ANNUAL REPORT 2021

Baloise Group

Contents

Overview of the reporting environment
Overview of Baloise's external reporting

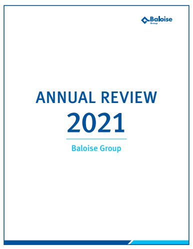
The external reporting procedures of Baloise are based on relevant statutory and regulatory requirements and applicable standards and guidelines, such as those issued by the International Accounting Standards Boards and SIX Swiss Exchange, where the shares of Bâloise Holding Ltd are listed.

The Annual Report forms the core of the reporting activities and comprises the management report, the financial report and the income statement of Bâloise Holding Ltd. The review of the financial year also serves to provide a holistic view of the added value generated by Baloise under its value creation model. This model is based on the integrated reporting framework (‹IR› Framework) of the International Integrated Reporting Council (IIRC).

REPORTING PROCESSES IN DETAIL

Annual Report of Baloise

The Annual Report of the Baloise Group comprises the management review of the operating performance, the corporate governance report, the remuneration report and the financial report. The financial report contains the consolidated annual financial statements of the Baloise Group and the income statement of Bâloise Holding Ltd.



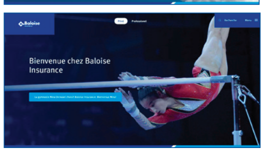
Review of the financial year at Baloise

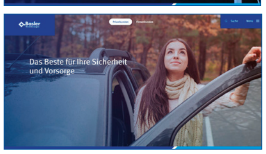
The review of the financial year of the Baloise Group provides an overview of important financial key figures as well as comprehensive information on Baloise and its strategy. The report outlines the value creation of Baloise across the six resources of the value creation model (investors, employees, customers, partners, environment and society) and the four framework processes (IT, compliance, corporate governance and risk management). The aim of the report is to provide an integrated view of Baloise's value creation.

Presentation for financial analysts

The presentation for financial analysts is designed specifically for investors. It is made available only on our website and exclusively in English, and it provides detailed information on the financial performance of Baloise and its individual operating segments and strategic business units.

The reports published by the Baloise Group are also available online at www.baloise.com/annual-report.





Continuous reporting

In addition, Baloise uses its website, www.baloise.com, to share updates on various initiatives and activities as well as background stories about the implementation of its strategy on an ongoing basis.

Reporting by national units

In some cases, national units of Baloise publish their own external reports in accordance with the statutory and regulatory requirements of the jurisdiction in which they operate. These reports are published on the websites of Baloise Insurance Belgium www.baloise.be/fr/a-propos-de-nous, Basler Versicherungen in Germany www.basler.de/de/ueber-uns and Basler Versicherungen in Switzerland www.baloise.com/en/home/investors/publications/financial-condition-report respectively.

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Baloise key figures

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

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments (31 December 2020: CHF – 3.2 million; 31 December 2021: CHF – 2.5 million).
3 Excluding investments for the account and at the risk of life insurance policyholders.
4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
5 2021 based on the proposal submitted to the Annual General Meeting.

At a glance

Profit attributable to shareholders
CHF 588.4 million

Equity of
CHF 7,299.9 million

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

Cash upstream
CHF 431 million

Net combined ratio of
92.6 per cent

7.4 per cent
increase in the volume of business

New business margin in the life busness of
39.0 per cent

Net investment yield on insurance asset of
2.2 per cent

81 per cent
of employees recommend Baloise as an employer

– 20 per cent
reduction in carbon emissions since 2017

+ 223,000
additional customers

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

Letter to shareholders

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

DEAR SHAREHOLDERS,

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

The ongoing measures to tackle the coronavirus pandemic continued to put a strain on employees and customers in 2021. Much of the past year was marked by extreme weather events in Europe. Hailstorms, strong winds, heavy rain and the associated flooding took their toll on those affected, who included our customers in Belgium, Germany, Luxembourg and Switzerland. The exceptional weather events were also very challenging for many of our employees who were there by our customers' side, ready to support them during this stressful time. The record storm damage reduced profit by CHF 121 million, making it the biggest ever loss event in the history of Baloise. But we still achieved a strong set of figures even in this difficult environment. This once again illustrates the stability and resilience of our balance sheet, the effectiveness of our risk management and the performance of our employees, who deserve our very special thanks.

Goals as drivers of the transformation

At the close of last year, we successfully completed Simply Safe: Season 1 and transitioned smoothly to the next strategic phase: Simply Safe: Season 2. Building on what we have achieved so far, we are aiming for more growth and to be an important part of people's lives as a service provider. The three strategic targets have been retained and are now even more ambitious. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and to have generated CHF 2 billion in cash. The experience gained from Simply Safe: Season 1 has shown that ambitious targets accelerate Baloise's transformation. During our strategic journey, the Company has gained a lot of momentum, enabling us to operate sustainably and effectively for all stakeholders. In this context, we are also monitoring the conflict in Ukraine and its potential implications very carefully. In the short term, what is happening there will not impact on our business, as Baloise does not operate in Ukraine or Russia and has only a small investment exposure to Russia. What remains unclear at this stage is how the conflict will affect economies in Europe, and thus our customers, over the medium term.

“Ambitious goals accelerate the transformation”

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

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

A sustainable approach in policymaking

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

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

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

Basel, March 2022

T.v.Planta

Dr Thomas von Planta
Chairman of the Board of Directors

Gert De Winter
Group CEO

Review of operating performance

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

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

OVERVIEW OF TARGET ATTAINMENT, PROFIT AND BUSINESS VOLUME

Completion of the 2017–2021 strategic phase

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

Employees

Baloise had set itself the target of becoming an industry leader in terms of employer attractiveness and being among the top 10 per cent of employers in the European finance industry. From our starting position of being among the top 30 per cent of employers, we managed to break into the top 8 per cent in 2020 thanks to a number of measures. Aspects particularly appreciated by employees include the excellent working relationships and the high level of experience and skills. These outstanding results continued until early summer 2021, but in the December survey, Baloise slipped down the rankings to a position in the top 24 per cent of employers. This fall was primarily due to the increased workload arising from the once-in-a-century summer storms and the ongoing pandemic situation. In view of the long-term trend of recent years, which shows a clear improvement in Baloise’s attractiveness as an employer, and the high proportion of employees who would recommend Baloise as a place to work (over 80 per cent in December 2021), we are encouraged to continue on our chosen course and to set an even higher target of being in the top 5 per cent of employers in Europe.

Customers

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

Shareholders

Baloise had set itself the target of transferring a total of CHF 2 billion in cash to the holding company in the period 2017 to 2021. This is based on well diversified and sustainable improved earnings power from the life and non-life business, and from asset management & banking. Shareholders benefited directly from the cash generated thanks to the rigorous adherence to an attractive and sustainable dividend policy – the dividend has been raised by more than a third – and from the repurchase and cancellation of three million treasury shares with a total value of CHF 481.1 million. Furthermore, investments were made in new strategic projects that open up new opportunities to generate additional income. During the 'Simply Safe' strategic phase, Baloise transferred a total of CHF 2,173 million in cash to the holding company, thereby exceeding its objective. The new target is to generate CHF 2 billion in cash by 2025. As this is to be achieved over four years, this equates to an increase of 25 per cent.

Profit

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

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

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

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

Business volume and combined ratio

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

The sustained profitability of this growth can be seen from the net combined ratio of 92.6 per cent, which includes the exceptionally high level of claims incurred (approximately CHF 120 million) in connection with the summer storms. These claims added 3.2 percentage points to the ratio. The fact that the combined ratio maintained this satisfying level despite the exceptionally high claims is a sign of the excellent quality of the portfolio and mitigation of risk in this business and is the result of the ongoing optimisation of the portfolio.

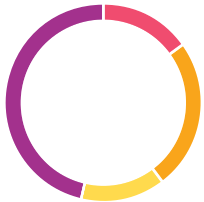
BUSINESS VOLUME

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

BUSINESS VOLUME IN 2021 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	44.2
Germany	14.7
Belgium	24.0
Luxembourg	16.5



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

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

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

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

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

DEVELOPMENT OF NET COMBINED RATIO

As a percentage

CORE INSURANCE BUSINESS

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

The volume of premiums in the non-life insurance business passed the threshold of CHF 4 billion for the first time in 2021, advancing by 6.9 per cent year on year to CHF 4,063.4 million (2020: CHF 3,802.5 million). This was due to the full inclusion of the acquired non-life portfolio of Athora and, in particular, organic growth in all business units. As a result, the premiums of the attractive non-life business have jumped by a quarter since the start of 'Simply Safe'. In Switzerland, gross premiums written rose by a healthy 1.8 per cent to CHF 1,392.7 million (2020: CHF 1,368.4 million). Since the purchase and integration of Fidea and the Athora portfolio, the Belgian unit has had the largest non-life business in the Group, with gross premiums written of CHF 1,644.3 million in 2021. This constitutes a year-on-year rise of 10.6 per cent (2020: CHF 1,487.4 million).

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

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

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

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

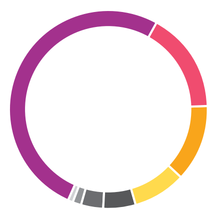
PROPRIETARY INVESTMENTS BY CATEGORY[1]

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

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

INVESTMENT COMPONENTS IN 2021

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



ASSETS HELD BY BALOISE

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

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

Despite a selective underwriting policy, the volume of traditional life business advanced by a solid 3.0 per cent to CHF 3,389.7 million (2020: CHF 3,291.3 million), with Switzerland recording particularly strong growth. The Swiss unit has the biggest life business, with a volume of CHF 2,847.2 million.

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

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

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

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

EBIT in the life business amounted to excellent CHF 406.7 million in 2021, which was up by 44.1 per cent year on year (2020: CHF 282.2 million). This exceptionally high figure can be explained by the uptrend in the capital markets in 2021 and the higher level of interest rates. Moreover, the ongoing optimisation of the business mix, with a shift towards investment-linked products and risk cover, is helping to boost the profitability of this business. If the positive trend in respect of interest rates is sustained and the capital markets maintain their uptrend, we anticipate that the earnings of the life business will again be well above the stated minimum level of CHF 200 million in 2022.

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

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

Key figures for the national Baloise companies

KEY FIGURES FOR SWITZERLAND

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

KEY FIGURES FOR GERMANY

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

KEY FIGURES FOR BELGIUM

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

KEY FIGURES FOR LUXEMBOURG

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

ASSET MANAGEMENT & BANKING

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

Insurance assets: attractive investment yield in an encouraging trading year

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

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

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

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

Asset management & banking: further growth in fee income

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

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

Continued expansion of business with external customers

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

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

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

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

Growing importance of sustainability

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

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

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

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

ECOSYSTEMS & INNOVATION

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

Home ecosystem

We continued to expand the Home ecosystem in 2021. The announcement that we would work with UBS, Switzerland's largest bank, in a shared Home & Living ecosystem was a key step forward in the enlargement of the partner network. The aim of this strategic relationship is to give customers access to complementary services that address property owners' key needs regarding financing, insurance and maintenance. At the start of 2022, a pilot project with various general agents got under way that is focused on the brokerage of mortgages through key4. Baloise is opening up access to this mortgage platform for a new group of customers in the insurance business. In 2021, Baloise made a further investment in the fast-growing start-up Houzy, in which UBS also holds a stake. We are now the exclusive insurance partner of this platform for home owners.

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

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

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

Mobility ecosystem

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

Thanks to long-term equity investments and partnerships, Baloise's Mobility ecosystem now operates in ten European countries and is continuing to expand. At the start of 2021, Belgian Baloise subsidiary Mobly announced a new collaboration between its search engine VROOM.be and the lending platform Mozzeno. With around 17 million visitors and more than 32,000 adverts per year, VROOM.be reaches a large audience.

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

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

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

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

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

OUTLOOK

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

Consolidated income statement

FIVE-YEAR OVERVIEW

	2017	2018	2019	2020	2021
CHF million					
Income					
Premiums earned and policy fees (gross) [1]	6,726.4	6,737.0	7,571.3	7,034.8	7,416.2
Reinsurance premiums ceded	– 183.4	– 209.0	– 241.5	– 268.0	– 326.5
Premiums earned and policy fees (net)	6,542.9	6,528.0	7,329.8	6,766.8	7,089.7
Investment income	1,392.5	1,376.0	1,257.0	1,176.5	1,159.5
Realised gains and losses on investments [2]					
For own account and at own risk	427.8	96.1	336.1	288.3	370.5
For the account and at risk of life insurance policyholders and third parties	696.5	– 1,087.8	1,709.5	179.5	1,534.2
Income from services rendered	116.9	130.4	126.0	118.5	130.6
Share of profit (loss) of associates	5.5	6.2	10.8	64.1	4.9
Other operating income	235.0	227.6	227.7	193.4	213.2
Income	**9,417.1**	**7,276.6**	**10,996.9**	**8,787.0**	**10,502.5**
Expense					
Claims and benefits paid (gross)	– 5,726.5	– 5,904.4	– 6,090.4	– 6,182.6	– 5,813.4
Change in technical reserves (gross)	– 535.0	412.4	– 956.7	33.1	– 1,184.7
Reinsurance share of claims incurred	80.8	83.3	117.0	236.4	529.6
Acquisition costs	– 482.1	– 535.8	– 554.6	– 581.3	– 655.6
Operating and administrative expenses for insurance business	– 765.8	– 810.8	– 816.0	– 831.6	– 856.7
Investment management expenses [3]	– 77.2	– 82.2	– 108.1	– 107.4	– 124.4
Interest expenses on insurance liabilities	– 21.9	– 19.2	– 17.2	– 15.2	– 13.6
Gains or losses on financial contracts	– 613.4	801.2	– 1,388.0	– 259.5	– 1,168.3
Other operating expenses [3]	– 591.8	– 483.6	– 459.0	– 476.1	– 493.0
Expense	**– 8,733.0**	**– 6,539.1**	**– 10,273.0**	**– 8,184.1**	**– 9,780.0**
Profit before borrowing costs and taxes	**684.1**	**737.5**	**723.9**	**602.9**	**722.5**

1 In line with the accounting principles applied by the Baloise Group, investment-type insurance premiums are not included in premiums earned and policy fees.
2 Including financial liabilities held for trading purposes (derivative financial instruments).
3 The harmonisation of the recognition of investment administration costs caused a minor shift in the 2019 figures for other operating expenses and investment management expenses.

FIVE-YEAR OVERVIEW

CHF million	2017	2018	2019	2020	2021
Profit before borrowing costs and taxes	684.1	737.5	723.9	602.9	722.5
Borrowing costs	– 34.3	– 39.9	– 37.7	– 34.3	– 24.7
Profit before taxes	649.8	697.6	686.2	568.6	697.9
Income taxes	– 117.9	– 174.7	3.3	– 140.3	– 114.6
Profit for the period	531.9	522.9	689.5	428.3	583.3
Attributable to					
Shareholders	548.0	523.2	694.2	434.3	588.4
Non-controlling interests	– 16.1	– 0.3	– 4.7	– 6.1	– 5.1
Earnings / loss per share					
Basic (CHF)	11.50	11.14	15.02	9.65	13.06
Diluted (CHF)	11.48	11.12	14.99	9.63	13.05

ADDITIONAL INFORMATION INSURANCE

CHF million	2017	2018	2019	2020	2021
Gross premiums written and policy fees	6,741.3	6,766.2	7,602.4	7,093.8	7,453.1
Investment-type premiums	2,519.5	1,912.1	1,907.5	1,832.7	2,138.0
Total business volume	9,260.8	8,678.2	9,509.9	8,926.5	9,591.1
Investments for the account and at the risk of life insurance policyholders	14,543.8	13,640.8	15,337.8	15,564.1	17,309.2
Net combined ratio	92.3	91.7	90.4	91.2	92.6
Funding ratio (non-life) (per cent)	193.3	179.4	179.8	174.3	161.8

Consolidated balance sheet

FIVE-YEAR OVERVIEW

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

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

Business volume, premiums and combined ratio

BUSINESS VOLUME

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

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

1 Premiums written and policy fees (gross).

NET COMBINED RATIO

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

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

1 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

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

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

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

1 Not including capitalised settlement premiums.

Technical income statement

	Non-life		Life[3]	
	2020	2021	2020	2021
CHF million				
Gross				
Gross premiums written and policy fees	3,802.5	4,063.4	3,291.3	3,389.7
Change in unearned premium reserves	– 59.1	– 36.9	–	–
Premiums earned and policy fees (gross)	3,743.4	4,026.5	3,291.3	3,389.7
Claims and benefits paid (gross)	– 2,338.3	– 2,541.8	– 3,844.3	– 3,271.6
Change in technical reserves (gross)				
Change in claims reserve / actuarial reserves[1]	52.4	– 208.7	168.8	– 591.3
Change in other technical reserves	– 51.8	– 19.1	– 136.6	– 365.5
Technical expenses	– 1,159.1	– 1,262.3	– 335.2	– 344.2
Total technical result (gross)	246.7	– 5.5	– 856.0	– 1,183.0
Ceded to reinsurers				
Reinsurance premiums ceded	– 230.0	– 279.1	– 38.1	– 47.4
Claims and benefits paid	164.7	318.8	11.5	13.1
Reinsurers' share of claims incurred	40.3	179.2	3.3	4.3
Change in other technical reserves	0.3	0.0	16.5	14.2
Technical expenses	22.5	28.8	1.3	0.9
Total technical result of ceded business	– 2.1	247.7	– 5.4	– 15.0
For own account				
Premiums earned and policy fees	3,513.5	3,747.4	3,253.3	3,342.3
Claims and benefits paid	– 2,173.6	– 2,223.0	– 3,832.8	– 3,258.5
Change in claims reserve / actuarial reserves[1]	92.7	– 29.5	172.1	– 587.1
Change in other technical reserves	– 51.4	– 19.1	– 120.0	– 351.3
Technical expenses	– 1,136.5	– 1,233.5	– 333.9	– 343.4
Total technical result for own account	244.7	242.3	– 861.4	– 1,197.9
Investment income (gross)	158.5	151.9	942.6	936.1
Realised gains and losses on investments[2]	25.2	32.6	459.1	1,873.9
Investment management expenses	– 29.4	– 32.4	– 102.0	– 111.5
Other financial expenses and income	– 96.8	– 90.6	– 156.1	– 1,093.9
Gains or losses on investments	57.6	61.6	1,143.6	1,604.7
Profit before borrowing costs and taxes	302.2	303.9	282.2	406.7
Borrowing costs	– 0.3	– 0.3	– 10.3	– 10.2
Income taxes	– 63.2	– 32.9	– 67.6	– 74.4
Profit for the period (segment result)	238.7	270.7	204.3	322.1

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 2020: CHF – 3.2 million; 31 December 2021: CHF – 2.5 million).

Gross premiums by sector

GROSS PREMIUMS BY SECTOR (NON-LIFE)

CHF million	2020	2021	+/–%
Accident	421.1	440.2	4.5
Health	160.8	169.0	5.1
General liability	348.7	382.3	9.6
Motor	1,268.8	1,329.2	4.8
Property	1,238.1	1,336.3	7.9
Marine	208.0	230.8	11.0
Other	102.6	112.3	9.5
Inward reinsurance	54.4	63.3	16.4
Gross premiums written (non-life)	3,802.5	4,063.4	6.9

GROSS PREMIUMS BY SECTOR (LIFE)

CHF million	2020	2021	+/–%
Business volume generated by single premiums	2,595.0	2,971.9	14.5
Business volume generated by periodic premiums	2,529.1	2,555.9	1.1
Investment-type premiums	–1,832.7	–2,138.0	16.7
Gross premiums written (life)	3,291.3	3,389.7	3.0

Banking activities

PROFIT OR LOSS FROM BANKING ACTIVITIES

CHF million	2020	2021
Net interest income	75.5	77.3
Net fee and commission income	66.2	66.8
Trading profit	0.1	0.2
Other net income	12.7	13.6
Total operating income	**154.6**	**158.0**
Personnel expenses	–69.8	–69.6
General and administrative expenses	1.9	3.6
Total operating expenses	**–67.9**	**–66.0**
Gross profit	**86.7**	**92.0**
Net losses and impairment due to credit risk	–0.9	–4.4
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	–6.4	–5.1
Profit before borrowing costs and taxes	**79.4**	**82.5**
Borrowing costs	0.0	0.0
Income taxes	–11.7	–12.0
Profit for the period (segment result)	**67.8**	**70.4**

ADDITIONAL INFORMATION

CHF million	31.12.2020	31.12.2021
Third-party assets	11,758.8	13,422.8

ASSET ALLOCATION

CHF million	31.12.2020	31.12.2021
Investment property	–	–
Equities	15.1	15.1
Alternative financial assets	–	–
Fixed-income securities	142.5	114.0
Mortgage assets	6,768.9	6,956.8
Policy loans and other loans	184.3	169.5
Derivative financial instruments	11.9	10.3
Cash and cash equivalents	1,399.5	1,333.8
Total	**8,522.2**	**8,599.6**

Investment performance

2020[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	562.6	102.2	282.5	221.4	7.7	1,176.5
Realised gains and losses and impairment losses recognised in profit or loss (net)	100.9	–125.1	171.0	109.3	32.2	288.3
Change in unrealised gains and losses recognised directly in equity	415.9	–12.4	–	–	140.4	543.9
Investment management costs	–50.2	–6.5	–27.5	–14.9	–6.7	–105.9
Operating profit	1,029.2	–41.8	426.0	315.8	173.6	1,902.7
Average investment portfolio	34,840.0	3,575.6	8,265.2	16,913.9	3,989.9	67,584.6
Performance (per cent)	3.0	–1.2	5.2	1.9	4.4	2.8

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

2021[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	551.3	111.0	286.4	203.0	7.8	1,159.5
Realised gains and losses and impairment losses recognised in profit or loss (net)	–137.0	152.2	239.6	–6.3	122.1	370.5
Change in unrealised gains and losses recognised directly in equity	–1,059.2	298.5	–	–	270.6	–490.0
Investment management costs	–54.8	–7.3	–28.0	–14.7	–8.3	–113.2
Operating profit	–699.7	554.4	498.0	182.0	392.2	926.8
Average investment portfolio	34,989.3	3,760.5	8,437.4	16,556.9	4,196.1	67,940.2
Performance (per cent)	–2.0	14.7	5.9	1.1	9.3	1.4

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

CURRENT INCOME FROM INSURANCE [1]

	2020			2021		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	39.4	241.8	281.2	36.9	248.5	285.4
Equities	30.5	71.2	101.7	33.4	77.1	110.5
Alternative financial assets	1.1	7.5	8.5	1.1	9.0	10.1
Fixed-income securities	66.9	494.3	561.1	62.2	487.7	549.9
Mortgage assets	7.1	60.4	67.5	6.6	56.5	63.1
Policy loans and other loans	13.7	67.6	81.3	12.3	58.5	70.8
Cash and cash equivalents	–0.2	–0.2	–0.5	–0.6	–1.2	–1.8
Total current income	158.5	942.6	1,101.0	151.9	936.1	1,088.0

REALISED GAINS AND LOSSES IN INSURANCE [1]

	2020			2021		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	27.5	142.2	169.6	18.2	219.8	238.0
Equities	–36.7	–88.4	–125.1	48.5	103.6	152.1
Alternative financial assets	1.1	–9.1	–8.0	13.6	65.1	78.7
Fixed-income securities	39.6	61.3	100.9	–39.8	–97.2	–137.0
Mortgage assets	–0.9	0.6	–0.3	–0.4	–0.4	–0.7
Policy loans and other loans	0.4	124.8	125.2	1.9	19.2	21.1
Derivative financial instruments	–5.7	42.7	37.0	–9.5	62.4	52.9
Total capital gains and losses	25.2	274.0	299.3	32.6	372.5	405.1

ASSET ALLOCATION IN INSURANCE [1]

	2020			2021		
as at 31.12.	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	1,004.7	7,381.5	8,386.2	1,008.6	7,443.9	8,452.6
Equities	1,014.4	2,543.0	3,557.4	1,136.4	2,787.0	3,923.4
Alternative financial assets	225.4	686.0	911.4	347.0	889.9	1,236.9
Fixed-income securities	5,972.4	28,976.8	34,949.2	5,697.3	29,074.3	34,771.6
Mortgage assets	467.1	4,014.5	4,481.7	465.5	3,847.0	4,312.5
Policy loans and other loans	1,841.5	5,111.1	6,952.6	1,575.1	4,243.8	5,818.9
Derivative financial instruments	17.2	461.0	478.3	21.1	548.3	569.5
Cash and cash equivalents	383.5	701.2	1,084.7	342.7	693.9	1,036.5
Total	10,926.3	49,875.2	60,801.5	10,593.7	49,528.2	60,121.9

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

Risk management

Risk management – a key pillar of our value creation

Risk management is a key element of a sustainability-focused corporate governance system and, as such, plays an important role in Baloise's value creation. It helps to ensure a strong balance sheet, a high level of operational profitability, a well-developed risk culture, consistent risk processes and a sustainable investment policy.

Risk management objectives

- Identification and measurement of key risks
- Carefully considered management and mitigation of risks
- Involvement of employees from different departments and operating segments in the risk management system
- Active communication about the risk situation
- Integration of sustainability and climate risks into the risk management system and in the investment and underwriting process

Impact of value creation

- Understanding current and future risks
- Ensuring the stability of Baloise and the proper functioning of its business operations
- Enhancing risk awareness at all levels of the organisational structure
- Providing transparency about risks taken
- Reducing sustainability and climate risks and contributing to society and environmental protection in positive ways

Risk management plays an important role in the overall value creation process of Baloise. It involves managing risk and value, and is based on innovative standards so that Baloise can always keep its promise to its customers. Our risk management is a standardised strategic and operational system that is applied throughout the Baloise Group and covers the following areas:

- **Risk governance and risk culture**
  Standards that apply across the Group form the backbone of Baloise's risk strategy and define – in the form of a risk map – the fundamental risk issues, such as actuarial risk and market risk, as well as the operational risk arising from business activities. The detailed risk map can be found on pages 124 and 125 of the 2021 financial report. Risk awareness – i.e. a sense of readiness to detect and respond to risks – is encouraged and embedded throughout the organisation. One way in which we achieve this is by involving employees from different departments and operating units in the risk management system (e.g. in the assessment of risks and in the allocation of responsibility for risks).

- **Risk measurement**
  Risk is identified and quantified in all business and financial processes according to common internal standards. This enables appropriate priorities to be set for senior management in respect of the risks taken on.

- **Risk processes**
  Leadership, reporting and evaluation processes are supported by risk processes in order to ensure that the risk perspective is factored into all important business decisions.

- **Risk management**
  Risks are managed and mitigated carefully in keeping with the defined risk tolerance. Upside potential is optimised in consideration of relevant risks, resulting in sustainable value creation for Baloise's investors.

- **Risk reporting**
  Risk reporting ensures that the current risk situation is presented transparently in our internal and external communications.

Sustainability risks – including climate risks – are identified along the risk map and integrated into the existing risk management processes and frameworks. This ensures that the results of our regular analyses and assessments are incorporated into the strategic risk management approach.

RISK MANAGEMENT SYSTEM AND RISK CULTURE

The end-to-end risk management system and risk culture ensure that all material risks are identified, measured and adequately addressed. Risks that have been taken on are consciously managed and unwanted risks are actively reduced for Baloise and for its stakeholders.

A key part of the risk management system is the identification and assessment of risks. Group-wide individual risks are plotted on the risk map according to their likelihood and their expected impact. Baloise's corporate database of specific risks – which contains a detailed description of the risks concerned, their position on the risk map, early-warning indicators and the quantitative evaluation – is generated from this standardised process. Risks are documented together with the measures needed to mitigate them. Clear responsibilities are defined across all departments. Each risk is assigned to a risk owner (with overall responsibility) and to a separate risk controller (responsible for risk monitoring and control). Based on this database, which is regularly updated, it is possible to check whether the risks that have been taken on are within the limits of acceptable risk. This allows unwanted risks with possible negative consequences for Baloise and its stakeholders to be identified at an early stage and mitigated in a targeted manner. Strategic decision-makers are brought into the risk management process, along with system managers, process managers and specialists, which creates risk awareness and a risk culture among the employees.

COMPLIANCE WITH REGULATORY OBLIGATIONS AND DISCLOSURE REQUIREMENTS

By complying with regulatory obligations and disclosure requirements in risk management, Baloise demonstrates that it is a reliable partner to regulatory authorities, customers, investors and society.

Baloise meets various regulatory obligations such as the Swiss Solvency Test (SST), Solvency II, the Own Risk and Solvency Assessment (ORSA) and the requirements for internal control systems, and in doing so provides regular reports on its risk and solvency situation to the regulators. Fulfilment of these requirements ensures that Baloise reduces unwanted risks to the greatest possible extent and remains solvent even under adverse circumstances so that it is always able to meet its obligations to its customers.

The calculation methods stipulated by the Swiss Solvency Test and the Solvency II guidelines provide the basis for the quantitative risk measurement of all business and financial market risks. Risk measurement metrics are used to calculate a target capital figure (capital requirement). The available capital, or risk-bearing capital, is continuously compared against this target capital.

This combination of risk modelling and analysis of specific risks as described above ensures that Baloise maintains an adequate overview of the prevailing risk situation at all times. The overall risk situation is presented in the Own Risk and Solvency Assessment (ORSA), which is discussed with the decision-makers as a basis for developing appropriate measures. The ORSA reports are also sent to the regulatory authorities.

The purpose of the internal control system is to ensure compliance with laws and regulations, the reliability of the financial reporting and the effectiveness of the business processes in order to support the Company in achieving its goals. In implementing the internal control system, Baloise is pursuing a strategy of increasing risk awareness at all levels of the Company and focusing on the identification and management of key risks faced by the Company that could pose a threat to the proper functioning of business operations and thus to the success of the Company. Using the internal control system, risks for Baloise and its stakeholders can be identified at an early stage and effectively mitigated.

Disclosures made in the financial condition report (Baloise Group and its Swiss companies) and the Solvency and Financial Condition Report (European Economic Area) inform the market, customers and investors about the most important findings of the quantitative solvency measurement and thus the capital strength and the risks taken. This reporting also promotes market discipline and thus also the stability of the financial sector.

Baloise's risk management team proactively participates in discussions with its partners, thereby contributing to society and to a better understanding of the future risks for the insurance industry. Baloise is a member of the Swiss Insurance Association (SVV), for example. It fulfils its responsibilities through its work with the association, and also in direct cooperation with the regulatory authorities, by providing support in the form of data, analyses and assessments in subject-specific industry surveys and in the further development of the regulatory system.

RISK MANAGEMENT

The ongoing optimisation of income through risk / return criteria as part of strategic risk management will secure the long-term stability of Baloise and be of benefit to customers and investors.

The risk models, which use quantitative methods to assess all business risks and financial market risks in all strategic units, form the basis for strategic discussions about Baloise's risk appetite. Strategic risk management within the scope of the established risk appetite 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. In the area of investment, for example, the aim is to achieve the highest possible expected return with the lowest possible risks. This will ensure the long-term stability of Baloise, benefiting both its customers and its investors.

GROWING INTEGRATION OF SUSTAINABILITY AND CLIMATE RISKS

As the integration of sustainability and climate risks into the risk management framework of Baloise progresses, the Company's risk profile is becoming more nuanced. Over the long term, the inclusion of sustainability aspects in risk-related strategic considerations will improve the creation of value for investors and customers and reduce the Company's environmental impact.

In order to facilitate an efficient assessment from different angles, sustainability-related risks are integrated into Baloise's existing risk processes. To this end, sustainability risks are classified as pertaining to the environmental, social or corporate governance (ESG) dimensions and are identified, recorded and assessed within the established risk categories (e.g. market risk and actuarial risk) along the risk map. In addition, sustainability aspects that are of strategic relevance in terms of risk are addressed as a separate risk type in the context of the business strategy.

In 2021, various sustainability risk clusters (e.g. storm and flood disasters) were analysed and the findings were used to identify potential or actually existing risks for different operating segments. Material risks that were identified by means of this process were then included in the Group-wide frameworks.

Long-term sustainability-related trends are examined and evaluated as part of the analysis of emerging risks, which forms part of the Own Risk and Solvency Assessment. Based on the commonly used typology, the following emerging risks have been identified:

- **Physical risks**
  Environmental risks arising from the increasing prevalence of natural phenomena such as hurricanes, floods, hailstorms and fires.

- **Transitional risks**
  Implications of changes in the expectations of stakeholders with regard to sustainability, such as a shift in demand for financial and insurance products.

- **Liability risks**
  Liability of companies for the environmental damage they cause (pollution, endangering of biodiversity, breaches of environmental standards).

The integration of sustainability risks into existing risk management processes ensures that the results of our regular analyses and assessments are incorporated into the strategic risk management approach. In addition, general risk awareness is strengthened through the involvement of employees from different departments and operating segments.

The ongoing integration of sustainability and climate risks into strategic risk management at Baloise constitutes an important step in implementing the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). In 2022, various parts of the Baloise Group will conduct analyses and preparations in order to drive forward the further implementation of the TCFD's recommendations.

EMBEDDING SUSTAINABILITY CRITERIA IN THE INVESTMENT AND UNDERWRITING PROCESS

By embedding sustainability criteria in the investment and underwriting process as part of the strategy, the risks for customers and investors are reduced and opportunities are identified, so that a positive contribution to society and environmental protection can be achieved.

The integration of environmental, social and corporate governance (ESG) factors into risk-related strategic processes benefits the environment, society, customers and investors. Investment risks are reduced in the long term by investing in companies whose management of ESG risks is categorised as good to excellent. These companies are more resilient in times of crisis and downside risks in particular can be mitigated. This benefits the environment and society as a whole, as these companies reduce their negative impact or even generate a positive impact. Customers and investors benefit indirectly from the positive impact on society as a whole and directly from the long-term positive effects of this investment strategy on the risk / return ratio.

From 2022, underwriting operations will also increasingly take account of sustainability criteria, especially in new insurance business with industrial and large corporate customers. In addition, Baloise sees itself as a reliable partner for customers whose business model is currently undergoing a transformation. We have launched a process in product management that identifies opportunities in the field of sustainability, which can then be addressed through products and services. This allows us to make a positive contribution to society and environmental protection.

EXTERNAL VIEW OF CAPITALISATION AND RISK MANAGEMENT

Baloise's capitalisation, which has a positive impact on the security of investors and customers, is also highly rated outside the Company.

The Standard & Poor's rating of 'A+ with a stable outlook' is evidence that Baloise's excellent capitalisation is also recognised by third parties. Standard & Poor's also takes a favourable view of the Group's strategic risk management, risk culture and risk controls. These are aspects that have a positive impact on the security of our investors and our customers.

www.baloise.com/risk-management

Corporate Governance

Corporate Governance Report

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 18 June 2021 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 57 onwards).

The information contained in the Corporate Governance Report refers to the situation on the balance sheet date (31 December 2021). Additional reference is made to material changes occurring between the balance sheet date and the print deadline for the Annual Report.

Sustainable business management plays an important role at Baloise and, in addition to the information provided in the Corporate Governance Report, is described in more depth in the various sections of the Company's Annual Review.

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 6,828.8 million as at 31 December 2021.

- Information on Baloise shares can be found from page 44 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2021 can be found from page 224 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 163 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 52 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 26,611 shareholders were registered in Bâloise Holding's share register as at 31 December 2021. The number of registered shareholders had increased by 10.8 per cent compared with the previous year. The "Significant shareholders" section on page 249 provides information on the structure of the Company's shareholder base as at 31 December 2021.

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) 314,837 treasury shares (0.7 per cent of the issued share capital) as at 31 December 2021.

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 to supplement conventional cash dividends. Shareholders have received a total of CHF 1,992.5 million from cash dividends and share buy-backs over the last five years.

Year (CHF million)	Cash dividends	Share buy-backs	Total
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3	190.0	502.3
2020	312.3	92.8	405.1
2021	320.6[1]	–	320.6
Total	1,511.3	481.1	1,992.5

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 29 April 2022.

Bâloise Holding's equity

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

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

CHF million	31.12.2019	31.12.2020	31.12.2021
Share capital	4.9	4.9	4.6
General reserve	11.7	11.7	11.7
Reserve for treasury shares	8.3	9.2	7.6
Free reserves	683.2	922.3	502.8
Distributable profit	552.5	372.5	391.6
Treasury shares	–397.7	–491.3	–9.3
Equity attributable to Bâloise Holding	862.9	829.3	909.1

Since the capital reduction decided on 30 April 2021, the share capital of Bâloise Holding totals CHF 4.58 million and is divided into 45,800,000 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 30 April 2021 has authorised the Board of Directors until 30 April 2023 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

Conditional capital has also been created that 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 7,299.9 million on 31 December 2021. Details of changes in consolidated equity in 2020 and 2021 can be found in the consolidated statement of changes in equity on pages 90 and 91 in the Financial Report. All pertinent details relating to 2019 can be found in the consolidated statement of changes in equity on page 140 in the 2020 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 2021, a total of 13 public bonds were outstanding and on 27 September 2021, the Company issued its first green bond. On 27 January 2022, Bâloise Holding placed a further bond in an amount of CHF 200 million. Details of outstanding bonds can be found on pages 207 and 247 and on the website.
www.baloise.com/bonds

Credit rating

On 18 June 2021, the credit rating agency Standard & Poor's confirmed its rating for the Baloise Group's core companies of "A+" with a stable outlook. The rating of Basler Sachversicherungs-AG (Germany) was upgraded from 'A' with a positive outlook to "A+" with a stable outlook. Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. Information about the ratings of Bâloise Holding and its subsidiaries Baloise Belgium NV (Belgium), Basler Sachversicherungs-AG (Germany), Baloise Insurance Ltd (Switzerland) and Baloise Life Ltd (Switzerland) 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. Each member of the Board of Directors has been elected for a term of one year at a time. As at 31 December 2021, the average age on the Board of Directors was 60. The average term of office is 4.7 years.

The Organisational Regulations state that the term of appointment for members of the Board of Directors usually ends at the Annual General Meeting that follows the member's 70th birthday (age limit).

Members of the Board of Directors

All members of the Board of Directors (including the Chairman) are independent and 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, Christoph B. Gloor, Hugo Lasat, Christoph Mäder, Dr Markus R. Neuhaus, Dr Thomas von Planta, Thomas Pleines, Professor Hans-Jörg Schmidt-Trenz and Professor 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.

Dr Thomas von Planta was elected as Chairman, replacing Dr Andreas Burckhardt who did not stand for re-election and has stepped down from the Board of Directors. Dr Karin Lenzlinger Diedenhofen was newly elected to the Board of Directors.

All members of the Board of Directors are standing for re-election at the Annual General Meeting on 29 April 2022 with the exception of Dr Andreas Beerli and Thomas Pleines who, having served eleven years and ten years respectively on the Board of Directors of Bâloise Holding Ltd., are not standing for re-election. On the basis of its succession planning (see "Succession Planning" on page 45), the Board of Directors of Bâloise Holding Ltd. intends to ask the Annual General Meeting to elect Maya Bundt and Claudia Dill to the Board of Directors, in both cases as independent non-executive members, on 29 April 2022.

Maya Bundt has a degree in geoecology and a doctorate in environmental science from the Swiss Federal Institute of Technology in Zurich. Since 2003, she has been working for the reinsurance company Swiss Re in a variety of roles. These include heading the Cyber & Digital Solutions department, and she is currently Cyber Practice Leader as well as chairing the Swiss Re Cyber Council. Before joining Swiss Re, Maya Bundt was a management consultant with Boston Consulting Group. Once she is elected to the Board of Directors of Bâloise Holding Ltd by the Annual General Meeting, Bundt will give up her operational activities in the reinsurance industry. Maya Bundt is a member of the Board of Directors of APG SGA AG and Valiant Bank AG.

Claudia Dill studied business administration at the University of St. Gallen and holds an MBA from the University of Rochester / Bern. She has a proven track record in finance and insurance, having worked, among others, for Deutsche Bank, Commerzbank and Credit Suisse in the areas of management reporting, auditing and risk management. From 1999 to 2020, she worked for the Zurich Insurance Group in a range of managerial positions in Zurich, New York and São Paulo, most recently as Chief Executive Officer for the Latin American business while she was a member of the Corporate Executive Committee. Claudia Dill was an independent member of the Board of Directors of the Finnish Nordea Bank Abp until March 2022.

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

MEMBERS

	Chairman's Committee	Audit and Risk Committee	Remuneration Committee	Investment Committee	Nationality	Born in	Appointed in
Dr Thomas von Planta, Chairman (since 2021), Zurich	C			C	CH	1961	2017
Dr Andreas Beerli, Vice-Chairman (since 2018), Oberwil-Lieli	DC	C			CH	1951	2011
Christoph B. Gloor, Riehen		M		DC	CH	1966	2014
Hugo Lasat, Kessel-Lo (B)				M	B	1964	2016
Dr Karin Lenzlinger Diedenhofen, Wermatswil				M	CH	1959	2021
Christoph Mäder, Hergiswil			DC		CH	1959	2019
Dr Markus R. Neuhaus, Zollikon		DC	M		CH	1958	2019
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	M			CH	1975	2016

C: Chair, DC: Deputy Chair, M: Member.Statutory rules concerning the number of permitted activities

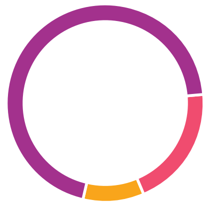
DIVERSITY ON THE BOARD OF DIRECTORS
Per cent

Professional background / experience / expertise *

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

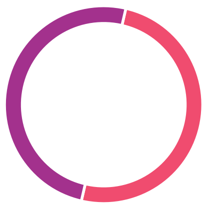
Nationality

Switzerland	70.0
Germany	20.0
Belgium	10.0



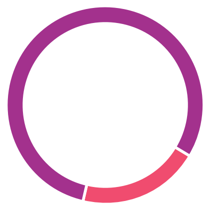
Term of appointment

‹ 5 years	50.0
5–10 years	50.0
› 10 years	0.0



Gender

Men	80.0
Women	20.0



* More than one category may apply.

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

Interlocking directorates

There are no interlocking directorates.

Internal organisation

Functions and responsibilities of the Board of Directors

Subject to the decision-making powers exercised by shareholders at the Annual General Meeting, the Board of Directors is the Company's ultimate decision-making body. Decisions are taken by the Board of Directors unless, 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 section 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 Directors' role in corporate social and environmental responsibility can be found on page 101 onwards in the Company's Annual Review.

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 investors, government agencies, trade associations and other Baloise stakeholders. The Chairman of the Board of Directors maintains close contact with the Group CEO. He attends the meetings of the Corporate Executive Committee when appropriate, for example whenever matters of strategic or long-term importance are being discussed. He ensures the decisions of the Board of Directors are implemented by the Corporate Executive Committee and, conversely, that the Board of Directors is kept informed on all matters of material importance to the decision-making and monitoring process at Baloise.

As is the case for the Chairman of the Board of Directors, the Vice-Chairman is an ex officio member of the Chairman's Committee (see section C2.2 of the Organisational Regulations); he is also the Head of the Audit and Risk Committee. The heads of the control functions (Risk Management, Compliance, Group Internal Audit and the Appointed Actuary) and the external auditors are in regular dialogue with the Vice-Chairman of the Board of Directors and report to him. He has powers that enable him to ensure the independence of the control functions. If necessary, the Board of Directors can furthermore appoint the Vice-Chairman or another experienced member of the Board of Directors as Lead Director in order to ensure the independence of the Board of Directors as a governing body (see section A 3.7 of the Organisational Regulations).

Committees of the Board of Directors

The Board of Directors has four committees, which support it in its activities. These committees report to the Board of Directors and submit 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 newly elected every year by the Board of Directors. Article 7 ERCO requires the members of the Remuneration Committee to be individually 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.

Functions and responsibilities of the committees

The **Chairman's Committee** reviews 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.

New committee structure as at 4 March 2022

The Chairman's Committee has been recast as a **Strategy and Governance Committee** (SGC). The SGC monitors the progress of strategy and sustainability matters on behalf of the Board of Directors. The Board of Directors is responsible for both areas (in the case of strategy, this is mandated by section 716a of the Swiss Code of Obligations) and, where required, adopts the relevant resolutions. The SGC prepares nominations within the parameters of the Board of Directors' responsibility for nominations and elections.

The **Investment and Risk Committee** (IRC; formerly the Investment Committee) supports the Board of Directors in the areas of investment management, capital management and risk management. It oversees investment activities and assesses capital adequacy and asset and liability management as part of its overall review of the financial risks. Asset management is no longer considered as an isolated element in the committee but in the light of key influencing factors (such as solvency, tied assets and reserves).

The **Audit Committee** (AC; formerly Audit and Risk Committee) supports the Board of Directors in its supervision of accounting, financial and regulatory reporting, and compliance with statutory provisions. Only independent members of the Board of Directors sit on the Audit Committee, which receives the reports from the various control functions (such as external auditors, Internal Audit, Compliance and Risk Management). The AC reviews the risk strategy and risk appetite of the Group for the attention of the Board of Directors and takes note of risk reports.

The tasks and responsibilities of the **Remuneration Committee** (RC) are set out in the Articles of Association and remain largely unchanged. The Remuneration Committee is elected by and reports to the Annual General Meeting.

www.baloise.com/rules-regulations

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.

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The full Board of Directors of Bâloise Holding met on seven occasions in 2021. 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 16 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 six times in 2021, 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 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 all meetings of the full Board of Directors and those of its committees.

Self-evaluation

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

Training and development

In preparation for their new role, the members of the Board of Directors participate in a two-day introductory programme and then receive ongoing training (at least once a year) in half-day seminars on specific topics. In 2021, two seminars were conducted for the Board of Directors on topics relating to valuation and accounting, with a specific focus on the IFRS 17 and IFRS 9 accounting standards.

Succession planning

There are changes to the Board of Directors on an ongoing basis. Succession planning is the responsibility of the Chairman's Committee, which is also responsible for planning personnel changes in the Corporate Executive Committee.

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 42). Any restrictions on availability and potential conflicts of interest rising from other mandates are also taken into account.

The Chairman's Committee identified insurance expertise, know-how in IT and digitalisation, and the representation of women on the Board of Directors as priorities for succession planning in 2021. The election of Maya Bundt and Claudia Dill will replace and strengthen the necessary expertise on the Board of Directors and increase the proportion of female members to 40 per cent.

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 a separate chapter to the subject of financial risk management: from page 31 onwards and in the Financial Report starting on page 121.

The members of the Board of Directors have access to the minutes of all meetings of the Corporate Executive Committee and of the committees. The Chairman of the Board of Directors may attend meetings of the Corporate Executive Committee at any time.

Thomas von Planta (1961, Switzerland, Dr iur., lawyer)
has been a member of the Board of Directors since 2017 and its Chairman since 30 April 2021. Until March 2019, he was Chairman of the Board of Directors of Bellevue Group AG, Bank am Bellevue AG and Bellevue Asset Management AG. Before that, he had worked for Goldman Sachs in Zurich, Frankfurt and London for around ten years and had been the interim Head of Investment Banking and Head of Corporate Finance for the Vontobel Group in Zurich between 2002 and 2006. Until April 2021, he was managing director of CorFinAd AG, a company he founded that specialises in consultancy for M&A transactions and capital market finance. Dr Thomas von Planta sits on the Board of Directors of BB Biotech AG. He is an independent non-executive director.

Andreas Beerli (1951, Switzerland, Dr iur.)
has been a member of the Board of Directors since 2011. After studying law at the University of Basel, 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 and is a member of the Advisory Board of Accenture Switzerland. 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 partner and Chief Executive Officer of private bank La Roche & Co AG before going on to become a member of the Executive Committee and Deputy 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 2013 to 2015 and was a member of the Board of Directors of the Swiss Bankers Association from 2013 to 2015. He was a member of the Board of Managing Directors of the Basel Banking Association until 2019. He holds an Executive Master in Change from INSEAD, where he also completed the International Directors Program in 2018. 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 has been Group CEO of Brussels-based Degroof Petercam since October 2021. In this role, he also chairs the Board of Directors of Degroof Petercam Asset Management (DPAM), a company he previously ran as CEO. Hugo Lasat is a member of the Board of Directors of Banque Degroof Petercam in Luxembourg and Arvestar Asset Management, Brussels. He is Chairman of the Board of Directors of Syncicap Asset Management Ltd., and his previous managerial roles include CEO of Amonis Pension Fund and of the Candriam Investors Group. He is a guest professor at KU Leuven (Brussels Campus). Hugo Lasat is an independent non-executive director.

Karin Lenzlinger Diedenhofen (1959, Switzerland, Dr oec. HSG) has been a member of the Board of Directors since 2021. She has been Vice-President of the SV Group AG since 2017 and Chair of the Board of Directors of Zürcher Oberland Medien AG since 2015. She is a member of the Board of Directors of Bank Linth LLB AG and of Übermorgen Ventures Investment AG and sits on various boards of foundations and organisations with portfolios including corporate responsibility and sustainability. Dr Karin Lenzlinger Diedenhofen has been President of Zurich's Chamber of Commerce and a member of the Board of Directors of economiesuisse since 2013. Between 1991 and 2019, she held various positions, most recently as CEO and delegate of the Board of Directors of Lenzlinger Söhne AG, Nänikon / Uster. Karin Lenzlinger Diedenhofen is an independent non-executive director.

Christoph Mäder (1959, Switzerland, lawyer) has sat on the Board of Directors since May 2019. From 2000 to 2018, he was a member of the Syngenta International AG executive team with responsibility for legal and tax. He was also a member of the Management Board of the Basel Chamber of Commerce and of scienceindustries until 2018, serving as the latter's president between 2008 and 2014. He has been president of economiesuisse, the umbrella organisation representing Swiss business, since 2020. Christoph Mäder is Vice-Chairman of the Board of Directors of Lonza Group AG, a member of the Board of Directors of EMS Chemie Holding AG and Assivalor AG and, since 2021, a member of the Bank Council of the Swiss National Bank. He 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 2019. He was the Chairman of the Board of Directors of PricewaterhouseCoopers AG (PwC) from 2012 to 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). Dr Markus R. Neuhaus is Vice-Chairman of the Board of Directors of Barry Callebaut AG and Orior AG. He is a member of the Board of Directors of Galenica AG and Jacobs Holding AG. Dr Markus R. Neuhaus is also Vice-President at Avenir Suisse and at the Zurich Chamber of Commerce, and a member of the Board of Foundation of the ETH Foundation. He 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 sat on the Board of Directors since 2018. He is a Professor of Economics at Saarland University and the University of Hamburg (specialising in institutional economics and governance) and Founding President of the HSBA Hamburg School of Business Administration, where he has been an honorary senator since 2019. From 1996 to 2017, he was Chief Executive Officer of the Hamburg Chamber of Commerce, and from 2010 to 2018, President of the Working Committee of European Chamber Chief Executives. He was a long-serving member of the Supervisory Board of Hamburg Airport, Hamburg Exhibition Centre and the NDR Broadcasting Council, as well as a member of the Board of Trustees of Hamburger Sparkasse. He is Vice-Chair of the World Chamber Federation of the International Chamber of Commerce ICC, a member of the Board of Trustees of the Hamburg Academic Foundation and Chairman of the Board of Trustees of the Tafel foundation of Hamburg-Schleswig-Holstein. 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 Vice-Chair of the Board of Foundation of the Swiss Board Institute, Vice-Chair of the Board of Directors of Banco Santander International SA, a member of the Board of Directors of Ina Invest Holding AG and Ina Invest AG and a member of the Board of Management of the Swiss Institute of Directors. Professor Marie-Noëlle Venturi-Zen-Ruffinen is an independent non-executive director.

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

Head of Group Internal Audit:
Christian Schacher,
Breitenbach (SO)

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 and the Swiss-American Chamber of Commerce.

Alexander Bockelmann (1974, Germany, Dr rer. nat.)
studied geoecology and environmental sciences at the universities of Bayreuth and East Anglia 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 and Group Chief Information Officer on the Management Board. Dr Alexander Bockelmann joined the Baloise Group in February 2019 and has led the Corporate Division IT since then.

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 incorporating the Investment Strategy and Investment Controlling, Business Development, Portfolio Management, Finance, Real Estate and Corporate Services units.

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 been in charge of 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.

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, Corporate Communications & Investor Relations, Mergers & Acquisitions, Group Procurement and Run-off as well as the Appointed Actuary for Swiss business at Baloise and the Head of Regulatory Affairs. Dr Carsten Stolz is a member of the Finance and Regulation Committee of the Swiss Insurance Association (SVV).

With 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 2021)

* Member of the Corporate Executive Committee.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

The Remuneration Report in **Appendix 1** to the Corporate Governance Report (page 57 onwards) describes the remuneration policies adopted and the remuneration system 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 2021 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 18 June 2021) and the Swiss Code of Best Practice for Corporate Governance.

The report of the external auditors on the audit of the Remuneration Report can be found in **Appendix 2** to the Corporate Governance Report (page 80 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) 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)	2020	2021
Audit fees	5,072,681	5,025,285
Consulting fees	46,960	48,369
Total	5,119,641	5,073,654

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 2021, the full amount of the additional fee for consultancy services was 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" 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, their independence and the quality of the service.

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 44.
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

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDERS,

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

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

REMUNERATION FOR 2021

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

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

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

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

CHANGES TO THE REMUNERATION MODEL

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

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

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

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

Basel, March 2022

Thomas Pleines
Chairman of the Remuneration Committee

1. OVERVIEW OF REMUNERATION

A. REMUNERATION SYSTEM

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

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

B. FIXED REMUNERATION

1. Description

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

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

C. SHORT-TERM VARIABLE REMUNERATION

1. Description

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

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

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

2. Mechanism

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

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

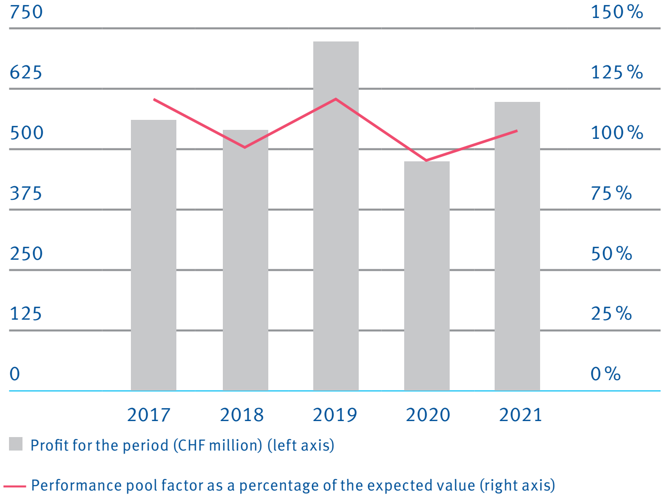
If the performance pool factor is set at 100 per cent, this means that the targets have been met and the entire amount of short-term variable remuneration is allocated.

	DESCRIPTION	PURPOSE
Fixed remuneration	► Basic salary ► Fringe benefits (dependent on location) ► Social security contributions	► Competitiveness in the marketplace ► Fairness and transparency ► Financial hedging
Short-term variable remuneration	► Performance pool ► Paid in cash or restricted shares	► Remuneration for the achievement of annual targets (Company, team and individual targets) ► Participation in the success of the business
Long-term variable remuneration	► Performance share units (PSUs)	► Strengthening of senior managers' loyalty to the Company ► Alignment of senior managers' interests with those of shareholders

3. Performance pool factor for 2021

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

Performance pool factor vs. profit for the period



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

D. LONG-TERM VARIABLE REMUNERATION

1. Description

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

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

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

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

2. Mechanism

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

After three years, the prospective entitlements are multiplied by a performance multiplier at the time of conversion into shares. The performance multiplier ranges from 0 to 2, depending on TSR relative to the peer group. If Baloise's TSR is around the median for the peer group, the prospective entitlements are multiplied by a factor of 1. If Baloise is the company with the best TSR, the prospective entitlements are multiplied by a factor of 2. If Baloise's TSR is in the bottom quartile, no shares are converted (factor of 0).

The calculation is illustrated in the following examples:

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

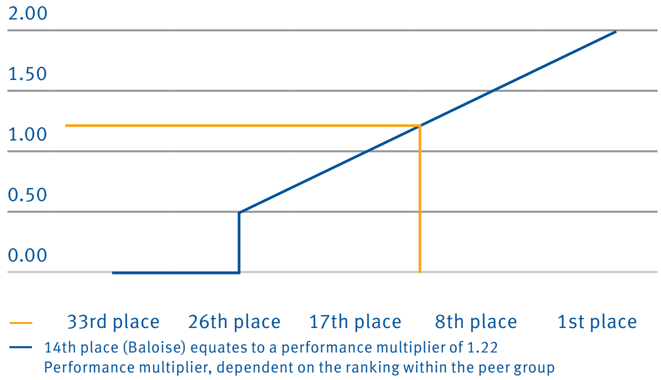
Example 2: A person receives a prospective entitlement to 100 shares. At the time of conversion after the three-year period, the Company is one of the lowest-ranked of the peer group. The performance multiplier is therefore 0, which means that the person is awarded no shares.

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

3. PSUs for the period 2018 to 2021

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

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



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

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

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

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

PSU PLAN

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

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

E. REMUNERATION OF THE INDIVIDUAL CORPORATE EXECUTIVE COMMITTEE MEMBERS

1. Description

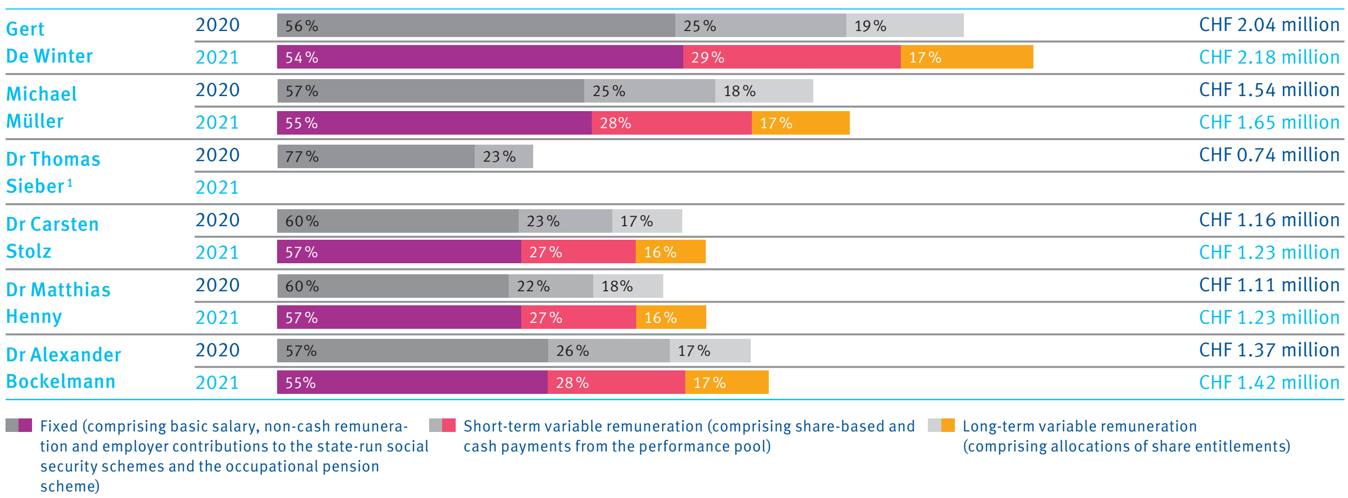
For the Corporate Executive Committee, the expected breakdown of total remuneration (excluding fringe benefits and social security contributions) is as follows:

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

2. Individual members' remuneration for 2021

See the chart below.

Remuneration of the individual Corporate Executive Committee members



1 Until 31 August 2020

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

2. REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

The Remuneration Committee is tasked with helping the Board of Directors to frame the Company's remuneration policy. It 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;
- remuneration 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 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 in the Baloise Group;
- submit proposals to the Board of Directors – for approval by the Annual General Meeting – on the maximum amount of remuneration for the Chairman and members of the Board of Directors and for 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 for senior managers that, 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), Christoph Mäder (Deputy Chairman), Prof. Hans-Jörg Schmidt-Trenz and Dr Markus R. Neuhaus were elected to the Remuneration Committee by the Annual General Meeting on 30 April 2021. The Remuneration Committee maintains a regular dialogue with senior management throughout the year and meets at least twice annually. In addition to the committee secretary being present, these meetings are usually also attended by the Group CEO and the Head of Group Human Resources, who participate in an advisory capacity. The Group CEO leaves the meeting when his personal remuneration is being discussed and decided. 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

The remuneration principles and parameters applied across the Baloise Group have been set out in a Remuneration Guideline. This Remuneration Guideline applies to all employees throughout the Baloise Group. It is based on the principles set out in the sections below.

Further provisions are stipulated in the Articles of Association.

Competitiveness in the marketplace

Baloise aims to pay basic salaries that are broadly in line with the market, i.e. around the market median. The variable remuneration should exceed the going market rate in the event of outstanding performance by the Company and outstanding individual performance. Baloise therefore regularly compares the salaries paid to its employees with those paid in the wider market in Switzerland and Europe. This involves taking part in benchmarking surveys conducted by Willis Towers Watson and Kienbaum. Insurance-related functions are benchmarked against a peer group of direct insurers. The peer group for interdisciplinary functions comprises companies from the banking and financial services sector. 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 always maintains a clear and transparent link between the Company's strategic targets, team targets and the targets of individual employees. The amount of short-term variable remuneration is influenced by the individual contributions to the achievement of these targets.

Fairness and transparency

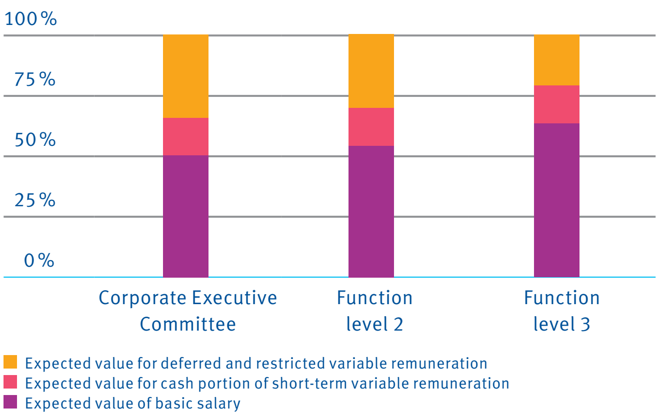
In addition to the regular benchmarking of overall remuneration against the market, Baloise also aims to ensure that pay within the Company is fair when setting salary levels. Baloise applies the fair-pay principle that people who do the same job and have the same qualifications should be paid the same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

Baloise carried out a wage equality analysis in Switzerland in 2013 / 14 and again in 2018. In both cases, differences in pay that could not be objectively explained were below the Swiss government's defined tolerance threshold of 5 per cent. A further wage equality analysis was conducted in 2021 in connection with the amended Swiss Gender Equality Act. Baloise received support from PwC with its EQUAL-SALARY method. The findings of the analysis confirmed that wage equality for women and men had been maintained at Baloise in accordance with the provisions of the Gender Equality Act. The findings were confirmed both by Ernst & Young and by Baloise's employee commission in an independent audit.

Sustainable remuneration

Baloise attaches considerable importance to managing its business sustainably and retaining high performers. It also matters to Baloise that its remuneration not only is competitive and achievement-oriented but also encourages managerial staff to align their long-term focus with the interests of stakeholders, particularly shareholders. To this end, the remuneration system provides for a significant portion of the variable remuneration to be awarded in shares that are restricted for three years and exposed to market risk during this period. Furthermore, the three most senior function 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. Both the proportion of variable remuneration in the total pay package and the proportion of remuneration awarded in restricted shares or as deferred remuneration increases in line with employees' scope of strategic responsibility and influence.

REMUNERATION STRUCTURE OF THE THREE MOST SENIOR FUNCTION LEVELS



Excessive remuneration is prevented by means of clearly defined caps for members of the Board of Directors and the Corporate Executive Committee that are approved by the Annual General Meeting.

4. COMPONENTS OF REMUNERATION

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

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.

Short-term variable remuneration: performance pool

Adjustment of the performance pool indicator model

Starting in 2022, the performance pool indicator model will have a simpler and more transparent structure. This should make it much clearer for shareholders. From now on, the performance pool factor will be calculated using a financial assessment and a supplementary quality assessment.

The financial assessment is based on the cash upstream to Baloise Holding. This key figure is one of Baloise's three strategic targets and forms the basis for enabling investors to share in the Company's success (shareholders' dividend). This aligns the interests of senior managers even more closely with those of shareholders. Target achievement will be assessed annually using the target of achieving a cash upstream of CHF 2 billion by the end of the strategic phase in 2025. The target achievement rate is capped at 150 per cent.

At the same time, the cash upstream achieved will be linked to four strategic key factors. The four quality criteria will be assessed annually using the customer and employee strategic targets (to be achieved by 2025), our ambitions in connection with our sustainability strategy and a risk metric. The outcome of the quality assessment can raise or lower the assessment of the cash upstream achieved by up to 20 per cent.

The performance pool factor – obtained by multiplying the financial assessment and the quality assessment – cannot exceed 150 per cent in any circumstances.

Full details will be provided in the 2022 remuneration report.

Short-term variable remuneration is the reward for achieving annual targets. It is distributed from the performance pool, which is the total amount of short-term variable remuneration that is to be distributed. Short-term variable remuneration is measured on the basis of the performance pool factor. It is set by the Remuneration Committee after the end of the financial year concerned. In doing so, the committee systematically analyses target achievement using four measurable indicators, some of which are quantitative and some qualitative:

- Indicator: strategy implementation (weighting: 20 per cent)
  The criteria are the three strategic targets set by Baloise for the period 2017 to 2021, comprising a cash upstream of CHF 2 billion into Bâloise Holding, one million new customers and a rating as one of the best employers in the sector. Sustainability was introduced as an additional, fourth criterion in 2021.
- Indicator: business performance (weighting: 40 per cent)
  The key metric is the profit for the period, with the combined ratio, and the interest margin and business mix in the life insurance business as supplementary metrics.
- Indicator: risks taken (weighting: 20 per cent)
  The criteria used to gauge the success of the Company's business from a risk perspective are the SST ratio, economic profit, the credit rating awarded by Standard & Poor's and assessments provided by the Head of Risk Management and the Head of Group Compliance.
- Indicator: capital markets perspective (weighting: 20 per cent)
  The metric is the performance of Baloise's share price, including dividends paid, compared with the European insurance companies represented in the STOXX Europe 600 Insurance Index (the composition of this index is shown in the table on page 66).

If the performance pool factor is set at 100 per cent, this means that the targets have been met and the entire amount of short-term variable remuneration is allocated. The formal cap for the performance pool factor is 150 per cent.

For 2021, the Remuneration Committee set a factor of 110 per cent for the performance pool. The decision and the indicators are explained in greater detail in the following.

Indicator	**Strategy implementation**
Key question	How successfully were the strategic targets implemented?
Criteria	Cash upstream Customer growth Employees MSCI sustainability index and RepTrak®Pulse reputational index
Appraisal	Despite challenging conditions created by the COVID-19 pandemic, which has been ongoing since 2020, and by the extreme weather events in 2021, Baloise was able to report a strong set of results at the end of the 2017–2021 strategic phase of Simply Safe. With a transfer of CHF 431 million in 2021 and a total transfer of CHF 2.17 billion, we exceeded the cash target of CHF 2 billion for the 2017–2021 strategic phase. The ambitious target for customer growth – around one million new customers as a result of organic growth – was almost achieved thanks to a further rise of 0.22 million customers, taking the total to 0.96 million new customers. Following a strong start to the year with a position in the top 10 per cent, Baloise's employee target was challenged from the summer onwards owing to the impact of government-imposed coronavirus measures and the persistently high workload generated by the storm events, and this was reflected in the measurement for December. We have made good progress with the new sustainability target added in 2021: In the first measurement of its reputation (RepTrak score), the Baloise Group achieved 73.9 points, which put it in the "strong" bracket; Baloise's sustainability rating from MSCI was upgraded from BB to A in 2021.
Rating	Positive

Indicator	**Business performance**
Key question	What is the operating profit?
Criteria	Profit for the period Combined ratio Life insurance key figures (interest margin and business mix)
Appraisal	Against a challenging backdrop in 2021, Baloise delivered a very strong performance and generated a profit for the period of CHF 583 million. This is an impressive increase compared with 2020 that was achieved despite the storms in all of Baloise's core markets. The related claims took their toll on the combined ratio, which was slightly higher year on year at 92.6 per cent. The life insurance business benefited from the ongoing optimisation of the business mix, with a shift towards non-capital-intensive products, and an easing of the interest rate environment. Thanks to EBIT of CHF 407 million, it is making a substantial contribution to the Company's success.
Appraisal	Very positive

Indicator	**Risks taken**
Key question	How should the operating performance be assessed from a risk perspective?
Criteria	SST Economic profit S&P credit rating Internal perspective Compliance
Appraisal	Baloise maintained a strong SST ratio for the Group and an S&P rating of A+ with a stable outlook, underlining its very good level of capitalisation. The low level of interest rates continues to create challenges. The risk assessment for compliance is very positive.
Rating	Positive

Indicator	**Capital markets perspective**
Key question	How did Baloise perform relative to other companies on the stock market?
Criteria	Total shareholder return
Appraisal	Baloise has achieved a total shareholder return of 41.1 per cent over the past five years. The figure for 2021 was – 1.3 per cent. Compared with the peer group (STOXX Europe 600 Insurance Index), the total shareholder return for Baloise shares in 2021 was only ranked 28th out of 32 as at 31 December 2021. However, Baloise shares staged a strong recovery at the turn of the year 2021 / 2022.
Rating	Insufficient

Determination of the performance pool factor

Appraisal	Baloise performed extremely well in 2021. The business performance indicator (with a weighting of 40 per cent) was rated as very positive thanks to the excellent results. The other indicators (each with a weighting of 20 per cent) were more mixed. For example, share price performance was poor, and this has to be viewed as inadequate from a capital markets perspective. By contrast, there were positive assessments in respect of the risks taken and implementation of the 2017–2021 strategic programme. This paints a positive picture overall, justifying a performance pool factor of 110 per cent.
Factor	110 per cent

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, validated at inter-departmental and inter-divisional level and adjusted where necessary. This process ensures that all aspects of an employee's performance as well as risk-relevant behavioural attributes are factored into the performance pool payment awarded to an individual.

Those considered for performance pool payments are senior managers in Switzerland and the corresponding functions abroad. However, there is no automatic entitlement to receive payments from the performance pool. The allocation of performance pool payments to the members of the Corporate Executive Committee is described in chapter 8 "Remuneration paid to the members of the Corporate Executive Committee".

The variable remuneration paid to employees who perform control functions (Risk Management, Compliance, Group Internal Audit and the Appointed Actuary) 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.

Those entitled to receive short-term variable remuneration generally have a choice as to what percentage of their remuneration is paid out and what proportion they receive in the form of shares with a closed period of three years (see chapter 5 "Share Subscription Plan and Share Participation Plan"). This choice is limited for senior managers, who are obliged to subscribe for shares on a sliding-scale basis.

Long-term variable remuneration: performance share units

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

PSUs are prospective entitlements to shares. 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 senior managers 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.

The number of shares that can be subscribed after three years – i.e. at the end of the vesting period – depends on the total shareholder return (TSR) of Bâloise Holding Ltd. relative to a peer group. The peer group comprises the leading European insurance companies contained in the STOXX Europe 600 Insurance Index (see table below).

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 during the vesting period. In this case, the performance multiplier is 1.0. Participants receive more shares in exchange for their PSUs if the Baloise TSR for the vesting period is higher than the TSRs of the peer group. The multiplier reaches the maximum of 2.0 if Baloise has the highest TSR of all companies in the peer 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 (see page 60). 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 2021 they receive their shares on 1 March 2024.

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2021)

ADMIRAL GRP	BALOISE	LEGAL & GENERAL GRP	SCOR
AEGON	CNP ASSURANCES	MUENCHENER RUECK	STOREBRAND
AGEAS	DIRECT LINE INSURANCE GROUP	NN GROUP	SWISS LIFE HLDG
ALLIANZ	GJENSIDIGE FORSIKRING	PHOENIX GROUP HDG.	SWISS REINSURANCE COMPANY
ASR NEDERLAND NV	HANNOVER RUECK	POSTE ITALIANE	TRYG
ASSICURAZIONI GENERALI	HELVETIA HLDG	PRUDENTIAL	ZURICH INSURANCE GROUP
AVIVA	HISCOX	PZU GROUP	
AXA	HOMESERVE	SAMPO	

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

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]
2017	1 Mar 2017	130.70	1 Mar 2020	1.34	154.90	207.57	59 %
2018	1 Mar 2018	149.20	1 Mar 2021	1.22	158.90	193.86	30 %
2019	1 Mar 2019	163.00	1 Mar 2022	0.72[4]	149.10[4]	107.68[4]	–34 %[4]
2020	1 Mar 2020	154.90	1 Mar 2023	0.61[4]	149.10[4]	91.12[4]	–41 %[4]
2021	1 Mar 2021	158.90	1 Mar 2024	0.00[4]	149.10[4]	0.00[4]	–100 %[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 2017: ([{1.34 * 154.90} – 130.70] / 130.70) * 100 = 59 %.
4 Interim measurement as at 31 December 2021.

If an individual's employment contract ends 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 or is terminated. However, if the participant has joined a rival company or is personally at fault for the termination of the contract, some of the allocated PSUs will expire on a pro rata basis.

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.

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 above.

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. Members of the Corporate Executive Committee are obliged to receive at least half of their short-term variable remuneration in the form of shares. There are upper limits on the proportion of shares that can be obtained under the Share Participation Plan (see table).

	Share Subscription Plan	Share Participation Plan
Overview	Those who qualify as eligible persons are able to subscribe for shares at a preferential price as part of their short-term variable remuneration.	Those who qualify as eligible persons are able to subscribe for shares as part of their short-term variable remuneration. They are granted loans on which interest is charged at market rates, which enables them to purchase more shares than they would otherwise be able to buy. Repayment of the loan and the interest incurred after the three-year period is hedged by a put option that is financed by the sale of an offsetting call option.
Subscription date	1 March	1 March
Vesting conditions	No further vesting conditions	No further vesting conditions
Specification of the share plan parameters	Remuneration Committee	Remuneration Committee
Closed period	Three years	Three years
Calculation of subscription price	Closing price before the first day of the subscription period, less a discount of 10 per cent	Closing price before the first day of the subscription period, less discounted dividend rights over a three-year period
Dividend entitlement	Yes	No
Maximum subscription limit for Corporate Executive Committee	No upper limit	Maximum of 40 per cent (Share Participation Plan) of short-term variable remuneration
Share plan parameters for 2021	Relevant closing price (8 January 2021): CHF 159.40 Subscription price: CHF 143.46	Relevant closing price (8 January 2021): CHF 159.40 Subscription price: CHF 139.73

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.

EMPLOYEE INCENTIVE PLAN

	2020	2021
Number of shares subscribed	209,951	214,804
Restricted until	31 Aug 2023	31 Aug 2024
Subscription price per share (CHF)	71.70	73.00
Value of shares subscribed (CHF million)	15.1	15.7
Fair value of subscribed shares on subscription date (CHF million)	29.5	31.4
Employees entitled to participate	3,372	3,373
Participating employees	2,370	2,427
Subscribed shares per participant (average)	88.6	88.5

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

See the tables on pages 72 and 73.

Components of remuneration

BOARD OF DIRECTORS' FEES AND MANDATORY SHARE OWNERSHIP

	CHF thousand / year	of which shares in Bâloise Holding AG
Base fee – Chairman [1,2]	1,300	1 / 3
Base fee – Member	125	1 / 4
Fee – Vice-Chairman [3]	50	1 / 4
Fee – Chair of Committee [3]	70	1 / 4
Fee – Committee Member [3]	50	1 / 4
Mandatory share ownership		1,000 shares each

1 From 1 May 2021
2 The Chairman is not entitled to any additional remuneration for participation in Committees.
3 In addition to the base fee for members.

The members of the Board of Directors receive fixed remuneration for their service as members of the board and its committees, as set out in the table above. These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have not been raised since 2008.

One-third (Chairman, since 1 May 2021) or one-quarter (other members) of the annual remuneration is paid in June of each year in the form of shares that remain restricted for three years. The subscription price is based on the closing price on the last trading day in May, on which the same 10 per cent discount is granted as on shares under the Share Subscription Plan (see page 67).

	Relevant closing price		Subscription price
	as at	CHF	CHF
Shares received by members of the Board of Directors 2021	31 May 2021	148.30	133.47
Shares received by members of the Board of Directors 2020	29 May 2020	136.60	122.94

The members of the Board of Directors are obliged to lodge 1,000 shares with the Company for the duration of their term of appointment (Article 20 of the Articles of Association). They do not participate in any share ownership programmes that are predicated on the achievement of specific performance targets.

Chairman of the Board of Directors

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.

A number of changes took effect on 1 May 2021 when the new Chairman of the Board of Directors took office:

- One of these changes is that the Chairman is now engaged on the basis of a service contract. The agreement has a fixed term that ends at the end of the subsequent Annual General Meeting. It expires automatically when the Chairman leaves office. If he is re-elected, the agreement is extended by a further fixed-term period of appointment.
- The Chairman receives one-third of his remuneration in the form of shares that, as is also the case for the other members of the Board of Directors, remain restricted for three years and are subject to the conditions of the Share Subscription Plan. Previously, the Chairman had an employment relationship and received one-quarter of his remuneration in the form of shares that remained restricted for five years; he was able to choose freely whether these shares were subject to the conditions of the Share Subscription Plan or those of the Share Participation Plan.

The tasks of the Chairman and the Vice-Chairman are described in more detail in the corporate governance report (see pages 42 to 43).

Amounts receivable from current or previous members of the Board of Directors; remuneration for previous members

No amounts receivable from current or previous members of the Board of Directors have been waived.

The previous Chairman of the Board of Directors received remuneration for his work up to the end of April. No other remuneration was paid to former members of the Board of Directors.

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

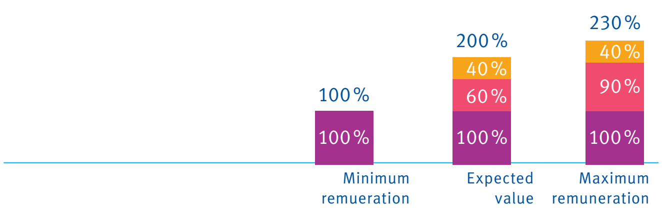
See the tables on pages 74 and 75.

Components of remuneration

TYPE OF REMUNERATION	DECIDED BY
Fixed remuneration 2021	Annual General Meeting 2020
Variable remuneration 2021	
– cap	Annual General Meeting 2021
– individual payment	Remuneration Committee in February 2022 (in compliance with the cap set by the Annual General Meeting 2021)

The remuneration for the Corporate Executive Committee comprises the basic salary, which is paid in cash, the variable remuneration and other compensation components (non-cash benefits, social security contributions). The total amount of remuneration is compared with the wider market at regular intervals. The actual level of remuneration paid is determined in accordance with the table above.

REMUNERATION STRUCTURE AND MANDATORY SHARE OWNERSHIP OF THE CORPORATE EXECUTIVE COMMITTEE



Basic salary	100 %	100 %	100 %
Short-term variable remuneration (performance pool)	0 %	60 %	90 %
Long-term variable remuneration (PSU allocation)	0 %	40 %	40 %
Mandatory share ownership	**Shares and PSUs equivalent to 200 % of the basic salary (within three years of taking office)**		

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

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.

The Remuneration Committee decides on the short-term variable remuneration awarded to the individual members of the Corporate Executive Committee. 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 business 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.
- Individual development 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.

See pages 66 to 67 for details regarding the allocation of PSUs.

Remuneration for 2021

The remuneration paid to the members of the Corporate Executive Committee for the 2020 and 2021 financial years is set out on pages 74 to 75. The disclosure is made in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in each financial year even if individual components are not paid until a later date.

Due to the departure of Dr Thomas Sieber from the Corporate Executive Committee in August 2020, the total remuneration awarded to the Corporate Executive Committee was lower in 2021 than in the previous year (reduction of 2.8 per cent in the aggregate amount of basic salaries and variable remuneration). This was despite higher performance pool payments being awarded.

The Annual General Meeting held on 24 April 2020 approved an amount of CHF 4.01 million for the fixed remuneration (including social security contributions) payable to the Corporate Executive Committee for 2021. The amount paid out was

CHF 4.01 million. In addition, the Annual General Meeting held on 30 April 2021 approved a maximum amount of CHF 4.79 million for the variable remuneration (including social security contributions and discounted subscriptions under the Share Subscription Plan) payable for 2021. The total amount paid out was CHF 3.80 million.

On 1 March 2021, the performance share units allocated in 2018 were converted into shares as scheduled. These PSUs had a value of CHF 1.31 million at the time of allocation. The actual value of the shares granted was CHF 1.64 million.

Employment contracts, change-of-control clauses, inducement payments and severance packages

All members of the Corporate Executive Committee have a notice period of twelve months. There are no change-of-control clauses.

No severance packages may be awarded to members of the Corporate Executive Committee. Inducement payments must be approved by the Remuneration Committee, irrespective of their amount.

9. LOANS AND CREDIT FACILITIES

See the table on page 76.

10. SHARES AND OPTIONS HELD

See the tables on pages 77 and 78.

11. AMOUNTS OF TOTAL REMUNERATION AND VARIABLE REMUNERATION

See the table on page 79.

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 79 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 2021 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

2020	Basic fee	Fee for additional functions	Total remuneration	Social security contributions	Total	Of which: in shares
CHF thousand						
Dr Andreas Burckhardt	1,320.0		1,320.0	–	1,320.0	311.9
Chairman of the Board of Directors		–				
Dr Andreas Beerli	125.0		295.0	–	295.0	73.6
Vice-Chairman of the Board of Directors		50.0				
Chairman's Committee		50.0				
Chair of the Audit and Risk Committee		70.0				
Christoph B. Gloor	125.0		225.0	6.1	231.1	56.2
Investment Committee		50.0				
Audit and Risk Committee		50.0				
Hugo Lasat	125.0		175.0	–	175.0	43.6
Investment Committee		50.0				
Christoph Mäder	125.0		175.0	6.1	181.1	43.6
Remuneration Committee		50.0				
Dr Markus R. Neuhaus	125.0		175.0	6.1	181.1	43.6
Audit and Risk Committee		50.0				
Dr Thomas von Planta	125.0		225.0	6.1	231.1	56.2
Chairman's Committee		50.0				
Investment Committee		50.0				
Thomas Pleines	125.0		245.0	4.6	249.6	61.2
Chair of the Remuneration Committee		70.0				
Chairman's Committee		50.0				
Prof. Dr Hans-Jörg Schmidt-Trenz	125.0		175.0	–	175.0	43.6
Remuneration Committee		50.0				
Prof. Dr Marie-Noëlle Venturi-Zen-Ruffinen	125.0		225.0	6.1	231.1	56.2
Audit and Risk Committee		50.0				
Remuneration Committee		50.0				
Subtotal for the Board of Directors	**2,445.0**	**790.0**	**3,235.0**	**35.3**	**3,270.3**	**789.9**
Share Subscription Plan discount					70.4	
Total for the Board of Directors					**3,340.7**	

Explanatory notes to the table
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to 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.
Social security contributions The information disclosed for 2020 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). No contributions to vocational pension schemes were made for the Chairman or the other members of the Board of Directors.
Shares A proportion of the contractually agreed overall remuneration is paid in shares, which remain restricted for three years. They are awarded at market value less 10 per cent (CHF 122.94). In 2020, the Chairman of the Board of Directors had received half of his share-based remuneration in shares from the Share Subscription Plan for the Board of Directors (with a closed period of five years instead of the usual three years) and half in shares under the Share Participation Plan (excluding loan-financed shares).
Share Subscription Plan discount Members of the Board of Directors receive a 10 per cent discount on the shares' market price under the Share Subscription Plan for the Board of Directors. This discount is also reported as part of the overall remuneration.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

2021	Basic fee	Fee for additional functions	Total remuneration	Social security contributions	Total	Of which: in shares
CHF thousand						
Dr Thomas von Planta			941.7	10.5	952.2	307.5
Chairman of the Board of Directors (since 30 April 2021)	866.7					
Member of the Board of Directors (until 30 April 2021)	41.7					
Chairman's Committee (until 30 April 2021)		16.7				
Investment Committee (until 30 April 2021)		16.7				
Dr Andreas Burckhardt (until 30 April 2021)	440.0		440.0	–	440.0	103.9
Chairman of the Board of Directors		–				
Dr Andreas Beerli	125.0		295.0	–	295.0	73.7
Vice-Chairman of the Board of Directors		50.0				
Chairman's Committee		50.0				
Chair of the Audit and Risk Committee		70.0				
Christoph B. Gloor	125.0		225.0	6.2	231.2	56.2
Investment Committee		50.0				
Audit and Risk Committee		50.0				
Hugo Lasat	125.0		175.0	–	175.0	43.6
Investment Committee		50.0				
Christoph Mäder	125.0		175.0	6.2	181.2	43.6
Remuneration Committee		50.0				
Dr Markus R. Neuhaus	125.0		208.3	6.2	214.5	52.1
Remuneration Committee (since 30 April 2021)		33.3				
Audit and Risk Committee		50.0				
Dr Karin Lenzlinger Diedenhofen (since 30 April 2021)	83.3		116.7	5.8	122.5	29.1
Investment Committee		33.3				
Thomas Pleines	125.0		245.0	5.0	250.0	61.1
Chair of the Remuneration Committee		70.0				
Chairman's Committee		50.0				
Prof. Dr Hans-Jörg Schmidt-Trenz	125.0		175.0	–	175.0	43.6
Remuneration Committee		50.0				
Prof. Dr Marie-Noëlle Venturi-Zen-Ruffinen	125.0		225.0	6.2	231.2	56.2
Audit and Risk Committee		50.0				
Chairman's Committee (since 30 April 2021)		33.3				
Remuneration Committee (until 30 April 2021)		16.7				
Subtotal for the Board of Directors	2,431.7	790.0	3,221.7	46.1	3,267.7	870.7
Share Subscription Plan discount					91.0	
Total for the Board of Directors					3,358.7	

Explanatory notes to the table
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to 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.
Social security contributions The information disclosed for 2021 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). Statutory employer contributions are made to a vocational pension scheme for the new Chairman of the Board of Directors, who was elected in May 2021 and works in this role on a full-time basis. No contributions to vocational pension schemes are made for the other members of the Board of Directors.
Shares A proportion of the contractually agreed overall remuneration is paid in shares, which remain restricted for three years. They are awarded at market value less 10 per cent (CHF 133.47). In 2021, the previous Chairman of the Board of Directors received half of his share-based remuneration in shares from the Share Subscription Plan for the Board of Directors (with a closed period of five years instead of the usual three years) and half in shares under the Share Participation Plan (excluding loan-financed shares). The new Chairman received all of his share-based remuneration under the Share Subscription Plan for the Board of Directors (with a closed period of three years).
Share Subscription Plan discount Members of the Board of Directors receive a 10 per cent discount on the shares' market price under the Share Subscription Plan for the Board of Directors. This discount is also reported as part of the overall remuneration.

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

2020	Basic salary	Variable remuneration						Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Social security contributions	Total remuneration
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan	Share Participation Plan	PSU (granted in 2020)	Total variable remuneration						
CHF thousand												
Gert De Winter	950.0	256.6	256.4	–	380.0	893.0	1,843.0	94 %	–	196.6	2,039.7
Group CEO											
Michael Müller	700.0	151.3	226.7	–	280.1	658.1	1,358.1	94 %	4.6	178.0	1,540.8
Head of Corporate Division Switzerland											
Dr Thomas Sieber (until 31 August 2020)	414.0	83.9	25.1	58.7	–	167.7	581.7	41 %	–	154.5	736.1
Head of Corporate Division Corporate Centre											
Dr Carsten Stolz	500.0	135.0	135.0	–	200.0	470.0	970.0	94 %	4.6	183.2	1,157.9
Head of Corporate Division Finance											
Dr Matthias Henny	500.0	0.0	145.8	97.2	200.0	443.0	943.0	89 %	4.6	160.3	1,107.9
Head of Corporate Division Asset Management											
Dr Alexander Bockelmann	600.0	52.7	175.5	122.8	240.1	591.1	1,191.1	99 %	–	178.0	1,369.1
Head of Corporate Division IT											
Subtotal for the Corporate Executive Committee	3,664.0	679.6	964.3	278.7	1,300.2	3,222.9	6,886.9	88 %	13.9	1,050.6	7,951.4
Share Subscription Plan discount											107.1
Total for the Corporate Executive Committee											8,058.6

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 2020 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 a 10 per cent discount. Subscription price = CHF 143.46.
Share Subscription Plan discount Shares under the Share Subscription Plan are issued to members of the Corporate Executive Committee at a 10 per cent discount. This discount is also reported as part of the overall remuneration.
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 139.73.
Performance share units (PSUs) These have been disclosed at their value of CHF 157.11 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.
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).
Social security contributions These comprise the employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case). 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.

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

2021	Basic salary	Variable remuneration					Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Social security contributions	Total remuneration
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan	Share Participation Plan	PSU (granted in 2021)	Total variable remuneration					
CHF thousand											
Gert De Winter	950.0	313.6	313.4	–	380.0	1,007.0	1,957.0	106%	–	219.2	2,176.2
Group CEO											
Michael Müller	700.0	184.9	277.1	–	280.1	742.1	1,442.1	106%	7.0	198.3	1,647.4
Head of Corporate Division Switzerland											
Dr Carsten Stolz	500.0	165.1	164.9	–	200.1	530.1	1,030.1	106%	5.0	197.1	1,232.1
Head of Corporate Division Finance											
Dr Matthias Henny	500.0	0.1	197.9	132.0	200.1	530.1	1,030.1	106%	5.0	197.1	1,232.1
Head of Corporate Division Asset Management											
Dr Alexander Bockelmann	600.0	59.5	197.9	138.6	240.1	636.1	1,236.1	106%	–	179.5	1,415.6
Head of Corporate Division IT											
Subtotal for the Corporate Executive Committee	3,250.0	723.1	1,151.4	270.6	1,300.3	3,445.3	6,695.3	106%	16.9	991.2	7,703.4
Share Subscription Plan discount											127.9
Total for the Corporate Executive Committee											7,831.3

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 2021 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 a 10 per cent discount. Subscription price = CHF 142.92.
Share Subscription Plan discount Shares under the Share Subscription Plan are issued to members of the Corporate Executive Committee at a 10 per cent discount. This discount is also reported as part of the overall remuneration.
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 137.34.
Performance Share Units (PSUs) These have been disclosed at their value of CHF 174.72 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.
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).
Social security contributions These comprise the employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case). 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.

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	
	2020	2021	2020	2021	2020	2021	2020	2021
CHF thousand								
Dr Thomas von Planta	–	–	–	–	–	–	–	–
Chairman (since 30 April 2021)								
Member (until 30 April 2021)								
Dr Andreas Burckhardt (until 30 April 2021)	–	–	2,623.5	–	–	–	2,623.5	–
Chairman								
Dr Andreas Beerli	–	–	–	–	–	–	–	–
Vice-Chairman								
Christoph B. Gloor	–	–	–	–	–	–	–	–
Member								
Hugo Lasat	–	–	–	–	–	–	–	–
Member								
Dr Karin Lenzlinger Diedenhofen (since 30 April 2021)	–	–	–	–	–	–	–	–
Member								
Christoph Mäder	–	–	–	–	–	–	–	–
Member								
Dr Markus R. Neuhaus	–	–	–	–	–	–	–	–
Member								
Thomas Pleines	–	–	–	–	–	–	–	–
Member								
Prof. Dr Hans-Jörg Schmidt-Trenz	–	–	–	–	–	–	–	–
Member								
Prof. Dr Marie-Noëlle Venturi-Zen-Ruffinen	–	–	–	–	–	–	–	–
Member								
Total for the Board of Directors	–	–	2,623.5	–	–	–	2,623.5	–
Corporate Executive Committee member with the highest outstanding loan:								
Dr Matthias Henny	–	–	2,136.2	2,024.7	–	–	2,136.2	2,024.7
Head of Corporate Division Asset Management								
Other members of the Corporate Executive Committee	1,700.0	1,700.0	1,061.6	1,752.2	–	–	2,761.6	3,452.2
Total for the Corporate Executive Committee	1,700.0	1,700.0	3,197.8	3,776.9	–	–	4,897.8	5,476.9

Explanatory notes to the table
Loans and credit facilities No loans or credit facilities were granted at non-market terms and conditions
a) to former members of the Board of Directors or Corporate Executive Committee;
b) to individuals or companies who are related to members of the Board of Directors or 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 for the purpose of leveraging the Share Participation Plan (see chapter 5. 'Share Subscription Plan and Share Participation Plan'). Loans are subject to interest at a market rate (2021: 0.5 per cent) and 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	
	2020	2021	2020	2021	2020	2021	2020	2021
Quantity								
Dr Thomas von Planta	798	1,805	2,202	4,195	3,000	6,000	0.006 %	0.013 %
Chairman (since 30 April 2021)								
Member (until 30 April 2021)								
Dr Andreas Burckhardt (until 30 April 2021)	32,640	–	29,301	–	61,941	–	0.127 %	–
Chairman								
Dr Andreas Beerli	3,295	3,695	2,568	2,720	5,863	6,415	0.012 %	0.014 %
Member								
Christoph B. Gloor	8,576	8,976	2,291	2,312	10,867	11,288	0.022 %	0.025 %
Member								
Hugo Lasat	375	686	2,004	2,020	2,379	2,706	0.005 %	0.006 %
Member								
Dr Karin Lenzlinger Diedenhofen (since 30 April 2021)	–	–	–	1,218	–	1,218	–	0.003 %
Member								
Christoph Mäder	733	733	1,355	1,682	2,088	2,415	0.004 %	0.005 %
Member								
Dr Markus R. Neuhaus	–	–	1,355	1,745	1,355	1,745	0.003 %	0.004 %
Member								
Thomas Pleines	2,671	3,106	2,406	2,429	5,077	5,535	0.010 %	0.012 %
Member								
Prof. Dr Hans-Jörg Schmidt-Trenz	–	–	1,693	2,020	1,693	2,020	0.003 %	0.004 %
Member								
Prof. Dr Marie-Noëlle Venturi-Zen-Ruffinen	375	686	2,106	2,216	2,481	2,902	0.005 %	0.006 %
Member								
Total for the Board of Directors	49,463	19,687	47,281	22,557	96,744	42,244	0.198 %	0.092 %
Percentage of issued share capital	0.101 %	0.043 %	0.097 %	0.049 %	0.198 %	0.092 %		

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 closed period of three years. The closed period for shares that had been received by the previous Chairman of the Board of Directors under the Share Subscription Plan was five years. The closed period for the new Chairman is the same as for the other members of the Board of Directors, i.e. three 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 (mandatory share ownership).
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)	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Quantity										
Gert De Winter	29,593	30,852	6,591	6,148	36,184	37,000	0.074 %	0.081 %	7,225	6,861
Group CEO										
Michael Müller	26,698	27,799	8,477	7,339	35,175	35,138	0.072 %	0.077 %	5,325	5,057
Head of Corporate Division Switzerland										
Dr Carsten Stolz	3,006	5,768	6,012	5,923	9,018	11,691	0.018 %	0.026 %	3,803	3,611
Head of Corporate Division Finance										
Dr Matthias Henny	10,618	13,377	22,073	20,941	32,691	34,318	0.067 %	0.075 %	3,803	3,611
Head of Corporate Division Asset Management										
Dr Alexander Bockelmann	–	–	6,851	13,846	6,851	13,846	0.014 %	0.030 %	2,841	4,215
Head of Corporate Division IT										
Total for the members of the Corporate Executive Committee	69,915	77,796	50,004	54,197	119,919	131,993	0.246 %	0.288 %	22,997	23,355
Percentage of issued share capital	0.143 %	0.170 %	0.102 %	0.118 %	0.246 %	0.288 %				

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.
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 in order 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 2019, 1 March 2020 and 1 March 2021).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

				2020				2021
	Cash	Shares	Prospective entitlements	Total	Cash	Shares	Prospective entitlements	Total
CHF million								
Total remuneration	795.5	4.2	5.1	804.7	821.6	5.7	4.9	832.2
Total variable remuneration (total pool)	155.2	4.2	5.1	164.5	152.5	5.7	4.9	163.1
Number of beneficiaries	5,376	212	71		5,150	255	68	
Total outstanding deferred remuneration	–	112.0	15.2	127.2	–	109.7	14.8	124.6
Debits / credits for remuneration for previous reporting periods recognised in profit or loss	– 0.9	–	–	– 0.9	– 0.3	–	–	– 0.3
Total inducement payments made	0.1	–	–	0.1	0.1	–	–	0.1
Number of beneficiaries	12	–	–		10	–	–	
Total severance payments made	5.9	–	–	5.9	5.5	–	–	5.5
Number of beneficiaries	57	–	–		56	–	–	

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, but not to members of the Board of Directors or the Corporate Executive Committee.

APPENDIX 2: REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF BÂLOISE HOLDING LTD, BASEL

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To the General Meeting of
Bâloise Holding AG, Basel

Basel, 23 March 2022

Report of the statutory auditor on the remuneration report

We have audited the preceding remuneration report of Bâloise Holding AG (pages 59-79) for the year ended 31 December 2021.

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.

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Opinion
In our opinion, the remuneration report for the year ended 31 December 2021 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)	

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 267 “Information on the Baloise Group” referencing the fact that only the German text of the annual report is legally binding.

Financial Report

Consolidated balance sheet

CHF million	Note	31.12.2020	31.12.2021
Assets			
Property, plant and equipment	8	466.2	419.5
Intangible assets	9	1,155.4	1,180.4
Investments in associates	38	263.4	316.0
Investment property	10	8,410.3	8,464.5
Financial instruments with characteristics of equity	11		
Available for sale		3,983.6	4,681.7
Recognised at fair value through profit or loss		12,556.2	14,490.3
Financial instruments with characteristics of liabilities	11		
Held to maturity		6,974.8	6,375.5
Available for sale		28,110.2	28,502.8
Recognised at fair value through profit or loss		1,993.8	2,083.2
Mortgages and loans	12		
Carried at cost		15,872.8	15,117.5
Recognised at fair value through profit or loss		1,142.1	981.5
Derivative financial instruments	13	1,089.1	902.1
Reinsurance assets	15	677.7	823.9
Receivables from reinsurers	16	117.8	170.7
Insurance receivables		515.6	450.0
Receivables from employee benefits	17	7.7	5.9
Other receivables	14	294.4	271.3
Receivables from investments	14	366.8	334.9
Deferred tax assets	18	87.9	73.7
Current income tax assets		48.3	66.7
Other assets	19	226.3	193.5
Cash and cash equivalents		4,004.0	4,073.5
Total assets		88,364.5	89,979.0

CHF million	Note	31.12.2020	31.12.2021
Equity and liabilities			
Equity			
Share capital	21	4.9	4.6
Capital reserves		370.2	376.8
Treasury shares		–578.0	–84.9
Unrealised gains and losses (net)		203.7	178.9
Retained earnings		6,983.0	6,809.7
Equity before non-controlling interests		6,983.7	7,285.1
Non-controlling interests		2.0	14.8
Total equity		6,985.7	7,299.9
Liabilities			
Technical reserves (gross)	22	48,585.0	48,661.4
Liabilities arising from banking business and financial contracts	23		
With discretionary participation features		4,074.7	4,038.5
Measured at amortised cost		7,924.2	8,189.7
Recognised at fair value through profit or loss		13,284.6	14,654.2
Financial liabilities	24	2,363.3	2,425.7
Non-technical provisions	25	57.5	77.0
Derivative financial instruments	13	152.6	89.8
Insurance liabilities	26	1,879.9	1,770.1
Liabilities arising from employee benefits	17	1,340.2	926.1
Other accounts payable		566.2	706.1
Deferred tax liabilities	18	1,000.4	1,002.0
Current income tax liabilities		45.4	41.2
Other liabilities		104.9	97.4
Total liabilities		81,378.8	82,679.1
Total equity and liabilities		88,364.5	89,979.0

Consolidated income statement

CHF million	Note	2020	2021
Income			
Premiums earned and policy fees (gross)	27	7,034.8	7,416.2
Reinsurance premiums ceded	27	– 268.0	– 326.5
Premiums earned and policy fees (net)	27	6,766.8	7,089.7
Investment income	28	1,176.5	1,159.5
Realised gains and losses on investments			
For own account and at own risk	29	288.3	370.5
For the account and at risk of life insurance policyholders and third parties		179.5	1,534.2
Income from services rendered	30	118.5	130.6
Share of profit (loss) of associates		64.1	4.9
Other operating income	31	193.4	213.2
Income		8,787.0	10,502.5
Expense			
Claims and benefits paid (gross)		– 6,182.6	– 5,813.4
Change in technical reserves (gross)		33.1	– 1,184.7
Reinsurers' share of claims incurred		236.4	529.6
Acquisition costs	32	– 581.3	– 655.6
Operating and administrative expenses for insurance business	32	– 831.6	– 856.7
Investment management expenses	32	– 107.4	– 124.4
Interest expenses on insurance liabilities		– 15.2	– 13.6
Gains or losses on financial contracts	34	– 259.5	– 1,168.3
Other operating expenses	32	– 476.1	– 493.0
Expense		– 8,184.1	– 9,780.0
Profit before borrowing costs and taxes		602.9	722.5
Borrowing costs	24	– 34.3	– 24.7
Profit before taxes		568.6	697.9
Income taxes	35	– 140.3	– 114.6
Profit for the period		428.3	583.3
Attributable to:			
Shareholders		434.3	588.4
Non-controlling interests		– 6.1	– 5.1
Earnings / loss per share	36		
Basic (CHF)		9.65	13.06
Diluted (CHF)		9.63	13.05

Consolidated statement of comprehensive income

CHF million	2020	2021
Profit for the period	428.3	583.3
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	11.5
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 58.7	350.8
Change arising from shadow accounting	33.1	– 35.2
Exchange differences	0.1	4.6
Deferred taxes	7.3	– 57.7
Total items not to be reclassified to the income statement	– 18.2	274.1
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	386.8	– 432.8
Change in unrealised gains and losses on associates	– 4.2	2.9
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	119.7	– 35.4
Change in reserves arising from reclassification of held-to-maturity financial assets	– 0.8	– 0.8
Change arising from shadow accounting	– 91.6	221.0
Exchange differences	– 134.8	– 128.7
Deferred taxes	– 50.1	73.7
Total items to be reclassified to the income statement	225.1	– 300.1
Other comprehensive income	206.9	– 26.0
Comprehensive income	635.2	557.3
Attributable to:		
Shareholders	641.3	563.6
Non-controlling interests	– 6.1	– 6.3

Consolidated cash flow statement

	Note	2020	2021
CHF million			
Cash flow from operating activities			
Profit before taxes		568.6	697.9
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8 / 9	97.1	102.0
Realised gains and losses on property, plant and equipment and on intangible assets		– 0.2	0.5
Income from investments in associates		– 19.8	– 5.3
Realised gains and losses on financial assets, investment property and associates		– 507.6	– 1,889.0
Amortised cost valuation of financial instruments		35.1	31.7
Share-based payments		9.0	5.3
Change in assets and liabilities from operating acitivities			
Deferred Acquisition Costs	9	– 109.5	– 94.7
Technical reserves		– 84.4	1,078.9
Reinsurers’ share of technical reserves		– 36.1	– 176.9
Receivables and liabilities arising from banking business and financial contracts		808.5	2,249.2
Receivables from investments		7.8	25.3
Receivables and liabilities arising from insurance business and from reinsurers		– 52.0	– 87.4
Change in other assets and other liabilities from operating acitivities		– 36.9	167.6
Change in operating assets and liabilities			
Purchase of investment property	10	– 304.7	– 101.6
Sale of investment property	10	70.4	238.5
Purchase of financial assets of an equity nature		– 3,057.2	– 2,994.0
Sale of financial assets of an equity nature		2,683.0	2,190.3
Purchase of financial assets of a debt nature		– 6,015.6	– 6,344.2
Sale of financial assets of a debt nature		6,052.0	4,777.0
Addition of mortgages and loans		– 18,862.2	– 51,640.7
Disposal of mortgages and loans		18,733.5	52,389.6
Addition of derivative financial instruments		– 112.2	– 282.7
Disposal of derivative financial instruments		286.9	210.8
Borrowing costs	24	34.3	24.7
Taxes paid		– 106.9	– 95.7
Cash flow from operating activities		80.8	477.0

CHF million	Note	2020	2021
Cash flow from investing activities			
Purchase of property, plant and equipment	8	– 27.3	– 14.0
Sale of property, plant and equipment		1.0	7.3
Purchase of intangible assets	9	– 44.0	– 35.4
Sale of intangible assets		–	0.6
Acquisition of companies, net of cash and cash equivalents	38	270.4	–
Disposal of companies, net of cash and cash equivalents	38	–	–
Purchase of investments in associates		– 6.0	– 59.7
Sale of investments in associates		176.1	–
Dividends from associates		12.7	7.0
Cash flow from investing activities		**382.9**	**– 94.3**
Cash flow from financing activities			
Capital reductions	21	–	–
Additions to financial liabilities	24	299.7	450.0
Disposals of financial liabilities	24	– 300.0	– 375.0
Borrowing costs paid	24	– 36.7	– 25.5
Repayments of principal in connection with leases	24	– 16.9	– 13.3
Purchase of treasury shares		– 158.0	– 51.6
Sale of treasury shares		68.2	65.2
Dividends attributable to non-controlling interests		– 0.4	– 0.4
Dividends paid		– 287.4	– 288.4
Cash flow from financing activities		**– 431.5**	**– 238.9**
Total cash flow		**32.3**	**143.8**
Cash and cash equivalents			
Balance as at 1 January		3,988.0	4,004.0
Change during the financial year		32.3	143.8
Effect of changes in exchange rates on cash and cash equivalents		– 16.3	– 74.3
Balance as at 31 December		**4,004.0**	**4,073.5**
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,590.0	2,577.2
Cash equivalents		0.1	0.1
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,413.9	1,496.2
Balance as at 31 December		**4,004.0**	**4,073.5**
Of which: restricted cash and cash equivalents		107.2	223.4
Supplemental disclosures on cash flow from operating activities			
Interest received		618.4	594.3
Dividends received		35.9	38.3
Interest paid		– 21.9	– 23.5

Consolidated statement of changes in equity

2020	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	363.4	–490.5	–3.2	6,839.4	6,714.0	1.6	6,715.6
Profit for the period		–	–	–	–	434.3	434.3	–6.1	428.3
Other comprehensive income	37	–	–	–	206.9	–	206.9	0.0	206.9
Comprehensive income		–	–	–	206.9	434.3	641.3	–6.1	635.2
Other changes in equity									
Dividend		–	–	–	–	–287.4	–287.4	–0.4	–287.8
Capital increase / repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	–17.5	–140.5	–	–	–158.0	–	–158.0
Sale of treasury shares [1]		–	40.8	27.4	–	–	68.2	–	68.2
Share-based payments		–	9.0	–	–	–	9.0	–	9.0
Allocation of treasury shares as part of share-based remuneration programmes [1]		–	–25.5	25.5	–	–	–	–	–
Cancellation of (treasury) shares	21	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	0.4	0.4
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	–	–	6.4	6.4
Other		–	–	–	–	–3.3	–3.3	–	–3.3
Balance as at 31 December		4.9	370.2	–578.0	203.7	6,983.0	6,983.7	2.0	6,985.7

1 Due to the more detailed presentation of share-based payments, the statement of changes in equity had to be modified, which resulted in a minor change in the relative proportions of treasury shares and capital reserves. This change has no impact on total equity.

2021	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	370.2	– 578.0	203.7	6,983.0	6,983.7	2.0	6,985.7
Profit for the period		–	–	–	–	588.4	588.4	– 5.1	583.3
Other comprehensive income	37	–	–	–	– 24.8	–	– 24.8	– 1.2	– 26.0
Comprehensive income		–	–	–	– 24.8	588.4	563.6	– 6.3	557.3
Other changes in equity									
Dividend		–	–	–	–	– 288.4	– 288.4	– 0.4	– 288.8
Capital increase / repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	– 13.8	– 37.8	–	–	– 51.6	–	– 51.6
Sale of treasury shares		–	41.0	24.2	–	–	65.2	–	65.2
Share-based payments		–	4.9	–	–	–	4.9	0.4	5.3
Allocation of treasury shares as part of share-based remuneration programmes		–	– 25.4	25.4	–	–	–	–	–
Cancellation of (treasury) shares	21	– 0.3	–	481.4	–	– 481.1	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	7.9	7.9	19.0	26.9
Other		–	–	–	–	–	–	–	–
Balance as at 31 December		4.6	376.8	– 84.9	178.9	6,809.7	7,285.1	14.8	7,299.9

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 and Luxembourg. Its banking business is conducted by subsidiaries in Switzerland. In addition, the Baloise Group has several fund management companies in Luxembourg.

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

At its meeting on 22 March 2022 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 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 4.20F(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.	2021	2021	2020	2021	2021	2020
CHF million						
Financial instruments with characteristics of equity						
Equities	–	–	–	2,272.9	2,272.9	320.2
Equity funds	–	–	–	152.6	152.6	65.9
Mixed funds	–	–	–	656.3	656.3	–15.5
Bond funds	–	–	–	151.4	151.4	–7.3
Real estate funds	–	–	–	713.1	713.1	8.4
Private equity	–	–	–	1,236.7	1,236.7	330.0
Hedge funds	–	–	–	0.2	0.2	–4.5
Financial instruments with characteristics of liabilities						
Public corporations	19,364.5	20,571.8	–842.0	–	–	–
Industrial enterprises	7,451.9	7,451.9	–353.7	27.9	27.9	0.3
Financial institutions	6,593.5	6,646.1	–535.6	200.3	200.3	71.5
Private debt	1,238.1	1,238.1	959.2	–	–	–
Other	10.0	10.3	–0.2	–	–	–
Mortgages and loans						
Mortgages	11,269.3	11,610.9	–93.6	–	–	–
Promissory notes and registered bonds	3,684.0	3,930.6	–590.8	4.2	4.3	3.1
Time deposits	566.1	566.1	–49.8	–	–	–
Employee loans	28.8	29.2	–0.5	–	–	–
Reverse repurchase agreements	185.0	185.0	–540.0	–	–	–
Other loans	199.0	203.9	–16.1	8.8	8.8	–0.4
Derivative financial instruments						
Interest rate instruments	–	–	–	406.4	406.4	–4.3
Equity instruments	–	–	–	36.0	36.0	2.8
Foreign currency instruments	–	–	–	140.9	140.9	91.6
Receivables						
Receivables from financial contracts	–	–	–	–	–	–
Other receivables	271.3	273.0	–22.8	–	–	–
Receivables from investments	334.9	334.9	–31.9	–	–	–
Cash and cash equivalents	2,577.3	2,577.3	–12.8	–	–	–

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 31.12.2021	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	5,867.3	8,986.7	2,350.8	1,830.7	328.9	19,364.5	–	328.9
Industrial enterprises	108.9	554.2	2,735.0	1,970.2	2,083.7	7,451.9	– 10.7	2,080.9
Financial institutions	4,096.0	397.1	1,281.2	643.0	176.2	6,593.5	– 1.5	176.2
Private debt	–	–	–	–	1,238.1	1,238.1	–	1,238.1
Other	–	10.0	–	–	–	10.0	–	–
Mortgages and loans								
Mortgages	103.1	1,140.9	9,035.2	932.3	57.8	11,269.3	– 23.6	61.9
Promissory notes and registered bonds	1,256.7	1,219.7	476.1	468.9	262.7	3,684.0	–	270.7
Time deposits	–	–	–	–	566.1	566.1	–	566.1
Employee loans	–	–	–	–	28.8	28.8	–	29.2
Reverse repurchase agreements	–	–	–	–	185.0	185.0	–	185.0
Other loans	2.5	27.6	115.3	22.6	31.0	199.0	– 1.2	32.4
Other receivables								
Other receivables	1.0	17.6	58.5	8.7	185.5	271.3	– 1.7	185.5
Receivables from investments	104.8	86.6	45.6	37.3	60.7	334.9	– 1.8	60.7
Cash and cash equivalents	1,269.7	394.8	696.8	16.6	199.4	2,577.3	–	199.4

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

Interest Rate Benchmark Reform

The Interest Rate Benchmark Reform – Phase 2 relates to amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is to be adopted from 1 January 2021. The amendments address issues that may affect financial reporting when an existing interest rate benchmark (interbank offered rate, IBOR) is replaced by an alternative benchmark (alternative reference rate, ARR).

The existing interest-rate benchmarks (IBORs), including LIBOR (London Interbank Offered Rate), were discontinued for various currency areas at the end of 2021. An exception is being made for certain US LIBOR tenors, which will continue until 30 June 2023. The discontinuation of the existing interest-rate benchmarks resulted in the adaptation and implementation of suitable transitional rules. As a result of the replacement of the existing interest-rate benchmarks with alternative interest-rate benchmarks, amendments were made to LIBOR-linked contracts, to the valuations of affected financial instruments (updating the effective interest rates) and to data and information systems (operational readiness).

Other relevant aspects that are still ongoing are the identification, management and monitoring of risks that are associated with the reform. Risks may arise, in particular, if exposures are not identified quickly enough and this leads to legal disputes and reputational damage. Modest adverse effects could result from a situation in which the interest rate benchmarks that are selected as replacements prove detrimental for the Baloise Group. However, the successor rates are usually adjusted in such a way that they do not put either of the counterparties at a disadvantage. Minor risks may also arise if the operational readiness of databases and information systems cannot be guaranteed.

As a key measure to implement the reform and minimise its risks, the Baloise Group has signed the ISDA Fallbacks Protocol on behalf of all affected companies, which provides a framework for managing the transition away from LIBOR in derivatives. In addition, an inventory is being taken of all contracts and exposures affected by the discontinuation of LIBOR.

This inventory was used as a basis for planning the LIBOR transition up to the end of 2021. The transition was completed for virtually all major exposures by the end of 2021. An exception is being made for the aforementioned longer transitional period in place for US LIBOR, which in the case of senior secured loans would probably lead to an exposure beyond the end of the year that would not be directly subject to any transitional guidance.

In summary, however, the effects of the Interest Benchmark Reform do not have any material impact on the profit for the period or the Baloise Group's risk management strategy.

Financial instruments that have not yet been switched to an alternative reference rate

The amount shown for non-derivative financial assets in the table below relates to the aforementioned US LIBOR exposure that exists in relation to the senior secured loans and in the real estate fund business. The fair values of these investments as at the relevant reporting date are shown. The US LIBOR exposure will end entirely by 30 June 2023 at the latest.

CHF million	31.12.2021
Non-derivative financial assets	1,782.1
Non-derivative financial liabilities	–
Derivative financial instruments	–

The Baloise Group does not believe it is necessary to voluntarily adopt other new accounting standards earlier than required.

2.2 IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IA SB but have not yet come into effect and, therefore, have not been applied in the 2021 consolidated annual financial statements:

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	
	31.12.2020	31.12.2021	Ø 2020	Ø 2021
CHF				
1 EUR (euro)	1.08	1.04	1.07	1.08
1 USD (US dollar)	0.89	0.91	0.94	0.91

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. Both the formation of new leases and terminations of existing leases generate non-cash transactions in right-of-use assets and lease liabilities. 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 Software and other intangible assets

In addition to software (including internally developed assets), other intangible assets primarily comprise external IT consultancy (in connection with software development) and identified assets from business acquisitions (e.g. brands, customer relationships). Both software and other intangible assets are recognised at cost and amortised over their useful life using the straight-line method. Software has a maximum useful life of ten years. 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 following asset classes are reported as financial instruments with characteristics of equity: shares, share certificates, units in funds investing in equities, bonds, precious metals or real estate 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

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).

3.15 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 reserve including claims handling costs

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 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). The PSU programme and the Employee Incentive Plan are equity-settled share-based payment plans. By contrast, the Share Subscription Plan and the Share Participation Plan are share-based payment plans with a choice of settlement.

In addition, FRIDAY Insurance S.A. offers its employees a Employee Stock Option Programme (ESOP), which is a equity-settled remuneration programme.

Equity-settled plans, as well as plans with a choice of settlement method, are measured and disclosed in compliance with IFRS 2 Share-based Payment. Plans that are settled with shares in Bâloise Holding Ltd or FRIDAY Insurance S.A. are measured at fair value on the grant date and are charged as personnel expenses during the vesting period and recognised under equity.

3.24 Non-technical provisions

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

3.25 Taxes

Provisions for deferred 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 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 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 and financial liabilities 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.
- Derivative financial instruments
  Models or quoted market prices are used to determine the fair value of derivative financial instruments.
- 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.

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 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 directly linked to this business.

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.

The predominant risks in the life insurance sector are biometric risks, such as longevity risk, mortality risk and disability risk. The companies in the Baloise Group review and analyse these risks, along with the frequency with which the policies are cancelled, invalidated and reactivated, on a decentralised basis. 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 to ensure that rates are adequate and to set aside sufficient reserves to meet future insurance liabilities. The risks in this context are manageable because rates have to be calculated conservatively by law and the statistical basis is relatively good.

The Baloise Group is also exposed to interest-rate risk as a result of issuing interest-rate guarantees and to liquidity risk due to the existence of implicit financial guarantees and options.

Due to its investments, Baloise is also exposed to market risk that may arise as a result of the fluctuation of market prices in certain asset classes and to credit risk arising from changes in creditworthiness, as measured by credit quality or credit rating, for example.

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, interest rate risk, liquidity risk and credit risk.

A comprehensive Group-wide risk management system is in place in all insurance units and the banking business in order to manage these risks. 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 independently assessing the risks. 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 identified, assessed on a qualitative / quantitative basis and managed accordingly. The assessment also serves to analyse the significance of the risk in question in the context of the overall risk situation of the Baloise Group and the individual Group company.

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.

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. Senior management signs off the ORSA reporting and takes account of business strategy and risk strategy considerations in its decisions.

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, Belgium and Luxembourg. 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 up to CHF 500 million. In addition, Basler Switzerland purchased reinsurance cover of up to CHF 800 million for earthquakes and Baloise Belgium purchased reinsurance cover of up to CHF 700 million for storm and tempests.

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 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, reinsurers of this rating would be used for short-dated business in the property insurance segment only. 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 2021, 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 4,738.5 million (2020: CHF 4,600.6 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 365.4 million (2020: CHF 356.9 million) in claims payments (after taxes) before reinsurance.

Following the disposal of the 'London market' subportfolio, Baloise's run-off portfolio in the non-life business consists of the hospital liability business in Germany, which was transferred to the Group's run-off portfolio in 2018.

In the calculation of claims reserves for this portfolio, Baloise is guided by the relevant studies published by the German Insurance Association (GDV) because it has insufficient claims data of its own. The current gross claims reserves (excluding actuarial reserves for annuities) amount to CHF 228.2 million (2020: CHF 263.0 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, the effect would be around CHF 15.8 million after taxes and before reinsurance (2020: CHF 18.2 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										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
CHF million											
At the end of the year in which the claims occurred	732.2	768.5	733.6	707.8	704.8	729.5	759.4	761.7	861.4	861.8	–
One year later	751.1	768.2	715.7	667.8	689.5	728.9	762.6	761.7	841.0	–	–
Two years later	736.9	764.1	701.2	657.6	675.0	707.4	754.0	754.6	–	–	–
Three years later	726.3	764.7	695.9	650.9	673.0	708.2	750.7	–	–	–	–
Four years later	717.0	756.3	688.5	646.0	669.1	712.8	–	–	–	–	–
Five years later	710.5	752.1	681.2	643.9	667.0	–	–	–	–	–	–
Six years later	705.9	752.3	678.4	635.8	–	–	–	–	–	–	–
Seven years later	698.2	743.8	675.5	–	–	–	–	–	–	–	–
Eight years later	685.1	735.1	–	–	–	–	–	–	–	–	–
Nine years later	680.6	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	680.6	735.1	675.5	635.8	667.0	712.8	750.7	754.6	841.0	861.8	7,314.8
Claims paid	–647.9	–694.2	–625.5	–591.5	–620.3	–649.8	–681.8	–683.0	–725.5	–483.6	–6,403.1
Gross claims reserves	32.7	40.9	50.0	44.3	46.7	63.0	68.9	71.6	115.5	378.2	911.7
Gross claims reserves prior to 2012 (including large claims and assumed business)											375.1
Gross provision for annuities (non-life, including IBNR)											691.9
Reinsurers' share											–100.4
Net claims reserves											1,878.3

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										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
EUR million											
At the end of the year in which the claims occurred	297.4	367.7	306.0	303.2	318.6	340.5	345.5	325.1	336.0	477.5	–
One year later	298.4	370.3	316.1	304.9	314.3	331.2	335.7	325.7	335.1	–	–
Two years later	302.5	371.0	319.9	304.5	313.6	327.8	332.6	327.1	–	–	–
Three years later	304.3	379.3	320.4	301.4	307.4	322.4	332.5	–	–	–	–
Four years later	302.6	379.8	314.5	301.8	305.4	321.6	–	–	–	–	–
Five years later	303.2	380.8	313.3	301.8	305.3	–	–	–	–	–	–
Six years later	302.9	377.9	311.8	303.5	–	–	–	–	–	–	–
Seven years later	302.6	376.3	312.7	–	–	–	–	–	–	–	–
Eight years later	302.2	375.7	–	–	–	–	–	–	–	–	–
Nine years later	302.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	302.4	375.7	312.7	303.5	305.3	321.6	332.5	327.1	335.1	477.5	3,393.3
Claims paid	– 296.9	– 367.7	– 299.9	– 289.3	– 290.5	– 300.4	– 302.7	– 285.6	– 248.1	– 189.8	– 2,870.9
Gross claims reserves	5.5	8.0	12.8	14.2	14.8	21.2	29.8	41.5	87.0	287.7	522.4
Gross claims reserves prior to 2012 (including large claims and assumed business)											284.2
Gross provision for annuities (non-life, including IBNR)											137.3
Reinsurers' share											– 258.6
Net claims reserves											685.3

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
EUR million											
At the end of the year in which the claims occurred	412.4	[1] 403.6	483.7	459.9	470.3	446.8	495.0	[2] 643.8	[3] 682.3	820.3	–
One year later	[1] 426.5	402.5	494.3	476.0	478.9	483.9	[2] 580.8	[3] 684.0	710.2	–	–
Two years later	421.9	398.0	488.7	480.7	470.5	[2] 527.2	[3] 592.3	677.7	–	–	–
Three years later	412.9	396.7	483.4	478.9	[2] 493.3	[3] 526.6	591.5	–	–	–	–
Four years later	410.7	394.4	479.1	[2] 491.9	[3] 511.4	519.4	–	–	–	–	–
Five years later	416.9	388.2	[2] 486.4	[3] 499.8	504.3	–	–	–	–	–	–
Six years later	417.5	[2] 395.2	[3] 493.3	495.4	–	–	–	–	–	–	–
Seven years later	[2] 431.5	[3] 404.1	489.2	–	–	–	–	–	–	–	–
Eight years later	[3] 444.4	401.4	–	–	–	–	–	–	–	–	–
Nine years later	435.5	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	435.5	401.4	489.2	495.4	504.3	519.4	591.5	677.7	710.2	820.3	5,644.9
Claims paid	−380.7	−365.4	−446.8	−417.0	−430.3	−428.1	−469.3	−544.3	−493.8	−402.0	−4,377.5
Gross claims reserves	54.8	36.0	42.4	78.4	74.0	91.3	122.2	133.4	216.4	418.3	1,267.4
Gross claims reserves prior to 2012 (including large claims and assumed business)											540.3
Gross provision for annuities (non-life, including IBNR)											264.1
Reinsurers' share											−543.5
Net claims reserves											1,528.4

1 The increase in the total estimated claims incurred is primarily due to the addition of Nateus NV and Audi NV.
2 The increase in the total estimated claims incurred is primarily due to the addition of Fidea NV.
3 The increase in the total estimated claims incurred is primarily due to the addition of Athora.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN LUXEMBOURG

	Year in which the claims occurred										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
EUR million											
At the end of the year in which the claims occurred	24.0	23.6	[1] 36.8	[2] 43.8	49.8	49.6	50.3	50.3	42.0	65.6	–
One year later	24.5	[1] 37.8	[2] 40.8	44.0	47.2	46.3	50.6	49.9	42.4	–	–
Two years later	[1] 36.5	[2] 41.2	40.5	44.3	46.3	46.0	50.1	50.0	–	–	–
Three years later	[2] 39.9	40.5	40.8	43.9	45.8	45.2	50.3	–	–	–	–
Four years later	39.3	40.7	40.5	43.4	45.4	45.2	–	–	–	–	–
Five years later	39.9	40.6	40.2	43.2	45.2	–	–	–	–	–	–
Six years later	40.1	40.4	39.7	43.0	–	–	–	–	–	–	–
Seven years later	40.1	40.0	39.5	–	–	–	–	–	–	–	–
Eight years later	39.9	40.0	–	–	–	–	–	–	–	–	–
Nine years later	39.8	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	39.8	40.0	39.5	43.0	45.2	45.2	50.3	50.0	42.4	65.6	461.0
Claims paid	–39.7	–39.8	–39.4	–42.7	–44.7	–44.5	–49.0	–48.0	–38.6	–37.2	–423.7
Gross claims reserves	0.1	0.2	0.1	0.3	0.5	0.7	1.3	2.0	3.8	28.4	37.3
Gross claims reserves prior to 2012 (including large claims and assumed business)											79.4
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											–69.4
Net claims reserves											47.3

1 The increase in the total estimated claims incurred is primarily due to the addition of P & V Assurances.
2 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 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 transferred under a 100 per cent reinsurance arrangement. Legal approval of the portfolio transfer was granted in 2021, which meant that legal finality was achieved in addition to the existing economic finality. All related claims reserves were reversed.

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

31.12.2020	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	865.8	2,981.0	3,830.6	73.5	385.3
Technical reserves with 0 % guaranteed returns	507.0	566.7	126.8	129.9	20.7
Technical reserves with guaranteed positive returns	6,172.5	15,964.1	6,176.0	3,386.1	546.7
Average technical interest rate of guaranteed positive returns	2.4 %	1.3 %	2.9 %	3.0 %	2.0 %

31.12.2021	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	877.8	2,895.1	4,241.2	41.9	449.3
Technical reserves with 0 % guaranteed returns	467.4	509.3	134.3	140.7	19.2
Technical reserves with guaranteed positive returns	5,974.0	16,356.8	5,809.9	3,310.0	544.7
Average technical interest rate of guaranteed positive returns	2.3 %	1.3 %	2.9 %	2.9 %	1.9 %

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.	2020	2021	2020	2021	2020	2021	2020	2021
CHF million								
Actuarial reserves from unit-linked life insurance contracts	835.9	867.7	2,165.1	2,493.8	35.8	42.0	376.5	441.0

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. Actuarially appropriate annuity conversion rates are used for all of the accumulated retirement assets, while ensuring that the legal minimum requirements for conversion are complied with in respect of the minimum accumulated capital stipulated by law. 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 31.12.2020		Actuarial reserves 31.12.2021	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	12,370.8	33.0	12,312.6	32.7
Mortality risk	8,916.6	23.8	8,535.9	22.7
Disability risk	1,701.5	4.5	1,651.5	4.4
BVG retirement assets	11,103.9	29.6	11,309.1	30.0
Sub-total	34,092.8	90.9	33,809.0	89.8
Unit-linked				
Longevity risk	1,866.3	5.0	2,170.6	5.8
Mortality risk	1,554.7	4.1	1,680.8	4.5
Sub-total	3,421.0	9.1	3,851.5	10.2
Total	37,513.8	100.0	37,660.5	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, Luxembourg and Liechtenstein. 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 44 million (2020: CHF 40 million). the effect on equity in Switzerland was minor.
- 10 per cent fall in mortality
  Similar to the aforementioned scenario of an increase in mortality, the effects of a reduction in mortality were negligible for the life insurance companies in Germany, Belgium, Luxembourg and Liechtenstein. 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 65 million (2020: CHF 80 million) on the income statement. In line with the aforementioned scenario of an increase in mortality, the effect on equity in Switzerland was minor.
- 50 basis-point increase in receipts of new money
  This scenario was based on the assumption that receipts of new money (including amounts reinvested) were 50 basis points higher in 2021. In Germany, this scenario resulted in marginal changes in DACs, in the reserve for final policyholders' dividends and in the URR (2020: positive effect of CHF 3 million on the income statement). The negative effect recognised directly in equity amounted to approximately CHF 12 million (2020: CHF 5 million). In Belgium, this scenario resulted in a marginal increase in DACs. The smaller addition to the provision for impending losses, which had led to a positive effect on the income statement in 2020, was not repeated because rising interest rates meant that no addition was made to the provision for impending losses in 2021. The positive effect on the income statement was therefore marginal overall (2020: CHF 35 million). The negative effect on unrealised gains amounted to CHF 169 million (2020: CHF 196 million). In Luxembourg, this scenario produced a marginally positive effect on the income statement and a negative effect of roughly CHF 19 million on the unrealised gains and losses recognised in equity (2020: CHF 20 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 29 million on the income statement (2020: CHF 30 million). The negative effect recognised directly in equity amounted to approximately CHF 204 million (2020: CHF 196 million).

- 50 basis-point fall in receipts of new money
  This scenario was based on the assumption that receipts of new money (including amounts reinvested) were 50 basis points lower in 2021. In Germany, this scenario resulted in marginal changes in DACs, in the reserve for final policyholders' dividends and in the URR (2020: negative effect of CHF 6 million on the income statement). The positive effect recognised directly in equity amounted to CHF 12 million (2020: CHF 5 million). In Belgium, this scenario resulted in an additional DAC write-down. The higher provision for impending losses that had resulted in a negative effect on the income statement in 2020 was not repeated in 2021 due to the improved interest-rate situation. The negative effect on the income statement amounted to CHF 1 million (2020: CHF 98 million). The positive effect on unrealised gains amounted to CHF 227 million (2020: CHF 238 million). In Luxembourg, this scenario produced a marginally negative effect on the income statement (2020: marginally negative effect) and a positive effect of roughly CHF 22 million on the unrealised gains and losses recognised in equity (2020: CHF 23 million). At Baloise Life (Liechtenstein) AG, the increase in provisions had a marginally negative effect on the income statement (2020: marginally negative effect). 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 40 million (2020: CHF 29 million). The positive effect recognised directly in equity amounted to approximately CHF 197 million (2020: CHF 195 million).

5.5.4 Changes to assumptions

Expected future investment income is constantly adjusted in line with market circumstances. 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.

Under the Group-wide risk management standards of the Baloise Group, interest rate risk is managed through investment planning and appropriate asset liability management with due regard to the available risk-bearing capacity.

Additional 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 41 million (2020: CHF 134 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have risen by CHF 328 million (2020: CHF 241 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 30 million (2020: CHF 68 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have fallen by CHF 347 million (2020: CHF 293 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 3.8 million (2020: + / – CHF 3.8 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 Private Equity (Luxembourg) SCS, Baloise Alternative Invest S.A. SICAV-RAIF and Baloise Private Assets S.C.S SICAF-RAIF, manage the substantial investments in alternative financial assets such as private equity, senior secured loans and infrastructure debt.

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 foreign entities whose reporting currency is the US dollar. The limitation to forward exchange transactions in the implementation of hedging strategies makes it easier to document the hedging efficiency and apply hedge accounting (for investments of Swiss entities).

	Fair value assets		Fair value liabilities	
as at 31.12.	**2020**	**2021**	**2020**	**2021**
CHF million				
Forward contracts	23.8	17.0	0.3	3.0
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	23.8	17.0	0.3	3.0

	2020	2021
CHF million		
Amount recognised directly in equity	122.3	–34.8
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.

The Swiss companies hold exposures in foreign currencies for the purposes of international diversification (risk-spreading) and because of the greater liquidity available in certain non-Swiss financial markets. 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.

The maximum default risk of financial assets is equivalent to their carrying amount. The Baloise Group tracks counterparty exposures at all times and monitors default risk – broken down by country, sector and issuer – 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. In addition, there are guarantees and collateral for the benefit of third parties, which are described in chapter 40.1.2.

As a rule, investments in interest-bearing securities or loans need to have an investment-grade issue rating or be backed by a corresponding third-party guarantee or by a mortgage. A total limit of 18 per cent of all interest-bearing securities and loans (excluding mortgage loans) per legal entity is set for investments with a rating of 'BBB+' or lower and investments with no rating. Exceptions at legal entity level require approval from the RICO. Active investment in sub-investment-grade assets is permitted within this allowance. However, such investments are subject to an additional cap of 3 per cent per legal entity. 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	31.12.2020
Swiss Confederation	4,332.0
Kingdom of Belgium	3,067.4
Federal Republic of Germany	1,916.2
Republic of France	1,880.4
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,533.9
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	992.7
Kingdom of the Netherlands	849.9
Kingdom of Spain	837.3
Republic of Ireland	725.3

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2021
Swiss Confederation	4,155.1
Kingdom of Belgium	2,923.6
Republic of France	1,767.8
Federal Republic of Germany	1,681.1
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,521.0
Kingdom of Spain	997.0
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	969.3
Kingdom of the Netherlands	770.6

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 31.12.2020	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,208.2	9,156.5	2,294.8	1,769.1	309.7	19,738.2
Industrial enterprises	138.9	728.7	2,798.6	2,317.6	1,849.4	7,833.2
Financial institutions	4,452.1	540.8	1,308.8	711.0	219.2	7,232.0
Private debt	–	–	–	–	278.9	278.9
Other	–	10.0	–	–	–	10.0
Mortgages and loans						
Mortgages	100.3	1,109.3	8,932.8	906.4	68.7	11,117.5
Policy loans	–	–	–	–	147.6	147.6
Promissory notes and registered bonds	1,638.8	2,127.8	43.0	60.7	154.5	4,024.8
Time deposits	–	92.0	3.1	51.9	468.8	615.8
Employee loans	–	–	–	–	29.1	29.1
Reverse repurchase agreements	–	–	–	–	725.0	725.0
Other loans	2.7	30.0	125.4	24.6	39.3	222.1
Derivative financial instruments	49.5	7.0	133.3	38.2	265.2	493.2
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	286.5	296.8	4.8	72.1	660.1
Receivables from reinsurers	–	31.5	28.5	0.0	57.6	117.6
Insurance receivables	–	1.5	3.7	–	350.3	355.5
Other receivables	3.9	14.5	63.7	10.9	199.5	292.6
Receivables from investments	117.9	111.3	42.0	35.7	41.2	348.1
Cash and cash equivalents	1,338.4	350.7	682.4	62.0	156.6	2,590.1
Total	14,050.7	14,598.2	16,757.0	5,993.0	5,432.5	56,831.4

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2021	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	5,867.3	8,986.7	2,350.8	1,830.7	328.9	19,364.5
Industrial enterprises	108.9	554.2	2,735.0	1,984.4	2,097.3	7,479.8
Financial institutions	4,100.8	412.1	1,401.3	698.5	181.2	6,793.8
Private debt	–	–	–	–	1,238.1	1,238.1
Other	–	10.0	–	–	–	10.0
Mortgages and loans						
Mortgages	103.1	1,140.9	8,945.5	932.3	57.3	11,179.1
Policy loans	–	–	–	–	153.7	153.7
Promissory notes and registered bonds	1,256.7	1,219.7	476.1	468.9	266.8	3,688.2
Time deposits	–	–	–	–	566.1	566.1
Employee loans	–	–	–	–	28.8	28.8
Reverse repurchase agreements	–	–	–	–	185.0	185.0
Other loans	2.5	27.6	115.3	22.6	39.7	207.8
Derivative financial instruments	147.1	6.0	117.9	35.2	277.1	583.3
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	316.0	395.2	4.3	86.3	801.8
Receivables from reinsurers	–	33.1	44.3	0.0	93.4	170.7
Insurance receivables	–	2.0	10.2	–	322.9	335.1
Other receivables	1.0	17.6	58.5	8.7	184.1	270.0
Receivables from investments	104.8	86.6	45.6	37.3	42.6	316.7
Cash and cash equivalents	1,269.7	394.8	696.8	16.6	199.4	2,577.3
Total	12,961.9	13,207.3	17,392.5	6,039.4	6,348.9	55,950.0

Private debt is now presented separately. It was previously shown under other financial instruments with characteristics of liabilities. The presentation of the prior-year figures has been adjusted accordingly.

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 2021, financial assets amounting to CHF 1.7 million (2020: CHF 1.7 million) and cash and cash equivalents of 0.1 million (2020: CHF 0.1 million) from collateral received were used.

FINANCIAL ASSETS IMPAIRED

as at 31.12.	Gross amount 2020	Impairment 2020	Carrying amount 2020	Gross amount 2021	Impairment 2021	Carrying amount 2021
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	–	–	–
Industrial enterprises	19.6	–19.6	–	10.7	–10.7	–
Financial institutions	11.6	–11.6	–	6.5	–6.5	–
Private debt	–	–	–	–	–	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	125.5	–18.5	107.0	113.7	–23.6	90.2
Policy loans	–	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–	–
Time deposits	–	–	–	–	–	–
Employee loans	0.0	0.0	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	1.3	–1.2	0.0	1.2	–1.2	0.0
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	1.2	–1.1	0.2	1.1	–1.1	0.0
Insurance receivables	151.8	–45.1	106.6	103.7	–44.8	58.9
Other receivables	2.9	–1.2	1.7	2.4	–1.7	0.7
Receivables from investments	20.3	–1.6	18.7	20.0	–1.8	18.1
Total	334.2	–100.0	234.2	259.2	–91.3	167.9

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2020	‹ 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	–	–	–	–	–
Private debt	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	–	–	26.1	–	26.1
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	7.4	10.2	17.6
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	20.7	12.0	10.3	10.6	53.5
Other receivables	0.1	0.0	0.0	0.0	0.1
Receivables from investments	–	–	–	–	–
Total	20.8	12.0	43.8	20.8	97.3

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2021	< 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	–	–	–	–	–
Private debt	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	–	–	–	–	–
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	9.9	12.1	22.0
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	21.2	13.0	10.3	11.6	56.1
Other receivables	0.4	0.0	0.0	0.1	0.6
Receivables from investments	–	–	–	–	–
Total	21.6	13.0	20.2	23.9	78.7

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 31.12.2020	< 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	3,976.0	2.3	1.4	95.0	4,074.7	4,074.7
Measured at amortised cost	6,318.7	422.6	329.2	853.6	7,924.2	7,924.2
Recognised at fair value through profit or loss	1,170.4	–	1.6	12,112.6	13,284.6	13,284.6
Financial liabilities	417.3	929.0	369.7	746.4	2,462.4	2,363.3
Derivative financial instruments (net cash flows)	108.1	19.8	8.9	15.8	152.6	152.6
Insurance liabilities	1,252.3	618.5	0.1	9.1	1,879.9	1,879.9
Other liabilities	547.3	23.8	3.5	16.7	591.4	591.9
Total	13,790.1	2,016.0	714.3	13,849.4	30,369.8	30,271.1
Guarantees and future liabilities						
Guarantees	37.3	13.8	0.7	11.0	62.7	–
Future Liabilities	711.5	1,050.7	2.8	3.6	1,768.7	–
Total	748.8	1,064.5	3.5	14.6	1,831.3	–

MATURITIES OF FINANCIAL LIABILITIES[1]

Liquidity risk as at 31.12.2021	< 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	3,942.6	2.1	1.7	92.1	4,038.5	4,038.5
Measured at amortised cost	6,369.6	327.6	345.3	1,147.3	8,189.7	8,189.7
Recognised at fair value through profit or loss	1,339.3	–	1.5	13,313.3	14,654.2	14,654.2
Financial liabilities	381.9	712.6	490.4	917.6	2,502.5	2,425.7
Derivative financial instruments (net cash flows)	64.4	1.2	13.4	10.9	89.8	89.8
Insurance liabilities	1,137.8	632.0	0.0	0.2	1,770.1	1,770.1
Other liabilities	694.5	23.5	3.4	14.2	735.6	732.2
Total	13,930.1	1,698.9	855.7	15,495.6	31,980.3	31,900.2
Guarantees and future liabilities						
Guarantees	44.6	1.9	0.4	12.0	58.9	–
future liabilities	788.0	940.9	16.0	9.6	1,754.5	–
Total	832.6	942.8	16.3	21.6	1,813.4	–

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)	
	2020	2021	2020	2021
CHF million				
Market price plus 10 %	52.9	38.9	261.0	302.7
Market price minus 10 %	– 71.4	– 49.2	– 265.4	– 305.8

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 / SARON, 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]	2.30 %–4.20 % [3]
		Rental income [2]	300–320 CHF million [3]
		Vacancy costs [1]	14–20 CHF million [3]
		Running costs [1]	26–33 CHF million [3]
		Maintenance costs [1]	27–34 CHF million [3]
		Capital expenditure [2]	20–50 CHF million [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

31.12.2020	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	3,983.6	3,983.6	2,141.1	336.1	1,506.4
Recognised at fair value through profit or loss	502.4	502.4	450.3	52.2	–
Financial instruments with characteristics of liabilities					
Held to maturity	6,974.8	8,729.6	8,729.6	–	–
Available for sale	28,110.2	28,110.2	26,346.0	1,764.2	–
Recognised at fair value through profit or loss	7.3	7.3	7.3	–	–
Mortgages and loans					
Carried at cost	15,872.8	16,845.2	–	11,287.5	5,557.7
Recognised at fair value through profit or loss	1,142.1	1,142.1	–	1,142.1	–
Derivative financial instruments	493.2	493.2	14.7	478.5	–
Other receivables					
Carried at cost	294.4	295.7	–	–	295.7
Receivables from investments					
Carried at cost	366.8	366.8	271.4	16.9	78.5
Investment property	8,410.3	8,410.3	–	–	8,410.3
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	7,924.2	8,085.7	–	8,042.5	43.2
Recognised at fair value through profit or loss	755.9	755.9	–	755.9	–
Derivative financial instruments	152.6	152.6	6.8	132.7	13.1
Financial liabilities [1]	2,324.4	2,383.5	2,383.5	–	–

1 Excluding leasing liabilities.

FAIR VALUE OF ASSETS AND LIABILITIES FOR OWN ACCOUNT AND AT OWN RISK

31.12.2021	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	4,681.7	4,681.7	2,505.6	357.5	1,818.5
Recognised at fair value through profit or loss	501.6	501.6	424.4	77.2	–
Financial instruments with characteristics of liabilities					
Held to maturity	6,375.5	7,635.8	7,635.8	–	–
Available for sale	28,502.8	28,502.8	25,606.0	2,896.9	–
Recognised at fair value through profit or loss	7.9	7.9	7.9	–	–
Mortgages and loans					
Carried at cost	15,117.5	15,714.3	–	10,814.5	4,899.9
Recognised at fair value through profit or loss	981.5	981.5	–	981.5	–
Derivative financial instruments	583.3	583.3	10.7	572.6	–
Other receivables					
Carried at cost	271.3	273.0	–	–	273.0
Receivables from investments					
Carried at cost	334.9	334.9	248.7	14.8	71.4
Investment property	8,464.5	8,464.5	–	–	8,464.5
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	8,189.7	8,260.2	–	8,226.8	33.4
Recognised at fair value through profit or loss	741.4	741.4	–	741.4	–
Derivative financial instruments	89.8	89.8	14.4	75.4	–
Financial liabilities [1]	2,399.1	2,503.9	2,503.9	–	–

1 Excluding leasing liabilities.

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

31.12.2020	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	12,053.8	12,053.8	11,749.9	–	303.9
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,986.5	1,986.5	1,683.0	178.9	124.5
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	595.9	595.9	224.0	371.9	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	12,528.7	12,528.7	12,349.7	178.9	–
Derivative financial instruments	–	–	–	–	–

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

31.12.2021	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	13,988.7	13,988.7	13,625.1	–	363.7
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	2,075.3	2,075.3	1,728.0	216.9	130.5
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	318.8	318.8	0.0	318.8	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	13,912.8	13,912.8	13,695.9	216.9	–
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

2020	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	1,468.4	8,120.1	– 8.4	9,580.2
Additions	194.2	304.7	–	498.9
Additions arising from change in the scope of consolidation	–	–	–	–
Disposals	– 29.0	– 70.4	–	– 99.3
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 3	–	29.3	–	29.3
Reclassified from level 3	–	– 140.5	–	– 140.5
Reclassification to non-current assets classified as held for sale	–	–	–	–
Changes in fair value recognised in profit or loss [1]	– 35.6	171.0	–	135.4
Changes in fair value not recognised in profit or loss	– 70.1	–	– 4.7	– 74.9
Exchange differences	– 21.5	– 4.0	–	– 25.5
Balance as at 31 December	1,506.4	8,410.3	– 13.1	9,903.5
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 6.8	170.7	–	163.9

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.

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

2021	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	**1,506.4**	**8,410.3**	**–13.1**	**9,903.5**
Additions	176.3	101.6	–	277.9
Additions arising from change in the scope of consolidation	–	–	–	–
Disposals	–156.0	–238.5	–	–394.5
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 3	–	2.5	–	2.5
Reclassified from level 3	–	–0.4	–	–0.4
Reclassification to non-current assets classified as held for sale	–	–	–	–
Changes in fair value recognised in profit or loss [1]	21.4	239.6	–	260.9
Changes in fair value not recognised in profit or loss	288.5	11.5	13.1	313.1
Exchange differences	–18.0	–62.1	–	–80.1
Balance as at 31 December	**1,818.5**	**8,464.5**	**–**	**10,283.0**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**9.6**	**230.2**	**–**	**239.8**

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

2020	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	**274.0**	**122.7**	**396.7**
Additions	28.7	16.2	44.9
Additions arising from change in the scope of consolidation	–	–	–
Disposals	–11.5	–12.3	–23.8
Disposals arising from change in the scope of consolidation	–	–	–
Reclassified to level 3	–	–	–
Reclassified from level 3	–1.3	–0.1	–1.4
Changes in fair value recognised in profit or loss [1]	14.4	–1.7	12.7
Exchange differences	–0.5	–0.3	–0.8
Balance as at 31 December	**303.9**	**124.5**	**428.4**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**14.4**	**–1.7**	**12.7**

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.

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

2021	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	**303.9**	**124.5**	**428.4**
Additions	70.6	22.5	93.1
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 39.5	– 11.5	– 51.1
Disposals arising from change in the scope of consolidation	–	–	–
Reclassified to level 3	0.4	0.2	0.6
Reclassified from level 3	–	– 0.1	– 0.1
Changes in fair value recognised in profit or loss [1]	43.8	0.5	44.2
Exchange differences	– 15.5	– 5.6	– 21.0
Balance as at 31 December	**363.7**	**130.5**	**494.1**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**43.8**	**0.5**	**44.2**

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 2020.

Reclassification of assets and liabilities to and from level 3

The reclassifications of investment properties made to and from level 3 in the reporting period were attributable to the changes of use of a property and of Baloise Park in Basel.

In 2020, the reclassification of investment property from level 3 was also due to the change of use of Baloise Park in Basel.

A property in Belgium was reclassified in 2020 to level 3 as a result of a change of use.

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 market risk, credit risk and actuarial risk and is determined using an expected shortfall approach that takes account of diversification effects. The actuarial capital requirement is a measurement of the operational funding required to cover actuarial risk. The claims risk is modelled using distributions of normal and large claims, including the prevailing reinsurance structure. At the same time, the investment required to smooth fluctuations in investment value and returns for a given probability is also calculated. Analysis of these risks is based on quantitative models that use statistical methods to evaluate historical data and place it in the context of current exposure. Various extreme scenarios are also evaluated, and their potential impact on risk-bearing capacity is analysed. The SST ratio (ratio of risk-bearing capital to target capital, after deduction of the market value margin in both cases) is calculated for the strategic business units and the Group.

The 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 2020 financial year

6.1.1 Acquisitions and foundations

On 31 May 2020, the Baloise Group acquired the non-life insurance portfolio of Athora Belgium. The acquisition strengthens Baloise's position in the Wallonia region and is the ideal complement to Baloise Belgium's presence in the Flanders region.

On 9 November 2020, Baloise founded aboDeinauto in collaboration with corporate venture builder Bridgemaker. Baloise's stake amounts to 83 per cent in total. In addition, Baloise holds call and put options with equal terms on the 17 per cent of shares held by Bridgemaker, which is why aboDeinauto is fully consolidated. Baloise further expanded its Mobility ecosystem with the founding of aboDeinauto, a subscription service provider with a strong focus on second-hand vehicles.

6.1.2 Disposals

No companies were sold during 2020.

6.1.3 Other changes in the group of consolidated companies

In 2020, the Group structure was simplified with the following company mergers:

- Merger of Artires AG into Baloise Life Ltd with effect from 1 January 2020.
- Merger of Baloise Asset Management Schweiz AG and Baloise Immobilien Management AG with effect from 1 April 2020.
- Merger of Fidea NV into Baloise Belgium NV with effect from 4 May 2020.

6.2 2021 financial year

6.2.1 Acquisitions

Baloise Participation Holding AG was founded in Basel in the first half of 2021. The purpose of this company is to buy, sell, hold and manage long-term equity investments in businesses, particularly in the Baloise Group's growth areas and in new technologies.

As part of the Simply Safe strategy, FRIDAY Insurance S.A. set up a branch in France in the first half of 2021.

6.2.2 Disposals

No companies were sold during the year under review.

6.2.3 Other changes in the group of consolidated companies

The shares held by GMPVC German Media Pool GmbH in FRIDAY Insurance S.A. were repurchased in the first half of 2021; SevenVentures GmbH now remains as the only minority shareholder, with a holding of 12.59 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 “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, the German hospital liability business, which was transferred to the Group’s run-off portfolio in 2018, and a portfolio of variable annuities products. Legal approval for the transfer of the ’London market’ run-off portfolio was granted in 2021, which meant that legal finality was achieved in addition to the existing economic finality that had been achieved in 2019.

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 “Asset Management&Banking” operating segment 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.

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	
	2020	2021	2020	2021	2020	2021
CHF million						
Income						
Premiums earned and policy fees (gross)	4,005.5	4,115.2	1,158.8	1,214.1	1,635.5	1,821.9
Reinsurance premiums ceded	– 101.8	– 99.0	– 82.9	– 98.2	– 159.7	– 182.5
Premiums earned and policy fees (net)	3,903.6	4,016.1	1,075.9	1,115.9	1,475.8	1,639.5
Investment income	766.0	743.9	174.6	177.4	224.6	229.6
Realised gains and losses on investments						
For own account and at own risk	103.0	194.1	174.3	169.6	8.5	34.5
For the account and at the risk of life insurance policyholders and third parties	– 2.3	42.6	4.7	376.0	44.8	89.5
Income from services rendered	94.2	107.8	11.2	8.6	5.4	5.6
Share of profit (loss) of associates	39.1	– 2.8	10.5	8.2	14.4	– 0.6
Other operating income	101.0	108.7	49.5	50.3	22.8	28.7
Income	**5,004.7**	**5,210.4**	**1,500.8**	**1,906.0**	**1,796.3**	**2,026.8**
Intersegment income	– 36.4	– 34.0	14.0	14.5	43.8	59.7
Income from associates	9.2	– 2.5	6.5	8.2	4.1	– 0.5
Expense						
Claims and benefits paid (gross)	– 4,137.0	– 3,591.2	– 895.6	– 912.2	– 1,009.5	– 1,107.6
Change in technical reserves (gross)	210.8	– 257.2	– 188.4	– 718.3	39.4	– 182.5
Reinsurers' share of claims incurred	145.0	82.1	68.5	252.9	104.6	211.2
Acquisition costs	– 48.9	– 54.2	– 173.7	– 190.6	– 333.7	– 384.5
Operating and administrative expenses for insurance business	– 446.8	– 447.9	– 160.4	– 163.2	– 153.4	– 164.1
Investment management expenses	– 72.6	– 80.6	– 25.8	– 29.8	– 17.1	– 21.6
Interest expenses on insurance liabilities	– 0.2	– 0.2	– 14.5	– 13.1	– 0.2	– 0.2
Gains or losses on financial contracts	– 21.4	– 19.1	– 2.7	– 3.2	– 116.2	– 154.4
Other operating expenses	– 247.3	– 257.4	– 87.2	– 86.1	– 64.4	– 74.1
Expense	**– 4,618.4**	**– 4,625.9**	**– 1,479.8**	**– 1,863.5**	**– 1,550.6**	**– 1,877.8**
Profit / loss before borrowing costs and taxes	**386.3**	**584.6**	**20.9**	**42.5**	**245.8**	**149.0**
Borrowing costs	– 10.4	– 10.3	– 0.1	0.0	0.0	0.0
Profit / loss before taxes	**375.9**	**574.2**	**20.9**	**42.5**	**245.7**	**149.0**
Income taxes	– 52.9	– 78.3	– 1.1	– 20.6	– 77.7	– 28.4
Profit / loss for the period (segment result)	**323.0**	**495.9**	**19.7**	**21.9**	**168.0**	**120.6**
Segment assets as at 31.12.	47,285.8	47,902.3	13,028.7	13,069.3	15,274.2	14,745.7

	Luxembourg		Sub-total		Group business		Eliminated		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	210.1	219.8	7,009.8	7,371.1	120.5	163.8	−95.6	−118.7	7,034.8	7,416.2
	−19.1	−24.4	−363.5	−404.1	−0.1	−41.1	95.6	118.7	−268.0	−326.5
	191.0	195.5	6,646.4	6,967.0	120.4	122.8	0.0	0.0	6,766.8	7,089.7
	19.4	18.1	1,184.7	1,169.0	18.4	17.2	−26.6	−26.7	1,176.5	1,159.5
	1.4	5.6	287.2	403.8	1.1	−33.3	–	–	288.3	370.5
	138.6	993.1	185.8	1,501.2	−6.3	33.0	–	–	179.5	1,534.2
	21.1	21.3	132.0	143.2	156.7	168.6	−170.1	−181.3	118.5	130.6
	–	–	64.1	4.9	–	–	–	–	64.1	4.9
	37.0	36.3	210.3	224.0	26.4	29.5	−43.3	−40.3	193.4	213.2
	408.6	1,269.9	8,710.4	10,413.1	316.6	337.7	−240.0	−248.3	8,787.0	10,502.5
	7.3	9.4	28.6	49.5	−268.6	−297.8	240.0	248.3	–	–
	–	–	19.8	5.3	–	–	–	–	19.8	5.3
	−109.1	−124.6	−6,151.2	−5,735.7	−122.2	−152.4	90.8	74.7	−6,182.6	−5,813.4
	−39.0	−70.6	22.8	−1,228.6	−5.5	27.1	15.9	16.8	33.1	−1,184.7
	24.0	36.2	342.1	582.4	0.9	38.7	−106.6	−91.5	236.4	529.6
	−21.5	−19.6	−577.7	−648.9	−5.0	−8.3	1.4	1.5	−581.3	−655.6
	−61.0	−70.7	−821.5	−845.9	−8.6	−9.3	−1.4	−1.5	−831.6	−856.7
	−1.9	−2.0	−117.4	−134.0	−6.8	−7.7	16.7	17.4	−107.4	−124.4
	−0.1	−0.2	−15.0	−13.7	−0.3	−0.2	0.2	0.3	−15.2	−13.6
	−135.4	−971.2	−275.8	−1,147.9	−10.4	−47.1	26.6	26.8	−259.5	−1,168.3
	−35.8	−34.6	−434.7	−452.2	−237.8	−244.6	196.5	203.8	−476.1	−493.0
	−379.7	−1,257.3	−8,028.5	−9,624.5	−395.7	−403.8	240.0	248.3	−8,184.1	−9,780.0
	28.9	12.5	681.9	788.7	−79.0	−66.1	–	–	602.9	722.5
	−0.1	−0.1	−10.6	−10.5	−23.7	−14.2	–	–	−34.3	−24.7
	28.8	12.5	671.3	778.2	−102.7	−80.3	–	–	568.6	697.9
	0.0	4.3	−131.8	−122.9	−8.5	8.3	–	–	−140.3	−114.6
	28.8	16.8	539.5	655.3	−111.3	−72.0	–	–	428.3	583.3
	13,156.8	14,482.2	88,745.6	90,199.4	2,380.2	2,552.3	−2,761.3	−2,772.7	88,364.5	89,979.0

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2020	2021	2020	2021
CHF million				
Income				
Premiums earned and policy fees (gross)	3,743.4	4,026.5	3,291.3	3,389.7
Reinsurance premiums ceded	– 230.0	– 279.1	– 38.1	– 47.4
Premiums earned and policy fees (net)	3,513.5	3,747.4	3,253.3	3,342.3
Investment income	158.5	151.9	942.6	936.1
Realised gains and losses on investments				
For own account and at own risk	25.2	32.6	274.0	372.5
For the account and at the risk of life insurance policyholders and third parties	–	–	185.1	1,501.4
Income from services rendered	43.2	48.2	26.7	22.7
Share of profit (loss) of associates	38.9	– 1.3	20.9	1.4
Other operating income	26.8	47.5	176.3	179.7
Income	3,806.0	4,026.4	4,878.8	6,356.1
Intersegment income	– 41.2	– 48.6	– 55.3	– 39.8
Income from associates	4.9	– 1.2	10.6	1.4
Expense				
Claims and benefits paid (gross)	– 2,338.3	– 2,541.8	– 3,844.3	– 3,271.6
Change in technical reserves (gross)	1.0	– 227.8	32.2	– 956.8
Reinsurers' share of claims incurred	205.0	498.0	31.4	31.6
Acquisition costs	– 545.9	– 622.1	– 35.4	– 33.6
Operating and administrative expenses for insurance business	– 547.6	– 564.6	– 284.0	– 292.0
Investment management expenses	– 29.4	– 32.4	– 102.0	– 111.5
Interest expenses on insurance liabilities	– 0.5	– 0.3	– 14.6	– 13.2
Gains or losses on financial contracts	– 16.4	– 16.8	– 234.7	– 1,128.6
Other operating expenses	– 231.8	– 214.6	– 145.3	– 173.6
Expense	– 3,503.8	– 3,722.6	– 4,596.7	– 5,949.4
Profit / loss before borrowing costs and taxes	302.2	303.9	282.2	406.7
Borrowing costs	– 0.3	– 0.3	– 10.3	– 10.2
Profit / loss before taxes	301.9	303.6	271.9	396.5
Income taxes	– 63.2	– 32.9	– 67.6	– 74.4
Profit / loss for the period (segment result)	238.7	270.7	204.3	322.1

	Asset Management & Banking		Other activities		Eliminated		Total	
	2020	2021	2020	2021	2020	2021	2020	2021
	–	–	–	–	–	–	7,034.8	7,416.2
	–	–	–	–	–	–	−268.0	−326.5
	–	–	–	–	–	–	6,766.8	7,089.7
	84.3	82.0	16.7	15.5	−25.6	−26.1	1,176.5	1,159.5
	7.0	−16.6	−17.9	−18.0	–	–	288.3	370.5
	–	–	−5.6	32.7	–	–	179.5	1,534.2
	152.5	166.3	167.2	181.2	−271.1	−287.9	118.5	130.6
	–	−0.3	4.3	5.1	–	–	64.1	4.9
	15.1	17.6	18.2	14.4	−43.0	−46.1	193.4	213.2
	259.0	249.1	182.9	231.0	−339.8	−360.0	8,787.0	10,502.5
	−86.3	−87.3	−157.0	−184.3	339.8	360.0	–	–
	–	–	4.3	5.1	–	–	19.8	5.3
	–	–	–	–	–	–	−6,182.6	−5,813.4
	–	–	–	–	–	–	33.1	−1,184.7
	–	–	–	–	–	–	236.4	529.6
	–	–	–	–	–	–	−581.3	−655.6
	–	–	–	–	–	–	−831.6	−856.7
	−56.6	−64.1	−0.2	−0.1	80.7	83.7	−107.4	−124.4
	–	–	–	–	–	–	−15.2	−13.6
	−24.4	−2.7	−9.8	−46.2	25.7	26.1	−259.5	−1,168.3
	−98.5	−99.8	−233.9	−255.2	233.4	250.3	−476.1	−493.0
	−179.5	−166.6	−243.9	−301.5	339.8	360.0	−8,184.1	−9,780.0
	79.4	82.5	−61.0	−70.5	–	–	602.9	722.5
	0.0	0.0	−23.7	−14.1	–	–	−34.3	−24.7
	79.4	82.4	−84.6	−84.6	–	–	568.6	697.9
	−11.7	−12.0	2.2	4.7	–	–	−140.3	−114.6
	67.8	70.4	−82.4	−79.9	–	–	428.3	583.3

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

2020	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	Hardware	Right-of-use assets	Total
CHF million							
Balance as at 1 January	55.3	174.7	45.0	17.0	28.1	42.8	362.8
Additions	–	2.7	8.7	9.6	6.3	14.5	41.8
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Disposals	–	–	0.0	– 0.7	– 0.1	– 2.2	– 3.0
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	10.2	99.5	1.5	–	–	–	111.2
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Depreciation and impairment							
Depreciation	–	– 6.9	– 7.0	– 5.0	– 11.5	– 16.5	– 46.9
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	1.1	–	–	–	–	1.1
Exchange differences	– 0.1	– 0.5	– 0.2	0.0	0.0	0.0	– 0.8
Balance as at 31 December	65.4	270.7	48.0	20.9	22.7	38.5	466.2
Acquisition costs	66.9	557.2	115.3	68.2	84.3	71.0	962.8
Accumulated depreciation and impairment	– 1.4	– 286.5	– 67.3	– 47.3	– 61.5	– 32.5	– 496.6
Balance as at 31 December	65.4	270.7	48.0	20.9	22.7	38.5	466.2

Depreciation and impairment form part of other operating expenses.

In 2020, the reclassifications to and from owner-occupied properties (land, buildings and operating equipment) were attributable to the changes of use of Baloise Park in Basel and a Belgian property.

2021	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	Hardware	Right-of-use assets	Total
CHF million							
Balance as at 1 January	65.4	270.7	48.0	20.9	22.7	38.5	466.2
Additions	–	3.7	3.0	3.3	3.9	2.0	16.0
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Disposals	– 0.3	– 6.5	– 0.2	– 0.6	0.0	– 0.9	– 8.5
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	– 2.1	0.0	– 0.1	–	–	–	– 2.1
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Depreciation and impairment							
Depreciation	–	– 9.2	– 8.1	– 4.9	– 11.0	– 12.8	– 46.0
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Exchange differences	– 0.5	– 4.5	– 0.2	– 0.3	– 0.2	– 0.6	– 6.1
Balance as at 31 December	62.6	254.2	42.4	18.5	15.5	26.3	419.5
Acquisition costs	63.6	530.9	114.0	66.4	80.5	70.9	926.4
Accumulated depreciation and impairment	– 0.9	– 276.7	– 71.6	– 48.0	– 65.1	– 44.7	– 506.9
Balance as at 31 December	62.6	254.2	42.4	18.5	15.5	26.3	419.5

Depreciation and impairment form part of other operating expenses.

In 2021, the reclassifications made from and to owner-occupied properties (land, buildings and operating equipment) were attributable to the changes of use of a property and of Baloise Park in Basel.

9. INTANGIBLE ASSETS

2020	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Software and other intangible assets	Total
CHF million						
Balance as at 1 January	80.6	4.6	618.5	141.4	189.6	1,034.7
Additions arising from change in the scope of consolidation	22.4	–	–	–	9.0	31.3
Additions	–	–	–	–	44.0	44.0
Capitalisation of acquisition costs	–	–	115.9	330.3	–	446.2
Disposals	–	–	–	–	–	–
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Amortisation and impairment						
Amortisation	–	– 0.8	– 31.5	– 306.9	– 50.5	– 389.7
Write-ups	–	–	1.7	–	–	1.7
Impairment losses recognised in profit or loss	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Changes due to impending losses	–	–	– 2.8	2.8	–	0.0
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	– 11.4	–	–	– 11.4
Exchange differences	0.1	0.0	– 1.0	0.0	– 0.4	– 1.4
Balance as at 31 December	103.1	3.7	689.3	167.6	191.7	1,155.4
Acquisition costs	268.2	–	–	–	656.4	–
Accumulated amortisation and impairment	– 165.1	–	–	–	– 464.7	–
Balance as at 31 December [1]	103.1	3.7	689.3	167.6	191.7	1,155.4
Segment as at 31 December 2020						
Switzerland	25.6	–	80.2	35.1	34.1	175.1
Germany	15.7	3.7	607.6	37.1	0.8	664.9
Belgium	38.8	–	–	90.9	100.6	230.3
Luxembourg	22.9	–	1.5	4.5	10.7	39.7
Group business	0.0	–	–	–	45.5	45.5
Total for geographic regions	103.1	3.7	689.3	167.6	191.7	1,155.4

1 With the possible exception of goodwill, the Baloise Group has no intangible assets with indefinite useful lives.

2021	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Software and other intangible assets	Total
CHF million						
Balance as at 1 January	103.1	3.7	689.3	167.6	191.7	1,155.4
Additions arising from change in the scope of consolidation	–	–	–	–	–	–
Additions	–	–	–	–	35.4	35.4
Capitalisation of acquisition costs	–	–	130.9	358.9	–	489.8
Disposals	–	–	–	–	– 0.8	– 0.8
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Amortisation and impairment						
Amortisation	–	– 0.8	– 33.5	– 358.8	– 52.1	– 445.2
Write-ups	–	–	1.7	–	–	1.7
Impairment losses recognised in profit or loss	–	–	–	–	– 3.1	– 3.1
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Changes due to impending losses	–	–	–	– 4.6	–	– 4.6
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	– 6.5	–	–	– 6.5
Exchange differences	– 3.2	– 0.1	– 27.9	– 5.3	– 5.2	– 41.8
Balance as at 31 December	99.9	2.8	754.0	157.8	165.9	1,180.4
Acquisition costs	265.0	–	–	–	695.5	–
Accumulated amortisation and impairment	– 165.1	–	–	–	– 529.6	–
Balance as at 31 December[1]	99.9	2.8	754.0	157.8	165.9	1,180.4
Segment as at 31 December 2021						
Switzerland	25.6	–	101.4	33.7	37.6	198.4
Germany	15.1	2.8	649.0	33.3	0.8	700.9
Belgium	37.2	–	1.2	86.3	74.9	199.6
Luxembourg	22.0	–	2.3	4.6	8.0	36.9
Group business	0.0	–	–	–	44.6	44.6
Total for geographic regions	99.9	2.8	754.0	157.8	165.9	1,180.4

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	
	2020	2021	2020	2021	2020	2021
Basler Versicherung AG	25.6	25.6	7.8	7.8	1.5	1.5
Basler Financial Services GmbH	13.7	13.1	6.8	6.8	1.0	1.0
Bâloise Vie Luxembourg S.A.	6.8	6.5	7.0	7.0	2.5	2.5
Bâloise Assurances Luxembourg S.A.	15.6	14.9	7.0	7.0	2.5	2.5
Baloise Belgium NV	37.6	36.1	7.0	7.0	2.6	2.6

The impairment test in 2021 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 2021 or in 2020, to the carrying amount of an entity being significantly higher than its recoverable value.

10. INVESTMENT PROPERTY

CHF million	2020	2021
Balance as at 1 January	8,120.1	8,410.3
Additions	304.7	101.6
Additions arising from change in scope of consolidation	–	–
Disposals	– 70.4	– 238.5
Disposals arising from change in scope of consolidation	–	–
Reclassification	– 111.2	2.1
Reclassification to non-current assets classified as held for sale	–	–
Change in fair value	171.0	251.1
Exchange differences	– 4.0	– 62.1
Balance as at 31 December	8,410.3	8,464.5
Operating expenses arising from investment property that generates rental income	74.7	78.9
Operating expenses arising from investment property that does not generate rental income	–	–

The increase in the balance over the course of 2021 was largely attributable to additions of real estate and to disposals resulting from the transfer of investment properties to the Swiss Property Fund at Baloise Life Ltd and Baloise Insurance Ltd. The reclassifications made to and from investment properties were attributable to the changes of use of a property and of Baloise Park in Basel.

In 2020, the reclassifications from and to investment properties were attributable to the changes of use of Baloise Park in Basel and a Belgian property.

11. FINANCIAL ASSETS

CHF million	31.12.2020	31.12.2021
Financial assets of an equity nature		
Available for sale	3,983.6	4,681.7
Recognised at fair value through profit or loss	502.4	501.6
Financial assets of a debt nature		
Held to maturity	6,974.8	6,375.5
Available for sale	28,110.2	28,502.8
Recognised at fair value through profit or loss	7.3	7.9
Financial assets for own account and at own risk	39,578.4	40,069.5
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]	14,040.3	16,064.0
Financial assets as reported on the balance sheet	53,618.6	56,133.5

1 Of which financial assets totalling CHF 114.8 million (2020: CHF 100.4 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.	2020	2021
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	6,974.8	6,375.5
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	6,974.8	6,375.5

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			
	2020	2021	2020	2021	2020	2021	2020	2021
	2,141.1	2,505.6	–	–	450.3	424.4	2,591.3	2,930.0
	1,842.5	2,176.1	–	–	52.2	77.2	1,894.7	2,253.3
	3,983.6	4,681.7	–	–	502.4	501.6	4,486.0	5,183.3
	26,173.6	25,350.4	–	–	0.1	–	33,148.5	31,726.0
	172.4	255.5	–	–	7.2	7.9	179.6	263.4
	1,764.2	2,896.9	–	–	–	–	1,764.2	2,896.9
	–	–	–	–	–	–	–	–
	28,110.2	28,502.8	–	–	7.3	7.9	35,092.4	34,886.3

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2020	2021
CHF million		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	–	–
Public corporations	6,228.8	5,750.3
Industrial enterprises	–	–
Financial institutions	736.0	615.3
Private debt	–	–
Other	10.0	10.0
Financial assets of a debt nature	6,974.8	6,375.5
Total	6,974.8	6,375.5
Secured financial assets of a debt nature		
Public corporations	10.8	10.4
Industrial enterprises	–	–
Financial institutions	693.5	588.7
Private debt	–	–
Other	–	–
Total	704.3	599.1

Private debt is now presented separately. It was previously shown under other financial instruments with characteristics of liabilities. The presentation of the prior-year figures has been adjusted accordingly.

In 2020, initial investments in a Dutch mortgage investment fund were made under the private debt investment strategy. The investment vehicle is a fund for joint account (FGR) under Dutch law that is managed by an AIFM-authorised, regulated manager (DMF Investment Management).

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			
	2020	2021	2020	2021	2020	2021	2020	2021
	1,952.7	2,272.9	–	–	–	–	1,952.7	2,272.9
	52.7	105.6	–	–	33.9	47.0	86.6	152.6
	234.9	214.6	–	–	436.9	441.7	671.8	656.3
	140.6	141.6	–	–	18.2	9.8	158.8	151.4
	691.3	710.1	–	–	13.5	3.1	704.7	713.1
	906.7	1,236.7	–	–	–	–	906.7	1,236.7
	4.7	0.2	–	–	–	–	4.7	0.2
	3,983.6	4,681.7	–	–	502.4	501.6	4,486.0	5,183.3
	13,509.4	13,614.3	–	–	0.1	–	19,738.2	19,364.5
	7,833.2	7,479.8	–	–	–	–	7,833.2	7,479.8
	6,488.7	6,170.6	–	–	7.2	7.9	7,232.0	6,793.8
	278.9	1,238.1	–	–	–	–	278.9	1,238.1
	–	–	–	–	–	–	10.0	10.0
	28,110.2	28,502.8	–	–	7.3	7.9	35,092.4	34,886.3
	32,093.8	33,184.5	–	–	509.7	509.5	39,578.4	40,069.5
	132.5	89.8	–	–	–	–	143.3	100.2
	1,541.5	1,605.4	–	–	–	–	1,541.5	1,605.4
	3,901.1	3,599.5	–	–	–	–	4,594.6	4,188.2
	278.9	1,238.1	–	–	–	–	278.9	1,238.1
	–	–	–	–	–	–	–	–
	5,854.0	6,532.8	–	–	–	–	6,558.3	7,131.9

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

	Carrying amount		Fair value	
as at 31.12.	2020	2021	2020	2021
CHF million				
Public corporations	6,228.8	5,750.3	7,904.4	6,957.6
Industrial enterprises	–	–	–	–
Financial institutions	736.0	615.3	814.6	667.9
Private debt	–	–	–	–
Other	10.0	10.0	10.6	10.3
Total	6,974.8	6,375.5	8,729.6	7,635.8

12. MORTGAGES AND LOANS

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2020	2021	2020	2021	2020	2021	2020	2021
CHF million								
Mortgages and loans carried at cost								
Mortgages	10,127.1	10,311.5	– 18.5	– 23.6	10,108.6	10,287.9	10,562.5	10,629.5
Policy loans	147.5	153.6	–	–	147.5	153.6	160.3	156.9
Promissory notes and registered bonds	4,024.8	3,688.2	–	–	4,024.8	3,688.2	4,522.6	3,934.9
Time deposits	615.8	566.1	–	–	615.8	566.1	615.9	566.1
Employee loans	29.1	28.8	0.0	–	29.1	28.8	29.7	29.2
Reverse repurchase agreements	725.0	185.0	–	–	725.0	185.0	725.0	185.0
Other loans	223.4	209.0	– 1.2	– 1.2	222.1	207.8	229.2	212.8
Sub-total	15,892.5	15,142.2	– 19.7	– 24.7	15,872.8	15,117.5	16,845.2	15,714.3
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	1,142.0	981.4	–	–	1,142.0	981.4	1,142.0	981.4
Policy loans	0.1	0.1	–	–	0.1	0.1	0.1	0.1
Sub-total	1,142.1	981.5	–	–	1,142.1	981.5	1,142.1	981.5
Mortgages and loans	17,034.6	16,123.7	– 19.7	– 24.7	17,014.9	16,098.9	17,987.3	16,695.8

IMPAIRMENT OF MORTGAGES AND LOANS

CHF million	2020	2021
Balance as at 1 January	–27.0	–19.7
Usage not recognised in profit or loss	9.6	0.1
Unused provisions reversed through profit or loss	1.8	1.0
Increases and additional provisions recognised in profit or loss	–4.2	–6.1
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.1	0.0
Balance as at 31 December	–19.7	–24.7

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value assets		Fair value liabilities	
as at 31.12.	2020	2021	2020	2021
CHF million				
Derivative financial instruments for own account and at own risk	493.2	583.3	152.6	89.8
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	595.9	318.8	–	–
Derivative financial instruments as reported on the balance sheet	1,089.1	902.1	152.6	89.8

as at 31.12.	Contract value 2020	Contract value 2021	Fair value assets 2020	Fair value assets 2021	Fair value liabilities 2020	Fair value liabilities 2021
CHF million						
Interest rate instruments						
Forward contracts	0.4	–	–	–	0.4	–
Swaps	1,378.7	1,244.2	18.7	16.2	28.8	17.3
OTC options	–	–	–	–	–	–
Other	3.4	3.9	392.0	390.3	69.1	47.3
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	1,382.5	1,248.1	410.7	406.4	98.2	64.6
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	1,654.0	1,942.2	24.6	25.3	14.1	–
Traded options	130.3	161.6	8.6	10.7	6.8	14.4
Traded futures	–	–	–	–	–	–
Sub-total	1,784.2	2,103.8	33.2	36.0	20.9	14.4
Foreign currency instruments						
Forward contracts	6,986.4	7,683.4	46.9	140.9	31.0	10.9
Swaps	–	–	–	–	–	–
OTC options	1,335.4	–	2.3	–	2.5	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	8,321.7	7,683.4	49.3	140.9	33.5	10.9
Total	11,488.4	11,035.3	493.2	583.3	152.6	89.8
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	1,343.5	1,637.3	23.8	17.0	0.3	3.0

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

as at 31.12.	Gross amount 2020	Gross amount 2021	Impairment 2020	Impairment 2021	Carrying amount 2020	Carrying amount 2021	Fair value 2020	Fair value 2021
CHF million								
Receivables carried at cost								
Receivables from investments	368.4	336.7	– 1.6	– 1.8	366.8	334.9	366.8	334.9
Other receivables	295.6	273.0	– 1.2	– 1.7	294.4	271.3	295.7	273.0
Receivables	664.0	609.7	– 2.8	– 3.5	661.2	606.2	662.6	607.9

IMPAIRMENT OF RECEIVABLES

	2020	2021
CHF million		
Balance as at 1 January	– 2.7	– 2.8
Usage not recognised in profit or loss	0.2	– 0.3
Unused provisions reversed through profit or loss	2.6	1.4
Increases and additional provisions recognised in profit or loss	– 2.9	– 1.9
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	– 2.8	– 3.5

15. REINSURANCE ASSETS

	2020	2021
CHF million		
Reinsurers' share of technical reserves as at 1 January	577.1	677.7
Change in unearned premium reserves	– 5.1	– 7.3
Benefits paid	– 176.2	– 331.9
Interest on and change in liability	219.9	515.4
Additions / disposals arising from change in scope of consolidation	65.4	–
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 3.3	– 30.0
Reinsurers' share of technical reserves as at 31 December	677.7	823.9

16. RECEIVABLES FROM REINSURERS

CHF million	2020	2021
Reinsurance deposits as at 1 January	11.9	13.7
Additions	1.9	1.2
Disposals	– 0.1	– 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	0.0	– 0.6
Reinsurance deposits as at 31 December	13.7	14.1
Other reinsurance receivables as at 1 January	39.3	105.2
Additions	314.3	355.8
Disposals	– 250.0	– 302.0
Additions / disposals arising from change in scope of consolidation	1.7	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	0.0	– 1.1
Other reinsurance receivables as at 31 December	105.2	157.8
Impairment of receivables from reinsurers as at 1 January	0.0	– 1.1
Usage not recognised in profit or loss	–	– 0.1
Unused provisions reversed through profit or loss	0.0	0.0
Increases and additional provisions recognised in profit or loss	– 1.1	–
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	– 1.1	– 1.1
Receivables from reinsurers as at 31 December	117.8	170.7

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.	2020	2021	2020	2021
CHF million				
Type of benefit				
Short-term employee benefits	7.7	5.9	82.1	76.9
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,221.8	815.6
Other long-term employee benefits	–	–	27.9	27.7
Termination benefits	–	–	8.4	5.8
Total	7.7	5.9	1,340.2	926.1

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	2020	2021
Balance as at 1 January	2,711.7	2,764.2
Interest rate effect	10.3	7.0
Return on plan assets	52.9	145.5
Employees' savings and purchases	37.7	42.1
Exchange differences	0.1	– 2.4
Employer contribution	66.5	64.5
Employee contribution [1]	42.0	42.0
Benefits paid [1]	– 173.3	– 163.7
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	16.4	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	2,764.2	2,899.1

1 The more detailed presentation of post-employment benefits – defined benefit plans resulted in a small shift in the prior-year figures between the employee contribution and the benefits paid.

17.2.2 Partially funded liabilities under defined benefit plans

CHF million	2020	2021
Balance as at 1 January	– 3,046.7	– 3,080.4
Current service cost [1]	– 58.3	– 56.8
Interest rate effect	– 11.6	– 7.4
Employee contribution [1]	– 42.0	– 42.0
Employees' savings and purchases	– 37.7	– 40.4
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 56.1	40.0
changes in demographic assumptions	–	110.8
experience adjustments	13.9	– 21.2
Exchange differences	0.0	2.8
Unrecognised past service cost	1.2	–
Benefits paid [1]	173.3	163.7
Additions / disposals arising from change in scope of consolidation	– 16.4	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 3,080.4	– 2,931.1

1 The employee contribution is now shown separately. The presentation of the prior-year figures has been adjusted accordingly.

17.2.3 Unfunded liabilities under defined benefit plans

CHF million	2020	2021
Balance as at 1 January	– 848.6	– 905.5
Current service cost [1]	– 14.9	– 16.7
Interest rate effect	– 7.0	– 3.0
Employee contribution [1]	– 0.8	– 0.9
Employees' savings and purchases	–	– 0.4
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 70.3	72.2
changes in demographic assumptions	–	0.9
experience adjustments	0.9	2.8
Exchange differences	1.8	32.2
Unrecognised past service cost	–	– 0.6
Benefits paid	33.3	35.3
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 905.5	– 783.6

1 The employee contribution is now shown separately. The presentation of the prior-year figures has been adjusted accordingly.

17.2.4 Net actuarial liabilities under defined benefit plans

CHF million	31.12.2020	31.12.2021
Fair value of plan assets	2,764.2	2,899.1
Present value of (partially) funded liabilities	– 3,080.4	– 2,931.1
Present value of unfunded liabilities	– 905.5	– 783.6
Effect of the asset ceiling	–	–
Net actuarial liabilities under defined benefit plans	– 1,221.8	– 815.6

17.2.5 Asset Allocation

CHF million	31.12.2020	31.12.2021
Cash and cash equivalents	37.6	41.4
Real estate	594.1	626.5
Equities and investment funds		
publicly listed	1,457.5	1,562.3
not publicly listed	97.0	103.5
Fixed-interest assets		
publicly listed	104.6	122.2
not publicly listed	7.8	4.6
Mortgages and loans	390.6	389.5
Derivatives		
publicly listed	–	–
not publicly listed	1.5	– 0.2
Other	73.5	49.4
Fair value of plan assets	2,764.2	2,899.1
Of which: Bâloise Holding Ltd shares (fair value)	31.5	29.8
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	2020	2021
Current service cost	– 73.2	– 73.5
Net interest cost	– 8.3	– 3.5
Unrecognised past service cost	1.2	– 0.6
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	– 80.3	– 77.6

The current service cost is now shown on a net basis. The presentation of the prior-year figures has been adjusted accordingly.

17.2.7 Actuarial assumptions

	2020	2021
Per cent		
Discount rate	0.3	0.5
Expected wage and salary increases	1.4	1.3
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	70.5	70.3
Years		
Average life expectancy of a 65-year-old woman	24.5	24.3
Average life expectancy of a 65-year-old man	22.1	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

	31.12.2020	31.12.2021
CHF million		
Total defined benefit obligation	3,985.9	3,714.7
Discount rate plus 0.5 % age points	– 287.7	– 254.8
Discount rate minus 0.5 % age points	325.6	289.2
Expected wage and salary increases plus 0.5 % age points	32.8	24.7
Expected wage and salary increases minus 0.5 % age points	– 30.6	– 25.4
Expected pension benefits increases plus 0.5 % age points	224.2	198.0
Expected pension benefits increases minus 0.5 % age points	– 51.9	– 42.7
Mortality probabilities for 65-year-olds plus 10.0 % age points	– 100.3	– 79.8
Mortality probabilities for 65-year-olds minus 10.0 % age points	112.5	90.3
Weighted share of annuity option plus 10.0 % age points	22.1	18.2

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 72.2 million for the 2022 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 9.8 years; the average present value factor for current benefit entitlements under pension commitments is 15.4 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 2021 totalled CHF 27.7 million (2020: CHF 27.9 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 3.2 million (2020: 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). The PSU programme and the Employee Incentive Plan are equity-settled share-based payment plans. By contrast, the Share Subscription Plan and the Share Participation Plan are share-based payment plans with a choice of settlement. The textual explanations of these individual compensation programs are contained in Chapters 4,5 and 6 of the Compensation Report.

The cash-settled virtual participation programme for FRIDAY Insurance S.A. was dissolved ahead of schedule with effect from 31 December 2020 (see also chapter 17.4.5).

In 2021, a sum of CHF 25.7 million (2020: CHF 34.6 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

	2020	2021
Number of shares subscribed	209,951	214,804
Restricted until	31 Aug 2023	31 Aug 2024
Subscription price per share (CHF)	71.70	73.00
Value of shares subscribed (CHF million)	15.1	15.7
Fair value of subscribed shares on subscription date (CHF million)	29.5	31.4
Employees entitled to participate	3,372	3,373
Participating employees	2,370	2,427
Subscribed shares per participant (average)	88.6	88.5

17.4.2 Share Subscription Plan

SHARE SUBSCRIPTION PLAN FOR SENIOR MANAGERS (SSP)[1]

	2020	2021
Number of shares subscribed	25,000	18,363
Restricted until	28 Feb 2023	29 Feb 2024
Subscription price per share (CHF)	158.40	143.46
Value of shares subscribed (CHF million)	4.0	2.6
Fair value of subscribed shares on subscription date (CHF million)	3.9	2.9
Employees entitled to participate	1,012	1,048
Participating employees	118	114
SSP portion of variable remuneration	14 %	12 %

1 Members of the management team entitled to receive shares under this plan include the most senior level of management across the entire Group and the middle management tier in Switzerland.

SHARE SUBSCRIPTION PLAN FOR THE BOARD OF DIRECTORS

	2020	2021
Number of shares subscribed	5,156	6,134
Restricted until[1]	31 May 2023	31 May 2024
Subscription price per share (CHF)	122.94	133.47
Value of shares subscribed (CHF million)	0.6	0.8
Fair value of subscribed shares on subscription date (CHF million)	0.7	0.9
Participating members of the Board of Directors	10	11

1 The shares granted to the retired Chairman of the Board of Directors are subject to a closed period of five years instead of three. This means that these shares are restricted until 31 May 2025 and 31 May 2026 respectively.

17.4.3 Share Participation Plan

SHARE PARTICIPATION PLAN (SPP)

	2020	2021
Number of shares subscribed [1]	80,187	75,022
Restricted until	28 Feb 2023	29 Feb 2024
Subscription price per share [2] (CHF)	156.46	139.73
Value of shares subscribed [2] (CHF million)	12.5	10.5
Fair value of subscribed shares on subscription date (CHF million)	12.4	11.9
Employees entitled to participate	989	1,026
Participating employees	116	136
SPP portion of variable remuneration [3]	6 %	7 %

1 Including shares financed by loans.
2 Net of the discounted dividend right over three years.
3 Excluding shares received by the Chairman of the Board of Directors because his share allocation is not based on any variable remuneration.

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]
2017	1 Mar 2017	130.70	1 Mar 2020	1.34	154.90	207.57	59 %
2018	1 Mar 2018	149.20	1 Mar 2021	1.22	158.90	193.86	30 %
2019	1 Mar 2019	163.00	1 Mar 2022	0.72 [4]	149.10 [4]	107.68 [4]	– 34 % [4]
2020	1 Mar 2020	154.90	1 Mar 2023	0.61 [4]	149.10 [4]	91.12 [4]	– 41 % [4]
2021	1 Mar 2021	158.90	1 Mar 2024	0.00 [4]	149.10 [4]	0.00 [4]	– 100 % [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 2017: ([{1.34*154.90} – 130.70] / 130.70) * 100 = 59 %.
4 Interim measurement as at 31 December 2021.

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);
- empirical data on how long eligible programme participants remain with the Company.

PERFORMANCE SHARE UNITS (PSU)

	Plan 2019	Plan 2020	Plan 2021
Employees entitled to participate at launch of programme	67	71	68
Number of allocated PSU	32,711	32,321	28,045
Of which: expired (departures in 2019)	– 252	–	–
Number of active PSUs as at 31 December 2019	32,459	–	–
Of which: expired (departures in 2020)	– 925	– 407	–
Number of active PSUs as at 31 December 2020	31,534	31,914	–
Of which: expired (departures in 2021)	– 291	– 356	– 504
Number of active PSUs as at 31 December 2021	31,243	31,558	27,541
Value of allocated PSUs on issue date (CHF million)	5.5	5.1	4.9
PSU expense incurred by the Baloise Group for 2019 (CHF million)	1.4	–	–
PSU expense incurred by the Baloise Group for 2020 (CHF million)	1.8	1.3	–
PSU expense incurred by the Baloise Group for 2021 (CHF million)	1.6	1.5	1.1

17.4.5 Employee Stock Option Program

FRIDAY Insurance S.A., a subsidiary of Bâloise Luxembourg Holding S.A., offers selected employees an Employee Stock Option Programme (ESOP) that was launched in 2021. It replaced the existing Phantom Stock Option Programme (PSOP), which was dissolved ahead of its scheduled termination date. The equity instruments allocated become vested over a period of five years from the allocation date. Allocations can be made each quarter. The fair value of the granted ESOPs is determined using a Black-Scholes model and recognised in profit or loss during the vesting period. The vested options will be exercised either when an exit event takes place or, at the latest, when the maturity event takes place after seven years.

The shares under the dissolved PSOP were calculated and valued pro rata as at 31 December 2020. The resulting amount will be paid out in three tranches by mid-2023, of which CHF 0.5 million was paid in 2021 (2020: CHF 6.1 million). Due to the early dissolution of the plan, the total expense for employee services received was recognised in 2020.

PHANTOM STOCK OPTION PROGRAM

	2020	2021
Participating employees	36	18
Total liabilities arising from the allocated PSOPs (CHF million)	3.5	2.6
Total liabilities arising from the vested PSOPs (CHF million)	3.5	2.6
PSOP expense / income (CHF million)	9.0	– 0.3

EMPLOYEE STOCK OPTION PROGRAM

	2021
Participating employees	61
Number of allocated options	2,715,434
Of which: expired (departures in 2021)	416,260
Number of active options as at 31 December 2021	2,299,174
ESOP expense (CHF million)	0.5

18. DEFERRED TAXES

18.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

2020	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	36.4	– 6.6	–	–	–	– 0.2	29.7
Other investments	22.8	25.2	–	–	–	0.0	48.0
Other comprehensive income	98.7	–	11.6	–	–	0.0	110.2
Tax credits and losses carried forward	60.2	2.3	–	–	–	0.0	62.4
Insurance receivables	4.7	8.5	–	–	–	0.0	13.2
Technical reserves	460.1	– 24.4	–	–	–	– 1.3	434.4
Insurance liabilities	975.3	36.5	–	–	–	– 2.5	1,009.3
Liabilities arising from banking business and financial contracts	199.7	47.8	–	–	–	– 0.2	247.3
Liabilities arising from employee benefits	49.0	0.7	–	–	–	– 0.1	49.5
Other	59.6	– 19.0	–	17.2	–	– 0.2	57.6
Total	1,966.4	70.9	11.6	17.2	–	– 4.6	2,061.6

2021	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	29.7	24.3	–	–	–	– 2.2	51.8
Other investments	48.0	– 8.6	–	–	–	0.0	39.4
Other comprehensive income	110.2	–	– 57.9	–	–	– 1.9	50.5
Tax credits and losses carried forward	62.4	23.1	–	–	–	– 2.4	83.2
Insurance receivables	13.2	– 3.8	–	–	–	0.0	9.4
Technical reserves	434.4	74.1	–	–	–	– 14.6	493.9
Insurance liabilities	1,009.3	21.5	–	–	–	– 42.3	988.4
Liabilities arising from banking business and financial contracts	247.3	50.3	–	–	–	– 8.2	289.3
Liabilities arising from employee benefits	49.5	– 3.4	–	–	–	– 1.7	44.4
Other	57.6	– 5.7	–	–	–	– 1.1	50.9
Total	2,061.6	171.8	– 57.9	–	–	– 74.4	2,101.1

DEFERRED TAX LIABILITIES

2020	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	7.8	2.6	–	–	–	0.0	10.4
Other intangible assets	5.5	0.1	–	–	–	0.0	5.6
Deferred acquisition costs	235.1	28.8	–	–	–	–0.4	263.6
Long-term equity investments	49.9	26.2	–	–	–	0.0	76.1
Investment property	329.1	27.3	–	–	–	–0.2	356.2
Financial assets	23.9	–2.9	–	–	–	0.1	21.1
Other investments	51.9	–6.2	–	–	–	–0.3	45.4
Other comprehensive income	327.3	–	54.3	–	–	–0.2	381.4
Insurance receivables	0.9	1.1	–	–	–	0.0	2.0
Technical reserves	1,728.9	32.0	–	8.3	–	–4.0	1,765.1
Other	47.2	0.1	–	–	–	0.0	47.3
Total	2,807.5	109.0	54.3	8.3	–	–5.0	2,974.1

2021	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	10.4	–2.2	–	–	–	–0.2	8.0
Other intangible assets	5.6	–0.7	–	–	–	–0.2	4.7
Deferred acquisition costs	263.6	25.1	–	–	–	–10.6	278.1
Long-term equity investments	76.1	–10.6	–	–	–	–0.6	64.9
Investment property	356.2	111.5	–	–	–	–7.4	460.4
Financial assets	21.1	9.9	–	–	–	–0.7	30.2
Other investments	45.4	–10.4	–	–	–	–0.7	34.3
Other comprehensive income	381.4	–	–74.0	–	–	–5.9	301.5
Insurance receivables	2.0	–0.8	–	–	–	0.0	1.1
Technical reserves	1,765.1	77.1	–	–	–	–57.7	1,784.6
Other	47.3	14.6	–	–	–	–0.3	61.6
Total	2,974.1	213.5	–74.0	–	–	–84.2	3,029.5

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 287.8 million as at 31 December 2021 (2020: CHF 219.5 million) that will expire after five years or more.

The Baloise Group had a tax credit of CHF 112.3 million as at 31 December 2021 (2020: CHF 126.1 million) on which no deferred tax assets had been recognised because the offsetting criteria were not met.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 355.2 million as at 31 December 2021 (2020: CHF 302.3 million) because the relevant offsetting criteria had not been met. Of this total, CHF 1.1 million will expire after one year, CHF 26.2 million after two to four years and CHF 327.9 million will expire after five years or more.

18.2 Deferred taxes

CHF million	31.12.2020	31.12.2021
Deferred tax assets	2,061.6	2,101.1
Deferred tax liabilities	– 2,974.1	– 3,029.5
Total (net)	– 912.6	– 928.3
Of which: recognised as deferred tax assets	87.9	73.7
Of which: recognised as deferred tax liabilities	– 1,000.4	– 1,002.0

19. OTHER ASSETS

CHF million	31.12.2020	31.12.2021
Accrued income	47.6	45.7
Tax credits indirect taxes (withholding tax etc.)	30.9	39.4
Prepaid insurance benefits	57.9	55.3
Development properties	52.4	19.3
Other assets	45.1	36.1
Impairments	– 7.6	– 2.2
Other assets	226.3	193.5

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

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

In the first half of 2021, it was announced that investment properties held by Baloise Life Ltd and Basler Insurance Ltd would be transferred to the Baloise Swiss Property Fund (BSPF). The transfer was executed in September 2021.

21. SHARE CAPITAL

2020	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	3,238,607	45,561,393	48,800,000	4.9
Purchase / sale of treasury shares	511,846	– 511,846	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	3,750,453	45,049,547	48,800,000	4.9

2021	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	3,750,453	45,049,547	48,800,000	4.9
Purchase / sale of treasury shares	– 101,723	101,723	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	– 3,000,000	–	– 3,000,000	– 0.3
Balance as at 31 December	648,730	45,151,270	45,800,000	4.6

The reduction of share capital, which was approved by the shareholders of Bâloise Holding Ltd at the Annual General Meeting on 30 April 2021, was completed in July 2021 by cancelling 3,000,000 registered treasury shares, each with a nominal value of CHF 0.10. The new share capital of Bâloise Holding Ltd totals CHF 4.6 million and is divided into 45,800,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (2020: 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 30 April 2021 voted in favour of a total dividend distribution of CHF 312.3 million for the 2020 financial year. This amounts to a gross dividend of CHF 6.40 per share. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 288.4 million.

For the 2021 financial year, a total dividend distribution of CHF 320.6 million will be proposed for approval at the Annual General Meeting on 29 April 2022. This amounts to a gross dividend of CHF 7.00 per share. The dividend distribution will be recognised upon approval at the Annual General Meeting.

22. TECHNICAL RESERVES (GROSS)

CHF million	31.12.2020	31.12.2021
Unearned premium reserves (gross)	845.5	854.1
Claims reserve including claims handling costs (gross)	5,895.6	5,942.0
Other technical reserves	93.2	78.0
Technical reserves (non-life)	6,834.3	6,874.0
Actuarial reserves (gross)	38,026.9	38,153.3
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,723.8	3,634.1
Technical reserves (life)	41,750.7	41,787.4
Technical reserves (gross)	48,585.0	48,661.4

22.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2020			31.12.2021
CHF million						
Unearned premium reserves	845.5	2.2	847.7	854.1	9.3	863.4
Claims reserve	5,386.9	–	–	5,444.7	–	–
Provision for claims handling costs	508.7	–	–	497.3	–	–
Claims reserve including claims handling costs	5,895.6	–636.7	5,258.9	5,942.0	–787.5	5,154.5
Other technical reserves	93.2	–	93.2	78.0	–	78.0
Total technical reserves (non-life)	6,834.3	–634.5	6,199.8	6,874.0	–778.2	6,095.9

22.1.1 Maturity structure of technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2020			31.12.2021
CHF million						
Unearned premium reserves						
Up to 1 year	790.4	1.9	792.3	799.8	8.7	808.4
More than 1 year	7.9	0.3	8.2	8.8	0.6	9.5
No determinable residual term	47.2	–	47.2	45.5	–	45.5
Total unearned premium reserves	845.5	2.2	847.7	854.1	9.3	863.4
Claims reserve including claims handling costs						
Up to 1 year	919.0	– 89.5	829.5	1,167.6	– 163.2	1,004.4
More than 1 year	3,922.4	– 105.5	3,816.9	3,804.8	– 164.6	3,640.2
No determinable residual term	1,054.2	– 441.7	612.5	969.6	– 459.7	509.9
Total claims reserve including claims handling costs	5,895.6	– 636.7	5,258.9	5,942.0	– 787.5	5,154.5

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
			2020			2021
CHF million						
Balance as at 1 January	743.2	0.9	744.1	845.5	2.2	847.7
Netted premiums	3,802.5	– 224.9	3,577.6	4,063.4	– 271.8	3,791.6
Less: premiums earned during the reporting period	– 3,743.4	230.0	– 3,513.5	– 4,026.5	279.1	– 3,747.4
Additions arising from acquisition of policy portfolios and insurance companies	41.7	– 3.9	37.8	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	1.5	0.1	1.6	– 28.3	– 0.2	– 28.5
Balance as at 31 December	845.5	2.2	847.7	854.1	9.3	863.4

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 2020	Reinsurance assets 2020	Net 2020	Gross 2021	Reinsurance assets 2021	Net 2021
Balance as at 1 January	75.9	–	75.9	93.2	–	93.2
Less: expenditures during the reporting period	−30.3	0.3	−30.0	−33.0	0.0	−32.9
Additional provisions recognised and unused provisions reversed through profit or loss	47.6	−0.3	47.3	19.1	0.0	19.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	0.0	–	0.0	−1.4	–	−1.4
Balance as at 31 December	93.2	–	93.2	78.0	–	78.0

22.1.4 Claims reserve (including claims handling costs)

CHF million	2020	2021
Balance as at 1 January (gross)	5,658.6	5,895.6
Reinsurers' share	−538.0	−636.7
Balance as at 1 January (net)	5,120.5	5,258.9
Claims incurred (including claims handling costs)		
For the reporting period	2,121.8	2,364.8
For previous years	−40.9	−112.2
Total	2,080.9	2,252.5
Payments for claims and claims handling costs		
For the reporting period	−1,060.9	−1,124.7
For previous years	−1,112.7	−1,098.3
Total	−2,173.6	−2,223.0
Other changes		
Additions / disposals arising from changes in scope of consolidation	237.4	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	−6.3	−133.9
Total	231.1	−133.9
Balance as at 31 December (net)	5,258.9	5,154.5
Reinsurers' share	636.7	787.5
Balance as at 31 December (gross)	5,895.6	5,942.0

The Baloise Group pays particular attention to the obligation arising from the hospital liability business in Germany, in which lengthy settlement processes with heightened uncertainty are typical.

The related net reserves included in the total amount stood at CHF 213.2 million at the end of 2021 (31 December 2020: CHF 246.3 million).

22.2 Technical reserves (life)

CHF million	31.12.2020	31.12.2021
Actuarial reserves from traditional life insurance contracts [1]	34,092.8	33,809.0
Actuarial reserves from unit-linked life insurance contracts	3,421.0	3,851.5
Reserves for final policyholders' dividends	144.2	135.4
Unearned revenue reserve	368.8	357.4
Structure of actuarial reserves (life)	38,026.9	38,153.3
Policyholders' dividends credited and provisions for future policyholders' dividends	3,723.8	3,634.1
Total technical reserves (life)	41,750.7	41,787.4

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

22.2.1 Maturity structure of technical reserves

CHF million	31.12.2020	31.12.2021
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,050.0	1,012.0
1 to 5 years	3,113.8	3,047.3
5 to 10 years	3,321.3	3,258.2
More than 10 years	5,526.6	5,244.5
No determinable residual term	9,977.0	9,938.0
Business from Swiss occupational pension plans [1]	11,103.9	11,309.1
Total actuarial reserves from non-unit-linked life insurance contracts	34,092.8	33,809.0
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	219.8	242.7
1 to 5 years	357.9	347.3
5 to 10 years	309.6	362.7
More than 10 years	430.3	465.1
No determinable residual term	2,103.5	2,433.7
Total actuarial reserves from unit-linked life insurance contracts	3,421.0	3,851.5
Policyholders' dividends credited		
Up to 1 year	55.0	49.1
1 to 5 years	184.7	169.2
5 to 10 years	179.6	169.3
More than 10 years	189.2	157.0
No determinable residual term	131.2	116.8
Total policyholders' dividends credited	739.8	661.4
Provisions for future policyholders' dividends		
Up to 1 year	100.7	102.7
No determinable residual term	2,883.3	2,870.1
Total provisions for future policyholders' dividends	2,984.0	2,972.7

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	2020	2021
Balance as at 1 January	34,253.7	34,092.8
Change in actuarial reserves	– 131.2	122.0
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 29.8	– 405.8
Balance as at 31 December	34,092.8	33,809.0
Of which: for DPF business	33,753.8	33,493.1
Of which: for non-DPF business	338.9	316.0

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2021 came to CHF 13.5 million (31 December 2020: CHF 13.1 million).

22.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF million	2020	2021
Balance as at 1 January	3,334.1	3,421.0
Additions	239.9	260.6
Disposals	– 168.6	– 238.6
Fees	– 5.7	– 6.2
Interest on and change in liabilities	19.4	540.5
Additions arising from acquisition of policy portfolios and insurance companies	9.5	–
Disposals arising from sale of policy portfolios and insurance companies	0.0	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 7.4	– 126.0
Balance as at 31 December	3,421.0	3,851.5

22.2.4 Reserve for final policyholders' dividends

CHF million	2020	2021
Balance as at 1 January	159.2	144.2
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 6.0	– 4.4
Interest on and change in liability	1.6	8.1
Final policyholders' dividends paid	– 14.5	– 12.7
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	4.4	3.6
Exchange differences	– 0.4	– 3.5
Balance as at 31 December	144.2	135.4

22.2.5 Unearned revenue reserve

CHF million	2020	2021
Balance as at 1 January	360.7	368.8
Reserved during the reporting period	13.4	14.1
Change in balance	– 4.3	– 10.7
Change due to unrealised gains and losses on investments (shadow accounting)	– 0.1	0.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 1.0	– 14.9
Balance as at 31 December	368.8	357.4

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

CHF million	2020	2021
Policyholders' dividends credited as at 1 January	**815.5**	**739.8**
Dividends credited to policyholders during the reporting period	35.0	33.0
Policyholders' dividends paid	– 108.3	– 92.1
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	– 2.3	– 19.3
Balance as at 31 December	**739.8**	**661.4**
Provisions for future policyholders' dividends as at 1 January	**2,932.3**	**2,984.0**
Adjustment arising from unrealised gains and losses as at 1 January	– 827.8	– 875.7
Additions	95.0	138.0
Withdrawals	– 125.9	– 122.0
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	37.5	223.8
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	875.7	674.7
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 2.7	– 50.1
Balance as at 31 December	**2,984.0**	**2,972.7**
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	**3,723.8**	**3,634.1**

23. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

as at 31.12.	Carrying amount 2020	Carrying amount 2021	Fair value 2020	Fair value 2021
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs)[1]	4,074.7	4,038.5	–	–
Sub-total	4,074.7	4,038.5	–	–
Measured at amortised cost				
Liabilities to banks	568.8	575.1	569.2	578.6
Repurchase agreements	50.0	250.0	50.0	250.0
Liabilities arising from time deposits	–	–	–	–
Loans	9.6	7.3	9.6	7.3
Mortgages	33.3	26.1	33.3	26.1
Savings and customer deposits	5,462.8	5,367.6	5,532.9	5,387.4
Medium-term bonds	76.9	64.9	79.2	66.1
Mortgage-backed bonds	1,722.4	1,898.7	1,811.2	1,944.7
Other financial contracts	0.4	0.0	0.4	0.0
Sub-total	7,924.2	8,189.7	8,085.7	8,260.2
Recognised at fair value through profit or loss (designated)				
Other financial contracts	13,284.6	14,654.2	13,284.6	14,654.2
Sub-total	13,284.6	14,654.2	13,284.6	14,654.2
Total liabilities arising from banking business and financial contracts	25,283.5	26,882.4	–	–

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	31.12.2020	31.12.2021
Senior and hybrid debt	2,324.4	2,399.1
Leasing liabilities	38.9	26.5
Total	2,363.3	2,425.7

24.1 Senior debt

	Senior debt	Hybrid debt	Total	Senior debt	Hybrid debt	Total
			2020			2021
CHF million						
Balance as at 1 January	1,827.5	497.5	2,325.0	1,826.4	498.0	2,324.4
Issue price of newly issued bonds	299.7	–	299.7	450.0	–	450.0
Disposals and repayments	– 300.0	–	– 300.0	– 375.0	–	– 375.0
Interest expenses	23.6	10.1	33.8	14.1	10.2	24.2
Borrowing costs paid	– 27.0	– 9.7	– 36.7	– 15.8	– 9.7	– 25.5
Accrued borrowing costs	2.6	–	2.6	0.9	–	0.9
Interest costs (sub-total)	– 0.8	0.5	– 0.3	– 0.8	0.5	– 0.3
Balance as at 31 December	1,826.4	498.0	2,324.4	1,900.6	498.5	2,399.1

On 15 February 2021, Bâloise Holding Ltd placed an additional bond issue on behalf of the Baloise Group with a total volume of CHF 250 million and a coupon of 0.15 per cent (maturity period: 2021–2031, ISIN CH0593641068) as part of its funding activities. In addition, Bâloise Holding Ltd issued a senior green bond of CHF 200 million with a coupon of 0.125 per cent (maturity period: 2021–2030, ISIN CH1130818839) on 27 September 2021.

On 16 February 2022, Bâloise Holding Ltd placed an additional bond issue on behalf of the Baloise Group with a total volume of CHF 200 million and a coupon of 0.30 per cent (maturity period: 2022–2027, ISIN CH1148728210) as part of its funding activities.

On 16 July 2020, the Baloise Group issued two bonds with a cumulative volume of CHF 300 million. The two bonds were issued with maturity dates of December 2026 (0.250 per cent, CHF 175 million, ISIN CH0553331817) and December 2030 (0.500 per cent, CHF 125 million, ISIN CH0553331825) respectively. The income from the bond issue will be used for general company purposes, primarily to refinance the bond that matured in October 2020.

TERMS & CONDITIONS GOVERNING DEBT OUTSTANDING AS AT 31.12.2021 (BONDS BÂLOISE HOLDING LTD AND BALOISE LIFE LTD)

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Baloise Life Ltd	Baloise Life Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd
Face value (CHF million)	150	225	150	300	200	200	200
Interest rate	2.000%	1.750%	1.125%	1.750%	2.200%	0.500%	0.000%
Redemption value	100%	100%	100%	100%	100%	100%	100%
Year of issue	2012	2013	2014	2017	2017	2019	2019
Repayment date	12.10.2022	26.04.2023	19.12.2024	perpetual	19.06.2048	28.11.2025	23.09.2022
ISIN	CH0194695083	CH0200044821	CH0261399064	CH0379610998	CH0379611004	CH0458097976	CH0496692960

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	
Face value (CHF million)	100	125	175	125	250	200	
Interest rate	0.000%	0.000%	0.250%	0.500%	0.150%	0.125%	
Redemption value	100%	100%	100%	100%	100%	100%	
Year of issue	2019	2019	2020	2020	2021	2021	
Repayment date	25.09.2026	25.09.2029	16.12.2026	16.12.2030	17.02.2031	27.06.2030	
ISIN	CH0496692978	CH0496692986	CH0553331817	CH0553331825	CH0593641068	CH1130818839	

24.2 Leasing liabilities

CHF million	2020	2021
Balance as at 1 January	43.0	38.9
Additions	14.5	2.0
Additions arising from change in scope of consolidation	–	–
Disposals	– 2.2	– 0.9
Disposals arising from change in scope of consolidation	–	–
Interests expenses	0.5	0.4
Cash outflow due to redemption	– 16.9	– 13.3
Exchange differences	0.0	– 0.6
Balance as at 31 December	38.9	26.5

25. NON-TECHNICAL PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
			2020			2021
CHF million						
Balance as at 1 January	18.5	34.4	52.9	13.2	44.3	57.5
Addition arising from change in scope of consolidation	–	–	–	–	–	–
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification	–	12.9	12.9	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Increases and additional provisions recognised in profit or loss	3.7	15.1	18.8	2.8	33.4	36.3
Unused provisions reversed through profit or loss	– 0.2	– 15.7	– 15.9	– 3.2	– 8.1	– 11.3
Usage not recognised in profit or loss	– 8.7	– 2.5	– 11.1	– 3.8	– 0.1	– 3.9
Unwinding of discount	–	–	–	–	–	–
Exchange differences	– 0.1	0.0	– 0.1	– 0.4	– 1.2	– 1.6
Balance as at 31 December	13.2	44.3	57.5	8.7	68.3	77.0

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.

The transfer of variable annuity products within the Group in 2020 necessitated a harmonisation of the way they are recognised. As a result, reserves in an amount of CHF 12.9 million that are linked to financial contracts have been reclassified from derivative obligations to non-technical provisions.

26. INSURANCE LIABILITIES

	31.12.2020	31.12.2021
CHF million		
Liabilities to policyholders	1,312.9	1,298.0
Liabilities to brokers and agents	182.0	133.1
Liabilities to insurance companies	304.7	295.9
Other insurance liabilities	80.4	43.0
Total insurance liabilities	1,879.9	1,770.1

Notes to the consolidated income statement

27. PREMIUMS EARNED AND POLICY FEES

	Non-Life	Life	Total	Non-Life	Life	Total
			2020			2021
CHF million						
Gross premiums written and policy fees	3,802.5	3,291.3	7,093.8	4,063.4	3,389.7	7,453.1
Change in unearned premium reserves	– 59.1	–	– 59.1	– 36.9	–	– 36.9
Premiums earned and policy fees (gross)	3,743.4	3,291.3	7,034.8	4,026.5	3,389.7	7,416.2
Reinsurance premiums ceded	– 224.9	– 38.1	– 262.9	– 271.8	– 47.4	– 319.2
Reinsurers' share of change in unearned premium reserves	– 5.1	–	– 5.1	– 7.3	–	– 7.3
Total premiums earned and policy fees (net)	3,513.5	3,253.3	6,766.8	3,747.4	3,342.3	7,089.7

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

	2020	2021
CHF million		
Investment property	282.5	286.4
Financial assets of an equity nature		
Available for sale	108.9	119.0
Recognised at fair value through profit or loss	1.9	2.1
Financial assets of a debt nature		
Held to maturity	176.7	163.7
Available for sale	385.8	387.5
Recognised at fair value through profit or loss	0.1	0.1
Mortgages and loans		
Carried at cost	207.7	190.2
Recognised at fair value through profit or loss	13.7	12.7
Cash and cash equivalents	– 0.8	– 2.3
Total investment income for own account and at own risk	1,176.5	1,159.5

Income from investment property consists mainly of rental income. Income from financial instruments with characteristics of equity primarily comprises dividend income, while income from financial instruments with characteristics of liabilities essentially contains interest income and net income from the recognition and reversal of impairment losses owing to application of the effective interest method. Income from mortgages and loans and from cash and cash equivalents is mainly derived from the interest paid on these assets.

Interest income of CHF 1.7 million had been recognised on impaired investments at the balance sheet date (2020: CHF 2.7 million).

29. REALISED GAINS AND LOSSES ON INVESTMENTS

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

2020	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	466.4	–	–	–	–	466.4
Held to maturity [1]	–	–	–	–	–	–
Available for sale	–	155.2	297.3	–	–	452.5
Recognised at fair value through profit or loss	–	11.3	0.2	5.2	468.5	485.2
Carried at cost	–	–	–	110.8	–	110.8
Sub-total	466.4	166.5	297.5	116.0	468.5	1,515.0
Realised losses on sales and book losses						
Investment property	– 295.4	–	–	–	–	– 295.4
Held to maturity [1]	–	–	– 6.4	–	–	– 6.4
Available for sale	–	– 95.0	– 171.3	–	–	– 266.3
Recognised at fair value through profit or loss	–	– 20.8	– 0.1	– 2.6	– 428.3	– 451.7
Carried at cost	–	–	–	– 1.6	–	– 1.6
Sub-total	– 295.4	– 115.7	– 177.9	– 4.2	– 428.3	– 1,021.5
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	– 183.9	– 18.8	–	–	– 202.7
Carried at cost	–	–	–	– 4.2	–	– 4.2
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	1.8	–	1.8
Sub-total	–	– 183.9	– 18.8	– 2.5	–	– 205.1
Total realised gains and losses on investments	171.0	– 133.1	100.9	109.3	40.2	288.3

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.

2021	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	347.2	–	–	–	–	347.2
Held to maturity[1]	–	–	0.8	–	–	0.8
Available for sale	–	231.5	168.5	–	–	400.0
Recognised at fair value through profit or loss	–	47.8	1.0	0.0	445.0	493.8
Carried at cost	–	–	–	22.9	–	22.9
Sub-total	347.2	279.3	170.3	22.9	445.0	1,264.7
Realised losses on sales and book losses						
Investment property	–107.6	–	–	–	–	–107.6
Held to maturity[1]	–	–	–46.2	–	–	–46.2
Available for sale	–	–19.5	–260.8	–	–	–280.3
Recognised at fair value through profit or loss	–	–3.2	0.0	–22.1	–401.5	–426.9
Carried at cost	–	–	–	–2.0	–	–2.0
Sub-total	–107.6	–22.7	–307.0	–24.2	–401.5	–863.0
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–25.7	–0.4	–	–	–26.0
Carried at cost	–	–	–	–6.1	–	–6.1
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	1.0	–	1.0
Sub-total	–	–25.7	–0.4	–5.1	–	–31.1
Total realised gains and losses on investments	239.6	230.9	–137.0	–6.3	43.4	370.5

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

CHF million	2020	2021
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	– 151.2	– 15.9
Equity funds	– 6.4	–
Mixed funds	– 6.2	– 2.2
Bond funds	0.0	–
Real estate funds	0.0	0.0
Private equity	– 19.1	– 7.5
Hedge funds	– 1.0	0.0
Sub-total	– 183.9	– 25.7
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–
Industrial enterprises	– 17.2	– 0.4
Financial institutions	– 1.6	–
Private debt	–	–
Other	–	–
Sub-total	– 18.8	– 0.4
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	– 3.5	– 6.0
Policy loans	–	–
Promissory notes and registered bonds	–	–
Time deposits	–	–
Employee loans	–	–
Reverse repurchase agreements	–	–
Other loans	– 0.7	– 0.1
Sub-total	– 4.2	– 6.1
Total impairment losses on financial assets recognised in profit or loss	– 206.9	– 32.1

In 2020, a gross impairment loss of CHF 183.9 million was recognised for financial instruments with characteristics of equity (of which CHF 53.5 million in the second half of the year). After deduction of the legal quota, policyholders’ dividends and taxes, the impairment loss for these financial assets amounted to CHF 120.5 million. This mainly affected the business units in Switzerland and Belgium. The impairment losses were primarily attributable to the COVID-19 situation and needed to be recognised due to significant corrections in the financial markets. The highest losses were recognised on positions in the banking / financial services, industrial goods & services and oil & gas sectors.

In addition, gross impairment losses of CHF 17.0 million were recognised for senior secured loans (financial instruments with characteristics of liabilities), which amounted to CHF 7.6 million after taking the legal quota, policyholders’ dividends and taxes into account. Moreover, a gross impairment loss of CHF 1.8 million (net loss: CHF 0.8 million) was recognised for fixed-income securities.

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 197.2 million was reported for 2021 (2020: loss of CHF 124.3 million).

A gross currency loss of CHF 80.7 million was recognised directly in equity for the reporting year (2020: loss of CHF 151.3 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 116.1 million was recognised for 2021 (2020: net loss of CHF 31.6 million).

30. INCOME FROM SERVICES RENDERED

	2020	2021
CHF million		
Asset management	44.7	46.7
Services	25.2	24.3
Banking services	33.9	41.3
Investment management	14.6	18.3
Income from services rendered	118.5	130.6

31. OTHER OPERATING INCOME

	2020	2021
CHF million		
Interest income from insurance and reinsurance receivables	8.5	7.2
Other interest income	0.7	0.8
Gains on the sale of property, plant and equipment	1.4	0.5
Currency gains on assets and liabilities	4.1	22.0
Reversal of impairment losses recognised on receivables	9.0	8.5
External income from owner-occupied property	2.9	3.1
Income from development properties	32.4	46.4
Other income	134.4	124.6
Other operating income	193.4	213.2

32. CLASSIFICATION OF EXPENSES

CHF million	2020	2021
Personnel expenses (excluding loss adjustment expenses)	– 838.1	– 835.5
Marketing and advertising	– 41.6	– 46.2
Depreciation and impairment of property, plant and equipment	– 46.9	– 46.0
Amortisation and impairment of intangible assets	– 51.3	– 56.0
IT and other equipment	– 116.0	– 151.0
Expenses for maintenance, repairs and rent for short-term and low value leases	– 24.9	– 26.0
Losses arising from exchange differences in respect of assets and liabilities	– 4.9	– 3.2
Commission and selling expenses	– 718.4	– 754.2
Fees and commission for financial assets and liabilities not recognised at fair value	– 11.6	– 11.9
Fees and commission expenses for assets managed for third parties	– 5.5	– 5.9
Expenses arising from non-current assets classified as held for sale	–	–
Expenses from development properties	– 28.6	– 36.4
Other [1]	– 108.7	– 157.4
Total	– 1,996.4	– 2,129.7

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

33. PERSONNEL EXPENSES

Total personnel expenses for 2021 came to CHF 952.5 million (2020: CHF 951.4 million).

34. GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	2020	2021
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	– 58.1	– 54.2
Sub-total	**– 58.1**	**– 54.2**
Measured at amortised cost		
Interest on loans	0.2	– 0.6
Interest due	– 15.3	– 11.8
Interest arising from banking business	1.9	3.4
Interest expenses on repurchase agreements	4.7	2.5
Acquisition costs in banking business	– 7.2	– 9.5
Expenses arising from financial contracts	– 8.7	– 6.3
Sub-total	**– 24.4**	**– 22.3**
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts [1]	– 177.1	– 1,091.8
Sub-total	**– 177.1**	**– 1,091.8**
Total gains or losses on financial contracts	**– 259.5**	**– 1,168.3**
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	**–**	**–**

1 The changes in the fair value of other financial contracts were mainly attributable to market-driven price fluctuations and exchange rate movements in the investment portfolio of investment-linked life insurance contracts with limited or no risk transfer.

35. INCOME TAXES

35.1 Current income taxes and deferred taxes

	2020	2021
CHF million		
Current income taxes	– 102.2	– 72.9
Deferred taxes	– 38.1	– 41.7
Total income taxes	– 140.3	– 114.6

35.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 19.4 per cent in 2020 and 15.6 per cent in 2021. 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 different tax rates.

	2020	2021
CHF million		
Profit before taxes	568.6	697.9
Expected average tax rate (per cent)	19.40 %	15.63 %
Expected income taxes	– 110.3	– 109.1
Increase / reduction owing to		
tax-exempt profits and losses	3.6	19.4
non-tax-effective negative goodwill	–	–
non-deductible expenses	– 11.9	– 17.9
withholding taxes on dividends	– 0.8	– 1.1
change in tax rate on recognized deferred tax items	1.8	– 0.1
application of different tax rates	– 6.7	– 7.4
change in unrecognised tax losses	– 6.4	– 12.0
tax items related to other reporting periods	– 1.8	0.9
non-taxable measurement differences	– 11.9	1.4
intercompany effects	– 1.5	1.2
other impacts	5.7	10.2
Current income taxes	– 140.3	– 114.6

36. EARNINGS PER SHARE

	2020	2021
Profit for the period attributable to shareholders (CHF million)	434.3	588.4
Average number of shares outstanding	45,031,594	45,062,127
Basic earnings per share (CHF)	9.65	13.06

	2020	2021
Profit for the period attributable to shareholders (CHF million)	434.3	588.4
Average number of shares outstanding	45,031,594	45,062,127
Adjustment due to theoretical exercise of share-based payment plans	82,091	38,735
Adjusted average number of shares outstanding	45,113,685	45,100,862
Diluted earnings per share (CHF)	9.63	13.05

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

	2020	2021
CHF million		
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	11.5
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 58.7	350.8
Change arising from shadow accounting	33.1	– 35.2
Exchange differences	0.1	4.6
Deferred taxes	7.3	– 57.7
Total items not to be reclassified to the income statement	– 18.2	274.1
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	478.2	– 173.4
Gains and losses reclassified to the income statement	– 91.4	– 259.4
Total available-for-sale financial assets	386.8	– 432.8
Investments in associates:		
Gains and losses arising during the reporting period	– 0.2	2.9
Gains and losses reclassified to the income statement	– 4.0	–
Total investments in associates	– 4.2	2.9
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	122.3	– 34.8
Gains and losses reclassified to the income statement	– 2.6	– 0.6
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	119.7	– 35.4
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	– 0.8	– 0.8
Total reserves arising from reclassification of held-to-maturity financial assets	– 0.8	– 0.8
Change arising from shadow accounting	– 91.6	221.0
Exchange differences	– 134.8	– 128.7
Deferred taxes	– 50.1	73.7
Total items to be reclassified to the income statement	225.1	– 300.1
Total other comprehensive income	206.9	– 26.0

37.2 Deferred taxes on other comprehensive income

CHF million	2020	2021
Other comprehensive income before deferred taxes	**249.5**	**– 46.1**
Deferred taxes of items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	– 4.3
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	17.9	– 64.6
Change arising from shadow accounting	– 10.5	11.2
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred taxes of items not to be reclassified to the income statement	**7.3**	**– 57.7**
Deferred taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	– 60.5	117.2
Investments in associates	0.1	– 0.8
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 18.1	5.4
Reserves arising from reclassification of held-to-maturity financial assets	0.1	0.1
Change arising from shadow accounting	28.4	– 48.2
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred taxes of items to be reclassified to the income statement	**– 50.1**	**73.7**
Change arising from exchange differences	0.2	4.0
Other comprehensive income after deferred taxes	**206.9**	**– 26.0**

Other disclosures

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

38.1 Acquisition and disposal of companies

		Cumulative acquisitions		Cumulative disposals
	2020	2021	2020	2021
CHF million				
Investments	1.2	–	–	–
Other assets	8.9	–	–	–
Receivables and assets	88.2	–	–	–
Cash and cash equivalents	337.5	–	–	–
Actuarial liabilities	– 393.5	–	–	–
Other accounts payable	– 0.6	–	–	–
Non-controlling interests	–	–	–	–
Net assets acquired / disposed of	**41.7**	–	–	–
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	63.9	–	–	–
Acquisition / disposal price	**63.9**	–	–	–
Net assets acquired / disposed of	– 41.7	–	–	–
Other comprehensive income [1]	–	–	–	–
Goodwill / negative goodwill or proceeds from disposals	**22.2**	–	–	–
Cash and cash equivalents used / received for acquisitions and disposals	– 63.9	–	–	–
Cash and cash equivalents acquired / disposed of	337.5	–	–	–
Outflow / inflow of cash and cash equivalents	**273.7**	–	–	–

1 This includes primarily historical cumulative exchange differences.

No companies were acquired or sold in 2021.

On 31 May 2020, the Baloise Group acquired the non-life insurance portfolio of Athora Belgium. The acquisition strengthens Baloise's position in the Wallonia region and is the ideal complement to Baloise Belgium's presence in the Flanders region.

The original purchase price allocation as of 31 May 2020 had to be adjusted because of the retrospective acknowledgement of the recognition under tax law of the goodwill according to local law that resulted from the acquisition. The recognition under tax law resulted in the creation of deferred tax assets of CHF 17.1 million and a reduction of the goodwill by the same amount to CHF 22.2 million. The adjustment was made within the measurement period stipulated in IFRS 3.45 and was made with retrospective effect from the date of acquisition.ncremental 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 2021, 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.

2020	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	263.4	64.1	–	–4.2	59.9

2021	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	316.0	4.9	–	2.9	7.8

The strategic business units in Germany and Luxembourg invested in the closed investment partnership HL Invest Augsburg GmbH & Co. geschlossene Investment-KG in the first half of 2021 and together hold 42.22 per cent of this real estate fund. Furthermore, the strategic business unit in Germany invested in the closed investment partnership HL Invest Vision One GmbH & Co. geschlossene Investment-KG in the second half of 2021 and holds 30.15 per cent of this real estate fund.

The Belgium strategic business unit invested in the innovative start-up Keypoint BV, acquiring a 28.75 per cent equity interest with effect from 17 February 2020. Baloise and Keypoint are jointly developing a new digital assistant that is designed to simplify the work of property managers. Also in Belgium, on 19 June 2020 Baloise acquired a 27 per cent stake in Walloon start-up Immopass SRL, a service provider specialising in technical property inspection. The total cost of these two capital investments was in the low single-digit millions.

At the end of July 2020, the Swiss strategic business unit acquired a 25 per cent stake in Zurich-based asset manager Tolomeo Capital.

In November 2020, Baloise expanded its Mobility ecosystem with the acquisition of a 37.05 per cent stake in Berlin-based start-up Ben Fleet Services, a provider of vehicle fleet maintenance services.

Baloise Belgium acquired a 27.12 per cent interest in Rentio in early December 2020. Rentio is an innovative Flemish start-up that digitalises, centralises and automates all aspects related to the lettings process.

An equity investment of around 26 per cent in Infracore SA that had been made in 2019 was sold for CHF 176.1 million with effect from the end of December 2020.

As at 31 December 2021 or 31 December 2020, 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 2021 or 31 December 2020.

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.

31.12.2021	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	4.6	3,350.7	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,553.1	1,515.8
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	33,963.8	2,727.8
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	8,647.2	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	25.4	–
Baloise Asset Management AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.0	67.7	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	14.0	–
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	10.8	–
Germany									
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	10,502.4	368.0
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	2,033.8	759.7
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	87.41	100.00	F	EUR	–	60.9	48.7
Basler Sach Holding AG, Hamburg	Holding	O	100.00	100.00	F	EUR	3.6	174.2	–
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	8.5	–

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

31.12.2021	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	355.3	13,817.2	1,615.1
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	265.5	86.3
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,888.7	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	403.0	137.4
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	10,868.7	68.4
Baloise Private Equity (Luxembourg) SCS, Luxembourg	Investment management	L / NL	100.00	100.00	F	USD	0.0	976.3	–
Baloise Alternative Invest S.A. SICAV-RAIF, Luxembourg	Investment management	L / NL / O	100.00	100.00	F	USD	–	1,906.3	–
Other territories									
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,765.7	0.6
Baloise Finance (Jersey) Ltd., Jersey	Other	O	100.00	100.00	F	CHF	0.3	1.0	–
Succursale francaise de la société FRIDAY Insurance S.A., Paris	Non-Life	NL	87.41	100.00	F	EUR	–	2.4	0.1

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 57 to 79).

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	
	2020	2021	2020	2021	2020	2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
CHF million										
Associates	–	–	5.7	1.9	– 21.5	– 23.0	–	–	– 2.7	– 2.6
Key management personnel	0.1	0.1	0.0	0.0	– 11.4	– 11.2	7.5	5.5	–	–

EXECUTIVE MANAGEMENT TEAM REMUNERATION

	2020	2021
CHF million		
Short-term employee benefits	– 6.8	– 6.3
Post-employment benefits	– 1.1	– 1.0
Payments under share-based payment plans	– 3.3	– 3.6
Discount Share Subscription Plan	– 0.2	– 0.2
Total	– 11.4	– 11.2

14,143 shares worth CHF 2.2 million were repurchased from members of the Corporate Executive Committee in 2021 (2020: CHF 2.4 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 2021 and that could have a significant impact on the 2021 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.

CHF million	31.12.2020	31.12.2021
Guarantees	62.7	58.9
Collateral	478.0	482.5
Total guarantees and collateral for the benefit of third parties	540.7	541.3

CREDIT RATINGS OF GUARANTEES AND COLLATERAL

31.12.2020	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.6	–	32.1	62.7
Collateral	–	–	–	–	478.0	478.0

31.12.2021	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.4	–	28.4	58.9
Collateral	–	–	–	–	482.5	482.5

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

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

CHF million	31.12.2020	31.12.2021
Financial assets under repurchase agreements	47.1	222.0
Financial assets in the context of securities lending	3,826.7	3,755.9
Investments	2,531.0	2,763.0
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	6,404.9	6,741.0

FAIR VALUE OF COLLATERAL HELD

CHF million	31.12.2020	31.12.2021
Financial assets under reverse repurchase agreements	–	–
Financial assets in the context of securities lending	5,307.9	4,827.0
Other	–	–
Total	5,307.9	4,827.0
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

	31.12.2020	31.12.2021
CHF million		
Commitments undertaken for future acquisition of		
investment property	529.4	279.2
financial assets	1,239.2	1,475.3
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	1,768.7	1,754.5

CREDIT RATINGS OF CAPITAL COMMITMENTS

31.12.2020	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	397.5	–	49.1	–	1,322.1	1,768.7

31.12.2021	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Capital commitments	484.9	–	30.5	–	1,239.1	1,754.5

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. From 2020 onwards, additional investment obligations in connection with the Dutch mortgage fund will be reported under commitments regarding the future acquisition of investments.

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

CHF million	2020	2021
Due within one year	13.5	11.0
Due after one to three years	16.3	11.2
Due after three to five years	5.0	2.4
Due after five years or more	4.6	3.7
Total contractual cash flows	**39.5**	**28.2**
Book value lease liabilities	**38.9**	**26.5**

LEASING IN THE INCOME STATEMENT

CHF million	2020	2021
Income relating to sublease contracts	0.5	0.8
Expenses relating to leases of low-value and short-term leases	–6.2	–6.5
Interests expenses on leasing liabilities	–0.5	–0.4
Depreciation and impairment of right-of-use assets	–16.5	–12.8

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 September 2022 until 2037. The right-of-use asset and lease liability for this lease are estimated to be CHF 41.4 million.

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

CHF million	2020	2021
Due within one year	355.2	349.5
Due after one to three years	677.4	668.8
Due after three to five years	725.1	725.1
Due after five years or more	174.1	177.7
Total	1,931.9	1,921.1

LEASING IN THE INCOME STATEMENT

CHF million	2020	2021
Fixed lease income	357.2	365.3
Variable lease income	–	–
Leasing income	357.2	365.3

42. EVENTS AFTER THE BALANCE SHEET DATE

On 16 February 2022, Bâloise Holding Ltd placed an additional bond issue on behalf of the Baloise Group with a total volume of CHF 200 million and a coupon of 0.30 per cent (maturity period: 2022–2027, ISIN CH1148728210) as part of its funding activities.

By the time that these consolidated annual financial statements had been completed on 22 March 2022, 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, 23 March 2022

Report of the statutory auditor on the consolidated financial statements

Opinion
We have audited the consolidated financial statements (pages 84-231) of Bâloise Holding Ltd and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as at 31 December 2021, 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 2021, 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.

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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 of claims reserves non-life.

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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 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 5.5.3 “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 of life insurance technical reserves.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of the other information, we are required to report it. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

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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
Licensed audit expert
(Auditor in charge)

Patrick Schwaller
Licensed audit expert

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 267 “Information on the Baloise Group” referencing the fact that only the German text of the annual report is legally binding.

Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

	Note	2020	2021
CHF million			
Income from long-term equity investments		384.6	393.0
Income from interest and securities	2	58.7	58.1
Other income	3	8.8	8.2
Total income		**452.1**	**459.3**
Administrative expenses	4	– 43.8	– 39.0
Financial expenses		– 1.8	– 3.0
Interest expenses	5	– 31.0	– 22.3
Other expenses		– 3.0	– 2.6
Total expenses		**– 79.6**	**– 66.9**
Tax expense		**– 0.2**	**– 0.9**
Profit for the period		**372.3**	**391.5**

Balance sheet of Bâloise Holding Ltd

CHF million	Note	31.12.2020	31.12.2021
Assets			
Cash and cash equivalents		21.2	89.2
Receivables from Group companies	6	408.1	345.5
Receivables from third parties		7.3	7.4
Other short-term receivables	7	–	80.0
Current assets		436.6	522.1
Financial assets			
Loans to Group companies	8	1,148.8	1,158.8
Other investments	9	0.4	3.1
Long-term equity investments	10	1,871.2	1,907.9
Non-current assets		3,020.4	3,069.8
Total assets		3,457.0	3,591.9
Equity and liabilities			
Current liabilities			
Liabilities to Group companies		6.0	4.3
Liabilities to third parties		0.2	2.3
Current interest-bearing liabilities to third parties	11	375.0	350.0
Deferred income		19.5	9.8
Non-current liabilities			
Long-term interest-bearing liabilities to Group companies		777.0	765.6
Long-term interest-bearing liabilities to third parties	12	1,450.0	1,550.0
Provisions		–	0.7
Liabilities		2,627.7	2,682.8
Share capital		4.9	4.6
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		9.2	7.6
Voluntary retained earnings			
Free reserves		922.3	502.8
Distributable profit:			
– Profit carried forward		0.1	0.1
– Profit for the period		372.3	391.5
Treasury shares	13	–491.3	–9.3
Equity	14	829.3	909.1
Total equity and liabilities		3,457.0	3,591.9

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 / Other short-term receivables

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.

Derivative financial instruments

Derivative financial instruments are generally measured at fair value. Where applicable, the effect of the derivative is offset against the inverse effect of the underlying instrument.

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.

Currency risk
Asset and liability positions in foreign currencies are translated using the closing rate as at the balance sheet date (with the exception of long-term equity investments). The resulting differences are recognised in the income statement. In the case of hedged foreign currency positions, the effect of the underlying instrument is offset against the inverse effect of the derivative hedge instrument.

NOTES TO THE INCOME STATEMENT

2. INCOME FROM INTEREST AND SECURITIES

	2020	2021
CHF million		
Income from treasury shares	19.6	19.5
Interest on loans to Group companies	39.0	38.4
Realized income treasury shares	–	0.3
Other income from interest and securities	0.1	– 0.2
Total income from interest and securities	**58.7**	**58.1**

3. OTHER INCOME

	2020	2021
CHF million		
Sundry other income	8.8	8.2
Total other income	**8.8**	**8.2**

4. ADMINISTRATIVE EXPENSES

	2020	2021
CHF million		
Personnel expenses[1]	– 27.7	– 23.0
Other administrative expenses	– 16.1	– 16.0
Total administrative expenses	**– 43.8**	**– 39.0**

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

5. INTEREST EXPENSES

	2020	2021
CHF million		
Interest on bonds	– 24.4	– 14.9
Other interest expenses	– 6.6	– 7.4
Total interest expenses	**– 31.0**	**– 22.3**

NOTES TO THE BALANCE SHEET

6. RECEIVABLES FROM GROUP COMPANIES

CHF million	31.12.2020	31.12.2021
Dividends	377.4	323.1
Other receivables	30.7	22.3
Total receivables from Group companies	408.1	345.5

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2021 financial year as accrued income:

- 25 February 2022: Baloise Bank SoBa AG, Solothurn
- 15 March 2022: Baloise Asset Management AG, Basel and Baloise Asset Management International AG, Basel
- 22 March 2022: Basler Versicherung AG, Basel and Basler Leben AG, Basel
- 24 March 2022: Haakon AG, Basel

7. OTHER SHORT-TERM RECEIVABLES

CHF million	31.12.2020	31.12.2021
Short-term promissory note loans	–	80.0
Total other short-term receivables	–	80.0

8. LOANS TO GROUP COMPANIES

CHF million	31.12.2020	31.12.2021
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Bâloise (Luxembourg) Holding S.A.	284.6	284.6
Subordinated loans to Baloise Belgium NV	411.2	394.3
Subordinated loans to Bâloise Vie Luxembourg S.A.	–	72.6
Loans to Bâloise (Luxembourg) Holding S.A.	283.7	283.7
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	42.3	40.5
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	87.0	43.0
Total loans to Group companies	1,148.8	1,158.8

9. OTHER INVESTMENTS

The item 'Other investments' includes an internal derivative hedge instrument that is measured at fair value.

10. LONG-TERM EQUITY INVESTMENTS

	Total shareholding as at 31.12.2020 (with voting rights)	Total shareholding as at 31.12.2021 (with voting rights)		Share capital as at 31.12.2021	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 AG, Basel	100.00	100.00	CHF	1.0	1.0
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
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
Baloise Participation Holding AG, Basel	–	100.00	CHF	0.1	0.1
AboDeinAuto GmbH, Brandenburg an der Havel (Deutschland)	83.00	–	EUR	–	–
BEN Fleet Services GmbH, Karlsruhe (Deutschland)	37.05	–	EUR	–	–

1 Investments stated as a percentage are rounded down.

11. CURRENT INTEREST-BEARING LIABILITIES TO THIRD PARTIES

31.12.2021	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 19 469 508	2.000 %	12.10.2012	12.10.2022	150.0
Bond 49 669 296	0.000 %	25.09.2019	23.09.2022	200.0
Total current interest-bearing liabilities				350.0

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

31.12.2021	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
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 49 669 297	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 55 333 181	0.250 %	16.07.2020	16.12.2026	175.0
Bond 55 333 182	0.500 %	16.07.2020	16.12.2030	125.0
Bond 59 364 106	0.150 %	15.02.2021	17.02.2031	250.0
Bond 113 081 883	0.125 %	27.09.2021	27.06.2030	200.0
Total long-term interest-bearing liabilities				**1,550.0**

13. TREASURY SHARES

2020	Low in CHF	High in CHF	Average share price (CHF)	Number of registered shares
Balance as at 1 January				**2,503,093**
Purchases	105.70	183.30	162.76	625,027
Sales				0
Reduction of share capital				0
Disposals in connection with share participation programmes				– 48,777
Balance as at 31 December				**3,079,343**

2021	Low in CHF	High in CHF	Average share price (CHF)	Number of registered shares
Balance as at 1 January				**3,079,343**
Purchases	136.00	162.70	147.42	38,000
Sales				0
Reduction of share capital				– 3,000,000
Disposals in connection with share participation programmes				– 41,428
Balance as at 31 December				**75,915**

14. CHANGES IN EQUITY

2020	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	8.3	683.2	552.5	– 397.7	862.9
Allocation 2020	–	–	–	240.0	– 240.0	–	–
Dividend	–	–	–	–	– 312.3	–	– 312.3
Additions	–	–	–	–	–	–	–
Reduction of share capital	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	– 93.6	– 93.6
Recognition / reversal	–	–	0.9	– 0.9	–	–	–
Profit for the period	–	–	–	–	372.3	–	372.3
Balance as at 31 December	4.9	11.7	9.2	922.3	372.5	– 491.3	829.3

2021	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	9.2	922.3	372.5	– 491.3	829.3
Allocation 2021	–	–	–	60.0	– 60.0	–	–
Dividend	–	–	–	–	– 312.3	–	– 312.3
Additions	–	–	–	–	–	–	–
Reduction of share capital	– 0.3	–	–	– 481.1	–	481.4	–
Change in treasury shares	–	–	–	–	–	0.6	0.6
Recognition / reversal	–	–	– 1.5	1.5	–	–	–
Profit for the period	–	–	–	–	391.5	–	391.5
Balance as at 31 December	4.6	11.7	7.6	502.8	391.6	– 9.3	909.1

15. 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 2021:

	Total shareholding as at 31.12.2020[1]	Share of voting rights as at 31.12.2020[2]	Total shareholding as at 31.12.2021[1]	Share of voting rights as at 31.12.2021[2]
Per cent				
Shareholders				
Chase Nominees Ltd.[3]	7.5	2.0	5.8	2.0
BlackRock Inc.	›5.0	1.0	›5.0	‹2.0
UBS Fund Management AG	›3.0	2.0	›3.0	2.0
LSV Asset Management	›3.0	0.0	›3.0	0.0
Nortrust Nominees Ltd.[3]	3.0	0.0	2.6	0.0
Norges Bank	›3.0	0.0	›3.0	0.0
Bank of New York Mellon N.V.[3]	2.3	0.0	2.3	0.0
Credit Suisse Funds AG	›3.0	2.0	›3.0	2.0

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.

16. CONTINGENT LIABILITIES

	31.12.2020	31.12.2021
CHF million		
Collateral, guarantee commitments	502.2	500.0

Bâloise Holding Ltd has issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Bâloise Holding Ltd, Basel, has undertaken 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 RentaProtect Time and RentaSafe Time (D-CHF) products that were sold by Baloise Life (Liechtenstein) AG. The maximum obligation amounts to the present value of the outstanding guaranteed insurance benefits as at 31 December 2020. With effect from 1 July 2020, the portfolio of customers from Switzerland using such products was transferred from Baloise Life (Liechtenstein) AG to Baloise Life Ltd. The letter of comfort continues to apply to the transferred policies. The portfolio of customers from other countries, especially those from European countries, remained with Baloise Life (Liechtenstein) AG. As at the balance sheet date, the expected insurance benefits were fully backed by customer deposit accounts governed by individual agreements, reinsurance contracts and additional reserves.

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 is making cash and cash equivalents of EUR 58 million available to Basler Sachversicherungs-Aktiengesellschaft for ten years. If needed, Basler Sachversicherungs-Aktiengesellschaft can obtain this money in the form of a loan.

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.

17. 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 57 to 79 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.

18. NET REVERSAL OF HIDDEN RESERVES

No hidden reserves were reversed during the reporting period or in 2020.

19. 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.

20. EVENTS AFTER THE BALANCE SHEET DATE

On 16 February 2022, Bâloise Holding Ltd issued a bond with a total volume of CHF 200 million and a coupon of 0.30 per cent (maturity period: 2022–2027, ISIN CH1148728210) as part of its funding activities.

By the time that these annual financial statements had been completed on 22 March 2022, 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 391,510,151.81.

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.

	2020	2021
CHF		
Profit for the period	372,317,275.70	391,510,151.81
Profit carried forward from the previous year	139,027.21	136,302.91
Distributable profit	**372,456,302.91**	**391,646,454.72**
Proposals by the Board of Directors:		
Dividend	– 312,320,000.00	– 320,600,000.00
Allocated to free reserves	– 60,000,000.00	– 71,000,000.00
Withdrawn from free reserves	–	–
Profit to be carried forward	**136,302.91**	**46,454.72**

The appropriation of profit is consistent with section 36 of the Articles of Incorporation. Each share confers the right to receive a dividend of CHF 7.00 gross or CHF 4.55 net of withholding tax.

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To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 23 March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements (pages 240-250) of Bâloise Holding Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2021.

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 2021 comply with Swiss law and the company's articles of incorporation.

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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 1.9 bn as of 31 December 2021 and represent the most important balance of a total balance sheet of CHF 3.6 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.
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 2021. Based on our audit procedures we did not identify exceptions with regard to the valuation of long-term equity investments.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 267 “Information on the Baloise Group” referencing the fact that only the German text of the annual report is legally binding.

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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 for the period 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.

- **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 income taxes and deferred 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

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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 2021 Annual Review and Annual Report and the Summary of the 2021 Annual Report will be available from 29 March 2022 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

29 APRIL 2022
Annual General Meeting
Bâloise Holding Ltd

25 AUGUST 2022
Half-year financial results
Conference call for analysts and the media
Publication of the 2022 half-year report

9 MARCH 2023
Preliminary annual financial results
Media conference
Conference call for analysts

28 MARCH 2023
Annual Report
Publication of the 2022 annual report

28 APRIL 2023
Annual General Meeting
Bâloise Holding Ltd

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