors.

Limitations

The level of assets under management is subject to volatility resulting from movements in the capital markets. For example, assets under management may continue to increase when interest rates fall, even if the figure for net new assets is negative. This limits the usefulness of this performance measure.

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Glossary

- **Actuarial reserves**
  Actuarial reserves are the reserves set aside to cover current life insurance policies.

- **Annual premium equivalent**
  The annual premium equivalent (APE) is the insurance industry standard for measuring the volume of new life insurance business. It is calculated as the sum of the annual premiums earned from new business plus 10 per cent of the single premiums received during the reporting period.

- **Baloise**
  “Baloise” stands for “the Baloise Group”, and “Bâloise Holding” means “Bâloise Holding Ltd”. Baloise shares are the shares of Bâloise Holding Ltd.

- **Broker**
  Insurance brokers are independent intermediaries. These are firms or individuals who are not restricted to any particular insurance companies when selling insurance products. They are paid commission for the insurance policies that they sell.

- **Business volume**
  The total volume of business comprises the premium income earned from non-life and life insurance and from investment-linked life insurance policies during the reporting period. The accounting principles used by the Baloise Group do not allow premium income earned from investment-linked life insurance to be reported as revenue in the consolidated financial statements.

- **Claims incurred**
  Claims incurred comprise the amounts paid out for claims during the financial year, the reserves set aside to cover unsettled claims, the reversal of reserves for claims that no longer have to be settled or do not have to be paid in full, the costs incurred by the processing of claims, and changes in related reserves.

- **Claims ratio**
  The total cost of claims settled as a percentage of total premiums.

- **Claims reserve**
  A reserve for claims that have not been settled by the end of the year.

- **Combined ratio**
  A non-life insurance ratio that is defined as the sum of the cost of claims settled (claims ratio), total expenses (expense ratio) and profit sharing (profit-sharing ratio) as a percentage of total premiums. This ratio is used to gauge the profitability of non-life insurance business.

- **Deferred taxes**
  Probable future tax expenses and tax benefits arising from temporary differences between the carrying amounts of assets and liabilities recognised in the consolidated financial statements and the corresponding amounts reported for tax purposes. The pertinent calculations are based on country-specific tax rates.

- **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.

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Information on the Baloise Group

The 2019 Annual Report is also available in German. Only the German text is legally binding. The Financial Report contains the audited 2019 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. This publication was produced by the Baloise Group and may not be copied, amended, offered, sold or made available to third parties without the express authorisation of the Baloise Group. Amounts and ratios shown in this annual report are generally stated in millions of Swiss francs (CHF million) and rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in some cases differ from the rounded total shown in this report.

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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

The sole purpose of this publication is to provide a review in summarised form of the operating performance of Baloise for the period indicated. To this end, the publication also draws on external sources of information (including data). Baloise neither guarantees nor does it recognise the accuracy of such information. Furthermore, this publication may contain forward-looking statements that include forecasts or predictions 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. Factors that could influence actual outcomes include, for example, (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. This list is not considered exhaustive. Baloise accepts no obligation to update or revise forward-looking statements in order to take into consideration new information, future events, etc. Past performance is not indicative of future results.

AVAILABILITY AND ORDERING

The 2019 Annual Report and the Summary of the 2019 Annual Report will be available from 26 March 2020 on the internet at: www.baloise.com/annual-report

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

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Financial calendar and contacts

12 MARCH 2020
Preliminary annual financial results
Media conference
Conference call for analysts

26 MARCH 2020
Annual Report
Publication of the 2019 annual report

24 APRIL 2020
Annual General Meeting
Bâloise Holding Ltd

27 AUGUST 2020
Half-year financial results
Conference call for analysts and the media
Publication of the 2020 half-year report

29 OCTOBER 2020
Investor Day

12 NOVEMBER 2020
Q3 interim statement

9 MARCH 2021
Preliminary annual financial results
Media conference
Conference call for analysts

30 MARCH 2021
Annual Report
Publication of the 2020 annual report

30 APRIL 2021
Annual General Meeting
Bâloise Holding Ltd

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